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QUALYS ANNOUNCES THIRD QUARTER 2012 FINANCIAL RESULTS

Revenue Growth of 21% Year-Over-Year
GAAP EPS of \$0.06, Non-GAAP EPS of \$0.10
Cloud Platform Expansion Continues to Drive Growth

REDWOOD CITY, CA – November 5, 2012 – Qualys, Inc. (NASDAQ: QLYS), a pioneer and leading provider of cloud security and compliance solutions, today announced financial results for the quarter ended September 30, 2012. For the quarter, the Company reported revenues of \$23.4 million, GAAP net income of \$1.7 million, non-GAAP net income of \$2.7 million, adjusted EBITDA of \$4.6 million, GAAP earnings per diluted share of \$0.06, and non-GAAP earnings per diluted share of \$0.10.

Philippe Courtot, Chairman and Chief Executive Officer of Qualys, said, “We are pleased to report our first quarter as a public company with such solid results. Our performance for the quarter reflects the increased adoption of the QualysGuard Cloud Platform and solutions by organizations worldwide as well as the growing adoption of new cloud services including Web Application Scanning and Policy Compliance by existing customers. Additionally, we are continuing our investments to broaden our platform capabilities in areas such as Web Application Firewall, which is currently in beta. With more than 6,000 customers worldwide, we are proud of the technical leadership that we have achieved and encouraged by the strength of our SaaS business model, and are poised to continue delivering value to our customers and strong results for our shareholders.”

Third Quarter 2012 Financial Highlights

Revenues: Revenues for the third quarter of 2012 increased by 21% to \$23.4 million, compared to \$19.4 million in the same quarter last year. Revenue growth was driven by a combination of increased sales of subscriptions for additional solutions to existing customers, as well as sales of subscriptions to new customers.

Bookings: Four-Quarter Bookings (a non-GAAP financial measure) were \$98.7 million for the four-quarter period ended September 30, 2012, an increase of \$19.8 million, or 25%, compared to \$78.9 million for the four-quarter period ended September 30, 2011. The increase in Four-Quarter Bookings was primarily due to sales of subscriptions for additional solutions to a larger customer base as well as sales of subscriptions to new customers.

Gross Profit: Gross profit for the third quarter of 2012 increased by 16% to \$18.7 million, compared to \$16.2 million in the same quarter last year. GAAP gross margin was 80% for the third quarter of 2012, compared to 83% during the same period last year. Non-GAAP gross profit for the third quarter of 2012 increased 16% to \$18.8 million, compared to \$16.2 million in the same quarter last year. Non-GAAP

gross margin was 80% for the third quarter of 2012, compared to 84% during the same quarter last year. The decrease in both GAAP and Non-GAAP gross margins was related to increased investments Qualys made to expand its data center infrastructure and to add capacity to deploy new solutions on its cloud platform.

Operating Income: GAAP operating income for the third quarter of 2012 increased by 73% to \$1.7 million, compared to \$1.0 million in the same quarter last year. Non-GAAP operating income for the third quarter of 2012 increased by 78% to \$2.7 million, compared to \$1.5 million in the same quarter last year. Non-GAAP operating margin increased to 12% in the third quarter of 2012 from 8% in the same quarter last year as a result of the Company's continued focus on cost management and the benefits of increasing operating scale.

Net Income: GAAP net income for the third quarter of 2012 was \$1.7 million, or \$0.06 per diluted share, up from \$0.5 million, or \$0.02 per diluted share, in the same quarter last year. Non-GAAP net income for the third quarter of 2012 was \$2.7 million, or \$0.10 per diluted share, up from \$1.0 million, or \$0.04 per diluted share, in the same quarter last year.

Adjusted EBITDA: Adjusted EBITDA (a non-GAAP financial measure) for the third quarter of 2012 increased by 66% to \$4.6 million, compared to \$2.8 million in the same quarter last year. As a percentage of revenues, adjusted EBITDA increased from 14% in Q3 of 2011 to 20% in Q3 of 2012.

Initial Public Offering: Qualys began trading on the NASDAQ Stock Market under the symbol "QLYS" on September 28, 2012, and successfully closed its IPO on October 3, 2012. With the full exercise of the underwriters' over-allotment option, the Company sold 7,836,250 shares of common stock, and certain selling shareholders sold 875,000 shares of common stock, at a price to the public of \$12.00 per share.

Third Quarter 2012 Business Highlights

New Customers:

- New customers include: Bombardier Aerospace, Dolby Laboratories, F5 Networks, Federal Housing Finance Agency, FMC Technologies, Morgan Stanley, Ring Central, Salesforce.com, San Francisco Department of Public Health, Southern California Edison, Sophos, University of California, San Francisco (UCSF), VISA and Washington Post.

New Products and Functionalities:

- Expanded QualysGuard PCI Cloud Platform to help organizations meet new internal scanning requirements of PCI DSS 6.2.
- Added IPv6 support to FreeScan service allowing organizations to test the security of their IPv6 deployments on the Internet.
- Announced the general availability of Dynamic Asset Tagging, a patent-pending technology, enabling customers to identify and organize large numbers of assets in highly dynamic IT environments to attain a comprehensive view of their security and compliance posture by assets, business units and technical owners.

Industry Recognition:

- Received highest rating of “Strong Positive” in Gartner’s MarketScope for Vulnerability Assessment¹.
- Recognized as “Best Vulnerability Management” by TechTarget’s Information Security Magazine (ISM) Reader’s Choice Awards 2012.

Financial Performance Outlook

Fourth Quarter 2012 Guidance: Management expects revenues to be in the range of \$24.0 million to \$24.6 million. GAAP EPS is expected to be in the range of \$0.00 to \$0.02 and non-GAAP EPS is expected to be in the range of \$0.03 to \$0.05 based on approximately 35.2 million weighted average diluted shares outstanding for the quarter.

Full Year 2012 Guidance: Management expects revenues to be in the range of \$90.8 million to \$91.4 million. GAAP EPS is expected to be in the range of \$0.04 to \$0.06 and non-GAAP EPS is expected to be in the range of \$0.17 to \$0.19 based on approximately 28.4 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 third quarter 2012 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 #49603910. The live webcast of Qualys’ earnings conference call can also be accessed at investor.qualys.com. A replay of the conference call will be available through the same webcast link following the end of the call.

About Qualys, Inc.

Qualys, Inc. (NASDAQ: QLYS), is a pioneer and leading provider of cloud security and compliance solutions with over 6,000 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 helps 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 BT, Dell SecureWorks, Fujitsu, IBM, 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.

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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 expectations regarding investments in, and the development of, our platform capabilities in areas such as Web Application Firewall; our belief that we are poised to continue delivering value to our customers and strong results for our shareholders; and our guidance for revenues, GAAP EPS and non-GAAP EPS for the fourth quarter and full year 2012. 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 continuing to develop; 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 Prospectus filed with the Securities and Exchange Commission on September 28, 2012 (Registration No. 333-182027). 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.

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 Four-Quarter Bookings, non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP EPS and adjusted EBITDA.

Qualys monitors Four-Quarter Bookings to understand sales trends for its business. Qualys believes this metric provides an additional tool for investors to use in assessing its business performance in a way that more fully reflects current business trends than reported revenues and reduces the variations in any particular quarter caused by customer subscription renewals. Qualys believes Four-Quarter Bookings reflects the material sales trends for its business because it includes sales of subscriptions to new customers, as well as subscription renewals and upsells of additional subscriptions to existing customers.

Qualys also monitors non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP EPS and adjusted EBITDA to evaluate its ongoing operational performance and enhancing 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 that are excluded in non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP EPS 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 operating margin, non-GAAP net income, non-GAAP EPS 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)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|----------------|--------------------------|-----------------|
| | September 30, | | September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | \$ 23,382 | \$ 19,375 | \$ 66,763 | \$ 55,560 |
| Cost of revenues (1) | 4,634 | 3,225 | 13,423 | 9,124 |
| Gross profit | <u>18,748</u> | <u>16,150</u> | <u>53,340</u> | <u>46,436</u> |
| Operating expenses: | | | | |
| Research and development (1) | 5,076 | 4,922 | 15,325 | 14,680 |
| Sales and marketing (1) | 8,797 | 7,985 | 27,827 | 22,297 |
| General and administrative (1) | 3,154 | 2,249 | 8,811 | 6,510 |
| Total operating expenses | <u>17,027</u> | <u>15,156</u> | <u>51,963</u> | <u>43,487</u> |
| Income from operations | 1,721 | 994 | 1,377 | 2,949 |
| Other income (expense), net: | | | | |
| Interest expense | (38) | (47) | (153) | (164) |
| Interest income | 1 | 4 | 2 | 10 |
| Other income (expense), net | 60 | (418) | (44) | 101 |
| Total other income (expense), net | <u>23</u> | <u>(461)</u> | <u>(195)</u> | <u>(53)</u> |
| Income before provision for income taxes | 1,744 | 533 | 1,182 | 2,896 |
| Provision for income taxes | 77 | 81 | 77 | 291 |
| Net income | <u>\$ 1,667</u> | <u>\$ 452</u> | <u>\$ 1,105</u> | <u>\$ 2,605</u> |
| Net income attributable to common stockholders | <u>\$ 415</u> | <u>\$ 102</u> | <u>\$ 264</u> | <u>\$ 576</u> |
| Net income per share attributable to common stockholders: | | | | |
| Basic | <u>\$ 0.07</u> | <u>\$ 0.02</u> | <u>\$ 0.05</u> | <u>\$ 0.12</u> |
| Diluted | <u>\$ 0.06</u> | <u>\$ 0.02</u> | <u>\$ 0.04</u> | <u>\$ 0.11</u> |
| Weighted average shares used in computing net income per share attributable to common stockholders: | | | | |
| Basic | <u>5,843</u> | <u>5,137</u> | <u>5,540</u> | <u>5,002</u> |
| Diluted | <u>26,545</u> | <u>24,402</u> | <u>25,972</u> | <u>24,208</u> |

(1) Includes stock-based compensation as follows:

| | | | | |
|--------------------------------|-----------------|---------------|-----------------|-----------------|
| Cost of revenues | \$ 68 | \$ 44 | \$ 195 | \$ 96 |
| Research and development | 167 | 118 | 484 | 340 |
| Sales and marketing | 349 | 163 | 856 | 397 |
| General and administrative | 443 | 225 | 1,048 | 679 |
| Total stock-based compensation | <u>\$ 1,027</u> | <u>\$ 550</u> | <u>\$ 2,583</u> | <u>\$ 1,512</u> |

Qualys, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(in thousands)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|---------------|--------------------------|-----------------|
| | September 30, | | September 30, | |
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Net income | \$ 1,667 | \$ 452 | \$ 1,105 | \$ 2,605 |
| Foreign currency translation gain (loss), net of zero tax | 41 | (106) | (17) | (138) |
| Other comprehensive income (loss), net | <u>41</u> | <u>(106)</u> | <u>(17)</u> | <u>(138)</u> |
| Comprehensive income | <u>\$ 1,708</u> | <u>\$ 346</u> | <u>\$ 1,088</u> | <u>\$ 2,467</u> |

Qualys, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands)

| | September 30, 2012 | December 31, 2011 |
|--|-------------------------------|------------------------------|
| | | (restated) |
| Assets | | |
| Current assets: | | |
| Cash | \$ 25,804 | \$ 24,548 |
| Accounts receivable | 23,452 | 20,750 |
| Prepaid expenses and other current assets | 6,502 | 3,774 |
| Total current assets | 55,758 | 49,072 |
| Restricted cash | 112 | 112 |
| Property and equipment, net | 16,896 | 13,861 |
| Intangible assets, net | 2,869 | 3,175 |
| Goodwill | 317 | 317 |
| Other noncurrent assets | 1,884 | 2,252 |
| Total assets | \$ 77,836 | \$ 68,789 |
| Liabilities, Convertible Preferred Stock and Stockholders' Equity (Deficit) | | |
| Current liabilities : | | |
| Accounts payable | \$ 1,715 | \$ 2,254 |
| Accrued liabilities | 9,085 | 8,468 |
| Deferred revenues, current | 51,693 | 46,717 |
| Capital lease obligations, current | 1,556 | 1,987 |
| Total current liabilities | 64,049 | 59,426 |
| Deferred revenues, noncurrent | 6,152 | 4,713 |
| Income taxes payable, noncurrent | 504 | 661 |
| Other noncurrent liabilities | 1,189 | 2,134 |
| Capital lease obligations, noncurrent | 1,074 | 2,406 |
| Total liabilities | 72,968 | 69,340 |
| Commitments and contingencies | | |
| Convertible preferred stock | 63,873 | 63,873 |
| Stockholders' equity (deficit): | | |
| Common stock | 6 | 5 |
| Additional paid-in capital | 17,257 | 12,927 |
| Accumulated other comprehensive loss | (1,001) | (984) |
| Accumulated deficit | (75,267) | (76,372) |
| Total stockholders' equity (deficit) | (59,005) | (64,424) |
| Total liabilities, convertible preferred stock and stockholders' equity (deficit) | \$ 77,836 | \$ 68,789 |

Qualys, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

| | Nine Months Ended | |
|--|--------------------------|-------------|
| | September 30, | |
| | 2012 | 2011 |
| Cash flows from operating activities: | | |
| Net income | \$ 1,105 | \$ 2,605 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 5,397 | 3,781 |
| Bad debt expense | 182 | 171 |
| Loss on disposal of property and equipment | 3 | - |
| Stock-based compensation | 2,583 | 1,512 |
| Non-cash interest expense | 24 | 27 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (2,884) | (1,973) |
| Prepaid expenses and other assets | 146 | (1,283) |
| Accounts payable | (542) | 676 |
| Accrued liabilities | (1,509) | 752 |
| Deferred revenues | 6,415 | 4,724 |
| Income taxes payable | (189) | 311 |
| Other noncurrent liabilities | (62) | (16) |
| Net cash provided by operating activities | 10,669 | 11,287 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment, net | (8,104) | (4,250) |
| Net cash used in investing activities | (8,104) | (4,250) |
| Cash flows from financing activities: | | |
| Principal payments under capital lease obligations | (1,763) | (1,153) |
| Payment of consideration related to acquisition | (1,000) | - |
| Proceeds from exercise of stock options | 1,998 | 971 |
| Payments for offering costs in connection with initial public offering | (560) | - |
| Proceeds from issuance of Series C Preferred Stock | - | 128 |
| Net cash used in financing activities | (1,325) | (54) |
| Effect of exchange rate changes on cash | 16 | (128) |
| Net increase in cash | 1,256 | 6,855 |
| Cash at beginning of period | 24,548 | 15,010 |
| Cash at end of period | \$ 25,804 | \$ 21,865 |

Qualys, Inc.
Reconciliation of Non-GAAP Disclosures
Four-Quarter Bookings
(Unaudited)
(in thousands)

| | Four Quarters Ended | |
|----------------------------------|----------------------------|------------------|
| | September 30, | |
| | 2012 | 2011 |
| Revenues | \$ 87,416 | \$ 72,816 |
| Deferred revenues, current | | |
| Beginning of Four-Quarter Period | 40,413 | 34,370 |
| Ending | <u>51,693</u> | <u>40,413</u> |
| Net change | <u>11,280</u> | <u>6,043</u> |
| Four-Quarter Bookings | <u>\$ 98,696</u> | <u>\$ 78,859</u> |

Qualys, Inc.
Reconciliation of Non-GAAP Disclosures
EBITDA and Adjusted EBITDA
(Unaudited)
(in thousands)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|------------------------|--------------------------|------------------------|
| | September 30, | | September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Net income | \$ 1,667 | \$ 452 | \$ 1,105 | \$ 2,605 |
| Depreciation and amortization of property and equipment | 1,739 | 1,121 | 5,066 | 3,466 |
| Amortization of intangible assets | 112 | 101 | 331 | 315 |
| Interest expense, net | 37 | 43 | 151 | 154 |
| Provision for income taxes | 77 | 81 | 77 | 291 |
| EBITDA | <u>\$ 3,632</u> | <u>\$ 1,798</u> | <u>\$ 6,730</u> | <u>\$ 6,831</u> |
| Stock-based compensation | 1,027 | 550 | 2,583 | 1,512 |
| Other (income) expense, net | (60) | 418 | 44 | (101) |
| Adjusted EBITDA | <u><u>\$ 4,599</u></u> | <u><u>\$ 2,766</u></u> | <u><u>\$ 9,357</u></u> | <u><u>\$ 8,242</u></u> |

Qualys, Inc.
Reconciliation of Non-GAAP Disclosures
(Unaudited)
(in thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 |
| GAAP gross profit | \$ 18,748 | \$ 16,150 | \$ 53,340 | \$ 46,436 |
| Plus: | | | | |
| Stock-based compensation expense | 68 | 44 | 195 | 96 |
| Non-GAAP gross profit | <u>\$ 18,816</u> | <u>\$ 16,194</u> | <u>\$ 53,535</u> | <u>\$ 46,532</u> |
| GAAP income from operations | \$ 1,721 | \$ 994 | \$ 1,377 | \$ 2,949 |
| Plus: | | | | |
| Stock-based compensation expense | 1,027 | 550 | 2,583 | 1,512 |
| Non-GAAP income from operations | <u>\$ 2,748</u> | <u>\$ 1,544</u> | <u>\$ 3,960</u> | <u>\$ 4,461</u> |
| GAAP net income | \$ 1,667 | \$ 452 | \$ 1,105 | \$ 2,605 |
| Plus: | | | | |
| Stock-based compensation expense | 1,027 | 550 | 2,583 | 1,512 |
| Non-GAAP net income | <u>\$ 2,694</u> | <u>\$ 1,002</u> | <u>\$ 3,688</u> | <u>\$ 4,117</u> |
| Non-GAAP net income attributable to common stockholders | <u>\$ 671</u> | <u>\$ 226</u> | <u>\$ 881</u> | <u>\$ 910</u> |
| Non-GAAP net income per share attributable to common stockholders: | | | | |
| Basic | <u>\$ 0.11</u> | <u>\$ 0.04</u> | <u>\$ 0.16</u> | <u>\$ 0.18</u> |
| Diluted | <u>\$ 0.10</u> | <u>\$ 0.04</u> | <u>\$ 0.14</u> | <u>\$ 0.17</u> |
| Weighted average shares used in computing net income per share attributable to common stockholders: | | | | |
| Basic | <u>5,843</u> | <u>5,137</u> | <u>5,540</u> | <u>5,002</u> |
| Diluted | <u>26,545</u> | <u>24,402</u> | <u>25,972</u> | <u>24,208</u> |

Qualys, Inc.
Net Income (Loss) Per Share Attributable to Common Stockholders
(Unaudited)
(in thousands, except per share data)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|---------------|-------------------|-----------------|
| | September 30, | | September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Numerator: | | | | |
| Net income | \$ 1,667 | \$ 452 | \$ 1,105 | \$ 2,605 |
| Net income attributable to participating securities | (1,252) | (350) | (841) | (2,029) |
| Net income attributable to common stockholders - basic | 415 | 102 | 264 | 576 |
| Undistributed earnings reallocated to participating securities | 1,249 | 349 | 839 | 2,026 |
| Net income attributable to common stockholders - diluted | <u>\$ 1,664</u> | <u>\$ 451</u> | <u>\$ 1,103</u> | <u>\$ 2,602</u> |
| Denominator: | | | | |
| Weighted average shares used in computing net income per share attributable to common stockholders - basic | 5,843 | 5,137 | 5,540 | 5,002 |
| Effect of potentially dilutive securities: | | | | |
| Convertible preferred stock | 17,597 | 17,597 | 17,597 | 17,588 |
| Common stock options | 3,105 | 1,656 | 2,829 | 1,604 |
| Warrants | - | - | - | 2 |
| Contingently issuable shares related to an acquisition | - | 12 | 6 | 12 |
| Weighted average shares used in computing net income per share attributable to common stockholders - diluted | <u>26,545</u> | <u>24,402</u> | <u>25,972</u> | <u>24,208</u> |
| Net income per share attributable to common stockholders: | | | | |
| Basic | \$ 0.07 | \$ 0.02 | \$ 0.05 | \$ 0.12 |
| Diluted | \$ 0.06 | \$ 0.02 | \$ 0.04 | \$ 0.11 |