

May 7, 2012



# **NetSol Technologies Reports Strong Continued Quarterly Revenue Growth and Profitability With Earnings of \$0.03 Per Diluted Share for Fiscal 2012 Third Quarter**

## **Company Raises Outlook Based on Increased Strength of Business**

CALABASAS, Calif., May 7, 2012 (GLOBE NEWSWIRE) -- NetSol Technologies, Inc. (Nasdaq:NTWK), a worldwide provider of global IT and enterprise application solutions, today reported financial results for its fiscal 2012 third quarter ended March 31, 2012.

The company drove continued sequential quarterly revenue growth in the third fiscal quarter, increasing 23% to \$10.6 million, representing one of the company's strongest quarters to date. This compared with \$8.6 million in the preceding quarter, and \$6.2 million in the fiscal 2012 first quarter.

"In the fiscal third quarter NetSol saw strength across each business line and in all geographic regions," said Najeeb Ghauri, chairman and CEO of NetSol. "We believe that the business has regained its footing and that our growth initiatives are building momentum. Given the relative strength of the third quarter and our current insights into the balance of the year, we are increasingly confident the company will deliver a much stronger second half than first half 2012."

License revenue for the fiscal 2012 third quarter was \$3.0 million, compared with \$2.0 million in the preceding second quarter, and \$3.7 million in the comparable period in fiscal 2011.

Maintenance revenue in the fiscal 2012 third quarter was \$1.8 million, compared with \$2.1 million in the preceding second quarter, and \$1.9 million for the same period last fiscal year.

Services revenue was \$5.8 million, up sequentially from \$4.4 million in the second quarter, and compared with \$5.3 million for the third quarter of fiscal 2011.

### **Recent Company Highlights:**

#### **NFS™ Suite**

- Signed new agreement with Chongqing Auto Finance, Ltd., to provide finance and

leasing solutions to automotive financing companies, bringing NetSol's current client count in China to 17;

- Signed \$4 million agreement with the captive finance arm of major Japanese auto manufacturer;
- Partnered with Abeam Consulting to develop and support businesses in the asset finance and leasing industry in Japan and NEC India to develop business in the asset finance and leasing industry in India;
- Implemented next generation of NFS for a Thai stock exchange listed bank; and,
- Began several enhancement projects, including one for a large auto manufacturer in Australia.

### **LeasePak™ & LeaseSoft™ Business**

- Leading European bank extended its LeaseSoft license and a leading automobile manufacture went live with LeasePak; and,
- Began the integration of LeasePak with Vertex® O Series, a tax platform that centralizes all corporate tax processing and data and supports tax compliance with automation capabilities and extensive tax rule research.

### **Vrooz Business**

- Inked new agreement with a prominent U.S. media company to implement a full B2B e-commerce search engine suite, bringing the number of smartOCI™ customers to 9;
- Expanded product line with smartOCI Catalog Manager™, a new tool to help customers with exchanging and loading content between purchasing organizations and suppliers; and,
- Added e-commerce veteran Mike Sundell as VP, technology.

### **Services**

- AtheebNetSol, a joint venture in Saudi Arabia, signed four new agreements in the areas of cyber security, application development and consulting, and collectively valued at approximately \$2.0 million; and,
- Signed a consultancy and services agreement with premier auto manufacturer in Thailand.

Total operating expenses for the fiscal 2012 third quarter were \$3.5 million, compared with \$3.5 million in the second quarter, and \$2.0 million for the fiscal 2011 third quarter. The increase primarily reflects expenses associated with Vrooz, as well as enhanced infrastructure and resources in China and the company's Thailand offices. There was also a reduction of \$860,000 on account of a settlement of lease abandonment liability in the comparable period which resulted in a reduction of operating expenses.

Operating income for the third quarter of fiscal 2012 was \$2.2 million, compared with \$1.2 million in the preceding second quarter, and \$4.8 million in the third quarter of fiscal 2011.

Net income for the fiscal third quarter was \$1.7 million, equal to \$0.03 per diluted share, compared with \$3.3 million, or \$0.06 per diluted share, in the comparable period in the prior fiscal year. Weighted average number of diluted shares outstanding for the period was 61.8 million shares compared with 52.5 million shares diluted for the third quarter of fiscal 2011.

At December 31, 2011, cash, cash equivalents amounted to \$9.1 million, reflecting the recently completed financing that netted \$5.7 million.

## Financial Outlook

Given the relative strength of the company's business throughout the year, NetSol currently expects revenue growth of 30% to 40% for the second half of the fiscal year compared with the first half of the year. This is an increase from its previous guidance of growth of 10% to 15%. The company also said that it anticipates achieving profitability for the full 2012 fiscal year.

### Conference Call Today

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**When:** Monday, May 7

**Time:** 11:00 a.m. Eastern

**Phone:** 1-877-941-0844 (domestic)  
1-480-629-9645 (international)

**Passcode:** 4534723

**Webcast:** <http://www.netsoltech.com/IR/event-presentation.php>

**Archived:** 90 days

A **telephone playback** of the conference call will also be available until 11:59 p.m. Eastern time, Monday, May 14, 2012. Listeners should call **(800) 406-7325** (domestic) or **(303) 590-3030** (international) and use reservation **4534723** to access the playback.

## About NetSol Technologies

NetSol Technologies, Inc. ([www.netsoltech.com](http://www.netsoltech.com)) is a worldwide provider of global IT and enterprise application solutions that include credit and finance portfolio management systems, SAP consulting and services, custom development, systems integration, and technical services for the global Financial, Leasing, Insurance, Energy, and Technology markets. Headquartered in Calabasas, Calif., NetSol's product and services offerings have achieved ISO 9001, ISO 20000, ISO 27001, and SEI (Software Engineering Institute) CMMI (Capability Maturity Model) Maturity Level 5 assessments, a distinction shared by only 178 companies worldwide. The company's clients include Fortune 500 manufacturers, global automakers, financial institutions, utilities, technology providers, and government agencies. NetSol has delivery and support locations in San Francisco, London, Beijing, Bangkok, Lahore, Adelaide and Riyadh.

Investors can receive news releases and invitations to special events by accessing our online signup form at [http://bit.ly/NetSol\\_Investor\\_Signup\\_Form](http://bit.ly/NetSol_Investor_Signup_Form).

The NetSol Technologies, Inc. logo is available at <https://www.globenewswire.com/newsroom/prs/?pkgid=9832>

## Forward-Looking Statements

*This press release may contain forward-looking statements relating to the development of the Company's products and services and future operation results, including statements regarding the Company that are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. The words "expects," "anticipates,"*

*variations of such words, and similar expressions, identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, but their absence does not mean that the statement is not forward-looking. These statements are not guarantees of future performance and are subject to certain risks, uncertainties, and assumptions that are difficult to predict. Factors that could affect the Company's actual results include the progress and costs of the development of products and services and the timing of the market acceptance. The subject Companies expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained herein to reflect any change in the company's expectations with regard thereto or any change in events, conditions or circumstances upon which any statement is based.*

**NetSol Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**

	As of March 31, 2012	As of June 30, 2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 9,118,206	\$ 4,172,802
Restricted Cash	90,000	5,700,000
Accounts receivable, net	14,654,748	15,062,503
Revenues in excess of billings	9,310,578	7,601,230
Other current assets	<u>2,631,360</u>	<u>2,053,904</u>
Total current assets	35,804,892	34,590,439
<b>Investment under equity method</b>	--	--
<b>Property and equipment, net</b>	16,877,321	16,014,461
<b>Intangibles:</b>		
Product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, net	29,077,051	25,602,195
Goodwill	<u>9,653,330</u>	<u>9,439,285</u>
Total intangibles	<u>38,730,382</u>	<u>35,041,480</u>
<b>Total assets</b>	<u><u>\$ 91,412,594</u></u>	<u><u>\$ 85,646,379</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 4,624,876	\$ 4,730,027
Due to officers	--	--
Current portion of loans and obligations under capitalized leases	1,955,872	7,062,535
Other payables - acquisitions	103,226	103,226
Unearned revenues	3,359,913	2,653,460
Convertible notes payable , current portion	--	2,745,524
Loans payable, bank	2,198,769	2,319,377
Common stock to be issued	<u>106,700</u>	<u>400,700</u>
Total current liabilities	12,349,356	20,014,849
<b>Obligations under capitalized leases, less current maturities</b>	196,137	285,472
<b>Convertible notes payable less current maturities</b>	3,692,792	--
<b>Long term loans; less current maturities</b>	<u>1,950,165</u>	<u>434,884</u>

<b>Total liabilities</b>	18,188,450	20,735,205
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Common stock, \$.001 par value; 95,000,000 shares authorized; 74,746,688 & 55,531,855 issued and outstanding as of March 31, 2012 and June 30, 2011	74,747	55,532
Additional paid-in-capital	105,787,566	97,886,492
Treasury stock	(415,425)	(396,008)
Accumulated deficit	(33,585,470)	(34,130,944)
Stock subscription receivable	(2,033,710)	(2,198,460)
Other comprehensive loss	(10,187,687)	(8,805,922)
Total NetSol shareholders' equity	59,640,021	52,410,690
Non-controlling interest	13,584,123	12,500,484
<b>Total stockholders' equity</b>	<b>73,224,144</b>	<b>64,911,174</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 91,412,594</b>	<b>\$ 85,646,379</b>

**NetSol Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statement of Operations**

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2012	2011	2012	2011
<b>Net Revenues:</b>				
License fees	2,968,498	3,652,170	6,092,203	10,259,027
Maintenance fees	1,824,585	1,896,318	5,983,073	5,589,746
Services	<u>5,817,465</u>	<u>5,278,960</u>	<u>13,370,032</u>	<u>13,806,994</u>
Total net revenues	10,610,548	10,827,448	25,445,308	29,655,767
<b>Cost of revenues:</b>				
Salaries and consultants	2,741,717	2,448,517	7,412,931	6,562,685
Travel	372,578	237,694	912,420	708,082
Repairs and maintenance	109,868	79,068	280,785	207,585
Insurance	40,103	32,924	107,319	95,003
Depreciation and amortization	830,646	840,050	2,432,261	2,150,274
Other	<u>818,804</u>	<u>412,693</u>	<u>1,756,629</u>	<u>1,004,690</u>
Total cost of revenues	<u>4,913,716</u>	<u>4,050,946</u>	<u>12,902,345</u>	<u>10,728,319</u>
<b>Gross profit</b>	5,696,832	6,776,502	12,542,963	18,927,448
<b>Operating expenses:</b>				
Selling and marketing	835,153	560,879	2,270,566	2,047,726
Depreciation and amortization	403,177	313,865	883,881	848,168
Bad debt expense	--	717	--	254,996
Salaries and wages	1,099,503	956,465	3,058,090	2,613,627
Professional services, including non-cash compensation	138,094	165,010	561,754	455,371
Lease abandonment charges	--	(858,969)	--	(858,969)
General and administrative	<u>1,056,725</u>	<u>831,131</u>	<u>3,214,430</u>	<u>2,837,218</u>
Total operating expenses	<u>3,532,652</u>	<u>1,969,096</u>	<u>9,988,721</u>	<u>8,198,137</u>

<b>Income from operations</b>	2,164,180	4,807,406	2,554,242	10,729,311
<b>Other income and (expenses)</b>				
Gain (loss) on sale of assets	(666)	2,284	(3,940)	(13,302)
Interest expense	(167,972)	(148,661)	(587,136)	(755,781)
Interest income	26,672	48,851	66,741	143,270
Gain on foreign currency exchange transactions	421,098	224,531	460,317	897,767
Share of net loss from equity investment	(140,554)	(78,269)	(240,554)	(220,506)
Beneficial conversion feature	(52,665)	(105,445)	(126,912)	(401,019)
Other (expense)	<u>139,377</u>	<u>(5,105)</u>	<u>122,671</u>	<u>(62,406)</u>
Total other income (expenses)	<u>225,290</u>	<u>(61,814)</u>	<u>(308,813)</u>	<u>(411,977)</u>
<b>Net income before income taxes</b>	2,389,470	4,745,592	2,245,429	10,317,334
<b>Income taxes</b>	<u>(32,921)</u>	<u>(13,735)</u>	<u>(64,460)</u>	<u>(25,459)</u>
<b>Net income after tax</b>	2,356,549	4,731,857	2,180,969	10,291,875
<b>Non-controlling interest</b>	<u>(672,322)</u>	<u>(1,413,427)</u>	<u>(1,635,883)</u>	<u>(3,470,728)</u>
<b>Net income attributable to NetSol</b>	<u>1,684,227</u>	<u>3,318,430</u>	<u>545,086</u>	<u>6,821,147</u>
<b>Other comprehensive income (loss):</b>				
Translation adjustment	<u>(369,782)</u>	<u>20,361</u>	<u>(2,383,324)</u>	<u>460,524</u>
<b>Comprehensive income (loss)</b>	1,314,445	3,338,791	(1,838,238)	7,281,671
Comprehensive (loss) /income attributable to non controlling interest	<u>(146,667)</u>	<u>98,756</u>	<u>(1,001,560)</u>	<u>23,780</u>
<b>Comprehensive income (loss) attributable to NetSol</b>	<u>1,461,112</u>	<u>3,240,035</u>	<u>(836,678)</u>	<u>7,257,891</u>
<b>Net income per share:</b>				
Basic	<u>\$ 0.03</u>	<u>\$ 0.06</u>	<u>\$ 0.01</u>	<u>\$ 0.15</u>
Diluted	<u>\$ 0.03</u>	<u>\$ 0.06</u>	<u>\$ 0.01</u>	<u>\$ 0.14</u>
Weighted average number of shares outstanding				
Basic	<u>61,359,747</u>	<u>51,263,639</u>	<u>57,953,872</u>	<u>46,355,789</u>
Diluted	<u>61,765,073</u>	<u>52,480,900</u>	<u>58,359,198</u>	<u>47,573,050</u>
<b>Amounts attributable to NetSol common shareholders</b>				
Net income / (loss)	<u>\$ 1,684,227</u>	<u>\$ 3,318,430</u>	<u>\$ 545,086</u>	<u>\$ 6,821,147</u>

**NetSol Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statement of Cash Flows**

	For the Nine Months Ended March 31,	
	2012	2011
<b>Cash flows from operating activities:</b>		
Net income	\$ 2,180,969	\$ 10,291,875
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,316,142	2,998,443
Provision for bad debts	192,250	254,996
Share of net loss from investment under equity method	240,554	220,506
Loss on sale of assets	3,940	13,302
Stock issued for interest on notes payable	--	155,808

Stock issued for services	190,076	698,843
Fair market value of warrants and stock options granted	303,807	335,918
Beneficial conversion feature	126,912	401,019
<b>Changes in operating assets and liabilities:</b>		
Increase/ decrease in accounts receivable	877,725	(5,350,512)
Increase/ decrease in other current assets	(2,286,804)	(2,099,813)
Increase/ decrease in accounts payable and accrued expenses	<u>112,422</u>	<u>(581,418)</u>
<b>Net cash provided by operating activities</b>	<b>5,257,993</b>	<b>7,338,965</b>
<b>Cash flows from investing activities:</b>		
	(3,729,571)	(6,242,399)
Purchases of property and equipment		
Sales of property and equipment	72,516	18,358
Purchase of treasury stock	(19,417)	--
Purchase of non-controlling interest in subsidiary	--	(671,460)
Short-term investments held for sale	--	(258,271)
Investment under equity method	(100,000)	--
Acquisition, net of cash acquired	(253,192)	--
Increase in intangible assets	<u>(5,280,833)</u>	<u>(4,752,261)</u>
<b>Net cash used in investing activities</b>	<b>(9,310,497)</b>	<b>(11,906,033)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from sale of common stock	5,743,300	2,899,250
Proceeds from the exercise of stock options and warrants	715,500	1,116,175
Proceeds from convertible notes payable	4,000,000	--
Payments on convertible notes payable	(2,758,330)	--
Restricted cash	5,610,000	--
Dividend Paid	(341,657)	--
Proceeds from bank loans	4,371,555	2,969,146
Payments on capital lease obligations & loans - net	<u>(7,981,217)</u>	<u>(2,948,489)</u>
<b>Net cash provided by financing activities</b>	<b>9,359,151</b>	<b>4,036,082</b>
<b>Effect of exchange rate changes in cash</b>	<b>(361,243)</b>	<b>(169,951)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,945,403</b>	<b>(700,938)</b>
Cash and cash equivalents, beginning of year	<u>4,172,803</u>	<u>4,075,546</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 9,118,206</u></b>	<b><u>\$ 3,374,608</u></b>

**NetSol Technologies, Inc. and Subsidiaries**  
**Reconciliation to GAAP**

	Three Months Ended <u>March 31, 2012</u>	Three Months Ended <u>March 31, 2011</u>	Year To date <u>March 31, 2012</u>	Year To date <u>March 31, 2011</u>
Net Income (loss) before preferred dividend, per GAAP	\$ 1,684,227	\$ 3,318,429	\$ 545,086	\$ 6,821,147
Income Taxes	32,921	13,735	64,460	25,459
Depreciation and amortization	1,233,823	1,153,915	3,316,142	2,998,443
Interest expense	167,972	148,661	587,136	755,781
Interest (income)	<u>(26,672)</u>	<u>(48,851)</u>	<u>(66,741)</u>	<u>(143,270)</u>

EBITDA	<u>\$ 3,092,271</u>	<u>\$ 4,585,889</u>	<u>\$ 4,446,083</u>	<u>\$ 10,457,559</u>
Weighted Average number of shares outstanding				
Basic	61,359,747	51,263,639	57,953,872	46,355,789
Diluted	<u>61,765,073</u>	<u>52,480,900</u>	<u>58,359,198</u>	<u>47,573,050</u>
Basic EBITDA	<u>\$ 0.05</u>	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.23</u>
Diluted EBITDA	<u>\$ 0.05</u>	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.22</u>

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Source: NetSol Technologies Inc.