

## QUALITY SYSTEMS REPORTS FIRST QUARTER RESULTS

**IRVINE, Calif.--(BUSINESS WIRE)— August 3, 2006--**Quality Systems, Inc. (NASDAQ:[QSII](#) - [news](#)) today announced the results of operations for its fiscal 2007 first quarter ended June 30, 2006. The Company posted net revenues of \$36.1 million in the first quarter, an increase of 32% from the \$27.4 million generated during the same quarter last year. The Company reported net income of \$7.7 million an increase of 51% over net income of \$5.1 million earned in the comparable quarter of the prior year. Fully diluted earnings per share was \$0.28 in the quarter, an increase of 47% over the fully diluted \$0.19 per share earnings recorded in the same quarter last year. First quarter 2007 net earnings and diluted earnings per share reflect the impact of adopting Statement of Financial Accounting Standards No. 123R (SFAS 123R), Share-Based Payment, which requires the expensing of stock options. Adoption of SFAS 123R reduced first quarter 2007 net earnings and diluted earnings per share by \$550,000 and \$0.02, respectively.

For the quarter, the Company's NextGen Healthcare Information Systems division posted revenue of \$32.2 million, up 36% over the same quarter prior year and operating income of \$13.4 million, up 54% over the same quarter of the prior year.

Quality Systems, Inc. will hold a conference call to discuss first quarter financial results August 3, 2006 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 Thursday, August 3, 2006 at 6:30 p.m. EST, through Wednesday, August 9, 2006 at midnight EST. To access the replay dial (800) 642-1687 and enter conference ID number 4013433.

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, Inc.**

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]*

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

|  | THREE MONTHS ENDED |                  |
|--|--------------------|------------------|
|  | JUNE 30,<br>2006   | JUNE 30,<br>2005 |
| Revenues:  |                    |                  |
| Software, hardware and supplies.....                   | \$ 15,029          | \$ 12,973        |
| Implementation and training services.....              | 2,954              | 2,490            |
| System sales.....                                      | 17,983             | 15,463           |
| Maintenance and other services.....                    | 14,114             | 8,863            |
| Electronic data interchange services.....              | 3,977              | 3,102            |
| Maintenance, EDI and other services.....               | 18,091             | 11,965           |
| Total revenue.....                                     | 36,074             | 27,428           |
| Cost of revenue:                                       |                    |                  |
| Software, hardware and supplies.....                   | 1,689              | 2,456            |
| Implementation and training services.....              | 1,963              | 1,824            |
| Total cost of system sales.....                        | 3,652              | 4,280            |
| Maintenance and other services.....                    | 5,025              | 3,409            |
| Electronic data interchange services.....              | 2,780              | 2,062            |
| Total cost of maintenance, EDI and other services..... | 7,805              | 5,471            |
| Total cost of revenue.....                             | 11,457             | 9,751            |
| Gross profit.....                                      | 24,617             | 17,677           |
| Operating expenses:                                    |                    |                  |
| Selling, general and administrative.....               | 10,200             | 8,032            |
| Research and development costs.....                    | 2,318              | 1,741            |
| Total operating expenses.....                          | 12,518             | 9,773            |
| Income from operations.....                            | 12,099             | 7,904            |
| Interest income.....                                   | 667                | 341              |
| Income before provision for income taxes.....          | 12,766             | 8,245            |
| Provision for income taxes.....                        | 5,097              | 3,170            |
| Net income.....  | \$ 7,669           | \$ 5,075         |
| Net income per share:                                  |                    |                  |
| Basic.....   | \$ 0.29            | \$ 0.19          |
| Diluted.....   | \$ 0.28            | \$ 0.19          |
| Weighted average shares outstanding, basic.....        | 26,714             | 26,224           |
| Weighted average shares outstanding, diluted.....      | 27,232             | 26,950           |

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

|  | <u>JUNE 30,</u><br>2006 | <u>MARCH 31,</u><br>2006 |
|--|-------------------------|--------------------------|
| <b>ASSETS</b>  |                         |                          |
| Current assets:  |                         |                          |
| Cash and cash equivalents.....   | \$ 66,954               | \$ 57,225                |
| Accounts receivable, net.....  | 48,229                  | 44,665                   |
| Inventories, net.....  | 852                     | 561                      |
| Income tax receivable.....   | --                      | 1,195                    |
| Net current deferred tax assets.....   | 1,680                   | 1,824                    |
| Other current assets.....  | 2,700                   | 2,912                    |
| Total current assets.....  | <u>120,415</u>          | <u>108,382</u>           |
| Equipment and improvements, net.....   | 3,953                   | 3,739                    |
| Capitalized software costs, net.....   | 5,494                   | 5,171                    |
| Net deferred tax assets.....   | 1,273                   | 1,157                    |
| Goodwill.....  | 1,840                   | 1,840                    |
| Other.....   | 2,086                   | 1,958                    |
| Total assets.....  | <u>\$ 135,061</u>       | <u>\$ 122,247</u>        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                         |                          |
| Current liabilities:   |                         |                          |
| Accounts payable.....  | \$ 2,328                | \$ 2,934                 |
| Deferred revenue.....  | 35,090                  | 34,422                   |
| Accrued compensation and related benefits.....   | 4,410                   | 5,490                    |
| Income tax payable.....  | 3,707                   | --                       |
| Other current liabilities.....   | 4,643                   | 3,812                    |
| Total current liabilities.....   | <u>50,178</u>           | <u>46,658</u>            |
| Deferred revenue, net of current.....  | 1,744                   | 1,494                    |
| Deferred compensation.....   | 1,789                   | 1,686                    |
| Total liabilities.....   | <u>53,711</u>           | <u>49,838</u>            |
| Commitments and contingencies.....   |                         |                          |
| Shareholders' equity:  |                         |                          |
| Common stock, \$0.01 par value; authorized 50,000 shares; issued<br>and outstanding 26,737 and 26,711 shares at June 30, 2006 and<br>March 31, 2006, respectively..... | 267                     | 267                      |
| Additional paid-in capital.....  | 54,263                  | 53,675                   |
| Retained earnings.....   | 26,820                  | 19,151                   |
| Deferred compensation.....   | --                      | (684)                    |
| Total shareholders' equity.....  | <u>81,350</u>           | <u>72,409</u>            |
| Total liabilities and shareholders' equity.....  | <u>\$ 135,061</u>       | <u>\$ 122,247</u>        |