**QAD Inc.**
**Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)**
**(in thousands, except per share data)**
**(unaudited)**

| | Three Months Ended April 30, 2018 | 2017 |
|---|---|---|
| Revenue: | | |
| Subscription | $ 21,511 | $ 15,343 |
| License | 6,266 | 5,265 |
| Maintenance and other | 31,483 | 31,906 |
| Professional services | 26,930 | 18,868 |
| Total revenue | 86,190 | 71,382 |
| Cost of revenue: | | |
| Subscription | 8,228 | 7,720 |
| License | 664 | 685 |
| Maintenance and other | 7,865 | 7,694 |
| Professional services | 24,310 | 18,767 |
| Total cost of revenue | 41,067 | 34,866 |
| Gross profit | 45,123 | 36,516 |
| Operating expenses: | | |
| Sales and marketing | 19,946 | 17,587 |
| Research and development | 14,006 | 11,532 |
| General and administrative | 9,362 | 8,593 |
| Amortization of intangibles from acquisitions | 0 | 163 |
| Total operating expenses | 43,314 | 37,875 |
| Operating income (loss) | 1,809 | (1,359) |
| Other (income) expense: | | |
| Interest income | (524) | (168) |
| Interest expense | 157 | 156 |
| Other (income) expense, net | (404) | 604 |
| Total other (income) expense, net | (771) | 592 |
| Income (loss) before income taxes | 2,580 | (1,951) |
| Income tax expense | 1,183 | 620 |
| Net income (loss) | $ 1,397 | $ (2,571) |
| Net income (loss) | $ 1,397 | $ (2,571) |
| Other comprehensive income, net of tax: | | |
| Foreign currency translation adjustments | (510) | 640 |
| Total comprehensive income (loss) | $ 887 | $ (1,931) |
| Diluted income (loss) per share | | |
| Class A | $ 0.07 | $ (0.14) |
| Class B | $ 0.06 | $ (0.12) |
| Diluted Weighted Shares | | |

| | | |
|---|---|---|
| Class A | 17,826 | 15,809 |
| Class B | 3,414 | 3,210 |

**QAD Inc.**
**Condensed Consolidated Balance Sheets**
**(in thousands)**
**(unaudited)**

| | April 30, 2018 | January 31, 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and equivalents | $ 144,389 | $ 147,023 |
| Accounts receivable, net | 56,910 | 83,518 |
| Other current assets | 23,538 | 15,856 |
| Total current assets | 224,837 | 246,397 |
| Property and equipment, net | 30,184 | 30,408 |
| Capitalized software costs, net | 1,050 | 990 |
| Goodwill | 10,974 | 11,023 |
| Long-term deferred tax assets, net | 13,057 | 7,944 |
| Other assets, net | 11,146 | 3,055 |
| Total assets | $ 291,248 | $ 299,817 |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 471 | $ 466 |
| Accounts payable and other current liabilities | 44,022 | 58,278 |
| Deferred revenue | 103,369 | 116,693 |
| Total current liabilities | 147,862 | 175,437 |
| Long-term debt | 13,194 | 13,313 |
| Other liabilities | 4,883 | 5,439 |
| Stockholders' equity: | | |
| Common stock | 20 | 20 |
| Additional paid-in capital | 196,058 | 200,456 |
| Treasury stock | (10,035) | (12,461) |
| Accumulated deficit | (53,396) | (75,559) |
| Accumulated other comprehensive loss | (7,338) | (6,828) |
| Total stockholders' equity | 125,309 | 105,628 |
| Total liabilities and stockholders' equity | $ 291,248 | $ 299,817 |

**QAD Inc.**
**Condensed Consolidated Statements of Cash Flows**
**(in thousands)**
**(unaudited)**

| | Three Months Ended April 30, 2018 | Three Months Ended April 30, 2017 |
|---|---|---|
| Net cash provided by operating activities | $ 3,785 | $ 7,882 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (1,093) | (652) |
| Capitalized software costs | (179) | (143) |
| Net cash used in investing activities | (1,272) | (795) |

| | 2018 | 2017 |
|---|---|---|
| Cash flows from financing activities: | | |
| Repayments of debt | (117) | (129) |
| Tax payments related to stock awards | (4,078) | (170) |
| Net cash used in financing activities | (4,195) | (299) |
| Effect of exchange rates on cash and equivalents | (952) | 1,478 |
| Net (decrease) increase in cash and equivalents | (2,634) | 8,266 |
| Cash and equivalents at beginning of period | 147,023 | 145,082 |
| Cash and equivalents at end of period | $ 144,389 | $ 153,348 |

**QAD Inc.**
**Reconciliation of GAAP to Non-GAAP Financial Measures**
**(in thousands)**
**(unaudited)**

| | Three Months Ended April 30, | |
|---|---|---|
| | **2018** | **2017** |
| Total revenue | $ 86,190 | $ 71,382 |
| Net income (loss) | 1,397 | (2,571) |
| Add back: | | |
| Net interest income | (367) | (12) |
| Depreciation | 1,200 | 1,104 |
| Amortization | 159 | 416 |
| Income tax expense | 1,183 | 620 |
| EBITDA | $ 3,572 | $ (443) |
| Add back: | | |
| Stock-based compensation expense | 2,106 | 1,768 |
| Change in fair value of interest rate swap | (117) | (13) |
| Adjusted EBITDA | $ 5,561 | $ 1,312 |
| Adjusted EBITDA margin | 6% | 2% |
| Non-GAAP pre-tax income reconciliation | | |
| Income (loss) before income taxes | $ 2,580 | $ (1,951) |
| Add back | | |
| Stock-based compensation expense | 2,106 | 1,768 |
| Amortization of purchased intangible assets | - | 342 |
| Change in fair value of interest rate swap | (117) | (13) |
| Non-GAAP income before income taxes | $ 4,569 | $ 146 |
| Estimated income tax expense on GAAP earnings | $ 1,112 | $ 648 |