

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

	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2013	2012	2013	2012
Revenue:				
License fees	\$ 6,761	\$ 6,996	\$ 21,583	\$ 21,767
Maintenance and other	35,629	34,799	105,084	103,205
Subscription fees	5,104	3,815	13,601	10,783
Professional services	18,166	16,099	52,513	50,631
Total revenue	<u>65,660</u>	<u>61,709</u>	<u>192,781</u>	<u>186,386</u>
Cost of revenue:				
License	1,158	969	3,171	2,682
Maintenance, subscription and other	11,399	10,018	33,508	30,359
Professional services	16,348	15,544	49,628	47,128
Total cost of revenue	<u>28,905</u>	<u>26,531</u>	<u>86,307</u>	<u>80,169</u>
Gross profit	<u>36,755</u>	<u>35,178</u>	<u>106,474</u>	<u>106,217</u>
Operating expenses:				
Sales and marketing	15,183	14,747	47,089	44,990
Research and development	9,817	9,697	31,131	28,441
General and administrative	7,776	7,566	24,153	24,049
Amortization of intangibles from acquisitions	178	88	531	145
Total operating expenses	<u>32,954</u>	<u>32,098</u>	<u>102,904</u>	<u>97,625</u>
Operating income	<u>3,801</u>	<u>3,080</u>	<u>3,570</u>	<u>8,592</u>
Other (income) expense:				
Interest income	(55)	(139)	(225)	(466)
Interest expense	218	159	630	775
Other (income) expense, net	209	376	(873)	914
Total other (income) expense, net	<u>372</u>	<u>396</u>	<u>(468)</u>	<u>1,223</u>
Income before income taxes	3,429	2,684	4,038	7,369
Income tax expense	1,380	859	1,998	2,741
Net income	<u>\$ 2,049</u>	<u>\$ 1,825</u>	<u>\$ 2,040</u>	<u>\$ 4,628</u>
Diluted Net Income per Share				
Class A	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.29
Class B	\$ 0.11	\$ 0.10	\$ 0.11	\$ 0.25
Diluted Weighted Shares				
Class A	12,990	13,016	12,930	13,107
Class B	3,235	3,260	3,234	3,272

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

	October 31,	January 31,
	2013	2013
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash and equivalents	\$ 65,799	\$ 65,009
Accounts receivable, net	44,522	72,564
Deferred tax assets, net	4,287	4,414
Other current assets	12,914	13,806
Total current assets	<u>127,522</u>	<u>155,793</u>
Property and equipment, net	33,519	32,526
Capitalized software costs, net	3,475	4,180
Goodwill	11,385	11,412
Long-term deferred tax assets, net	15,855	16,431
Other assets, net	5,042	5,606
	<u> </u>	<u> </u>
Total assets	<u>\$ 196,798</u>	<u>\$ 225,948</u>
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 384	\$ 372
Accounts payable and other current liabilities	36,971	43,952
Deferred revenue	78,933	101,193
Total current liabilities	<u>116,288</u>	<u>145,517</u>
Long-term debt	15,183	15,474
Other liabilities	5,917	6,759
Stockholders' equity:		
Common stock	18	18
Additional paid-in capital	150,962	149,777
Treasury stock	(28,946)	(31,093)
Accumulated deficit	(54,718)	(52,468)
Accumulated other comprehensive loss	(7,906)	(8,036)
Total stockholders' equity	<u>59,410</u>	<u>58,198</u>
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	<u>\$ 196,798</u>	<u>\$ 225,948</u>

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

	Nine Months Ended	
	October 31,	
	2013	2012
Net cash provided by operating activities	\$ 11,575	\$ 10,723
Cash flows from investing activities:		
Purchase of property and equipment	(3,997)	(2,534)
Acquisition of businesses, net of cash acquired	-	(4,713)
Capitalized software costs	(217)	(374)
Other, net	31	-
Net cash used in investing activities	<u>(4,183)</u>	<u>(7,621)</u>
Cash flows from financing activities:		
Repayments of debt	(279)	(214)
Tax payments, net of proceeds, related to stock awards	(894)	(1,114)
Excess tax benefits from share-based payment arrangements	82	171
Repurchase of stock	(686)	(6,025)
Dividends paid in cash	(4,209)	(2,763)
Net cash used in financing activities	<u>(5,986)</u>	<u>(9,945)</u>
Effect of exchange rates on cash and equivalents	(616)	(382)
Net increase (decrease) in cash and equivalents	790	(7,225)
Cash and equivalents at beginning of period	65,009	76,927
Cash and equivalents at end of period	<u>\$ 65,799</u>	<u>\$ 69,702</u>