

**QAD Inc.**  
**Condensed Consolidated Statements of Income**  
(In thousands, except per share data)  
(unaudited)

|                                     | <b>Three Months Ended</b> |                 | <b>Nine Months Ended</b> |                 |
|-------------------------------------|---------------------------|-----------------|--------------------------|-----------------|
|                                     | <b>October 31,</b>        |                 | <b>October 31,</b>       |                 |
|                                     | <b>2012</b>               | <b>2011</b>     | <b>2012</b>              | <b>2011</b>     |
| Revenue:                            |                           |                 |                          |                 |
| License fees                        | \$ 6,996                  | \$ 7,216        | \$ 21,767                | \$ 22,110       |
| Maintenance and other               | 34,799                    | 34,011          | 103,205                  | 103,742         |
| Subscription fees                   | 3,815                     | 2,283           | 10,783                   | 6,813           |
| Professional services               | 16,099                    | 17,223          | 50,631                   | 49,428          |
| Total revenue                       | <u>61,709</u>             | <u>60,733</u>   | <u>186,386</u>           | <u>182,093</u>  |
| Cost of revenue:                    |                           |                 |                          |                 |
| License                             | 969                       | 1,248           | 2,682                    | 3,283           |
| Maintenance, subscription and other | 10,018                    | 8,841           | 30,359                   | 26,683          |
| Professional services               | 15,544                    | 16,066          | 47,128                   | 49,095          |
| Total cost of revenue               | <u>26,531</u>             | <u>26,155</u>   | <u>80,169</u>            | <u>79,061</u>   |
| Gross profit                        | 35,178                    | 34,578          | 106,217                  | 103,032         |
| Operating expenses:                 |                           |                 |                          |                 |
| Sales and marketing                 | 14,747                    | 13,974          | 44,990                   | 42,327          |
| Research and development            | 9,697                     | 8,811           | 28,441                   | 26,531          |
| General and administrative          | 7,654                     | 7,495           | 24,194                   | 22,605          |
| Total operating expenses            | <u>32,098</u>             | <u>30,280</u>   | <u>97,625</u>            | <u>91,463</u>   |
| Operating income                    | 3,080                     | 4,298           | 8,592                    | 11,569          |
| Other (income) expense:             |                           |                 |                          |                 |
| Interest income                     | (139)                     | (188)           | (466)                    | (470)           |
| Interest expense                    | 159                       | 305             | 775                      | 862             |
| Other (income) expense, net         | 376                       | (41)            | 914                      | 421             |
| Total other (income) expense        | <u>396</u>                | <u>76</u>       | <u>1,223</u>             | <u>813</u>      |
| Income before income taxes          | 2,684                     | 4,222           | 7,369                    | 10,756          |
| Income tax expense                  | 859                       | 1,212           | 2,741                    | 3,656           |
| Net income                          | <u>\$ 1,825</u>           | <u>\$ 3,010</u> | <u>\$ 4,628</u>          | <u>\$ 7,100</u> |
| Diluted Net Income per Share        |                           |                 |                          |                 |
| Class A                             | \$ 0.12                   | \$ 0.19         | \$ 0.29                  | \$ 0.44         |
| Class B                             | \$ 0.10                   | \$ 0.15         | \$ 0.25                  | \$ 0.37         |
| Diluted Weighted Shares             |                           |                 |                          |                 |
| Class A                             | 13,016                    | 13,382          | 13,107                   | 13,286          |
| Class B                             | 3,260                     | 3,301           | 3,272                    | 3,292           |

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

|   | <b>October 31,</b>    | <b>January 31,</b>    |
|---|-----------------------|-----------------------|
|   | <b>2012</b>           | <b>2012</b>           |
|   | <u>          </u>     | <u>          </u>     |
| <b>Assets</b>                                   |                       |                       |
| Current assets:                                 |                       |                       |
| Cash and equivalents                            | \$ 69,702             | \$ 76,927             |
| Accounts receivable, net                        | 40,259                | 64,757                |
| Deferred tax assets, net                        | 4,364                 | 4,355                 |
| Other current assets                            | 10,457                | 11,853                |
| Total current assets                            | <u>124,782</u>        | <u>157,892</u>        |
| Property and equipment, net                     | 32,840                | 33,139                |
| Capitalized software costs, net                 | 2,435                 | 583                   |
| Goodwill  | 8,911                 | 6,412                 |
| Long-term deferred tax assets, net              | 17,393                | 17,285                |
| Other assets, net                               | <u>4,111</u>          | <u>2,834</u>          |
| <br>Total assets                                | <br><u>\$ 190,472</u> | <br><u>\$ 218,145</u> |
| <br><b>Liabilities and stockholders' equity</b> |                       |                       |
| Current liabilities:                            |                       |                       |
| Current portion of long-term debt               | \$ 377                | \$ 321                |
| Accounts payable and other current liabilities  | 36,657                | 40,823                |
| Deferred revenue                                | 71,031                | 93,871                |
| Total current liabilities                       | <u>108,065</u>        | <u>135,015</u>        |
| Long-term debt                                  | 15,567                | 15,813                |
| Other liabilities                               | 6,195                 | 5,302                 |
| Stockholders' equity:                           |                       |                       |
| Common stock                                    | 18                    | 18                    |
| Additional paid-in capital                      | 148,950               | 148,993               |
| Treasury stock                                  | (29,906)              | (27,968)              |
| Accumulated deficit                             | (48,989)              | (48,974)              |
| Accumulated other comprehensive loss            | (9,428)               | (10,054)              |
| Total stockholders' equity                      | <u>60,645</u>         | <u>62,015</u>         |
| <br>Total liabilities and stockholders' equity  | <br><u>\$ 190,472</u> | <br><u>\$ 218,145</u> |

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

|   | <b>Nine Months Ended</b> |             |
|---|--------------------------|-------------|
|   | <b>October 31,</b>       |             |
|   | <b>2012</b>              | <b>2011</b> |
| Net cash provided by operating activities                 | \$ 10,723                | \$ 13,052   |
| Cash flows from investing activities:                     |                          |             |
| Purchase of property and equipment                        | (2,534)                  | (2,593)     |
| Capitalized software costs                                | (374)                    | (167)       |
| Acquisition of businesses, net of cash acquired           | (4,713)                  | (107)       |
| Other, net  | -                        | 21          |
| Net cash used in investing activities                     | (7,621)                  | (2,846)     |
| Cash flows from financing activities:                     |                          |             |
| Repayments of debt  | (214)                    | (226)       |
| Tax payments, net of proceeds, related to stock awards    | (1,114)                  | (642)       |
| Excess tax benefits from share-based payment arrangements | 171                      | 24          |
| Repurchase of stock                                       | (6,025)                  | (569)       |
| Dividends paid in cash                                    | (2,763)                  | (1,431)     |
| Net cash used in financing activities                     | (9,945)                  | (2,844)     |
| Effect of exchange rates on cash and equivalents          | (382)                    | 417         |
| Net (decrease) increase in cash and equivalents           | (7,225)                  | 7,779       |
| Cash and equivalents at beginning of period               | 76,927                   | 67,276      |
| Cash and equivalents at end of period                     | \$ 69,702                | \$ 75,055   |