

American Software Third Quarter of Fiscal 2006 Results

AMERICAN SOFTWARE, INC. Consolidated Statements of Operations (In thousands, except per share data) (Unaudited)

	Third Quarter Ended			Nine Months Ended		
	January 31,			January 31,		
	2006	2005	Pct Chg.	2006	2005	Pct Chg.
Revenues:						
License	\$ 4,952	\$ 3,760	32%	\$ 13,385	\$ 8,864	51%
Services & other	9,110	8,541	7%	24,911	22,957	9%
Maintenance	6,306	5,061	25%	17,872	14,123	27%
Total Revenues	<u>20,368</u>	<u>17,362</u>	<u>17%</u>	<u>56,168</u>	<u>45,944</u>	<u>22%</u>
Cost of Revenues:						
License	747	1,366	(45%)	2,830	3,161	(10%)
Services & other	7,110	6,019	18%	18,602	16,072	16%
Maintenance	1,769	1,705	4%	4,976	4,205	18%
Total Cost of Revenues	<u>9,626</u>	<u>9,090</u>	<u>6%</u>	<u>26,408</u>	<u>23,438</u>	<u>13%</u>
Gross Margin	<u>10,742</u>	<u>8,272</u>	<u>30%</u>	<u>29,760</u>	<u>22,506</u>	<u>32%</u>
Operating expenses:						
Research and development	2,280	2,023	13%	6,627	5,685	17%
Less: capitalized development	(537)	(703)	(24%)	(1,771)	(2,084)	(15%)
Sales and marketing	3,675	3,275	12%	10,311	9,061	14%
General and administrative	3,117	3,066	2%	9,685	7,820	24%
Acquisition related amortization of intangibles	88	79	11%	263	117	125%
Total operating expenses	<u>8,623</u>	<u>7,740</u>	<u>11%</u>	<u>25,115</u>	<u>20,599</u>	<u>22%</u>
Operating earnings	<u>2,119</u>	<u>532</u>	<u>298%</u>	<u>4,645</u>	<u>1,907</u>	<u>144%</u>
Interest income & Other, net	1,371	832	65%	2,689	2,068	30%
Earnings before income taxes and minority interest	<u>3,490</u>	<u>1,364</u>	<u>156%</u>	<u>7,334</u>	<u>3,975</u>	<u>85%</u>
Income tax provision	1,277	1,337	(4%)	2,759	1,337	106%
Minority interest	(226)	23	nm	(745)	43	nm
Net Earnings	<u>\$ 1,987</u>	<u>\$ 50</u>	<u>nm</u>	<u>\$ 3,830</u>	<u>\$ 2,681</u>	<u>43%</u>
Earnings per common share:						
Basic:	<u>\$ 0.08</u>	<u>\$ -</u>	<u>nm</u>	<u>\$ 0.16</u>	<u>\$ 0.11</u>	<u>45%</u>
Diluted:	<u>\$ 0.08</u>	<u>\$ -</u>	<u>nm</u>	<u>\$ 0.15</u>	<u>\$ 0.11</u>	<u>36%</u>
Weighted average number of common shares outstanding:						
Basic	24,088	23,781		24,017	23,679	
Diluted	25,349	25,189		25,229	25,094	
Reconciliation of Adjusted Net Income:						
Net Earnings	\$ 1,987	\$ 50		\$ 3,830	\$ 2,681	
Acquisition related amortization of intangibles	88	79		263	117	
Writedown of minority investment	-	-		160	100	
Minority interest - Logility Tax Benefit	-	-		270	-	
Adjusted Net Earnings	<u>\$ 2,075</u>	<u>\$ 129</u>		<u>\$ 4,523</u>	<u>\$ 2,898</u>	
Adjusted Net Earnings per Diluted Share	<u>\$ 0.08</u>	<u>\$ 0.01</u>		<u>\$ 0.18</u>	<u>\$ 0.12</u>	

nm- not meaningful

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Selected Balance Sheet Items
(in thousands)
(Unaudited)

	January 31,	
	2006	2005
Cash and Short & Long term investments	\$ 58,511	\$ 56,909
Accounts Receivable:		
Billed	12,734	11,220
Unbilled	3,937	2,881
Total Accounts Receivable, net	16,671	14,101
Prepays & Other	3,010	2,779
PP&E, net	7,789	7,675
Capitalized Software, net	6,857	7,310
Goodwill	11,120	10,505
Other Intangibles	2,016	2,250
Non-current Assets	1,565	3,780
Total Assets	\$ 107,539	\$ 105,309
Accounts Payable	\$ 845	\$ 1,374
Other Current Liabilities	7,448	6,366
Dividend Payable	1,694	1,670
Deferred Income Tax Liability	453	-
Deferred Revenues	14,754	13,345
Minority Interest	3,904	4,010
Shareholders' Equity	78,441	78,544
Total Liabilities & Shareholders' Equity	\$ 107,539	\$ 105,309