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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported)  
May 2, 2014**

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**Qualys, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-35662**  
(Commission  
File Number)

**77-0534145**  
(IRS Employer  
Identification No.)

**1600 Bridge Parkway**  
**Redwood City, California 94065**  
(Address of principal executive offices, including zip code)

**(650) 801-6100**  
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

On May 5, 2014, Qualys, Inc. (“Qualys”) issued a press release announcing its financial results for the quarter ended March 31, 2014. In the press release, Qualys also announced that it would be holding a conference call on May 5, 2014 to discuss its financial results for the quarter ended March 31, 2014. The full text of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

This information is intended to be furnished under Item 2.02 of Form 8-K, “Results of Operations and Financial Condition” and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On May 2, 2014, Qualys entered into a separation agreement with Ann S. Johnson, President and Chief Operating Officer of Qualys (the “Agreement”). Pursuant to the terms of the Agreement, Ms. Johnson ceased to serve as the President and Chief Operating Officer of Qualys effective May 2, 2014. Ms. Johnson will be eligible to receive, within twenty days of the effective date of the Agreement, a lump-sum payment equal to three months of her current base salary, or \$62,500, less applicable withholdings. The Agreement contains a mutual release of claims between Qualys and Ms. Johnson.

The foregoing description of the Agreement is only a summary, does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreement, which is attached hereto as Exhibit 10.1, and which is incorporated herein by this reference.

On May 2, 2014, Philippe F. Courtot resumed his duties as President of the Company and there have been no changes in Mr. Courtot’s employment or compensation arrangements. For additional information regarding Mr. Courtot, please review the relevant disclosures in the Company’s 2014 Proxy Statement, filed with the Securities and Exchange Commission on April 21, 2014, which are incorporated by reference herein.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Agreement with Ann S. Johnson dated May 2, 2014.
99.1	Press release issued by Qualys, Inc. dated May 5, 2014.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**QUALYS, INC.**

By: /s/ Philippe F. Courtot

**Philippe F. Courtot**

**Chairman, President and Chief Executive Officer**

Date: May 5, 2014

**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
10.1	Agreement with Ann S. Johnson dated May 2, 2014.
99.1	Press release issued by Qualys, Inc. dated May 5, 2014.



**QUALYS**  
CONTINUOUS SECURITY

May 2, 2014

Ms. Ann Johnson  
[Address]

Dear Ann:

The purpose of this letter is to confirm that you have resigned from your employment with Qualys, Inc., effective May 2, 2014, and that Qualys has accepted your resignation effective that date ("Separation Date"). The purpose of this letter is to describe the pay and benefits that will be provided to you, including the terms of the severance package we have discussed and informally agreed upon, conditioned upon your execution of this Agreement.

Whether or not you sign this Agreement, you will be provided the following:

- **Wages:** On the Separation Date you will be provided with your final check paying you through the Separation Date, as well as any accrued but unused vacation less standard withholding and deductions.
- **Commissions:** If applicable, all commissions earned and accrued through the Separation Date, to the extent not included in your final check, will be paid out as soon as they can reasonably be calculated.
- **Benefits:** Medical, dental and vision benefit coverage under the Qualys plan will continue through May 31, 2014. Any remaining continuation and/or conversion rights to health insurance benefits will be as provided by applicable law, including COBRA, and will follow under separate letter.
- **Stock:** Under the Qualys Incentive Stock Plan, you have not vested in any equity awards as of the Separation Date and you will not vest in any equity awards.

Except as provided for above, you are not entitled to any other or further compensation, remuneration, reimbursement, payments, options, stock, or other equity issue of or from Qualys.

Qualys, Inc.  
1600 Bridge Parkway Redwood Shores, CA 94065  
T 650 801 6100 F 650 801 6101 [www.qualys.com](http://www.qualys.com)

Our Severance Package Offer: As we have discussed, Qualys is also offering you a severance package in an effort to ensure an amicable and smooth separation, as detailed in this Agreement between you and Qualys. In consideration for the covenants and promises herein, and provided you sign this Agreement and it becomes effective, you will be provided with the following benefits:

- Qualys will pay you within twenty (20) days of the effective date of this Agreement a lump sum severance equal to three (3) months of your base salary, for a total severance payment of \$62,500.00, less standard withholding and deductions.
- Qualys will not contest any claim for unemployment insurance that you may file.

Your Agreements If You Accept Our Offer: In consideration for the above severance package and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, your signature below indicates your agreement as follows:

1. In keeping with our intent to allow for an amicable separation, and as part of our accord, and deeming this Agreement to be fair, reasonable, and equitable, and intending to be legally bound hereby, you agree to and hereby do release any and all claims you may have against Qualys, *whether you are aware of them or not*, as follows.

- You agree that for yourself (and for each of your heirs, executors, administrators and assigns), you forever and irrevocably fully release and discharge Qualys (including any subsidiary or affiliated entities, and their respective officers, directors, employees, agents, predecessors, successors, purchasers, assigns, and representatives) from any and all grievances, liens, suits, judgments, claims, demands, debts, defenses, actions or causes of action, obligations, damages, and liabilities whatsoever which you now have, have had, or may have, whether the same be known or unknown, at law, in equity, or mixed, in any way arising out of or relating in any way to any matter, act, occurrence, or transaction before the date of this Agreement, including but not limited claims relating to your employment with Qualys and your separation from Qualys.
- **This is a General Release.** You expressly acknowledge that this General Release includes, but is not limited to, your release of any tort and contract claims, arbitration claims, claims under any local, state or federal law, wage and hour law, wage collection law or labor relations law, and any claims of discrimination on the basis of age, race, sex, religion, disability, national origin, ancestry, citizenship, retaliation or any other claim of employment discrimination, harassment or retaliation, any other law whatsoever relating to employment.
- Your release of claims includes but is not limited to claims under the following federal laws: Title VII Civil Rights Acts of 1964 and 1991 as amended (42 U.S.C. §§ 2000e et seq.), the Age Discrimination In Employment Act, as amended by the Older Workers Benefit Protection Act (29 U.S.C. §§ 621 et seq.), the Americans With Disabilities Act (42 U.S.C. §§ 12101 et seq.), the Rehabilitation Act of 1973 (29 U.S.C. §§ 701 et seq.), the Family and Medical Leave Act (29 U.S.C. §§ 2601 et seq.), the Fair Labor Standards Act (29 U.S.C. §§ 201 et seq.), the Equal Pay Act, the Uniformed Services Employment and Reemployment Rights Act, the Worker Adjustment and Retraining Notification Act, the Sarbanes-Oxley Act of 2002, the National Labor Relations Act, the Genetic Information Nondiscrimination Act, and the Employee Retirement Income Security Act.
- Your release of claims also includes but is not limited to claims under the following state laws: the New Jersey Law Against Discrimination; the Conscientious Employee Protection Act; the New Jersey Family Leave Act, and any other state laws and regulations relating to employment.

- This Agreement is a general release and applies not only to known claims based on facts you are currently aware of but also to unknown claims based on facts you are not aware of. It is therefore your intention in executing this Agreement to waive and relinquish all rights and benefits to all claims whether presently known or unknown, including any claims which you do not know or suspect to exist in your favor at the time of executing the release and which, if known by you, would have materially affected your settlement with Qualys.
- This release is not intended to encompass claims that cannot be released by private agreement, including claims for unemployment benefits. Nor is this release intended to prevent you from filing a statutory claim concerning employment with the Qualys or the termination thereof with the federal Equal Employment Opportunity Commission, the National Labor Relations Board, or similar state agencies. However, if you do so, or if any such claim is prosecuted in your name before any court or administrative agency, you waive and agree not to take any award of money or other damages from such suit.

2. Also, you understand that this Agreement is not an admission of liability by Qualys concerning any of the claims released above or otherwise and that Qualys does not admit but denies any violation of your legal rights.

3. You agree to keep confidential any trade secret, business or proprietary information which you acquired during your employment with Qualys, including, but not limited to, any Qualys marketing, technology, or sales information, plans, or strategies. This is intended to cover any information of a nature not normally disclosed by Qualys to the general public.

4. You agree that every term of this Agreement, including, but not limited to, the fact that an agreement has been reached and the amount paid, shall be treated by you as strictly confidential, and expressly covenant not to display, publish, disseminate, or disclose the terms of this Agreement to any person or entity. You also agree not to voluntarily aid, participate or cooperate in any way in the prosecution or commencement of any action, claim or lawsuit against Qualys by any third party.

5. You agree to return immediately to Qualys any and all property of Qualys, including any files and any documents prepared for or by Qualys.

6. You agree to refrain from making any derogatory or disparaging remarks, statements or communications about Qualys, and Qualys likewise agrees that its Executive Team will refrain from making any derogatory or disparaging remarks, statements or communications about you.

Qualys's Additional Agreements: As additional consideration for the releases set forth herein and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Qualys's signature below indicates its agreement as follows:

1. Qualys agrees to and hereby does release any and all claims it may have against you, *whether it is aware of them or not*, as follows.

- Qualys agrees that for itself, any subsidiary or affiliated entities, and its and their respective officers, directors, employees, agents, predecessors, successors, purchasers, assigns, and representatives, it forever and irrevocably fully releases and discharges you and your heirs, executors, administrators and assigns, from any and all grievances, liens, suits, judgments, claims, demands, debts, defenses, actions or causes of action, obligations, damages, and liabilities whatsoever which it now has, has had, or may have, whether the same be known or unknown, at law, in equity, or mixed, in any way arising out of or relating in any way to any matter, act, occurrence, or transaction before the date of this Agreement, including but not limited claims relating to your employment with Qualys and your separation from Qualys.

- **This is a General Release.** Qualys expressly acknowledges that this General Release includes, but is not limited to, its release of any tort and contract claims, arbitration claims, claims under any local, state or federal law.
- This Agreement is a general release and applies not only to known claims based on facts Qualys is currently be aware of but also to unknown claims based on facts Qualys is not aware of. It is therefore Qualys's intention in executing this Agreement to waive and relinquish all rights and benefits to all claims whether presently known or unknown, including any claims which Qualys does not know or suspect to exist in its favor at the time of executing the release and which, if known by Qualys, would have materially affected its settlement with you.
- This release is not intended to encompass claims that cannot be released by private agreement.

2. Also, Qualys understands that this Agreement is not an admission of liability by you concerning any of the claims released above or otherwise and that you do not admit but deny any violation of any type.

3. Qualys agrees that every term of this Agreement, including, but not limited to, the fact that an agreement has been reached and the amount paid, shall be treated by Qualys as strictly confidential, and expressly covenant not to display, publish, disseminate, or disclose the terms of this Agreement to any person or entity, except as required by law (including but not limited to form 8-K disclosure requirements of the Securities and Exchange Commission), and except as may be required on a strictly need to know basis during the ordinary course of business. Qualys also agrees not to voluntarily aid, participate or cooperate in any way in the prosecution or commencement of any action, claim or lawsuit against you by any third party.

Other Information Concerning this Agreement:

Please read this Agreement carefully. We will hold this offer open for 21 days, although we would hope to conclude this matter as quickly as possible. Your signing this Agreement will acknowledge that you are advised to consult with legal counsel, if you so desire. If the terms stated above are acceptable, please confirm your acceptance and agreement by signing your name below in front of a witness, and then return to me the original Agreement signed by you. Obviously, you can make a copy of the Agreement for yourself. You may revoke this Agreement at any time within seven days after you have signed this Agreement. Revocation shall be made by delivering written notice of revocation to Human Resources at *1600 Bridge Parkway, Redwood Shores, CA 94065*,



and must be received no later than the seventh day after you sign the Agreement. This Agreement shall not become effective or enforceable until the revocation period has expired and only provided you have not exercised your right to revocation.

Your signature below will indicate that you are entering into this Agreement freely and with a full understanding of its terms, and that you acknowledge the payment described above is not an employment benefit to which you are otherwise entitled. No changes to this Agreement will be valid unless in writing and signed by both you and me. This Agreement supersedes any previous agreements or understandings between you and Qualys, including but not limited to your November 7, 2013 Offer Letter, except that it does not supersede any non-disclosure, confidentiality and/or proprietary information agreements or obligations between you and Qualys specifically including those set forth in your Employee Proprietary Information and Inventions Agreement.

I thank you for your service to Qualys and wish you the best of luck in your future endeavors. If you have any questions or if there is anything that I can do to help you, please feel free to contact me.

Very truly yours,

/s/ Rima Touma Bruno  
Rima Touma Bruno  
VP, Human Resources

**I, ANN JOHNSON, HAVE READ AND UNDERSTAND THIS AGREEMENT, AND I ENTER INTO IT VOLUNTARILY, WITH FULL KNOWLEDGE OF ITS EFFECT.**

/s/ Ann Johnson  
Signature – Ann Johnson

5-2-2014  
Date

/s/ Bruce Posey  
Witness

5-2-2014  
Date



**Investors:**  
Don McCauley  
Chief Financial Officer  
Qualys, Inc.  
+1 (650) 801-6181  
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## QUALYS ANNOUNCES FIRST QUARTER 2014 FINANCIAL RESULTS

*Revenue Growth of 22% Year-Over-Year  
GAAP EPS Loss of \$0.01, Non-GAAP EPS Income of \$0.05*

**REDWOOD CITY, CA – May 5, 2014** – Qualys, Inc. (NASDAQ: QLYS), a pioneer and leading provider of cloud security and compliance solutions, today announced financial results for the first quarter ended March 31, 2014. For the quarter, the Company reported revenues of \$30.4 million, GAAP net loss of \$0.4 million, non-GAAP net income of \$1.7 million, adjusted EBITDA of \$4.7 million, GAAP loss per diluted share of \$0.01, and non-GAAP earnings per diluted share of \$0.05.

Philippe Courtot, Chairman and Chief Executive Officer of Qualys, said, “We reported strong first quarter 2014 results, driven by robust and growing customer demand for Qualys’ comprehensive suite of cloud security and compliance solutions. Enterprises around the world are increasing their investments in cloud security to expand the scope of their business reach and enhance their protection against cyber-attacks. With continued new customer adoption and rapid expansion of our platform among existing customers, an increasing number of companies are now deploying our solutions globally, starting with our award-winning Vulnerability Management solution, and increasingly adding our Web Application Security and Policy Compliance solutions. We also recently introduced our Continuous Monitoring solution for Internet-facing systems and announced the general availability of our Web Application Firewall. Both of these new solutions have been well received by our customers, and we expect increased adoption of these solutions by both small and large enterprises. By enhancing our solutions to meet evolving customer needs, we expect to drive Qualys’ continued momentum throughout the year as we remain focused on leveraging our cloud platform to grow revenues and increase value to our customers, partners and shareholders.”

### **First Quarter 2014 Financial Highlights**

**Revenues:** Revenues for the first quarter of 2014 increased by 22% to \$30.4 million compared to \$24.9 million for the same quarter last year. Revenue growth was driven by a combination of sales of subscriptions to new customers, as well as subscription renewals and upsells of additional subscriptions to existing customers.

**Deferred Revenues:** Current deferred revenues increased by 22% to \$71.4 million at March 31, 2014 compared to \$58.4 million at March 31, 2013. Total deferred revenues increased by 21% to \$80.3 million at March 31, 2014 compared to \$66.2 million at March 31, 2013.

**Gross Profit:** GAAP gross profit for the first quarter of 2014 increased by 23% to \$23.5 million compared to \$19.1 million for the same quarter last year. GAAP gross margin was 77% for the first quarter of 2014, the same as in the prior year's first quarter. Non-GAAP gross profit for the first quarter of 2014 increased by 23% to \$23.7 million compared to \$19.2 million for the same quarter last year. Non-GAAP gross margin was 78% for the first quarter of 2014 compared to 77% for the same quarter last year.

**Operating Income (Loss):** GAAP operating loss for the first quarter of 2014 remained at \$0.3 million, equal to the same quarter last year. Non-GAAP operating income for the first quarter of 2014 increased to \$1.9 million compared to \$0.7 million for the same quarter last year.

**Net Income (Loss):** GAAP net loss for the first quarter of 2014 was \$0.4 million, or \$0.01 net loss per diluted share, compared to net loss of \$0.6 million, or a \$0.02 net loss per diluted share, for the same quarter last year. Non-GAAP net income for the first quarter of 2014 was \$1.7 million, or \$0.05 per diluted share, compared to non-GAAP net income of \$0.3 million, or a \$0.01 per diluted share, for the same quarter last year.

**Adjusted EBITDA:** Adjusted EBITDA (a non-GAAP financial measure) for the first quarter of 2014 increased by 67% to \$4.7 million compared to \$2.8 million for the same quarter last year. As a percentage of revenues, adjusted EBITDA increased to 15% for the first quarter of 2014 compared to 11% for the same quarter last year.

## First Quarter 2014 Business Highlights

### Customers:

- New customers included: Alcatel-Lucent, British Broadcasting Corporation, Fujitsu America, ICAP, Infosys Technologies, Kendle International, Sallie Mae, The E.W. Scripps Company, Tribunal de Justica de Sao Paulo Brazil, World Vision International and Wyndham Worldwide.

### New Products and Functionalities:

During the first quarter of 2014, Qualys released several new products and innovations, including:

- Continuous Security Monitoring for Internet-facing systems, which allows customers to continuously monitor their mission-critical assets and to be alerted to security vulnerabilities or misconfigurations that may make them susceptible to a cyber-attack. This service is now in production and available for all global customers to access for incremental licensing fees.
- Web Application Firewall (WAF) for both the Amazon EC2 platform and for on-premise deployments on VMware's virtualization platform. QualysGuard WAF is integrated with the Company's Web Application Scanning solution, which allows customers to scan their web applications and automatically apply mitigating controls to block threats while minimizing administrative efforts and costs.
- Launched with the SANS Institute and the Council on CyberSecurity, the Top 4 Security Controls Free Tool, which allows customers to quickly determine if Windows PCs in their environments have implemented the Top 4 critical security controls. More details can be found at <http://www.qualys.com/TOP4>.

- Released detection for the Heartbleed OpenSSL critical vulnerability via the popular free service Qualys SSL Labs and in QualysGuard Vulnerability Management. Qualys SSL Labs experienced a tremendous amount of user traffic during the week of April 7, 2014 when this vulnerability was announced as this service became an authoritative source in the industry to identify whether websites are vulnerable to Heartbleed. In the same timeframe, QualysGuard vulnerability scanning volume increased significantly as customers were using the service to test their server environments and report on this critical vulnerability.
- Released SSL Certificate Dashboard in QualysGuard to help organizations find SSL certificates used in their IT environments on a global scale and provide information about them, such as key size, expiration dates and vulnerabilities. The dashboard is designed to assist customers with tracking and fixing the Heartbleed vulnerability.

#### **Industry Recognition:**

- Honored by SC Magazine as the Best Security Company in the United States for 2014.
- Named a finalist in four 2014 SC Magazine Awards Categories in Europe, including Best Security Company, Best Vulnerability Management, Best Policy/Risk Management and Best SME Solution.

#### **Strategic Alliances and Channel Partners:**

- Announced partnership with Cognizant, one of the leading outsourcing service providers, to help customers protect applications across multiple cloud environments against the latest cloud security threats and keep them compliant with industry regulations.
- Announced partnership with Risk I/O, which integrates QualysGuard Vulnerability Management and resells it to customers helping them measure the likelihood of breaches within their perimeter networks.

#### **Financial Performance Outlook**

Second Quarter 2014 Guidance: Management expects revenues to be in the range of \$31.3 million to \$31.8 million. At the midpoint, this represents 20% growth over second quarter 2013 revenues. GAAP net income (loss) per diluted share is expected to be in the range of (\$0.01) to \$0.01 and non-GAAP net income per diluted share is expected to be in the range of \$0.05 to \$0.07 based on approximately 37.0 million weighted average diluted shares outstanding for the quarter.

Full Year 2014 Guidance: Management reiterates its expectation for revenues to be in the range of \$128.5 million to \$130.5 million. At the midpoint, this represents 20% growth over 2013 revenues. GAAP net income (loss) per diluted share is expected to be in the range of (\$0.06) to (\$0.02) and non-GAAP net income per diluted share is expected to be in the range of \$0.22 to \$0.26 based on approximately 37.4 million weighted average diluted shares outstanding for the full year.

#### **Investor Conference Call**

Qualys will host a conference call and live webcast to discuss its first quarter 2014 financial results today at 2:00 p.m. Pacific Time (5:00 p.m. Eastern Time). To access the conference call, dial (877) 881-2609 in the U.S. or +1 (970) 315-0463 for international participants with conference ID #24075823. The live webcast of Qualys' earnings conference call can also be accessed at [investor.qualys.com](http://investor.qualys.com). A replay of the conference call will be available through the same webcast link following the end of the call.

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**About Qualys, Inc.**

Qualys, Inc. (NASDAQ: QLYS) is a pioneer and leading provider of cloud security and compliance solutions with over 6,700 customers in more than 100 countries, including a majority of each of the Forbes Global 100 and Fortune 100. The QualysGuard Cloud Platform and integrated suite of solutions help organizations simplify security operations and lower the cost of compliance by delivering critical security intelligence on demand and automating the full spectrum of auditing, compliance and protection for IT systems and web applications. Founded in 1999, Qualys has established strategic partnerships with leading managed service providers and consulting organizations including Accuvant, BT, Dell SecureWorks, Fujitsu, NTT, Symantec, Verizon and Wipro. The company is also a founding member of the Cloud Security Alliance (CSA). For more information, please visit [www.qualys.com](http://www.qualys.com).

Qualys, the Qualys logo and QualysGuard are proprietary trademarks of Qualys, Inc. All other products or names may be trademarks of their respective companies.

**Legal Notice Regarding Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements generally relate to future events or our future financial or operating performance. Forward-looking statements in this press release include, but are not limited to, statements related to: our belief that we will continue to gain new customer adoption of our core Vulnerability Management solution, our Web Application Scanning solution and our Policy Compliance solution and expand our platform among existing customers; our expectations regarding enhancing our existing customers; our expectations regarding bringing new capabilities and solutions to market in 2014; our belief that we will continue to leverage our cloud platform to grow revenues and increase value to our customers and shareholders; our belief that customers will increasingly adopt our Web Application Scanning and Policy Compliance solutions; our expectation that our Continuous Monitoring and Web Application Firewall solutions will be adopted by our customers on an accelerated basis; our guidance for revenues, GAAP EPS (loss) and non-GAAP EPS for the second quarter and full year 2014; and our expectations for the number of weighted average diluted shares outstanding for the second quarter and full year 2014. Our expectations and beliefs regarding these matters may not materialize, and actual results in future periods are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks include our ability to continue to develop platform capabilities and solutions; customer acceptance and purchase of our existing solutions and new solutions; our ability to retain existing customers and generate new customers; the market for cloud solutions for IT security and compliance not increasing at the rate we expect; competition from other products and services; and general market, political, economic and business conditions. The forward-looking statements contained in this press release are also subject to other risks and uncertainties, including those more fully described in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission on February 28, 2014. The forward-looking statements in this press release are based on information available to Qualys as of the date hereof, and Qualys disclaims any obligation to update any forward-looking statements, except as required by law.

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## **Non-GAAP Financial Measures**

In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, Qualys monitors non-GAAP measures of non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income, non-GAAP net income (loss), non-GAAP net income (loss) per diluted share and adjusted EBITDA.

Qualys also monitors non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income, non-GAAP net income, non-GAAP net income per diluted share and adjusted EBITDA to evaluate its ongoing operational performance and enhance an overall understanding of its past financial performance. Qualys believes that these non-GAAP metrics help illustrate underlying trends in its business that could otherwise be masked by the effect of the income or expenses, as well as the related tax effects, that are excluded in non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income, non-GAAP net income, non-GAAP net income per diluted share and adjusted EBITDA. Furthermore, Qualys uses these measures to establish budgets and operational goals for managing its business and evaluating its performance. Qualys also believes that non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income, non-GAAP net income, non-GAAP net income per diluted share and adjusted EBITDA provide additional tools for investors to use in comparing its recurring core business operating results over multiple periods with other companies in its industry.

The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP. A reconciliation of the non-GAAP financial measures discussed in this press release to the most directly comparable GAAP financial measures is included with the financial statements contained in this press release. Management uses both GAAP and non-GAAP information in evaluating and operating its business internally and as such has determined that it is important to provide this information to investors.

**Qualys, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**  
(in thousands, except per share data)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2014</b>	<b>2013</b>
Revenues	\$30,356	\$24,883
Cost of revenues (1)	6,846	5,795
Gross profit	23,510	19,088
Operating expenses:		
Research and development (1)	6,404	5,297
Sales and marketing (1)	12,492	10,168
General and administrative (1)	4,875	3,896
Total operating expenses	23,771	19,361
Loss from operations	(261)	(273)
Other income (expense), net:		
Interest expense	(4)	(18)
Interest income	108	77
Other income (expense), net	(101)	(319)
Total other income (expense), net	3	(260)
Loss before provision for income taxes	(258)	(533)
Provision for income taxes	182	70
Net loss	<u>\$ (440)</u>	<u>\$ (603)</u>
Net loss per share:		
Basic	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average shares used in computing net loss per share:		
Basic	<u>32,516</u>	<u>31,494</u>
Diluted	<u>32,516</u>	<u>31,494</u>
(1) Includes stock-based compensation as follows:		
Cost of revenues	\$ 149	\$ 93
Research and development	435	208
Sales and marketing	573	283
General and administrative	969	365
Total stock-based compensation	<u>\$ 2,126</u>	<u>\$ 949</u>

**Qualys, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited)**  
**(in thousands)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2014</b>	<b>2013</b>
Net loss	\$ (440)	\$ (603)
Change in foreign currency translation gain (loss), net of zero tax	9	(10)
Available-for-sale investments:		
Change in net unrealized gain on investments, net of zero tax	18	—
Less: reclassification adjustment for net realized gain included in net loss	(6)	(6)
Net change, net of zero tax	12	(6)
Other comprehensive income (loss), net	21	(16)
Comprehensive loss	<u>\$ (419)</u>	<u>\$ (619)</u>



**Qualys, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(in thousands)

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 48,296	\$ 42,369
Short-term investments	57,312	54,827
Accounts receivable, net	21,887	28,581
Prepaid expenses and other current assets	4,389	4,679
Total current assets	131,884	130,456
Long-term investments	39,387	35,608
Property and equipment, net	24,169	23,075
Intangible assets, net	2,296	2,394
Goodwill	317	317
Other noncurrent assets	784	753
Total assets	\$ 198,837	\$ 192,603
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,018	\$ 1,930
Accrued liabilities	8,444	9,037
Deferred revenues, current	71,410	67,505
Capital lease obligations, current	538	805
Total current liabilities	82,410	79,277
Deferred revenues, noncurrent	8,908	8,889
Other noncurrent liabilities	1,392	1,320
Total liabilities	92,710	89,486
Stockholders' equity:		
Common stock	33	32
Additional paid-in capital	180,069	176,641
Accumulated other comprehensive loss	(1,067)	(1,088)
Accumulated deficit	(72,908)	(72,468)
Total stockholders' equity	106,127	103,117
Total liabilities and stockholders' equity	\$ 198,837	\$ 192,603

**Qualys, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(in thousands)**

	Three Months Ended	
	March 31,	
	2014	2013
<b>Cash flows from operating activities:</b>		
Net loss	\$ (440)	\$ (603)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	2,805	2,119
Bad debt expense	14	44
Loss on disposal of property and equipment	—	2
Stock-based compensation	2,126	949
Amortization of premiums on investments	136	49
Changes in operating assets and liabilities:		
Accounts receivable	6,680	5,469
Prepaid expenses and other assets	272	354
Accounts payable	80	(244)
Accrued liabilities	(593)	826
Deferred revenues	3,924	1,090
Other noncurrent liabilities	71	4
Net cash provided by operating activities	<u>15,075</u>	<u>10,059</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(47,451)	(59,916)
Sales and maturities of investments	41,062	65,309
Purchases of property and equipment	(3,778)	(3,650)
Net cash (used in) provided by investing activities	<u>(10,167)</u>	<u>1,743</u>
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of stock options	1,256	818
Income tax benefits from exercise of stock options	17	—
Principal payments under capital lease obligations	(267)	(328)
Net cash provided by financing activities	<u>1,006</u>	<u>490</u>
Effect of exchange rate changes on cash and cash equivalents	13	(72)
Net increase in cash and cash equivalents	5,927	12,220
Cash and cash equivalents at beginning of period	42,369	34,885
Cash and cash equivalents at end of period	<u>\$ 48,296</u>	<u>\$ 47,105</u>
<b>Non-cash investing and financing activities:</b>		
Vesting of early exercised common stock options	\$ 29	\$ 80

**Qualys, Inc.**  
**RECONCILIATION OF NON-GAAP DISCLOSURES**  
**EBITDA AND ADJUSTED EBITDA**  
**(Unaudited)**  
**(in thousands)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2014</b>	<b>2013</b>
Net loss	\$ (440)	\$ (603)
Depreciation and amortization of property and equipment	2,707	2,012
Amortization of intangible assets	98	107
Interest expense	4	18
Provision for income taxes	182	70
EBITDA	<u>2,551</u>	<u>1,604</u>
Stock-based compensation	2,126	949
Other (income) expense, net	(7)	242
Adjusted EBITDA	<u>\$ 4,670</u>	<u>\$ 2,795</u>

**Qualys, Inc.**  
**RECONCILIATION OF NON-GAAP DISCLOSURES**  
**(Unaudited)**  
(in thousands, except per share data)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u>2014</u>	<u>2013</u>
GAAP gross profit	\$23,510	\$19,088
Plus:		
Stock-based compensation	149	93
Non-GAAP gross profit	<u>\$23,659</u>	<u>\$19,181</u>
GAAP loss from operations	\$ (261)	\$ (273)
Plus:		
Stock-based compensation	2,126	949
Non-GAAP income from operations	<u>\$ 1,865</u>	<u>\$ 676</u>
GAAP net loss	\$ (440)	\$ (603)
Plus:		
Stock-based compensation	2,126	949
Non-GAAP net income	<u>\$ 1,686</u>	<u>\$ 346</u>
Non-GAAP net income per share:		
Basic	<u>\$ 0.05</u>	<u>\$ 0.01</u>
Diluted	<u>\$ 0.05</u>	<u>\$ 0.01</u>
Weighted average shares used in computing non-GAAP net income per share:		
Basic	<u>32,516</u>	<u>31,494</u>
Diluted	<u>37,082</u>	<u>35,317</u>