

## **FOR IMMEDIATE RELEASE**

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## **QUALITY SYSTEMS REPORTS FIRST QUARTER RESULTS**

**IRVINE, Calif.--(BUSINESS WIRE)--August 3, 2005--**Quality Systems, Inc. (NASDAQ: [QSII](#) - [news](#)) today announced the results of operations for its fiscal 2006 first quarter ended June 30, 2005. The Company posted net revenues of \$27.4 million in the first quarter, an increase of 36% from the \$20.1 million generated during the same quarter last year. The Company reported net income of \$5.1 million an increase of 50% over net income of \$3.4 million earned in the comparable quarter of the prior year. Fully diluted earnings per share was \$0.38 in the quarter, an increase of 46% over the fully diluted \$0.26 per share earnings recorded in the same quarter last year.

The revenue and net income results achieved in the quarter were records for the Company. Results in the first quarter were driven by record revenue and profit in the Company's NextGen Healthcare Information Systems division. For the quarter, the Company's NextGen Healthcare Information Systems division posted record revenue of \$23.6 million, up 46% over the same quarter prior year and record operating income of \$8.7 million, up 68% over the same quarter of the prior year.

Quality Systems, Inc. will hold a conference call to discuss first quarter financial results August 3, 2005 at 4:30 p.m. EST (1:30 p.m. PST). To participate in the conference call, please dial the following number five to ten minutes prior to the scheduled conference call time: (877) 586-7724. There is no pass code required for this call. If you are unable to participate in the call at this time, a replay will be available on Wednesday, August 3, 2005 at approximately 7:30 p.m. EST, through Tuesday, August 9, 2005 at midnight EST. To access the replay dial (800) 642-1687 and enter conference ID number 8365651.

A transcript of the conference call will be made available on the QSII Web site ([www.qsii.com](http://www.qsii.com)).

## **About Quality Systems**

Quality Systems, Inc. and its NextGen Healthcare Information Systems subsidiary develop and market computer-based practice management, patient records, and connectivity applications for medical and dental group practices. Visit [www.qsii.com](http://www.qsii.com) and [www.nextgen.com](http://www.nextgen.com) for additional information.

*This news release may contain forward-looking statements within the meaning of the federal securities laws. Statements regarding future events, developments, the Company's future performance, as well as management's expectations, beliefs, intentions, plans, estimates or projections relating to the future (including, without limitation, statements concerning revenue and net income), are forward-looking statements within the meaning of these laws and involve a number of risks and uncertainties. Moreover, these forward-looking statements are subject to a number of risks and uncertainties, some of which are outlined below. As a result, actual results may vary materially from those anticipated by the forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: the volume and timing of systems sales and installations; length of sales cycles and the installation process; the possibility that products will not achieve or sustain market acceptance; seasonal patterns of sales and customer buying behavior; the timing, cost and success or failure of new product and service introductions, development and product upgrade releases; undetected errors or bugs in software; changing economic, political or regulatory influences in the health-care industry; changes in product-pricing policies; availability of third-party products and components; competitive pressures including product offerings, pricing and promotional activities; the Company's ability or inability to attract and retain qualified personnel; possible regulation of the Company's software by the U.S. Food and Drug Administration; uncertainties concerning threatened, pending and new litigation against the Company including related professional services fees; uncertainties concerning the amount and timing of professional fees incurred by the Company generally; changes of accounting estimates and assumptions used to prepare the prior periods' financial statements; general economic conditions; and the risk factors detailed from time to time in Quality Systems' periodic reports and registration statements filed with the Securities and Exchange Commission. A significant portion of the Company's quarterly sales of software product licenses and computer hardware is concluded in the last month of the fiscal quarter, generally with a concentration of such revenues earned in the final ten business days of that month. Due to these and other factors, the Company's revenues and operating results are very difficult to forecast. A major portion of the Company's costs and expenses, such as personnel and facilities, are of a fixed nature and, accordingly, a shortfall or decline in quarterly and/or annual revenues typically results in lower profitability or losses. As a result, comparison of the Company's period-to-period financial performance is not necessarily meaningful and should not be relied upon as an indicator of future performance. The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.*

*[financial highlights follow]*

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**QUALITY SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(IN THOUSANDS, EXCEPT PER SHARE DATA)  
(UNAUDITED)

	THREE MONTHS ENDED	
	JUNE 30, 2005	JUNE 30, 2004
Revenues:		
Software, hardware and supplies.....	\$ 12,973	\$ 8,819
Implementation and training services.....	2,490	2,265
System sales.....	15,463	11,084
Maintenance and other services.....	8,863	6,759
Electronic data interchange services.....	3,102	2,287
Maintenance, EDI and other services.....	11,965	9,046
Total revenue.....	27,428	20,130
Cost of revenue:		
Software, hardware and supplies.....	2,456	2,352
Implementation and training services.....	1,824	1,392
Total cost of system sales.....	4,280	3,744
Maintenance and other services.....	3,409	2,947
Electronic data interchange services.....	2,062	1,410
Total cost of maintenance and other services.....	5,471	4,357
Total cost of revenue.....	9,751	8,101
Gross profit.....	17,677	12,029
Operating expenses:		
Selling, general and administrative.....	8,032	4,953
Research and development costs.....	1,741	1,612
Total operating expenses.....	9,773	6,565
Income from operations.....	7,904	5,464
Interest income.....	341	120
Income before provision for income taxes.....	8,245	5,584
Provision for income taxes.....	3,170	2,202
Net income.....	\$ 5,075	\$ 3,382
Net income per share:		
Basic.....	\$ 0.39	\$ 0.27
Diluted.....	\$ 0.38	\$ 0.26
Weighted average shares outstanding, basic.....	13,112	12,666
Weighted average shares outstanding, diluted.....	13,475	13,154

**QUALITY SYSTEMS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	JUNE 30, 2005	MARCH 31, 2005
<b>ASSETS</b>	<b>(UNAUDITED)</b>	
Current assets:		
Cash and cash equivalents.....	\$ 57,509	\$ 51,157
Accounts receivable, net.....	37,315	33,362
Inventories, net.....	744	960
Income tax receivable.....	--	15
Net current deferred tax assets.....	1,796	1,796
Other current assets.....	2,412	1,677
Total current assets.....	99,776	88,967
Equipment and improvements, net.....	2,949	2,697
Capitalized software costs, net.....	4,629	4,334
Goodwill, net.....	1,840	1,840
Other assets.....	1,622	1,604
Total assets.....	\$ 110,816	\$ 99,442
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 2,729	\$ 2,284
Deferred revenue.....	26,554	24,115
Accrued compensation and benefits.....	3,223	3,436
Income taxes payable.....	2,614	--
Other current liabilities.....	4,779	4,021
Total current liabilities.....	39,899	33,856
Deferred revenue, net of current.....	1,190	1,362
Net deferred income tax liabilities.....	291	291
Deferred compensation.....	1,369	1,202
Total liabilities.....	42,749	36,711
Commitments and contingencies.....	--	--
Shareholders' equity:		
Common stock, \$0.01 par value; authorized 40,000 shares; issued and outstanding 13,115 and 13,111 shares at June 30, 2005 and March 31, 2005, respectively.....	131	131
Additional paid-in capital.....	44,667	44,499
Retained earnings.....	24,274	19,213
Deferred compensation.....	(1,005)	(1,112)
Total shareholders' equity.....	68,067	62,731
Total liabilities and shareholders' equity.....	\$ 110,816	\$ 99,442