

August 14, 2014



InterCloud Systems Reports Second Quarter 2014 Results

Revenue Increased 34% to \$17.8 Million; Gross Profit Increased 50% to \$5.7 Million

SHREWSBURY, N.J., Aug. 14, 2014 (GLOBE NEWSWIRE) -- InterCloud Systems, Inc. (the "Company" or "InterCloud") (Nasdaq:ICLD), a single-source provider of end-to-end information technology (IT) and next-generation network solutions to the telecommunications service provider (carrier) and corporate enterprise markets through cloud platforms and professional services, today reported financial results for the second quarter 2014.

Second Quarter Financial Highlights:

- Revenue increased 34% year-over-year to \$17.8 million
- Gross profit increased 50% year-over-year to \$5.7 million
- Long-term liabilities decreased 60% from fiscal year-end 2013 to \$15.1 million
- Stockholder' equity increased to \$32.9 million, from (\$1.7) million at fiscal year-end 2013

Mark Munro, Chairman and CEO of InterCloud, stated, "Our cloud and managed services segment continues to be a strong driver for our overall operational performance. During the second quarter we took further steps to strengthen our balance sheet and are pleased to report a substantial reduction in long-term liabilities and increase in stockholders' equity when compared to fiscal year-end 2013."

"We remain excited about the long-term potential of InterCloud and believe the steps we've taken over the past 18 months have positioned the Company to capitalize on the immense opportunities in front of us and created the necessary foundation for ongoing financial performance," continued Munro.

Revenue for the second quarter ended June 30, 2014 increased \$4.5 million, or 34%, to \$17.8 million, as compared to \$13.3 million for the second quarter of 2013. This was primarily the result of an increase in cloud and managed services segment revenue driven by acquisitions.

Gross profit percentage was 32% for the second quarter ended June 30, 2014, as compared to 28% for the comparable period in 2013. The overall increase in gross profit percentage was due to additional margin provided by recent acquisitions, which was partially offset by declining margins within the Company's applications and infrastructure segment.

Our loss from operations was \$2.3 million in the second quarter of 2014, compared to income from operations of \$0.4 million in the second quarter of 2013. Included in the loss from operations for the quarter ended June 30, 2014, was depreciation and amortization of \$0.9 million, an increase of \$0.6 million from the same period in 2013. Also included was stock compensation expense of \$1.1 million in the three months ended June 30, compared to \$0 in the same period 2013.

Adjusted operating loss for the second quarter was \$389,000, when factoring out the \$0.9 million in depreciation and amortization expense and \$1.1 million in stock-based compensation.

Net loss attributable to common stockholders was \$10.0 million for the second quarter ended June 30, 2014, as compared to net loss attributable to common stockholders of \$1.3 million for the three months ended June 30, 2013. The increase in net loss was due to increased operating expenses of \$2.3 million related to cloud and managed services, \$1.1 of stock compensation expense, increases in interest expense of \$2.6 million due to additional debt financing, and losses of \$5.8M incurred on converting and extinguishing debt related to the MidMarket loan and 12% debentures. These changes were offset by increases of gross margin of \$1.9 million and gains on derivative liabilities of \$1.8 million.

About InterCloud Systems, Inc.

InterCloud Systems, Inc. is a single-source provider of end-to-end information technology (IT) and next-generation network solutions to the telecommunications service provider (carrier) and corporate enterprise markets through cloud platforms and professional services. InterCloud offers cloud and managed services, professional consulting and staffing services, and voice, data and optical solutions to assist its customers in meeting their changing technology demands. InterCloud's cloud solutions offer enterprise and service-provider customers the opportunity to adopt an operational expense model by outsourcing to InterCloud rather than the capital expense model that has dominated in recent decades in IT infrastructure management. InterCloud's telecommunications staffing group offers a broad range of solutions to enterprise and service provider customers, including application development teams, analytics, project management, program management, unified communications, network management and field support services on a short and long-term basis. InterCloud's specialty contracting division offers enterprise and service provider customers engineering, design, installation and maintenance services that support the build-out and operation of some of the most advanced small cell, WiFi and distributed antenna system (DAS) networks. Additional information regarding InterCloud may be found on InterCloud's website at www.intercloudsys.com.

Non-GAAP Financial Measures

Investors are cautioned that adjusted EBITDA, or earnings/(loss) before interest, taxes, depreciation, amortization, stock-based compensation, dividends on preferred stock and other non-cash charges, if any, as used in this press release, is defined as a "non-GAAP financial measure" by the Securities and Exchange Commission. Adjusted EBITDA per share is an additional non-GAAP financial measure presented. Adjusted EBITDA per share is adjusted EBITDA, as defined above, divided by weighted average basic and diluted shares outstanding. This measure may be different from non-GAAP financial

measures used by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation. In addition, although InterCloud's management has provided a reconciliation of this measure to the nearest comparable GAAP measure, it should not be construed as an alternative to any other measure of performance determined in accordance with generally accepted accounting principles, or as an indicator of InterCloud's operating performance, liquidity or cash flows generated by operating, investing and financing activities, as there may be significant factors or trends that it fails to address. InterCloud's management presents this financial information because they believe that it is helpful to some investors as a measure of InterCloud's performance. InterCloud cautions investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions; accordingly, its use can make it difficult to compare InterCloud's current results with the results from other reporting periods and with the results of other companies. Definitions and reconciliations between the non-GAAP measure and relevant GAAP measure are set forth in the tables at the end of this press release.

Forward Looking Statements

Statements in this press release regarding InterCloud that are not historical facts are forward- looking statements and are subject to risks and uncertainties that could cause actual future events or results to differ materially from such statements. Any such forward-looking statements, including, but not limited to, financial guidance, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. It is routine for InterCloud's internal projections and expectations to change as the quarter and year progresses, and therefore it should be clearly understood that the internal projections and beliefs upon which InterCloud bases its expectations may change. Although these expectations may change, InterCloud is under no obligation to inform you if they do. Actual events or results may differ materially from those contained in the projections or forward-looking statements. Some of the factors that could cause actual results to differ materially from the forward-looking statements contained herein include, without limitation:

InterCloud's inability to integrate recent and future acquisitions, which would adversely affect InterCloud's business, financial condition, result of operations and prospects; the cancellation of master service agreements, from which InterCloud derives a significant portion of its revenue, which may be cancelled by customers on short notice, or which InterCloud may be unable to renew on favorable terms or at all; the inability of InterCloud to attract and retain key personnel and skilled labor, or if labor difficulties are encountered, InterCloud's ability to bid for and successfully complete contracts may be negatively impacted; risks related to InterCloud's failure to compete effectively within its highly competitive industry, especially with a variety of larger companies with greater resources, which could reduce the number of new contracts awarded to InterCloud or adversely affect InterCloud's market share and harm InterCloud's financial performance; risks related to InterCloud's history of losses and deficiencies in working capital and stockholders' equity, which may continue in the future, raising substantial doubts about InterCloud's ability to continue as a going concern; risks related to the identification of material weaknesses in InterCloud's internal control over financial reporting, and a lack of assurance that additional material weaknesses or significant deficiencies will not occur in the future, leading to the possibility that InterCloud may not be able to accurately report

financial results, prevent fraud, or file periodic reports in a timely manner, which may cause investors to lose confidence in InterCloud's reported financial information and may lead to a decline in InterCloud's stock price; and InterCloud's substantial indebtedness, which could adversely affect its business, financial condition and results of operations and its ability to meet payment obligations. This list is intended to identify only certain of the principal factors that could cause actual results to differ from those discussed in the forward-looking statements. Readers are referred to the reports and documents filed from time to time by InterCloud with the Securities and Exchange Commission for a discussion of these and other important risk factors that could cause actual results to differ from those discussed in forward-looking statements.

| | For the three months ended June 30, | |
|---|--|------------|
| | 2014 | 2013 |
| Revenues | \$ 17,838 | \$ 13,313 |
| Gross Profit | 5,670 | 3,774 |
| Operating Expenses | 8,003 | 3,554 |
| Income (Loss) from Operations | (2,333) | 420 |
| Other expense, net | (7,422) | (1,584) |
| Net loss before provision for (benefit for) income taxes | (9,755) | (1,164) |
| Income (Loss) from Continuing Operations | (9,945) | (1,004) |
| Income from discontinued operations, net of taxes | -- | 70 |
| Dividends on Preferred Stock | -- | (263) |
| Net loss attributable to Intercloud Systems, Inc. common stockholders | \$ (9,965) | \$ (1,314) |
| Basic income (loss) per share from continuing operations | \$ (0.82) | \$ (1.40) |
| Income per share from discontinued operations | \$ -- | \$ 0.07 |
| Basic net (loss) per share | \$ (0.82) | \$ (1.33) |
| Diluted income (loss) per share from continuing operations | \$ (0.96) | \$ (1.40) |
| Income per share from discontinued operations | \$ -- | \$ 0.07 |
| Diluted net (loss) per share | \$ (0.96) | \$ (1.33) |
| Basic weighted average shares outstanding | 12,199,393 | 989,125 |
| Diluted weighted average shares outstanding | 12,265,746 | 989,125 |

| | For the six months ended June 30, | |
|-------------------------------|--------------------------------------|-----------|
| | 2014 | 2013 |
| Revenues | \$ 31,913 | \$ 24,555 |
| Gross Profit | 9,604 | 6,789 |
| Operating Expenses | 14,668 | 6,066 |
| Income (Loss) from Operations | (5,064) | 723 |

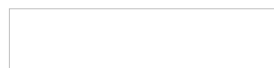
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|---|------------|------------|
| Other expense, net | (2,154) | (2,863) |
| Net loss before provision for (benefit for) income taxes | (2,910) | (2,140) |
| Income (Loss) from Continuing Operations | (3,237) | (1,733) |
| Income from discontinued operations, net of taxes | -- | 234 |
| Dividends on Preferred Stock | -- | (854) |
| Net loss attributable to Intercloud Systems, Inc. common stockholders | \$ (3,310) | \$ (2,365) |
| Basic income (loss) per share from continuing operations | \$ (0.31) | \$ (3.25) |
| Income per share from discontinued operations | \$ -- | \$ 0.29 |
| Basic net (loss) per share | \$ (0.31) | \$ (2.96) |
| Diluted income (loss) per share from continuing operations | \$ (2.22) | \$ (3.25) |
| Income per share from discontinued operations | \$ -- | \$ 0.29 |
| Diluted net (loss) per share | \$ (2.22) | \$ (2.96) |
| Basic weighted average shares outstanding | 10,832,103 | 799,887 |
| Diluted weighted average shares outstanding | 11,754,340 | 799,887 |

Selected Balance Sheet Data

| | June 30, 2014 | December 31, 2013 |
|---|------------------|----------------------|
| Cash | \$ 2,182 | \$ 17,867 |
| Accounts receivable, net | 17,723 | 7,822 |
| Total current assets | 22,413 | 28,308 |
| Goodwill and intangible assets | 60,373 | 29,846 |
| Total assets | 84,794 | 60,690 |
| Total current liabilities | 36,741 | 24,111 |
| Other liabilities, including long term debt | 15,137 | 38,255 |
| Stockholders' equity, deficit | 32,916 | (1,676) |

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Source: InterCloud Systems, Inc.