

February 13, 2014



NetSol Technologies Reports Fiscal 2014 Second Quarter Results

-- Company Generates More Than \$12 Million in Cash From Operations for First Six Months

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-- Continues Training and Hiring Push to Support Growing New Business Pipeline for NFS Ascent™ and Increased Joint Venture Technical Support Requirements --

-- Conference Call Scheduled Today at 9 a.m. ET (6 a.m. PT) --

CALABASAS, Calif., Feb. 13, 2014 (GLOBE NEWSWIRE) -- NetSol Technologies, Inc. (Nasdaq:NTWK), a worldwide provider of global IT and enterprise application solutions, today reported financial results for its fiscal 2014 second quarter ended December 31, 2013.

Fiscal 2014 Second Quarter Financial Results

Total second quarter revenue amounted to \$8.7 million, compared with \$11.8 million in the same period last fiscal year, reflecting, as expected, lower license sales during the transition to NetSol's next-generation financing and leasing solution, NFS Ascent™.

License revenue for the fiscal 2014 second quarter was \$456,000, versus \$3.5 million in the same period last year. Maintenance revenue for the fiscal 2014 second quarter increased to \$2.9 million from \$2.7 million last year, reflecting the completion of certain projects. Service revenue remained consistent at \$5.4 million, principally attributable to the first-generation NFS platform and additional service and change requests from customers. Service revenue in the second quarter of fiscal 2013 was \$5.6 million.

"As we discussed in our outlook last quarter, results for the second fiscal quarter reflected the anticipated contraction in license revenue during the transition from our first-generation NFS product to the next-generation NFS Ascent platform, which we officially launched in the quarter," said Najeeb Ghauri, CEO. "The launch of NFS Ascent is progressing, particularly in North America and Europe where we have developed a strong new business pipeline with potential new customers and with current customers that we support in other regions throughout the world.

"As these negotiations progress, we are actively increasing our bench of talented employees, with more than 100 new employees going through various stages of training, so that we are ready to move quickly on additional new deals as they arise," added Ghauri.

Total operating expenses for the fiscal 2014 second quarter amounted to \$4.3 million, versus \$3.8 million in the fiscal 2013 second quarter. Operating expenses decreased from \$4.9 million in the first quarter of fiscal 2014.

Operating loss for the second quarter of fiscal 2014 was \$1.6 million, compared with operating income of \$2.9 million last year.

Net loss was \$1.6 million for the fiscal second quarter, equal to \$0.18 per share, based on 9.1 million weighted average number of diluted shares outstanding. Net income for the same period last year was \$2.2 million, or \$0.28 per diluted share, based on 8.0 million weighted average number of diluted shares outstanding.

For the first half of fiscal 2014, total revenue was \$17.8 million, versus \$22.9 million for the first six months of fiscal 2013. Net loss for the fiscal 2014 year-to-date period was \$2.7 million, or \$0.30 per share, compared with net income of \$3.2 million, or \$0.40 per diluted share, last year.

At December 31, 2013, cash and cash equivalents increased to \$11.6 million from \$6.8 million at September 30, 2013, reflecting improved collections in the quarter. At June 30, 2013, cash and cash equivalents were \$7.9 million. Cash provided by operations for the first six months of fiscal 2014 was \$12.7 million, compared with \$9.4 million for the first six months of fiscal 2013.

"We are well capitalized to manage our milestone product transition and further build the organization," concluded Ghauri. "With a robust backlog of services and maintenance revenue, and a growing new business pipeline for NFS Ascent, as well as expected additional contributions from our joint-ventures, we are optimistic about our long-term business prospects moving forward."

Fiscal 2014 Second Quarter Conference Call

When:	Thursday, February 13
Time:	9:00 a.m. Eastern
Phone:	1- 888-549-7880 (domestic) 1- 480-629-9643 (international)
Conference ID:	4667450
Webcast:	http://www.netsoltech.com/us/investors/event-presentation
Archived:	90 days

About NetSol Technologies

NetSol Technologies, Inc. (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 asset finance and leasing in the automotive, 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, Sydney and Riyadh.

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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.

(Tables Follow)

NetSol Technologies, Inc. and Subsidiaries Consolidated Balance Sheets

	As of December 31, 2013	As of June 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,581,042	\$ 7,874,318
Restricted cash	2,535,909	1,875,237
Accounts receivable, net	16,684,683	14,684,212
Revenues in excess of billings	6,271,254	15,367,198
Other current assets	2,210,215	2,273,314
Total current assets	39,283,103	42,074,279
Investment under equity method	378,835	545,483
Property and equipment, net	23,577,098	20,978,369
Intangible assets, net	29,176,897	29,452,654
Goodwill	9,653,330	9,653,330
Total assets	\$ 102,069,263	\$ 102,704,115

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued expenses	\$ 5,411,478	\$ 4,027,147
Current portion of loans and obligations under capitalized leases	5,535,157	5,308,626
Unearned revenues	4,779,494	2,446,018
Common stock to be issued	320,338	88,325
Total current liabilities	16,046,467	11,870,116

Long term loans and obligations under capitalized leases; less current maturities**Total liabilities**

1,602,148	1,412,212
17,648,615	13,282,328

Commitments and contingencies**Stockholders' equity:**

Common stock, \$.01 par value; 15,000,000 shares authorized; 9,063,575 and 8,929,523 issued and outstanding as of December 31, 2013 and June 30, 2013	90,636	89,295
Additional paid-in-capital	115,551,344	114,292,510
Treasury stock	(415,425)	(415,425)
Accumulated deficit	(26,545,279)	(23,821,256)
Stock subscription receivable	(2,280,488)	(2,280,488)
Other comprehensive loss	(18,295,623)	(15,714,112)
Total NetSol stockholders' equity	68,105,165	72,150,524
Non-controlling interest	16,315,483	17,271,263
Total stockholders' equity	84,420,648	89,421,787
Total liabilities and stockholders' equity	\$ 102,069,263	\$ 102,704,115

NetSol Technologies, Inc. and Subsidiaries
Consolidated Statement of Operations

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2013	2012	2013	2012
Net Revenues:				
License fees	455,616	3,505,847	2,708,183	6,747,348
Maintenance fees	2,867,195	2,664,813	5,247,604	4,710,519
Services	5,385,191	5,637,009	9,809,351	11,421,702
Total net revenues	8,708,002	11,807,669	17,765,138	22,879,569
Cost of revenues:				
Salaries and consultants	3,247,811	2,916,378	6,647,642	6,276,243
Travel	349,318	386,194	746,102	711,488
Repairs and maintenance	147,464	123,722	323,285	251,719
Insurance	40,642	41,007	80,196	78,726
Depreciation and amortization	1,240,715	1,024,007	2,287,384	1,982,158
Other	886,799	557,693	1,429,041	1,478,671
Research and development cost	55,114	33,239	113,802	59,922
Total cost of revenues	5,967,863	5,082,240	11,627,452	10,838,927
Gross profit	2,740,139	6,725,429	6,137,686	12,040,642
Operating expenses:				
Selling and marketing	908,125	931,210	1,979,537	1,694,173
Depreciation and amortization	430,947	333,435	857,564	675,436

Salaries and wages	1,458,343	1,192,787	2,899,475	2,346,660
General and administrative	<u>1,546,266</u>	<u>1,348,349</u>	<u>3,527,604</u>	<u>2,902,779</u>
Total operating expenses	<u>4,343,681</u>	<u>3,805,781</u>	<u>9,264,180</u>	<u>7,619,048</u>
Income (loss) from operations	(1,603,542)	2,919,648	(3,126,494)	4,421,594
Other income and (expenses)				
Gain (loss) on sale of assets	(175,237)	(275)	(189,032)	14,021
Interest expense	(45,036)	(179,932)	(114,253)	(472,321)
Interest income	39,931	31,617	72,785	55,784
Gain on foreign currency exchange transactions	96,039	504,738	1,207,462	899,894
Share of net income (loss) from equity investment	(175,840)	484,487	(166,648)	484,487
Amortization of financing costs	--	(74,384)	--	(442,128)
Other income (expense)	<u>(47,858)</u>	<u>36</u>	<u>(47,180)</u>	<u>4</u>
Total other income (expenses)	<u>(308,001)</u>	<u>766,287</u>	<u>763,134</u>	<u>539,741</u>
Net income (loss) before income taxes	(1,911,543)	3,685,935	(2,363,360)	4,961,335
Income tax benefit (provision)	<u>(29,270)</u>	<u>2,548</u>	<u>(40,401)</u>	<u>(11,448)</u>
Net income (loss) after tax	(1,940,813)	3,688,483	(2,403,761)	4,949,887
Non-controlling interest	<u>313,905</u>	<u>(1,465,500)</u>	<u>(320,262)</u>	<u>(1,797,779)</u>
Net income (loss) attributable to NetSol	(1,626,908)	2,222,983	(2,724,023)	3,152,108
Other comprehensive income (loss):				
Translation adjustment	<u>(420,309)</u>	<u>(1,394,216)</u>	<u>(3,843,025)</u>	<u>(2,163,011)</u>
Comprehensive income (loss)	(2,047,217)	828,767	(6,567,048)	989,097
Comprehensive loss attributable to non-controlling interest	<u>(40,980)</u>	<u>(399,096)</u>	<u>(1,261,514)</u>	<u>(631,652)</u>
Comprehensive income (loss) attributable to NetSol	<u>(2,006,237)</u>	<u>1,227,863</u>	<u>(5,305,534)</u>	<u>1,620,749</u>
Net income (loss) per share:				
Basic	<u>\$ (0.18)</u>	<u>\$ 0.28</u>	<u>\$ (0.30)</u>	<u>\$ 0.41</u>
Diluted	<u>\$ (0.18)</u>	<u>\$ 0.28</u>	<u>\$ (0.30)</u>	<u>\$ 0.40</u>
Weighted average number of shares outstanding				
Basic	<u>9,056,024</u>	<u>7,957,521</u>	<u>9,006,015</u>	<u>7,774,719</u>
Diluted	<u>9,056,024</u>	<u>7,968,598</u>	<u>9,006,015</u>	<u>7,785,796</u>

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

	For the Six Months Ended December 31,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	\$ (2,403,761)	\$ 4,949,887
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	3,144,948	2,657,594
Provision for bad debts	259,306	54,889
Share of net loss (income) from investment under equity method	166,648	(484,487)
(Gain) loss on sale of assets	189,032	(14,021)

Stock issued for interest on notes payable	--	211,111
Stock issued for services	640,247	29,670
Fair market value of warrants and stock options granted	158,783	320,021
Amortization of financing costs	--	442,128
Changes in operating assets and liabilities:		
Increase in accounts receivable	(2,089,498)	(2,378,873)
Decrease in revenue in excess of billing	8,612,283	514,720
Decrease in other current assets	367,741	1,217,728
Increase in accounts payable and accrued expenses	<u>3,617,465</u>	<u>1,908,178</u>
Net cash provided by operating activities	12,663,194	9,428,545
Cash flows from investing activities:		
Purchases of property and equipment	(6,059,596)	(3,537,918)
Sales of property and equipment	78,678	59,350
Purchase of non-controlling interest in subsidiaries	(17,853)	(621,563)
Increase in intangible assets	<u>(2,312,919)</u>	<u>(2,132,595)</u>
Net cash used in investing activities	(8,311,690)	(6,232,726)
Cash flows from financing activities:		
Proceeds from the exercise of stock options and warrants	560,500	612,650
Payment to common shareholders against fractional shares	--	(194)
Proceeds from exercise of subsidiary options	311,709	3,031
Restricted cash	(660,672)	(2,257,428)
Dividend paid by subsidiary to Non controlling interest	(266,343)	--
Proceeds from bank loans	1,276,505	2,049,698
Payments on capital lease obligations and loans - net	<u>(781,756)</u>	<u>(723,936)</u>
Net cash provided by (used in) financing activities	439,943	(316,179)
Effect of exchange rate changes in cash	(1,084,723)	(899,554)
Net increase in cash and cash equivalents	3,706,724	1,980,086
Cash and cash equivalents, beginning of the period	<u>7,874,318</u>	<u>7,599,607</u>
Cash and cash equivalents, end of period	<u>\$ 11,581,042</u>	<u>\$ 9,579,693</u>

NetSol Technologies, Inc. and Subsidiaries
Reconciliation to GAAP

	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012	Six Months Ended December 31, 2013	Six Months Ended December 31, 2012
Net Income (loss) before preferred dividend, per GAAP	\$ (1,626,908)	\$ 2,222,983	\$ (2,724,023)	\$ 3,152,108
Income Taxes	29,270	(2,548)	40,401	11,448
Depreciation and amortization	1,671,662	1,357,442	3,144,948	2,657,594
Interest expense	45,036	179,932	114,253	472,321
Interest (income)	<u>(39,931)</u>	<u>(31,617)</u>	<u>(72,785)</u>	<u>(55,784)</u>
EBITDA	<u><u>\$ 79,129</u></u>	<u><u>\$ 3,726,192</u></u>	<u><u>\$ 502,794</u></u>	<u><u>\$ 6,237,687</u></u>

Weighted Average number of shares outstanding				
Basic	9,056,024	7,957,521	9,006,015	7,774,719
Diluted	<u>9,089,846</u>	<u>7,968,598</u>	<u>9,039,838</u>	<u>7,785,796</u>
Basic EBITDA	<u>\$ 0.01</u>	<u>\$ 0.47</u>	<u>\$ 0.06</u>	<u>\$ 0.80</u>
Diluted EBITDA	<u>\$ 0.01</u>	<u>\$ 0.47</u>	<u>\$ 0.06</u>	<u>\$ 0.80</u>

Although the net EBITDA income is a non-GAAP measure of performance, we are providing it because we believe it to be an important supplemental measure of our performance that is commonly used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. It should not be considered as an alternative to net income, operating income or any other financial measures calculated and presented, nor as an alternative to cash flow from operating activities as a measure of our liquidity. It may not be indicative of the Company's historical operating results nor is it intended to be predictive of potential future results.

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