



Putting the  
**Customer First**



2008 QAD ANNUAL REPORT



it's about everyone in the  
**enterprise**

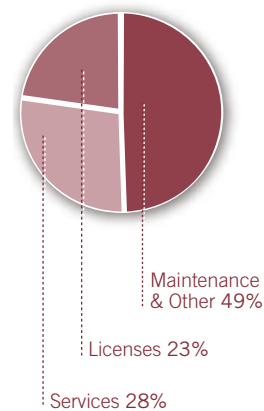
joining together

FISCAL YEARS ENDED JANUARY 31

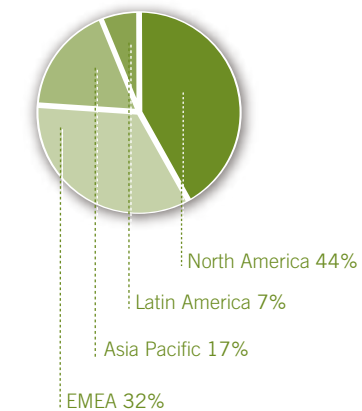
Amounts in thousands, except per share data

	2008	2007	2006
<b>FINANCIAL HIGHLIGHTS:</b>			
Total revenue	\$262,747	\$235,587	\$225,494
Net income	5,416	7,276	20,539
Diluted earnings per share	0.17	0.22	0.61
Cash, cash equivalents and restricted cash	45,613	56,804	59,971
Total debt	17,272	17,543	17,789
Cash flow from operations	15,875	18,876	28,567

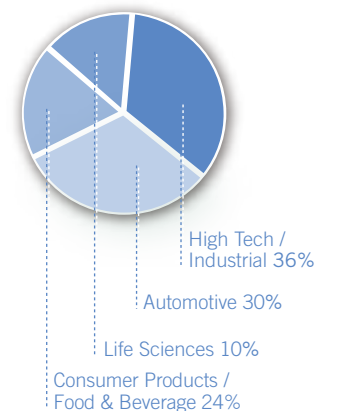
FY08 REVENUE BY CATEGORY



FY08 REVENUE BY REGION



FY08 REVENUE BY VERTICAL MARKET



**ABOUT QAD:** QAD provides innovative enterprise software applications for leading global manufacturing companies. QAD applications are designed to simplify the management and enhance the efficiency of manufacturing resources and operations both within and beyond the enterprise, enabling companies throughout the world to collaborate with their customers, suppliers and partners.

# Letter to Our Shareholders

Dear Shareholders: Fiscal 2008 was a year of significant momentum for QAD as we continued to strengthen our solutions to provide increasing value to our global manufacturing customers. Our expanded product suite provides manufacturers around the world with more functionality to help improve their efficiency, increase their competitive position and better meet customer demand.

Our product vision and direction is based on our deep understanding of the industries we serve and the ongoing input that we receive from our customers through our vertical industry groups, user groups, customer insight program, and our services and support organizations. We deliver our solutions either via internal development efforts, or by acquiring solutions with proven functionality that fit our product roadmap. This has enabled us to maintain our edge and ensure our customers get the best software to address their needs and give them a competitive advantage.

Our customers have long depended on QAD to provide solutions tailored to their needs based on our long-standing and deep-rooted expertise in the manufacturing sector, our steadfast focus on key vertical markets and our product and service flexibility. Now, more than ever, in a constantly changing and sometimes challenging environment, they are looking to QAD for value-added products and services that not only support their long-term growth, but can be quickly and easily implemented, while delivering a high return on investment. Our unique ability to meet this demand for manufacturers of all sizes around

the world, has helped QAD grow its installed base to 6,100 licensed sites, across more than 90 countries in as many as 27 different languages. QAD is making a substantial impact on improving the manufacturing lifecycle through our commitment to the future of global manufacturing.

## **Record Revenue and Positive Momentum**

By broadening our product suite, delivering strong services capabilities and continuing to focus on sales and business process execution, QAD achieved revenue of \$262.7 million in fiscal 2008...the highest level in the company's history. License

fees contributed 23 percent to the total, services revenue accounted for 28 percent, and maintenance and other revenue generated 49 percent. Revenue from products and services acquired last year added approximately \$13.9 million to our fiscal 2008 total. During fiscal 2008, we closed 30 transactions each greater than \$1.0 million, nine of which were valued at \$2.0 million or more and two of which were valued at \$4.0 million or more.

Operating income was \$5.6 million in fiscal 2008, compared with \$8.1 million in the prior year. Fiscal 2008 operating income was affected by several factors including the fiscal 2007 acquisitions of FBO Systems, Inc, Precision Software Limited and Soft Cell N.V. We also better aligned our sales teams to strengthen their vertical focus and conducted training to improve their knowledge

of industry-specific functionality requirements to maximize their effectiveness, particularly with respect to the products we acquired. We believe this investment paid off quickly as we strengthened our sales funnel through the remainder of the year. QAD is now in a great position to successfully market our enterprise-level offering to the world's leading manufacturers.

Net income was \$5.4 million, or \$0.17 per diluted share in fiscal 2008, compared with \$7.3 million, or \$0.22 per diluted share, last year. For the ninth consecutive year we generated positive annual cash flow from operations including \$15.9 million in fiscal 2008.

During the year, we maintained our commitment to maximizing long-term shareholder value. In fiscal 2008, we purchased approximately 2.2 million

shares of QAD common stock for a total of \$18.7 million, continuing the belief that our company's stock represents a solid long-term investment. At the same time, we returned an additional \$3.2 million in cash to our shareholders through regular, quarterly dividend payments.

## **Developing a Unique and Powerful Capability**

Our efforts in fiscal 2008 focused heavily on expanding and filling out our product line in keeping with our mission of providing an enterprise-level solution to our customers that helps strengthen and improve their competitiveness.

Early in the year we launched QAD Enterprise Applications 2007 (QAD 2007), the latest release of our long-standing enterprise suite.

focused on global manufacturers

QAD Enterprise Applications not only provides enhanced functionality that allows global manufacturers to better manage supply and demand chains, enterprise assets, and transportation and logistics, it streamlines communication and improves manufacturing productivity in a deployment-independent software suite. Our new On Demand functionality significantly reduces the uncertainty, risk and expense of the delivery, maintenance and upgrades of mission-critical software applications, while providing leading-edge expertise and service for our customers.

Throughout fiscal 2008, we took added steps to help global manufacturers improve visibility into their overall operations. We enhanced the functionality of QAD 2007 with robust solutions for transportation management, enterprise asset management and supply visualization,

and are providing our customers with important catalysts for improving their efficiency and business oversight.

Going into fiscal 2009 we are squarely committed to enhancing our total enterprise capability, increasing usability and further sharpening our vertical focus. After a successful completion of our early adopter program, QAD Enterprise Financials will be made more widely available this year. This complete solution for managing manufacturers' financial operations is expected to become the standard financial package we ship to customers. Developed with deep insight into our customers' business requirements, QAD 2008 is easy-to-use, quick to implement and intuitive for users to learn, making it a powerful solution that can meet ever-changing requirements wherever our customers do business.

Throughout the world, manufacturers

are seeking new ways to succeed in a dynamic market. They are searching for solutions that enhance their competitiveness and allow them to meet their customers' demand for quality products. More importantly, they are focused on improving efficiency, reducing costs and mitigating risk. QAD is well positioned to meet all of these needs by providing solutions that are highly functional, flexible and easy to use.

#### **Strengthening Our Board**

We added two independent directors to our board in fiscal 2008: Terry Cunningham, former President and Chief Operating Officer of Veritas Software Company and current Chief Executive Officer of Coral8, and Lee Roberts, former Chairman and Chief Executive Officer of FileNet Corporation and currently employed by IBM. These well respected software industry veterans are a good

complement to our strong board and are already proving quite valuable to us as QAD continues to identify additional opportunities to provide innovative, leading-edge solutions to our manufacturing customers around the world. We look forward to their ongoing collaboration.

#### **With Sincere Thanks**

As we continue to find new ways to provide ever increasing value and support to our customers, we remain focused on the main tenet under which QAD was founded ... helping our customers achieve excellence in their manufacturing operations.

It takes a large, talented team to make this mission a reality so we thank all of you for your ongoing support and loyalty.

Sincerely,



**Karl F. Lopker**  
Chief Executive Officer



**Pamela M. Lopker**  
Chairman of the Board and President



putting our customers first

## A DIFFERENT KIND OF COMPANY, A BETTER CUSTOMER EXPERIENCE

QAD was founded in 1979 to develop software explicitly for global manufacturing companies, guided by a single goal: to improve their efficiency.

That is exactly what we've been doing ever since: improving customers' efficiency by delivering an innovative and evolving set of products and services to accommodate their ever-changing requirements and

needs. The capabilities of our solutions serve the extended manufacturing enterprise, from the shop floor all the way to the executive suite. At the same time, we are focused on two critical goals: delivering the best customer experience and deploying software that is a pleasure to use.

To meet those goals, we need a unique understanding of the needs of global manufacturers. That's why we

forge partnerships with our customers, who have become an integral component of our development process. Customers win by getting solutions that improve their efficiency and catalyze their success. We win by enhancing our ability to serve a growing set of manufacturing customers in multiple industries around the world.

The initiatives we're pursuing are strengthening our partnerships with customers and extending our reach into the global enterprise. We are engaged in an ongoing process of building a different kind of company and delivering a better kind of customer experience.

# improve efficiency catalyze success

### QAD FOCUSES ON THE NEEDS OF THE PRODUCTION MANAGER:

*I'm constantly under pressure to reduce costs, improve quality and get new products tooled and into production faster. I need systems that let me embrace new principles, adapt and change my processes quickly and accurately, and measure my performance.*

Different users have  
different needs.

But when every user works within  
the same system, the whole really is  
greater than the sum of the parts.



## SERVING THE ENTERPRISE

In today's global, networked environment, every element and every level of the enterprise should be connected with every link in the supply chain. Enabling this kind of visibility and interconnectedness underlies QAD's long-term commitment to building a solution that delivers "Total Enterprise Capability."

What is Total Enterprise Capability? It's everything a customer needs to run a business globally. For manufacturers, this means enabling the "Perfect Lean Market," a holistic framework for automating and managing information flows throughout the extended enterprise. Our solution, QAD Enterprise Applications, delivers the right information to the right person at the right time.

This solution addresses every major requirement of manufacturing companies, including customer management; service and support; manufacturing processes and operations; supply chain management and logistics; and the analytics required to understand and manage the entire organization.

In recent years, we've extended the capabilities of QAD Enterprise Applications to include more key functionality like the inclusion of enterprise asset management, global transportation management, customer relationship management and many other key capabilities. And in fiscal 2009, we are introducing the next evolution of our financial suite, QAD Enterprise Financials, a complete solution of software, services and support for accounting and financial operations at every level of the enterprise.

## SERVING THE CUSTOMER

QAD Enterprise Applications provides an extensive set of capabilities and functionality. Our customers also appreciate how our software is constructed and deployed, as well as the service and support that transform our software into a true solution.

**Human Engineering:** Our products are built for the end-user. We pride ourselves on building products that are intuitive and simple to learn, highly functional and enjoyable to use.

**Global Platform:** QAD Enterprise Applications are built using a "Domain" architecture that supports simple global deployment, allowing customers to choose between centralized or decentralized environments and

to accommodate local language, legislative and regulatory issues.

**Deployment Independence:** Customers can deploy QAD Enterprise Applications on premise, on appliance, or on demand. Software on demand is particularly valuable for customers seeking flexibility and efficiency who do not want to carry the burden of supporting their own IT infrastructure.

**Service Oriented Architecture:** Open systems are an essential feature of today's software, and QAD Enterprise Applications are built on a Service Oriented Architecture (SOA) that makes them open, flexible and interoperable. SOA also makes integration easy and cost-effective.



### QAD FOCUSES ON THE NEEDS OF THE LOGISTICS MANAGER:

*I want a system that makes my job easier and me more efficient. Not many IT providers understand the true complexity of global logistics, and I want a provider that understands my issues.*

## DELIVERING THE VISION

The combination of manufacturing expertise, enterprise-wide functionality and a great user experience has translated into opportunity for QAD.

Today, customers at more than 6,100 sites in 90 countries around the world rely on QAD solutions to run their

enterprises. We're working hard to serve their needs: to deliver the solutions they require, the user experience they want, and the services and support they deserve. We're succeeding, thanks to our ability to listen and learn from our customers, and thanks to the hard work and dedication of our people.

At the same time, we're working hard to develop software solutions that enable the Perfect Lean Market. That remains our vision: a technology-mediated information flow throughout the extended enterprise. We believe the Perfect Lean Market can and will make manufacturing

enterprises even more flexible and competitive than they are today; we believe that the development and evolution of our software solutions will take us and our customers there.

# helping customers improving results

### QAD FOCUSES ON THE NEEDS OF THE CHIEF FINANCIAL OFFICER:

*I need to ensure we comply with regulations, provide the business with the data it needs and can easily adapt when we grow or change.*



2008 QAD FORM 10-K

## CORPORATE INFORMATION

### EXECUTIVE OFFICERS

Pamela M. Lopker  
*Chairman of the Board  
and President*

Karl F. Lopker  
*Chief Executive Officer*

Daniel Lender  
*Executive Vice President,  
Chief Financial Officer*

Roland B. Desilets  
*Executive Vice President,  
General Counsel and Secretary*

Kara Bellamy  
*Vice President, Corporate Controller  
& Chief Accounting Officer*

### BOARD OF DIRECTORS

Pamela M. Lopker  
*Chairman of the Board  
and President*

Karl F. Lopker  
*Chief Executive Officer*

Scott J. Adelson  
*Senior Managing Director,  
Houlihan, Lokey, Howard & Zuckin*

Terence R. Cunningham  
*Chief Executive Officer, Coral8*

Peter R. van Cuylenburg  
*Independent adviser to  
high-technology companies*

Thomas J. O'Malia  
*Director, Lloyd Greif Center for  
Entrepreneurial Studies at the  
University of Southern California,  
Marshall School of Business*

Lee D. Roberts  
*Vice President & General Manager,  
Content Management, IBM*

### NORTH AMERICA LOCATIONS

California  
Canada  
Colorado  
Georgia  
Illinois  
Michigan  
New Jersey  
Texas

### ASIA PACIFIC LOCATIONS

Australia  
China  
Hong Kong  
India  
Japan  
Korea  
New Zealand  
Singapore  
Thailand

### EUROPE, MIDDLE EAST AND AFRICA LOCATIONS

Belgium  
France  
Germany  
Ireland  
Italy  
Netherlands  
Poland  
Portugal  
South Africa  
Spain  
Switzerland  
Turkey  
United Kingdom

### LATIN AMERICA LOCATIONS

Brazil  
Mexico

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP  
Los Angeles, California

### LEGAL COUNSEL

Manatt, Phelps & Phillips LLP  
Los Angeles, California

### INVESTOR RELATIONS

PondelWilkinson Inc.  
Los Angeles, California  
Tel: 310.279.5980

### TRANSFER AGENT/REGISTRAR

American Stock Transfer & Trust  
New York, New York  
Tel: 212.936.5100

### STOCK INFORMATION

The company's common stock trades on the Nasdaq Global Select Market under the symbol "QADL."

### ANNUAL REPORT ON FORM 10-K

A copy of the company's annual report to the Securities and Exchange Commission on Form 10-K is available without charge upon request to the company's Investor Relations department or from the company's Web site at [www.qad.com](http://www.qad.com).

### ANNUAL MEETING

The annual meeting of shareholders will be held on June 18, 2008 at 3:00 p.m. at QAD Inc., 100 Innovation Place, Santa Barbara, California 93108. Tel: 805.566.6000. A formal Notice of Meeting, Proxy Statement and Proxy will be sent to shareholders.

### DIVIDEND REINVESTMENT PLAN

QAD's dividend reinvestment plan offers shareholders a convenient way to purchase additional QAD common shares through the reinvestment of dividends. For further information concerning the Plan, contact American Stock Transfer & Trust Company by telephone at 888.888.0148 or at [www.amstock.com](http://www.amstock.com).

### QAD CORPORATE HEADQUARTERS

100 Innovation Place  
Santa Barbara, California 93108  
Tel: 805.566.6000

