

**EMTEC, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands)

For the Three Months Ended November 30,

	2011	2010	\$ Change	% Change
<u>Revenues</u>				
Procurement services	\$ 46,416	\$ 60,180	\$ (13,764)	(22.9)%
Consulting and outsourcing	25,614	16,689	8,925	53.5%
<u>Total Revenues</u>	72,030	76,869	(4,839)	(6.3)%
<u>Cost of Revenues</u>				
Cost of procurement services	40,655	54,179	(13,524)	(25.0)%
Cost of consulting and outsourcing	19,479	12,143	7,336	60.4%
<u>Total Cost of Revenues</u>	60,134	66,322	(6,188)	(9.3)%
<u>Gross Profit</u>				
Procurement services	5,761	6,001	(240)	(4.0)%
Procurement services %	12.4%	10.0%		
Consulting and outsourcing	6,135	4,546	1,589	35.0%
Consulting and outsourcing %	24.0%	27.2%		
<u>Total Gross Profit</u>	11,896	10,547	1,349	12.8%
<u>Total Gross Profit %</u>	16.5%	13.7%		
Operating expenses:				
Selling, general, and administrative expenses	9,573	8,199	1,374	16.8%
Stock-based compensation	160	145	15	10.3%
Warrant liability adjustment	(608)	26	(634)	(2438.5)%
Depreciation and amortization	1,360	704	656	93.2%
<u>Total operating expenses</u>	10,485	9,074	1,411	15.5%
Percent of revenues	14.6%	11.8%		
Operating income	1,411	1,473	(62)	(4.2)%
Percent of revenues	2.0%	1.9%		
Other expense (income):				
Interest income – other	(62)	(3)	(59)	1966.7%
Interest expense	835	118	717	607.6%
Other	(2)	16	(18)	(112.5)%
Income before income tax expense	640	1,342	(702)	(52.3)%
Income tax expense	185	613	(428)	(69.8)%
<u>Net income</u>	\$ 455	\$ 729	\$ (274)	(37.6)%
Percent of revenues	0.6%	0.9%		

**EMTEC, INC.**  
**RECONCILIATION OF NET INCOME TO EBITDA AND ADJUSTED EBITDA**  
(In thousands)

**For the Three Months Ended November 30,**

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Net income	\$ 455	\$ 729	\$ (274)
Interest and other expense	771	131	640
Income taxes	185	613	(428)
Depreciation and amortization	1,360	704	656
EBITDA	<u>2,771</u>	<u>2,177</u>	<u>594</u>
Retention bonuses (1)	146	-	
Stock based compensation	160	145	
Executive recruiting (2)	-	78	
Severance	11	35	
Earnout liability adjustment (3)	168	-	
Warrant expense (4)	(608)	26	
Total Adjustments (5)	<u>(123)</u>	<u>284</u>	
Adjusted EBITDA	<u>\$ 2,648</u>	<u>\$ 2,461</u>	<u>\$ 186</u>

1) Expenses associated with retention bonuses which were agreed to in connection with the closing of the Company's acquisition of Emerging Solutions (Gnuco).

2) Reflects executive recruiting fees incurred in connection with a management launched search for a senior executive in 2009. Management made a one-time decision to invest in the business by hiring new senior executives to grow the business in 2010 and thereafter.

3) Non Cash adjustment of future contingent earnout liabilities in connection with the acquisitions of SDI, Dinero, Covelix, and Emerging. The earnout liabilities were recorded at fair value based on valuation models which utilize relevant factors such as expected life and estimated probabilities of the acquisitions achieving the performance targets throughout the earnout periods. These earnout liabilities are reassessed each reporting period and can result in recording additional income or expense.

4) Expense or income related to the stock warrants issued to our majority stockholder in August 2010 including legal fees associated with the issuance, as well as the stock warrant issued in connection with the subordinated debt financing in August 2011. These warrants are "marked-to-market" each reporting period, which can result in fluctuations in non cash income or expense in future periods.

5) In addition to the adjustments described above, the Company has not made adjustments for merger and acquisition related costs. The Company may incur similar costs in future periods. The company recorded merger and acquisition related costs of \$83,000 and \$47,000 for the quarters ended November 30, 2011 and 2010, respectively.

**EMTEC, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands)

	Year Ended August 31,			
	2011	2010	\$ Change	% Change
<u>Revenues</u>				
Procurement services	\$ 137,609	\$ 166,130	\$ (28,521)	(17.2)%
Consulting and outsourcing	74,538	58,472	16,066	27.5%
<u>Total Revenues</u>	<u>212,147</u>	<u>224,602</u>	<u>(12,455)</u>	<u>(5.5)%</u>
<u>Cost of Revenues</u>				
Cost of procurement services	123,385	148,104	(24,719)	(16.7)%
Cost of consulting and outsourcing	55,695	40,703	14,992	36.8%
<u>Total Cost of Revenues</u>	<u>179,080</u>	<u>188,806</u>	<u>(9,726)</u>	<u>(5.2)%</u>
<u>Gross Profit</u>				
Procurement services	14,224	18,026	(3,803)	(21.1)%
Procurement services %	10.3%	10.9%		
Consulting and outsourcing	18,843	17,769	1,074	6.0%
Consulting and outsourcing %	25.3%	30.4%		
<u>Total Gross Profit</u>	<u>33,067</u>	<u>35,795</u>	<u>(2,729)</u>	<u>(7.6)%</u>
<u>Total Gross Profit %</u>	<u>15.6%</u>	<u>15.9%</u>		
Operating expenses:				
Selling, general, and administrative expenses	34,386	30,901	3,486	11.3%
Stock-based compensation	514	561	(47)	(8.4)%
Warrant liability adjustment	57	910	(853)	(93.7)%
Depreciation and amortization	3,587	2,405	1,181	49.1%
<u>Total operating expenses</u>	<u>38,544</u>	<u>34,777</u>	<u>3,767</u>	<u>10.8%</u>
Percent of revenues	18.2%	15.5%		
Operating income (loss)	(5,477)	1,019	(6,496)	(638.0)%
Percent of revenues	(2.6)%	0.5%		
Other expense (income):				
Interest income – other	(23)	(32)	9	(28.1)%
Interest expense	1,110	947	163	17.2%
Other	57	27	30	111.1%
Income (loss) before income tax expense (benefit)	(6,621)	77	(6,698)	(8811.8)%
Income tax expense (benefit)	(2,371)	589	(2,960)	(502.5)%
Net loss	<u>\$ (4,250)</u>	<u>\$ (512)</u>	<u>\$ (3,738)</u>	<u>728.5%</u>
Percent of revenues	(2.0)%	(0.2)%		

**EMTEC, INC.**  
**RECONCILIATION OF NET LOSS TO EBITDA AND ADJUSTED EBITDA**

(In thousands)

Year Ended August 31,

	2011	2010	Change
Net loss	\$ (4,250)	\$ (512)	\$ (3,738)
Interest and other expense	1,144	942	202
Income taxes	(2,371)	589	(2,960)
Depreciation and amortization	3,587	2,405	1,182
EBITDA	(1,890)	3,424	(5,314)
Retention bonuses (1)	1,040	1,234	
Elimination of non-essential overhead (2)	3,796	737	
Stock based compensation	612	561	
Executive recruiting (3)	156	101	
Severance	831	295	
ERP capitalized costs (4)	(735)	-	
Warrant expense (5)	57	965	
Total Adjustments (6)	5,757	3,893	
Adjusted EBITDA	\$ 3,866	\$ 7,317	\$ (3,451)

1) Expenses associated with retention bonuses which were agreed to in connection with the closing of the Company's acquisitions of Luceo, EBAS/Aveeva, SDI, and EMS, a company of which certain assets were acquired through Koan-IT US.

2) Elimination of non-essential overhead gives pro forma effect to expenses incurred in 2011 and 2010 which were eliminated during the years ended August 31, 2011 and 2010 as if the elimination of these expenses occurred at the beginning of the applicable reporting period. In 2011, this includes \$3.8 million paid to associates whose positions were eliminated in the third and fourth quarters of 2011 as a result of a companywide restructuring as if their positions were eliminated at the beginning of the 2011 fiscal year. In 2010, this includes \$737,000 paid to sales and support associates whose positions were eliminated in the third and fourth quarter of 2010 as a result of our commercial infrastructure business restructuring as if their positions were eliminated at the beginning of the second quarter of fiscal year 2010.

3) Reflects executive recruiting fees incurred in connection with a management launched search for a senior executive in 2009. Management made a one-time decision to invest in the business by hiring new senior executives to grow the business in 2010 and thereafter.

4) Capitalization of internal resource costs associated with the implementation of a new ERP system in FY 2011.

5) Expense or income related to the stock warrants issued to our majority stockholder in August 2010 including legal fees of \$55,000 associated with the issuance for the year ended August 31, 2010, as well as the stock warrant issued in connection with the subordinated debt financing in August 2011. These warrants are "marked-to-market" each reporting period, which can result in fluctuations in non cash income or expense in future periods.

6) In addition to the adjustments described above, the Company has not made adjustments for merger and acquisition related costs. The Company may incur similar costs in future periods. The company recorded merger and acquisition related costs of \$542,000 and \$239,000 for the years ended August 31, 2011 and 2010, respectively.