

DAEGIS INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	<u>October 31,</u> <u>2011</u>	<u>April 30,</u> <u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,473	\$ 4,577
Accounts receivable, net	11,291	15,670
Prepaid expenses and other current assets	1,280	1,166
Total current assets	<u>18,044</u>	<u>21,413</u>
Property and equipment, net	2,832	2,240
Goodwill	25,161	25,161
Intangibles, net	11,273	12,396
Other assets, net	1,098	1,524
Total assets	<u>\$ 58,408</u>	<u>\$ 62,734</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 740	\$ 1,433
Current portion of long term debt	1,589	1,869
Accrued compensation and related expenses	2,118	2,894
Common stock warrant liability	1,021	1,623
Other accrued liabilities	1,308	2,131
Deferred revenue	6,567	7,951
Total current liabilities	<u>13,343</u>	<u>17,901</u>
Long term debt, net of current portion	21,754	24,731
Deferred tax liabilities, net	618	555
Other long term liabilities	1,207	1,513
Total liabilities	<u>36,922</u>	<u>44,700</u>
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock	2	—
Common stock	15	15
Additional paid-in capital	99,563	95,111
Accumulated other comprehensive income	425	443
Accumulated deficit	(78,519)	(77,535)
Total stockholders' equity	<u>21,486</u>	<u>18,034</u>
Total liabilities and stockholders' equity	<u>\$ 58,408</u>	<u>\$ 62,734</u>

DAEGIS INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2011	2010	2011	2010
Revenues:				
eDiscovery	\$ 5,529	\$ 7,093	\$ 11,555	\$ 10,108
Database, archive, and migrations	5,546	5,775	11,034	12,644
Total revenues	<u>11,075</u>	<u>12,868</u>	<u>22,589</u>	<u>22,752</u>
Operating expenses:				
Direct costs of eDiscovery revenue	2,234	1,872	4,632	2,525
Direct costs of database, archive, and migration revenue	1,352	1,419	2,700	3,053
Product development	1,863	1,982	3,838	3,766
Selling, general and administrative	4,428	6,813	9,376	13,099
Change in fair value of contingent consideration	—	—	—	(164)
Total operating expenses	<u>9,877</u>	<u>12,086</u>	<u>20,546</u>	<u>22,279</u>
Income from operations	<u>1,198</u>	<u>782</u>	<u>2,043</u>	<u>473</u>
Other income (expense):				
Loss on extinguishment of debt	—	—	(2,166)	—
Gain from change in fair value of common stock warrant liability	158	305	602	667
Interest expense	(469)	(1,030)	(1,369)	(1,442)
Other, net	(24)	(41)	26	(164)
Total other income (expense)	<u>(335)</u>	<u>(766)</u>	<u>(2,907)</u>	<u>(939)</u>
Earnings (loss) before income taxes	863	16	(864)	(466)
Provision for income taxes	68	129	119	123
Net income (loss)	<u>\$ 795</u>	<u>\$ (113)</u>	<u>\$ (983)</u>	<u>\$ (589)</u>
Earnings (loss) per share:				
Basic	\$ 0.05	\$ (0.01)	\$ (0.08)	\$ (0.05)
Dilutive	\$ 0.04	\$ (0.01)	\$ (0.08)	\$ (0.05)
Weighted average shares used in computing earnings (loss) per share:				
Basic	14,657	13,844	14,629	12,542
Dilutive	16,476	13,844	14,629	12,542

DAEGIS INC.
RECONCILIATION OF GAAP OPERATING INCOME TO ADJUSTED EBITDA
(In thousands)

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2011	2010	2011	2010
GAAP income from operations	\$ 1,198	\$ 782	\$ 2,043	\$ 473
Amortization of intangible assets	558	1,107	1,123	1,943
Stock based compensation expenses	245	235	473	487
Depreciation	279	270	509	385
Total adjustments to GAAP income from operations	<u>1,082</u>	<u>1,612</u>	<u>2,105</u>	<u>2,815</u>
Adjusted EBITDA	<u>\$ 2,280</u>	<u>\$ 2,394</u>	<u>\$ 4,148</u>	<u>\$ 3,288</u>

RECONCILIATION OF GAAP TO NON-GAAP NET INCOME
(In thousands, except per share data)

GAAP net income (loss)	\$ 795	\$ (113)	\$ (983)	\$ (589)
Amortization of intangible assets and warrant discount	558	1,174	1,166	2,032
Stock based compensation expenses	245	235	473	487
Professional fees related to mergers	—	—	—	1,423
Change in fair value of contingent consideration	—	—	—	(164)
Gain from change in fair value of common stock warrant liability	(158)	(305)	(602)	(667)
Loss on extinguishment of debt	—	—	2,166	—
Total adjustments to GAAP net income (loss)	<u>645</u>	<u>1,104</u>	<u>3,203</u>	<u>3,111</u>
Non-GAAP net income	<u>\$ 1,440</u>	<u>\$ 991</u>	<u>\$ 2,220</u>	<u>\$ 2,522</u>
Non-GAAP diluted earnings per share	<u>\$ 0.09</u>	<u>\$ 0.07</u>	<u>\$ 0.14</u>	<u>\$ 0.19</u>
Weighted average shares used in computing earnings per share:				
Dilutive	16,476	14,348	15,933	13,134