

DYNTEK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except share and per share data)

	<u>September 30,</u> <u>2018</u>	<u>June 30,</u> <u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,096	\$ 2,691
Accounts receivable, net	46,221	66,536
Work in process	5,003	6,898
Prepaid expenses and other current assets	152	570
Deferred income taxes	1,174	1,336
TOTAL CURRENT ASSETS	55,646	78,031
PROPERTY AND EQUIPMENT, net	1,500	1,245
DEFERRED INCOME TAXES	581	1,066
OTHER NON CURRENT ASSETS	18,126	12,345
TOTAL ASSETS	\$ 75,854	\$ 92,686
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving line of credit	\$ 1,000	\$ 7,000
Accounts payable	38,644	51,714
Accrued expenses	3,773	5,173
Deferred revenue	2,419	1,146
TOTAL CURRENT LIABILITIES	45,836	65,033
OTHER NON CURRENT LIABILITIES	625	383
TOTAL LIABILITIES	46,461	65,416
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.0001 par value, 600,000 shares authorized; no shares issued or outstanding	-	-
Class A Common stock, \$.0001 par value, 5,400,000 shares authorized; 2,255,724 and 2,264,390 shares issued and outstanding as of September 30, 2017 and June 30, 2017 respectively	-	-
Additional paid-in capital	172,612	172,598
Accumulated deficit	(143,220)	(145,329)
TOTAL STOCKHOLDERS' EQUITY	29,392	27,270
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 75,854	\$ 92,686

DYNTEK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except share and per share data)

	<u>For the Quarter Ended September 30, 2018</u>	<u>For the Quarter Ended September 30, 2017</u>
REVENUES		
Product revenues	\$ 45,243	\$ 40,836
Service revenues	9,356	7,157
TOTAL REVENUES	<u>54,599</u>	<u>47,993</u>
COST OF REVENUES		
Cost of products	36,765	33,286
Cost of services	7,760	6,069
TOTAL COST OF REVENUES	<u>44,526</u>	<u>39,355</u>
GROSS PROFIT	<u>10,074</u>	<u>8,639</u>
OPERATING EXPENSES:		
Selling	5,421	5,199
General and administrative	1,459	3,095
Depreciation and amortization	78	32
TOTAL OPERATING EXPENSES	<u>6,958</u>	<u>8,325</u>
INCOME FROM OPERATIONS	3,115	313
OTHER INCOME (EXPENSE):		
Interest expense	(145)	(183)
TOTAL OTHER EXPENSE	<u>(145)</u>	<u>(183)</u>
INCOME BEFORE INCOME TAXES	2,970	130
Income tax provision	861	51
NET INCOME	<u>\$ 2,109</u>	<u>\$ 79</u>
NET INCOME PER SHARE:		
Basic	<u>\$ 0.92</u>	<u>\$ 0.04</u>
Diluted	<u>\$ 0.88</u>	<u>\$ 0.03</u>
WEIGHTED AVERAGE NUMBER OF SHARES:		
Basic	<u>2,304,692</u>	<u>2,257,641</u>
Diluted	<u>2,390,328</u>	<u>2,360,566</u>

DYNTEK, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited, in thousands)

	<u>For the Quarter Ended September 30, 2018</u>	<u>For the Quarter Ended September 30, 2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 2,109	\$ 79
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	78	32
Non-cash interest	69	(37)
Provision for bad debt	240	198
Stock-based compensation	14	1,685
Deferred income taxes	646	39
Changes in operating assets and liabilities:		
Accounts receivable	20,075	22,568
Work in process	1,895	(2,288)
Prepaid expenses and other current assets	418	53
Other non current assets	(5,851)	(7,725)
Accounts payable	(13,071)	(4,944)
Accrued expenses	(1,400)	(232)
Deferred revenue	1,274	(295)
Other long term liabilities	243	450
Total Adjustments	<u>4,630</u>	<u>9,503</u>
NET CASH PROVIDED BY (USED IN) OPERATIONS	<u>6,739</u>	<u>9,582</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(334)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(334)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings (repayments) under line of credit, net	(6,000)	(8,000)
Buyback of stock options and shares	-	(1,626)
Exercise of stock options	-	41
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(6,000)</u>	<u>(9,585)</u>
NET DECREASE IN OPERATING CASH	405	(3)
CASH AT BEGINNING OF PERIOD	<u>2,691</u>	<u>2,647</u>
CASH AT END OF PERIOD	<u>\$ 3,096</u>	<u>\$ 2,644</u>