

FOR IMMEDIATE RELEASE

Agilysys Reports Unaudited Fiscal 2009 Third Quarter Results

- *Gross Margin Increases to 26.7% Compared with 23.1 % in Prior Year*
- *Adjusted EBITDA, Excluding Restructuring Charges, Increases to \$18.1 Million, or 8.1% of Revenue, in Third Quarter, Compared With \$10.8 Million, or 4.4% of Revenue in Prior Year*
- *Cash on Hand of \$72.4 Million Increases \$22.5 Million From Fiscal 2009 Second Quarter*

Cleveland – February 10, 2009 – Agilysys, Inc. (Nasdaq: AGYS), a leading provider of innovative IT solutions, today announced fiscal 2009 unaudited third quarter results for the period ended December 31, 2008.

Third Quarter Results of Operations

Revenue for the third quarter was \$224.1 million, with strong software and services revenue in the quarter. Software revenue was \$29.8 million, up 17.4% compared with \$25.4 million a year ago. Services revenue was \$38.8 million, up 10.2% from \$35.2 million a year ago. Revenue from hardware products was \$155.6 million, down 16.9% compared with \$187.3 million in last year's third fiscal quarter.

Gross profit for the third quarter was \$59.8 million, or 26.7% of revenue, compared with \$57.3 million, or 23.1% of revenue, for the third quarter of 2008. The increase was primarily due to the higher mix of software and services.

Selling, general and administrative (SG&A) expense was \$48.3 million, or 21.6% of revenue, compared with \$54.5 million, or 22.0% of revenue, last year. The \$6.2 million decrease in SG&A was largely due to a \$5.6 million reduction in compensation and benefits, which included a credit of \$2.2 million related to the reversal of stock compensation expense. The credit was primarily due to a change in the estimate to stock option forfeitures. In addition, intangibles amortization decreased \$0.9 million. This was offset by higher professional fees of \$0.9 million.

The company recorded \$13.4 million of restructuring expense in the quarter. The restructuring charges were primarily comprised of:

- A non-cash charge for defined benefit plan curtailment of \$4.5 million;
- \$7.4 million related to one-time termination benefits resulting from workforce reductions;
- \$1.3 million related to relocation of company headquarters to Cleveland from Boca Raton, Florida.

The operating loss for the quarter, which includes the \$13.4 million of restructuring charges, was \$1.9 million, compared with operating income of \$2.9 million in the third quarter last year.

Consolidated depreciation and amortization for the quarter was \$6.7 million, compared with \$8.0 million in the prior year. The decrease was largely due to decreased intangible amortization.

Adjusted EBITDA (operating income plus depreciation and amortization), excluding restructuring expenses, was \$18.1 million for the current quarter, compared with \$10.8 million a year ago. The increase in adjusted EBITDA, excluding restructuring expenses, was due to the cost saving actions the company initiated in its fiscal 2009 first, second, and third quarters and higher gross profit from software and services revenue in the third quarter.

As a result of the March 2007 divestiture of the company's KeyLink Systems Distribution Business, acquisitions, and definitions in the company's IBM floor plan financing agreement, the company believes that adjusted EBITDA most accurately reflects the company's performance and provides more meaningful year-over-year comparisons.

(NOTE: A reconciliation of adjusted EBITDA to net income is provided in the financial tables included in this release. This financial measure of profitability is included to supplement the unaudited condensed consolidated financial statements presented in accordance with generally accepted accounting principles ("GAAP") in this press release. See the "Use of Non-GAAP Financial Information" section in this release for further information).

Net interest expense for the third quarter was \$1.7 million, compared with net interest income of \$1.4 million in the same period last year. Interest expense for the third quarter includes non-cash charges of:

- \$0.4 million of unamortized bank fees related to the termination of the company's unsecured credit facility in January as previously announced; and,
- A \$1.1 million reserve for the company's investment in The Reserve Fund's Primary Fund, a money market fund that is in the process of liquidating as a result of investments in the securities of Lehman Brothers Holdings, Inc.

The loss from continuing operations for the third quarter was \$2.2 million, or \$0.10 per share, compared with income from continuing operations of \$1.4 million, or \$0.06 per share, last year. The change in income from continuing operations is primarily due to increased restructuring charges and higher interest expense.

"We are pleased with the significant improvement in both adjusted EBITDA and cash flow generated during the quarter," said Martin Ellis, president and CEO of Agilysys. "The fact that these results were generated in a weak demand environment is all the more notable. We will continue to focus on driving long-term value for our shareholders as we navigate these uncertain economic times."

Hospitality Solutions Group

In the fiscal 2009 third quarter, the Hospitality Solutions Group (HSG) recorded revenue of \$27.9 million, up 1.8%, compared with \$27.4 million last year. The acquisitions of Eatec Corporation and Triangle Hospitality Solutions Ltd. contributed revenue of \$3.7 million during the quarter.

Gross profit was \$15.8 million, or 56.7% of revenue, compared with \$14.1 million, or 51.5% of revenue, in the same period a year ago. The margin increase was due to a higher mix of software and services. The acquisitions of Eatec and Triangle contributed gross profit of \$2.6 million during the quarter.

SG&A was \$12.7 million in the quarter and \$12.2 million in the prior year. The increase of \$0.5 million over the prior year was due to the acquisitions of Eatec and Triangle, which were both acquired after the third quarter of fiscal 2008. Also, development costs associated with the company's new property management software, Guest360™, were \$1.0 million in the quarter, which was \$0.4 million higher than in the prior year's third quarter. Higher SG&A costs from the acquisitions and Guest360 were partially offset by other cost reductions in HSG.

Depreciation and amortization for HSG was \$1.6 million in the third quarter, compared with \$1.5 million in the third quarter last year.

Adjusted EBITDA for the quarter was \$4.7 million, or 16.9% of revenue, compared with \$3.4 million, or 12.4% of revenue, a year ago.

Retail Solutions Group

In the fiscal 2009 third quarter, the Retail Solutions Group (RSG) recorded revenue of \$34.8 million, a decrease of 34.3%, compared with \$53.0 million in the same quarter a year ago. The decrease is primarily due to the absence of a large hardware transaction that was recognized in the third quarter of fiscal 2008.

Gross profit was \$8.9 million, or 25.7% of revenue, compared with \$7.9 million, or 14.9% of revenue, in the same period a year ago. The increase as a percentage of revenue was due to the higher mix of services.

SG&A of \$4.7 million decreased from \$5.4 million in the third quarter of fiscal 2008 due to lower compensation and benefits and a decrease in outside services.

Adjusted EBITDA for the quarter was \$4.2 million, or 12.1% of revenue, compared with \$2.5 million, or 4.7% of revenue, a year ago.

Technology Solutions Group

In the fiscal 2009 third quarter, the Technology Solutions Group (TSG) recorded revenue of \$161.4 million, down 3.6%, compared with \$167.5 million in the third quarter of fiscal 2008. Softening demand for IT products continued to affect TSG during the quarter.

Gross profit was \$33.8 million, or 20.9% of revenue, compared with \$34.1 million, or 20.4% of revenue, in the same period a year ago. The increase in gross margin percentage was due to the absence of several large transactions that carried lower gross margins in the third quarter of fiscal 2008.

SG&A was \$22.0 million in the quarter compared with \$26.1 million in the same quarter last fiscal year. The \$4.1 million decrease is attributable to cost reductions.

Depreciation and amortization for TSG was \$4.1 million in the third quarter of fiscal 2009, compared with \$5.3 million in the third quarter of fiscal 2008. The decrease in depreciation and amortization was primarily due to lower intangibles amortization.

Adjusted EBITDA for the quarter was \$15.9 million, or 9.8% of revenue, compared with \$13.4 million, or 7.9% of revenue, a year ago. The increase in adjusted EBITDA was due to lower SG&A costs.

Corporate

Corporate SG&A decreased to \$9.0 million in the current quarter, compared with \$10.8 million a year ago. The decrease was due to cost-savings and a credit of \$2.2 million related to the reversal of stock compensation expense. Excluding the stock compensation credit, SG&A increased \$0.4 million year-over-year. The benefit of corporate cost cutting initiated in the first and third fiscal quarters was more than offset by higher employee benefit costs, and professional fees associated with the company's SEC filings and the recently concluded evaluation of strategic alternatives by JP Morgan. Cost savings from the executive management realignment and closure of the Boca Raton, Florida, headquarters were not fully realized in the 2009 third fiscal quarter.

Depreciation and amortization was \$1.0 million in the third quarter of fiscal 2009, or essentially flat when compared with \$1.1 million a year ago. Stock compensation expense was \$0.9 million excluding the previously discussed \$2.2 million stock compensation credit, compared with \$1.4 million in the prior year.

Adjusted EBITDA, excluding restructuring, was a loss of \$6.7 million, compared with a loss of \$8.5 million a year ago.

Nine-Month Results of Operations

For the nine months ended December 31, 2008, revenue was \$575.3 million, a 1.5% increase compared with revenue of \$566.8 million for the comparable period last year. The increase in revenue was primarily due to the acquisitions of InfoGenesis and Innovativ, which were only included for six of the first nine months of fiscal 2008.

Year-to-date software revenue was \$61.5 million, up 19.0% compared with \$51.7 million a year ago. Services revenue was \$107.8 million, up 13.8% compared with \$94.7 million last year. Revenue from hardware products was \$406.0 million, down 3.4% from \$420.4 million last year.

Gross profit for the first nine months was \$158.4 million, or 27.5% of revenue, compared with \$131.6 million, or 23.2% of revenue, in the prior year. The margin increase was due to the higher mix of software and services revenue.

SG&A was \$157.7 million, or 27.4% of revenue, in the first nine months compared with \$137.0 million, or 24.2% of sales, in the prior year. The increase in SG&A was primarily the result of:

- Full nine-months compensation and benefits from the company's acquisitions, which contributed \$12.3 million of the increase;
- Higher intangibles amortization of \$6.6 million related to the company's acquisitions;
- Bad debt expense, which increased by \$1.7 million; and
- Increased professional fees of \$1.4 million associated with the company's periodic SEC filings, additional communication with shareholders regarding the fiscal 2008 Annual Shareholder Meeting and exploration of strategic alternatives.

SG&A, excluding charges for impairment of goodwill, depreciation and amortization, declined from a quarterly run rate of \$49.7 million in the first quarter of fiscal 2009 to \$41.6 million in the third quarter. The cost savings benefits from the company's executive management realignment and closure of the headquarters in Boca Raton, Florida, have not been fully realized in the quarterly SG&A run rate.

The company has recorded year-to-date restructuring charges related to cost-saving initiatives of \$36.9 million.

The nine-month operating loss was \$181.8 million, a \$176.4 million increase from a loss of \$5.4 million in the first nine months of fiscal 2008. The increase was largely due to the write-down of goodwill of \$145.6 million and \$36.9 million in restructuring charges associated with cost savings actions.

Adjusted EBITDA, excluding restructuring expenses and impairment of goodwill, was \$21.5 million in the first nine months, compared with \$8.0 million in the prior year.

Net interest expense was \$1.7 million for the first nine months, compared with net interest income of \$11.6 million in the same period last year. The company had a higher cash position in fiscal 2008 following the sale of its KeyLink Systems Distribution Business.

The loss from continuing operations was \$167.6 million, or \$7.42 per share, for the first nine months, compared with income from continuing operations of \$6.1 million, or \$0.20 per share, for the comparable period last year. The decrease was largely due to the write-down of goodwill of \$145.6 million, \$36.9 million in restructuring charges associated with cost savings actions and lower interest income.

Restructuring and Cost Savings

During fiscal 2009, the company has taken aggressive action to reduce its cost structure and improve profitability. Specifically, the company has executed the following restructuring actions over the past six months:

- Restructured the go-to-market strategy for TSG's professional services offering;
- Eliminated investments to fund organic growth made when the macro-economic conditions were healthier;
- Exited Asian operations of TSG;
- Realigned executive management;
- Closed corporate offices in Boca Raton and relocated headquarters back to Cleveland;
- Realigned certain operational and administrative departments and streamlined certain processes to reduce costs and drive efficiencies.

In the first quarter of fiscal 2009, the company conducted a detailed review of its businesses to identify opportunities to improve operating efficiencies and reduce costs. As of June 30, 2008, the company executed on a cost savings plan to reduce costs, on an annual basis, by approximately \$14 million.

In October 2008, the company took actions to realign its overhead infrastructure that led to an additional \$8 million in annualized cost savings, which includes the elimination of corporate-level executive positions, consolidation of headquarters and the initial phase of realigning a number of former corporate SG&A functions into the company's three business units.

The restructuring actions have resulted in significant cost reductions. In addition to the \$22 million of annual cost savings announced to date, the company further reduced costs by an additional \$3 million in the fiscal 2009 third quarter. The \$25 million in cost savings consists of:

- \$12 million related to the Corporate segment;
- \$12 million related to TSG; and,
- \$1 million related to HSG.

Approximately one-third of these cost savings have been realized year-to-date. In realizing these cost savings and operating efficiency improvements associated with these restructuring actions, the company has incurred restructuring charges of \$13.4 million in the fiscal third quarter and \$36.9 million year-to-date, of which \$4.5 million and \$25.1 million respectively are non-cash charges.

"Over the past 90 days we have pro-actively addressed our cost structure and profitability," Ellis said. "These initiatives are making Agilysys a stronger company that is well positioned to deliver sustainable increases in shareholder value."

Liquidity

As of December 31, 2008, Agilysys had cash on hand of \$72.4 million, an increase of \$22.5 million over cash of \$49.9 million as of September 30, 2008. The increase in cash was due to strong cash operating earnings, and increased utilization of the company's flooring facility.

On January 20, 2009, the company announced the termination of its credit facility with Bank of America. The credit facility was put in place in October 2005 to primarily fund acquisitions. The company had no amounts outstanding under the facility at the time of termination and had never drawn on the facility.

The company is currently evaluating financing alternatives with several financial institutions to complement the company's existing floor plan financing facility and cash on hand. The company expects to be able to announce its new credit facility by March 31, 2009.

Sale of Asian Operations

The company divested TSG's China operations in January 2009 for \$1.2 million. These actions were taken to further increase adjusted EBITDA and focus the operating segment on its most strategic and profitable geographies. Financial results of TSG's Asian businesses have been reported in discontinued operations since the fiscal 2009 second quarter.

Agilysys continues to serve and grow its HSG customer base in Asia, including China.

SEC and Nasdaq Compliance

The company is now current with all SEC filing requirements. Following the divestiture of its 20% minority investment in Magirus AG, a privately held computer systems distributor headquartered in Germany, Agilysys filed its Annual Report on Form 10-K for the fiscal year ended March 31, 2008, on December 16, 2008, filed its first fiscal quarter Form 10-Q on December 30, 2008, and its second fiscal quarter Form 10-Q on January 13, 2009.

Also, as previously announced on January 21, 2009, the company received a letter from Nasdaq confirming the company is in compliance with its listing standards following the filing of the company's Form 10-Q with the SEC for the period ended September 30, 2008.

Business Outlook

As previously announced on November 20, 2008, in the company's fiscal second quarter earnings release, unprecedented uncertainty in the macro economic environment has severely limited visibility into the quarters ahead. Due to this uncertainty, the company has suspended revenue guidance until the outlook stabilizes.

The company expects to exceed the high end of its adjusted EBITDA guidance announced in the company's fiscal second quarter earnings release. Fiscal 2009 adjusted EBITDA, excluding restructuring and goodwill impairment charges, is expected to be in the range of \$23 million to \$25 million compared with fiscal 2008 adjusted EBITDA of \$4.6 million.

Conference Call Information

A conference call to discuss the fiscal third quarter results is scheduled for 11 a.m. ET on February 10, 2009. The conference call will be broadcast live over the Internet and the call will be archived on the investor relations page of the company's Web site: www.agilysys.com.

Use of Non-GAAP Financial Information

To supplement the unaudited condensed consolidated financial statements presented in accordance with GAAP in this press release, the company uses the non-GAAP financial measure of adjusted EBITDA, defined as operating income plus depreciation and amortization.

Management, creditors and investors review non-GAAP financial measures internally to evaluate the company's performance. Additionally, management believes that such information can enhance investors' understanding of the company's ongoing operations. The non-GAAP measures included in this press release have been reconciled to the comparable GAAP measures within the accompanying table, as required under Securities and Exchange Commission (SEC) rules regarding the use of non-GAAP financial measures. They should not be considered in isolation or as a substitute for analysis of the company's results as reported under GAAP.

Forward-Looking Language

Portions of this release, particularly the statements made by management and those that are not historical facts, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current assumptions and expectations, and are subject to risks and uncertainties, many of which are beyond the

control of Agilysys. Many factors could cause the actual results of Agilysys to differ materially from those anticipated by the forward-looking statements. These factors include those referenced in the Annual Report on Form 10-K or as may be described from time to time in Agilysys subsequent SEC filings.

Potential factors that could cause actual results to differ materially from those expressed or implied by such statements include, but are not limited to, those relating to Agilysys long-term financial goals, anticipated revenue gains, sales volume, margin improvements, cost savings, capital expenditures, depreciation and amortization, and new product introductions.

Other associated risks include geographic factors, political and economic risks, the actions of Agilysys competitors and vendors, and changes in economic or industry conditions in the markets served by Agilysys, the ability to appropriately integrate and derive performance from acquisitions, strategic alliances, and joint ventures.

In addition, this release contains time-sensitive information and reflects management's best analysis only as of the date of this release. Agilysys does not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the date of this release. Information on the potential factors that could affect Agilysys actual results of operations is included in its filings with the SEC, including, but not limited to, its Annual Report on Form 10-K for the fiscal year ended March 31, 2008. Interested persons can obtain it free at the SEC's Web site, www.sec.gov.

About Agilysys, Inc.

Agilysys is a leading provider of innovative IT solutions to corporate and public-sector customers, with special expertise in select markets, including retail and hospitality. The company uses technology – including hardware, software and services – to help customers resolve their most complicated IT needs. The company possesses expertise in enterprise architecture and high availability, infrastructure optimization, storage and resource management, identity management and business continuity; and provides industry-specific software, services and expertise to the retail and hospitality markets. Headquartered in Cleveland, Agilysys operates extensively throughout North America, with additional sales offices in the United Kingdom and China. For more information, visit www.agilysys.com.

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AGILYSYS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<i>(In thousands, except share and per share data)</i>	Three Months Ended December 31		Nine Months Ended December 31	
	2008	2007	2008	2007
Net sales:				
Products	\$ 185,311	\$ 212,682	\$ 467,491	\$ 472,071
Services	38,765	35,230	107,774	94,745
Total net sales	224,076	247,912	575,265	566,816
Cost of goods sold:				
Products	135,875	176,678	369,181	402,827
Services	28,423	13,915	47,664	32,370
Total cost of goods sold	164,298	190,593	416,845	435,197
Gross margin	59,778	57,319	158,420	131,619
Selling, general and administrative expenses	48,312	54,457	157,659	136,999
Impairment of goodwill	—	—	145,643	—
Restructuring charges (credits)	13,357	(3)	36,930	28
Operating (loss) income	(1,891)	2,865	(181,812)	(5,408)
Other expense (income):				
Other expense (income), net	88	1,022	(392)	131
Interest income	(59)	(1,620)	(521)	(12,271)
Interest expense	1,725	235	2,177	628
(Loss) income before income taxes	(3,645)	3,228	(183,076)	6,104
Income tax (benefit) expense	(1,402)	1,785	(15,481)	(42)
(Loss) income from continuing operations	(2,243)	1,443	(167,595)	6,146
(Loss) income from discontinued operations, net of tax (benefits) expense of \$(424) and \$543 for the three months ended December 31, 2008 and 2007, respectively and \$(1,027) and \$1,619 for the nine months ended December 31, 2008 and 2007, respectively	(1,477)	512	(2,751)	1,841
Net (loss) income	\$ (3,720)	\$ 1,955	\$ (170,346)	\$ 7,987
Earnings per share – basic and diluted				
(Loss) income from continuing operations	\$ (0.10)	\$ 0.06	\$ (7.42)	\$ 0.20
(Loss) income from discontinued operations	(0.07)	0.02	(0.12)	0.07
Net (loss) income	\$ (0.17)	\$ 0.08	\$ (7.54)	\$ 0.27
Weighted average shares outstanding				
Basic	22,603,641	25,760,225	22,580,726	29,476,958
Diluted	22,603,641	26,112,682	22,580,726	30,109,946
Cash dividends per share	\$ 0.03	\$ 0.03	\$ 0.09	\$ 0.09

See accompanying notes to condensed consolidated financial statements.

AGILYSYS, INC.
BUSINESS SEGMENT INFORMATION
(Unaudited)

<i>(In thousands)</i>	Three Months Ended December 31		Nine Months Ended December 31	
	2008	2007	2008	2007
Hospitality				
Total revenue	\$ 27,911	\$ 27,373	\$ 76,153	\$ 64,425
Elimination of intersegment revenue	—	—	(82)	(76)
Revenue from external customers	<u>\$ 27,911</u>	<u>\$ 27,373</u>	<u>\$ 76,071</u>	<u>\$ 64,349</u>
Gross margin	<u>\$ 15,829</u>	<u>\$ 14,106</u>	<u>\$ 46,185</u>	<u>\$ 35,061</u>
	56.7%	51.5%	60.7%	54.5%
Depreciation and Amortization	\$ 1,551	\$ 1,509	\$ 4,737	\$ 3,637
Operating income (loss)	<u>3,166</u>	<u>1,924</u>	<u>(105,598)</u>	<u>4,462</u>
Adjusted EBITDA	<u>\$ 4,717</u>	<u>\$ 3,433</u>	<u>\$ (100,861)</u>	<u>\$ 8,099</u>
Goodwill impairment	\$ —	\$ —	\$ 110,851	\$ —
Retail				
Total revenue	\$ 34,793	\$ 53,090	\$ 102,497	\$ 106,837
Elimination of intersegment revenue	(3)	(41)	(319)	(273)
Revenue from external customers	<u>\$ 34,790</u>	<u>\$ 53,049</u>	<u>\$ 102,178</u>	<u>\$ 106,564</u>
Gross margin	<u>\$ 8,938</u>	<u>\$ 7,923</u>	<u>\$ 23,434</u>	<u>\$ 19,361</u>
	25.7%	14.9%	22.9%	18.2%
Depreciation and Amortization	\$ 16	\$ 63	\$ 157	\$ 278
Operating (loss) income	<u>4,229</u>	<u>2,484</u>	<u>(16,085)</u>	<u>5,551</u>
Adjusted EBITDA	<u>\$ 4,245</u>	<u>\$ 2,547</u>	<u>\$ (15,928)</u>	<u>\$ 5,829</u>
Goodwill impairment	\$ —	\$ —	\$ 24,910	\$ —
Technology				
Total revenue	\$ 161,451	\$ 169,763	\$ 400,199	\$ 402,435
Elimination of intersegment revenue	(76)	(2,273)	(3,183)	(6,532)
Revenue from external customers	<u>\$ 161,375</u>	<u>\$ 167,490</u>	<u>\$ 397,016</u>	<u>\$ 395,903</u>
Gross margin	<u>\$ 33,765</u>	<u>\$ 34,138</u>	<u>\$ 85,210</u>	<u>\$ 74,547</u>
	20.9%	20.4%	21.5%	18.8%
Depreciation and Amortization	\$ 4,067	\$ 5,303	\$ 12,547	\$ 6,522
Operating income (loss)	<u>11,817</u>	<u>8,082</u>	<u>(14,496)</u>	<u>15,334</u>
Adjusted EBITDA	<u>\$ 15,884</u>	<u>\$ 13,385</u>	<u>\$ (1,949)</u>	<u>\$ 21,856</u>
Goodwill impairment	\$ —	\$ —	\$ 9,882	\$ —
Restructuring charge	\$ —	\$ (3)	\$ 23,573	\$ 28

AGILYSYS, INC.
BUSINESS SEGMENT INFORMATION
(Unaudited)

<i>(In thousands)</i>	Three Months Ended December 31		Nine Months Ended December 31	
	2008	2007	2008	2007
Corporate / Other				
Gross margin	\$ 1,246	\$ 1,152	\$ 3,591	\$ 2,650
Depreciation and Amortization	\$ 1,048	\$ 1,090	\$ 3,313	\$ 2,927
Operating loss	(21,103)	(9,625)	(45,633)	(30,755)
Adjusted EBITDA	<u>\$ (20,055)</u>	<u>\$ (8,535)</u>	<u>\$ (42,320)</u>	<u>\$ (27,828)</u>
Restructuring charge	\$ 13,357	\$ —	\$ 13,357	\$ —
Consolidated				
Total revenue	\$ 224,155	\$ 250,226	\$ 578,849	\$ 573,697
Elimination of intersegment revenue	(79)	(2,314)	(3,584)	(6,881)
Revenue from external customers	<u>\$ 224,076</u>	<u>\$ 247,912</u>	<u>\$ 575,265</u>	<u>\$ 566,816</u>
Gross margin	<u>\$ 59,778</u>	<u>\$ 57,319</u>	<u>\$ 158,420</u>	<u>\$ 131,619</u>
	26.7%	23.1%	27.5%	23.2%
Depreciation and Amortization	\$ 6,682	\$ 7,965	\$ 20,754	\$ 13,364
Operating loss	(1,891)	2,865	(181,812)	(5,408)
Adjusted EBITDA	<u>\$ 4,791</u>	<u>\$ 10,830</u>	<u>\$ (161,058)</u>	<u>\$ 7,956</u>
Goodwill impairment	—	—	145,643	—
Restructuring charges	13,357	(3)	36,930	28

AGILYSYS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts at December 31, 2008 are unaudited)

<i>(In thousands)</i>	December 31 2008	March 31 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 72,411	\$ 69,935
Accounts receivable, net	172,034	166,900
Inventories, net	25,485	25,408
Deferred income taxes	23,706	3,788
Prepaid expenses and other current assets	3,579	2,756
Assets held for sale	2,971	4,810
Income taxes receivable	3,624	4,960
Assets of discontinued operations – current	773	369
Total current assets	304,583	278,926
Goodwill	132,638	298,420
Intangible assets, net	42,619	55,625
Investments in affiliated companies – held for sale	—	9,549
Other non-current assets	33,679	25,779
Property and equipment, net	26,809	27,572
Total assets	\$ 540,328	\$ 695,871
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,112	\$ 96,199
Floor plan financing in default	145,875	14,552
Liabilities held for sale	—	1,951
Deferred revenue	9,036	16,232
Accrued and other current liabilities	36,054	58,117
Liabilities of discontinued operations - current	646	610
Total current liabilities	197,723	187,661
Other non-current liabilities	28,860	27,262
Liabilities of discontinued operations – non-current	1,768	232
Shareholders' equity:		
Common shares, without par value, at \$0.30 stated value; authorized 80,000,000 shares; 31,568,818 issued	9,366	9,366
Treasury stock (8,896,778 shares in December 2008 and 8,978,378 in March 2008)	(2,669)	(2,694)
Capital in excess of stated value	(10,668)	(11,469)
Retained earnings	317,844	488,050
Accumulated other comprehensive income	(1,896)	(2,537)
Total shareholders' equity	311,977	480,716
Total liabilities and shareholders' equity	\$ 540,328	\$ 695,871

See accompanying notes to condensed consolidated financial statements.

AGILYSYS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(In thousands)</i>	Nine Months Ended December 31	
	2008	2007
Operating activities:		
Net (loss) income	\$ (170,346)	\$ 7,987
Add: Loss (income) from discontinued operations	2,751	(1,841)
(Loss) income from continuing operations	(167,595)	6,146
Adjustments to reconcile net (loss) income from continuing operations to net cash used for operating activities (net of effects from business acquisitions):		
Impairment of goodwill and intangible assets	166,223	—
Gain on redemption of cost investment	—	(1,330)
Gain on cost investment	(57)	—
Depreciation	2,863	2,501
Amortization	18,362	10,863
Deferred income taxes	(20,087)	(455)
Stock based compensation	825	4,606
Excess tax benefit from exercise of stock options	—	(97)
Changes in working capital:		
Accounts receivable	(4,849)	(31,421)
Inventories	(31)	(27,035)
Accounts payable	(90,739)	32,552
Accrued liabilities	5,596	2,894
Accrued Innovative earnout	(35,000)	—
Income taxes payable	1,359	(134,047)
Other changes, net	(822)	912
Other non-cash adjustments	1,788	(24)
Total adjustments	45,431	(140,081)
Net cash used for operating activities	(122,164)	(133,935)
Investing activities:		
Claim on The Reserve Fund's Primary Fund	(7,657)	—
Change in cash surrender value of company owned life insurance policies	(155)	(103)
Proceeds from redemption of cost basis investment	9,513	4,770
Acquisition of businesses, net of cash acquired	(2,381)	(212,741)
Purchase of property and equipment	(4,335)	(5,981)
Net cash used for investing activities	(5,015)	(214,055)
Financing activities:		
Purchase of treasury shares	—	(120,471)
Floor plan financing agreement, net	131,323	—
Dividends paid	(2,038)	(2,690)
Issuance of common shares	—	1,447
Principal payment under long term obligations	(71)	(190)
Excess tax benefit from exercise of stock options	—	97
Net cash provided by (used for) financing activities	129,214	(121,807)
Effect of exchange rate changes on cash	(69)	1,575
Cash flows provided by (used for) continuing operations	1,966	(468,222)
Cash flows provided by discontinued operations:		
Operating cash flows	510	2,411
Net increase (decrease) in cash	2,476	(465,811)
Cash at beginning of period	69,935	604,215
Cash at end of period	\$ 72,411	\$ 138,404

See accompanying notes to condensed consolidated financial statements.

AGILYSYS, INC.
RECONCILIATION OF ADJUSTED EBITDA TO NET INCOME
(Unaudited)

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	December 31		December 31	
	2008	2007	2008	2007
Net (loss) income	\$ (3,720)	\$ 1,955	\$ (170,346)	\$ 7,987
<i>Plus:</i>				
Interest expense (income), net	1,666	(1,385)	1,656	(11,643)
Income tax (benefit) expense	(1,402)	1,785	(15,481)	(42)
Depreciation and amortization expense (a)	6,682	7,965	20,754	13,364
Other expense (income), net	88	1,022	(392)	131
Loss (income) from discontinued operations	1,477	(512)	2,751	(1,841)
Adjusted EBITDA from continuing operations	\$ 4,791	\$ 10,830	\$ (161,058)	\$ 7,956

(a) Depreciation and amortization expense excludes amortization of deferred finance costs, as such costs are already included in interest expense (income), net.