

Concur Technologies, Inc.
Income Statements
(In thousands, except per share data)
(Unaudited)

	Three Months Ended	
	December 31,	
	2009	2008
Revenues	\$ 67,653	\$ 58,564
Expenses (1):		
Cost of operations	20,171	17,874
Sales and marketing	20,772	17,562
Systems development and programming	6,890	6,192
General and administrative	7,714	7,188
Amortization of intangible assets	1,855	1,541
Total expenses	<u>57,402</u>	<u>50,357</u>
Operating income	10,251	8,207
Other income (expense):		
Interest income	311	1,146
Interest expense	(103)	(133)
Other, net	(160)	(145)
Total other income, net	<u>48</u>	<u>868</u>
Income before income tax	10,299	9,075
Income tax expense	3,757	3,266
Net income	<u>\$ 6,542</u>	<u>\$ 5,809</u>
Net income per share available to common stockholders:		
Basic	\$ 0.13	\$ 0.12
Diluted	0.12	0.11
Weighted average shares used in computing net income per share:		
Basic	49,046	48,814
Diluted	52,519	51,760

(1) Includes share-based compensation as follows:

Cost of operations	\$ 484	\$ 384
Sales and marketing	1,707	1,003
Systems development and programming	500	433
General and administrative	808	683
Total share-based compensation	<u>\$ 3,499</u>	<u>\$ 2,503</u>

Concur Technologies, Inc.
Balance Sheets
(In thousands, except per share amounts)
(Unaudited)

	<u>December 31,</u> <u>2009</u>	<u>September 30,</u> <u>2009</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 118,721	\$ 119,185
Short-term investments	140,082	143,549
Restricted cash	4,524	3,599
Accounts receivable, net of allowance of \$3,351 and \$3,680	43,797	45,801
Deferred tax assets	23,275	24,570
Deferred costs and other assets	19,819	18,979
Total current assets	350,218	355,683
Non-current assets:		
Property and equipment, net	33,551	33,999
Investments	4,045	4,045
Deferred costs and other assets	19,913	19,964
Intangible assets, net	42,344	44,383
Deferred tax assets	21,517	23,904
Goodwill	188,804	188,907
Total assets	\$ 660,392	\$ 670,885
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 4,127	\$ 3,638
Customer funding liabilities	42,945	56,424
Accrued compensation	8,576	17,508
Acquisition-related liabilities	-	902
Other accrued expenses and liabilities	10,462	10,539
Short-term debt	1,055	1,129
Deferred revenues	37,133	34,955
Total current liabilities	104,298	125,095
Non-current liabilities:		
Long-term debt	-	199
Deferred rent	1,461	1,601
Deferred revenues	13,747	14,083
Tax liabilities	8,513	8,577
Total liabilities	128,019	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	49	49
Authorized shares: 195,000		
Shares issued and outstanding: 49,117 and 48,988		
Additional paid-in capital	645,856	640,911
Accumulated deficit	(112,609)	(119,151)
Accumulated other comprehensive loss	(923)	(479)
Total stockholders' equity	532,373	521,330
Total liabilities and stockholders' equity	\$ 660,392	\$ 670,885

Concur Technologies, Inc.
Cash Flow Statements
(In thousands)
(Unaudited)

	Three Months Ended	
	December 31,	
	2009	2008
Operating activities:		
Net income	\$ 6,542	\$ 5,809
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	1,855	1,541
Depreciation	4,132	4,036
Allowance for uncollectible accounts receivable	(329)	(480)
Share-based compensation expense	3,499	2,503
Deferred income taxes	3,384	2,669
Changes in operating assets and liabilities, net of effects from acquisition:		
Accounts receivable	2,311	(865)
Deferred costs and other assets	(707)	(1,206)
Accounts payable	515	693
Accrued liabilities	(8,911)	(12,879)
Deferred revenues	1,858	1,947
Net cash provided by operating activities	14,149	3,768
Investing activities:		
Purchases of investments	(37,259)	-
Maturities of investments	40,639	-
Decrease in customer funding liabilities, net of changes in restricted cash	(14,419)	(1,107)
Purchases of property and equipment	(3,645)	(5,602)
Payments for acquisition, net of cash acquired	(1,162)	(14)
Net cash used in investing activities	(15,846)	(6,723)
Financing activities:		
Net proceeds from share-based award activity	1,114	1,836
Proceeds from employee stock purchase plan activity	285	350
Payments on repurchase of common stock	-	(54,773)
Repayments of debt and capital leases	(272)	(422)
Net cash provided by (used in) financing activities	1,127	(53,009)
Effect of foreign currency exchange rate changes on cash and cash equivalents	106	(2,103)
Net decrease in cash and cash equivalents	(464)	(58,067)
Cash and cash equivalents at beginning of period	119,185	267,725
Cash and cash equivalents at end of period	\$ 118,721	\$ 209,658

Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share and margin data)
(Unaudited)

	Three Months Ended	
	December 31,	
	2009	2008
Operating income:		
Operating income	\$ 10,251	\$ 8,207
Income from operations as a % of total revenue (Operating Margin)	15%	14%
Add back:		
Share-based compensation expense	3,499	2,503
Amortization of intangible assets	1,855	1,541
Non-GAAP operating income	<u>\$ 15,605</u>	<u>\$ 12,251</u>
Non-GAAP operating income as a % of total revenue (Non-GAAP Operating Margin)	23%	21%
Net income:		
Net income	\$ 6,542	\$ 5,809
Add back:		
Share-based compensation expense	3,499	2,503
Amortization of intangible assets	1,855	1,541
Income tax expense	<u>3,757</u>	<u>3,266</u>
Non-GAAP pre-tax income	15,653	13,119
Income tax expense (1)	<u>5,710</u>	<u>4,723</u>
Non-GAAP net income	<u>\$ 9,943</u>	<u>\$ 8,396</u>
Diluted net income per share:		
Diluted net income per share	\$ 0.12	\$ 0.11
Add back:		
Share-based compensation expense	0.07	0.05
Amortization of intangible assets	0.04	0.03
Income tax expense	<u>0.07</u>	<u>0.06</u>
Non-GAAP diluted pre-tax income per share	0.30	0.25
Income tax expense (1)	<u>0.11</u>	<u>0.09</u>
Non-GAAP diluted net income per share	<u>\$ 0.19</u>	<u>\$ 0.16</u>
Shares used in calculation of diluted non-GAAP income per share:	52,519	51,760
<hr/>		
(1) The effective tax rate used for the period:	36.5%	36.0%

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.
- 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 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.