

Concur Technologies, Inc.**Income Statements**

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	2010	2009
Revenues	\$ 72,816	\$ 61,991	\$ 140,469	\$ 120,555
Expenses (1):				
Cost of operations	21,521	18,938	41,692	36,812
Sales and marketing	22,712	17,770	43,484	35,332
Systems development and programming	7,127	6,187	14,017	12,379
General and administrative	8,636	6,793	16,350	13,981
Amortization of intangible assets	1,833	1,541	3,688	3,082
Total expenses	<u>61,829</u>	<u>51,229</u>	<u>119,231</u>	<u>101,586</u>
Operating income	10,987	10,762	21,238	18,969
Other income (expense):				
Interest income	294	322	605	1,468
Interest expense	(440)	(117)	(543)	(250)
Other, net	(332)	(422)	(492)	(567)
Total other income (expense), net	<u>(478)</u>	<u>(217)</u>	<u>(430)</u>	<u>651</u>
Income before income tax	10,509	10,545	20,808	19,620
Income tax expense	<u>3,682</u>	<u>3,796</u>	<u>7,439</u>	<u>7,062</u>
Net income	<u>\$ 6,827</u>	<u>\$ 6,749</u>	<u>\$ 13,369</u>	<u>\$ 12,558</u>

Net income per share available to common stockholders:

Basic	\$ 0.14	\$ 0.14	\$ 0.27	\$ 0.26
Diluted	0.13	0.13	0.25	0.24

Weighted average shares used in computing net income per share:

Basic	49,454	48,430	49,248	48,624
Diluted	52,738	51,174	52,619	51,473

(1) Includes share-based compensation as follows:

Cost of operations	\$ 597	\$ 326	\$ 1,081	\$ 710
Sales and marketing	1,786	844	3,493	1,847
Systems development and programming	576	373	1,076	806
General and administrative	907	598	1,715	1,281
Total share-based compensation	<u>\$ 3,866</u>	<u>\$ 2,141</u>	<u>\$ 7,365</u>	<u>\$ 4,644</u>

Concur Technologies, Inc.**Balance Sheets**

(In thousands, except per share amounts)

(Unaudited)

	March 31,	September 30,
	2010	2009
	<u> </u>	<u> </u>

Assets

Current assets:

Cash and cash equivalents	\$ 162,997	\$ 119,185
Short-term investments	124,045	143,549
Restricted cash	3,142	3,599

Receivable from senior convertible notes offering and warrants	265,200	-
Accounts receivable, net of allowance of \$2,867 and \$3,680	48,480	45,801
Deferred tax assets	24,063	24,570
Deferred costs and other assets	20,963	18,979
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Total current assets	648,890	355,683
Non-current assets:		
Property and equipment, net	33,489	33,999
Investments	6,045	4,045
Deferred costs and other assets	20,407	19,964
Intangible assets, net	39,831	44,383
Deferred tax assets	17,397	23,904
Goodwill	190,077	188,907
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Total assets	\$ 956,136	\$ 670,885
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Liabilities and stockholders' equity

Current liabilities:

Accounts payable	\$ 3,501	\$ 3,638
Customer funding liabilities	62,391	56,424
Note hedges payable	52,300	-
Accrued compensation	12,002	17,508
Acquisition-related liabilities	-	902
Other accrued expenses and liabilities	7,728	10,539
Short-term lease liabilities and other	777	1,129
Deferred revenues	41,536	34,955
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Total current liabilities	180,235	125,095

Non-current liabilities:

Senior convertible notes, net	194,331	-
Long-term lease liabilities and other	-	199

Deferred rent	1,468	1,601
Deferred revenues	13,423	14,083
Tax liabilities	8,185	8,577
Total liabilities	397,642	149,555
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, par value \$0.001 per share	-	-
Authorized shares: 5,000; No shares issued or outstanding		
Common stock, \$0.001 par value per share	50	49
Authorized shares: 195,000		
Shares issued and outstanding: 49,707 and 48,988		
Additional paid-in capital	667,208	640,911
Accumulated deficit	(105,782)	(119,151)
Accumulated other comprehensive loss	(2,982)	(479)
Total stockholders' equity	558,494	521,330
Total liabilities and stockholders' equity	\$ 956,136	\$ 670,885

Concur Technologies, Inc.

Cash Flow Statements

(In thousands)

(Unaudited)

Three Months Ended March 31,		Six Months Ended March 31,	
2010	2009	2010	2009

Operating activities:

Net income	\$ 6,827	\$ 6,749	\$ 13,369	\$ 12,558
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization of intangible assets	1,833	1,541	3,688	3,082

Depreciation	4,164	4,104	8,296	8,140
Net recovery of sales allowances	(485)	(383)	(814)	(863)
Share-based compensation expense	3,866	2,141	7,365	4,644
Deferred income taxes	3,659	3,360	7,043	6,029
Changes in operating assets and liabilities:				
Accounts receivable	(4,451)	3,236	(2,140)	2,371
Deferred costs and other assets	(1,822)	(1,820)	(2,529)	(3,026)
Accounts payable	(534)	1,977	(19)	2,670
Accrued liabilities	915	2,488	(7,996)	(10,391)
Deferred revenues	4,270	353	6,128	2,300
Net cash provided by operating activities	18,242	23,746	32,391	27,514
Investing activities:				
Purchases of investments	(55,942)	-	(93,201)	-
Maturities of investments	72,098	-	112,737	-
Increase in customer funding liabilities, net of changes in restricted cash	20,808	2,306	6,389	1,199
Investment in unconsolidated affiliate	(2,000)	(4,020)	(2,000)	(4,020)
Purchases of property and equipment	(4,014)	(4,943)	(7,659)	(10,545)
Payments for acquisitions, net of cash acquired	(2,378)	(144)	(3,540)	(158)
Net cash provided by (used in) investing activities	28,572	(6,801)	12,726	(13,524)
Financing activities:				
Payments for issuance of common stock, net	-	(2,829)	-	(2,829)
Net (payments) proceeds from share-based award activity	(2,603)	(909)	(1,489)	927
Proceeds from employee stock purchase plan activity	435	-	720	350
Payments on repurchase of common stock	-	-	-	(54,773)
Repayments of debt and capital leases	(279)	(430)	(551)	(852)
Net cash used in financing activities	(2,447)	(4,168)	(1,320)	(57,177)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(91)	(280)	15	(2,383)
Net increase (decrease) in cash and cash equivalents	44,276	12,497	43,812	(45,570)

Cash and cash equivalents at beginning of period	118,721	209,658	119,185	267,725
Cash and cash equivalents at end of period	\$ 162,997	\$ 222,155	\$ 162,997	\$ 222,155

Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per share and margin data)

	(Unaudited)			
	Three Months Ended March 31,		Six Months Ended March 31,	
	2010	2009	2010	2009
Operating income:				
Operating income	\$ 10,987	\$ 10,762	\$ 21,238	\$ 18,969
Income from operations as a % of total revenue (Operating Margin)	15%	17%	15%	16%
Add back:				
Share-based compensation expense	3,866	2,141	7,365	4,644
Amortization of intangible assets	1,833	1,541	3,688	3,082
Non-GAAP operating income	\$ 16,686	\$ 14,444	\$ 32,291	\$ 26,695
Non-GAAP operating income as a % of total revenue (Non-GAAP Operating Margin)	23%	23%	23%	22%
Net income:				
Net income	\$ 6,827	\$ 6,749	\$ 13,369	\$ 12,558
Add back:				
Share-based compensation expense	3,866	2,141	7,365	4,644
Amortization of intangible assets	1,833	1,541	3,688	3,082
Income tax expense	3,682	3,796	7,439	7,062
Non-GAAP pre-tax income	16,208	14,227	31,861	27,346
Income tax expense (1)	5,794	5,122	11,390	9,845
Non-GAAP net income	\$ 10,414	\$ 9,105	\$ 20,471	\$ 17,501

Diluted net income per share:

Diluted net income per share	\$ 0.13	\$ 0.13	\$ 0.25	\$ 0.24
Add back:				
Share-based compensation expense	0.07	0.04	0.14	0.09
Amortization of intangible assets	0.04	0.03	0.07	0.06
Income tax expense	0.07	0.08	0.15	0.14
Non-GAAP diluted pre-tax income per share	0.31	0.28	0.61	0.53
Income tax expense (1)	0.11	0.10	0.22	0.19
Non-GAAP diluted net income per share	\$ 0.20	\$ 0.18	\$ 0.39	\$ 0.34

Shares used in calculation of diluted non-GAAP income per share:

52,738	51,174	52,619	51,473
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(1) The effective tax rate used for the period:	35.8%	36.0%	35.8%	36.0%
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CONCUR TECHNOLOGIES, INC.

About Concur's Non-GAAP Financial Measures

This release contains non-GAAP financial measures. The tables above reconcile the non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

Non-GAAP financial measures should not be considered as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP. Concur's non-GAAP financial measures do not reflect a comprehensive system of accounting, and they differ from GAAP measures with similar names and from non-GAAP financial measures with the same or similar names that are used by other companies. We strongly urge investors and potential investors in our securities to review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures that are included in this release, and our consolidated financial statements, including the notes thereto, and the other financial information contained in our periodic filings with the Securities and Exchange Commission and not to rely on any single financial measure to evaluate our business.

Concur's management believes that its non-GAAP financial measures provide useful information to investors because it allows investors to view the business through the eyes of management. Further, Concur believes that its non-GAAP financial measures provide meaningful supplemental information regarding Concur's operating results because they exclude amounts that Concur excludes as part of its monitoring of operating results and assessing the performance of the business. In addition, Concur believes that its non-GAAP financial measures facilitate the comparison of results for current periods and the business outlook for future periods with results of past periods because the measures provide a special focus on the underlying operating performance of the business relative to expectations.

Concur presents the following non-GAAP financial measures in this release: non-GAAP operating income; non-GAAP operating margin; non-GAAP pre-tax income, non-GAAP net income, non-GAAP diluted pre-tax income per share and non-GAAP diluted net income share. Concur excludes the following items as noted from these non-GAAP financial measures:

- Share-based compensation. Concur's non-GAAP financial measures exclude share-based compensation, which consist of expenses for stock options and restricted stock units ("RSU"). Concur excludes these expenses from its non-GAAP financial measures primarily because they are non-cash expenses that it does not consider part of ongoing operating results when assessing the performance of our business, and the exclusion of these expenses facilitates the comparison of results and business outlook for future periods with results for prior periods.
- Amortization of intangible assets. In accordance with GAAP, operating expenses include amortization of software and other technology assets, other purchased intangible assets such as customer lists and covenants not to compete. Concur excludes these items from its non-GAAP financial measures because they are non-cash expenses that Concur does not consider part of ongoing operating results when assessing the performance of our business, and Concur believes that doing so facilitates comparisons to its historical operating results and to the results of other companies in our industry, which have their own unique acquisition histories.
- Amortization of note discount. Starting in the third quarter of 2010, Concur will record interest expense associated with the issuance of the convertible senior notes. In accordance with GAAP, the interest expense will include the amortization of the note discount, which is a non-cash expense that Concur does not consider part of ongoing operating results when assessing the performance of our business.
- Income tax expense. Concur excludes this expense from certain non-GAAP financial measures primarily because it is largely a non-cash expense that Concur does not consider a meaningful component of our operating results when assessing the performance of our business, and the exclusion of this expense facilitates the comparison of our business outlook for future periods with results for prior periods, which did not include income tax expense.

Except as noted below, Concur believes that all of the following considerations apply equally to each of the non-GAAP financial measures that we present:

- Concur's management uses non-GAAP operating income (including the derived non-GAAP operating margin), non-GAAP pre-tax income, non-GAAP net income, non-GAAP diluted pre-tax income per share and non-GAAP diluted net income per share in internal reports used by management in monitoring and making decisions regarding Concur's business. For example, these measures are used in monthly financial reports prepared for management, and in quarterly reports to Concur's Board of Directors. Concur also uses non-GAAP pre-tax diluted income per share as a measure to determine executive cash incentive compensation, along with GAAP measures, such as revenue.
- Because share-based compensation, amortization of intangible assets, amortization of note discount and income tax expense are largely non-cash in nature, Concur believes that non-GAAP operating income, non-GAAP pre-tax income, non-GAAP net income, non-GAAP diluted pre-tax income per share and non-GAAP diluted net income per share provide a more focused view of the operations of its business. In particular, share-based compensation expense amounts are difficult to forecast, because the magnitude of the charges depends upon the volume and timing of stock option and RSU grants -- which are unpredictable and can vary dramatically from period to period -- and external factors such as interest rates and the trading price and volatility of Concur's common stock. Excluding these amounts improves comparability of the performance of the business across periods.
- The principal limitation of Concur's non-GAAP financial measures is that they exclude significant expenses that are required by GAAP to be recorded. In addition, non-GAAP financial measures are subject to inherent limitations because they reflect the exercise of judgments by management about which charges are excluded from the non-GAAP financial measures.

- To mitigate this limitation, Concur presents its non-GAAP financial measures in connection with its GAAP results, and recommends that investors do not give undue weight to its non-GAAP financial measures. Concur notes that the dilutive effect of outstanding stock options is reflected in fully-diluted shares outstanding used in calculating GAAP net income per share, non-GAAP diluted pre-tax income per share and non-GAAP diluted net income per share.

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