February 2, 2012

NetSol Technologies Reports 38% Sequential Quarterly Revenue Growth; Returns to Quarterly Profitability With Earnings Per Diluted Share of $0.01 for Fiscal 2012 Second-Quarter

CALABASAS, Calif., Feb. 2, 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 second quarter ended December 31, 2011.

Sequential revenue growth was better than the company expected, with total second-quarter revenue increasing 38 percent to $8.6 million, from $6.2 million reported in the fiscal 2012 first quarter. Previously, the company had forecast sequential revenue growth of 15% to 20%.

"Our second-quarter results reflect a positive shift in the company's financial performance following a challenging period," said Najeeb Ghauri, chairman and CEO of NetSol. "After navigating through two tough quarters, we regained momentum by signing agreements across each of our business lines."

On a sequential basis, license revenue rose to $2.0 million in the fiscal 2012 second quarter, from $1.1 million in the fiscal 2012 first quarter, reflecting the signing of new and previously delayed contracts. License revenue was $3.1 million in the second quarter of fiscal 2011.

Maintenance revenue increased slightly to $2.1 million in the second quarter of 2012, from $2.0 million in the previous first fiscal quarter, and $2.0 million for the same period last year.

Services revenue was $4.4 million, up sequentially from $3.1 million in the first quarter of fiscal 2012, and compared with $5.3 million for the second quarter of fiscal 2011.

Fiscal 2012 Second-Quarter Highlights:

- Signed two new NetSol Financial Suite (NFS)™ projects in Asia-Pacific region, including strengthening existing agreement with Minsheng Financial Leasing;
- Completed NFS enhancement projects for two major U.S.-based auto captive finance companies, along with one of the top ten equipment leasing companies in North America;

- Initiated roll-out of next generation NFS solution with Kiatnakin Bank in Thailand;
- Embarked on automation program for a major European bank using LeaseSoft portal;
- Signed agreement with LTC Supply Source valued at approximately $1 million to implement SAP purchasing platform and smartOCI™ Marketplace, which includes license and ongoing services fees.

Operating expenses for the fiscal 2012 second quarter were $3.5 million, compared with $3.0 million for the fiscal 2011 second quarter. The increase primarily reflects operating expenses associated with the newly acquired subsidiary Virtual Lease Services (VLS).

Operating income for the second quarter of fiscal 2012 was $1.2 million, compared with operating income of $3.9 million in the second quarter of fiscal 2011.

Net income for the fiscal second quarter was $0.3 million, or $0.01 per diluted share, compared with net income of $1.9 million, or $0.04 per diluted share, in the second quarter of fiscal 2011.

At December 31, 2011, cash, cash equivalents amounted to $4.7 million. During the quarter, NetSol purchased 44,300 shares under the 2.5 million share purchase program at an average price of $0.44.

Financial Outlook

NetSol has improved visibility in topline revenue for the second half of fiscal 2012, as clients continue to sign orders that were deferred from the last quarter of the previous fiscal year. The company also expects to see growth in new business and revenues for its wholly owned subsidiary, Vroozi Inc., as it secures its fifth client for smartOCI.

NetSol expects sequential second half fiscal 2012 revenue growth of 10 to 15 percent when compared with the first of the same fiscal year. The company also said that it anticipates achieving profitability for the full 2012 fiscal year.

Conference Call and Webcast Information

NetSol will host a conference call today, at 9 a.m. EST to review its financial results. To participate in the conference call, please dial **(877) 941-0844** (domestic) or (**480) 629-9835** (international), password: **4509594**.The call is also available through a live, listen-only audio webcast at www.netsoltech.com in the investor relations section. For those who are unable to listen to the live webcast, the call will be archived for 90 days.

Additionally, a telephone playback of the conference call will also be available until 11:59 p.m. EST, Thursday, February 9, 2012. Listeners should call **(800) 406-7325** (domestic) or **(303) 590-3030** (international) and use reservation: **4509594**.

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 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.

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

ASSETS	As of December 31, 2011	As of June 30, 2011
Current assets:		
Cash and cash equivalents	$ 4,723,366	$ 4,172,802
Restricted Cash	2,703,618	5,700,000
Accounts receivable, net	12,209,500	15,062,503
Revenues in excess of billings	9,553,286	7,601,230
Other current assets	2,144,031	2,053,904
Total current assets	31,333,801	34,590,439
Property and equipment, net	16,919,342	16,014,461
Intangible assets, net	28,071,966	25,602,195
Goodwill	9,653,330	9,439,285
Total assets	85,978,439	85,646,380

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	4,935,799	4,730,027
Current portion of loans and obligations under capitalized leases	4,413,779	7,062,535
Other payables	103,226	103,226
Unearned revenues	3,296,324	2,653,460
Convertible notes payable , current portion	--	2,745,524
Loans payable, bank	2,217,295	2,319,378
Common stock to be issued	125,525	400,700
Total current liabilities	15,091,948	20,014,850
Obligations under capitalized leases, less current maturities	245,139	285,472
Convertible notes payable, less current maturities	3,640,128	--
Long term loans, less current maturities	1,798,051	434,884
Total liabilities	20,775,266	20,735,206
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.001 par value; 95,000,000 shares authorized; 56,948,855 & 55,531,855 issued and outstanding as of December 31, 2011 and June 30, 2011	56,949	55,532
Additional paid-in-capital	99,428,924	97,886,492
Treasury stock	(415,425)	(396,008)
Accumulated deficit	(35,271,598)	(34,130,944)
Stock subscription receivable	(2,031,210)	(2,198,460)
Other comprehensive loss	(9,964,572)	(8,805,922)
Total NetSol shareholders' equity	51,803,068	52,410,690
Non-controlling interest	13,400,105	12,500,484
Total stockholders' equity	65,203,173	64,911,174
Total liabilities and stockholders' equity	$ 85,978,439	$ 85,646,380

NetSol Technologies, Inc. and Subsidiaries

Condensed Consolidated Statement of Operations

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2011	2010	2011	2010
Net Revenues:				
License fees	$ 2,047,855	$ 3,129,063	$ 3,123,705	$ 6,606,856
Maintenance fees	2,121,282	2,023,509	4,158,488	3,693,428
Services	4,436,916	5,272,675	7,552,567	8,528,035
Total revenues	8,606,052	10,425,247	14,834,760	18,828,319
Cost of revenues:				
Salaries and consultants	2,287,803	2,127,280	4,671,214	4,114,168
Travel	254,169	238,776	539,842	470,388
Repairs and maintenance	96,723	71,459	170,917	128,517
Insurance	31,348	31,087	67,216	62,079
Depreciation and amortization	812,510	679,284	1,601,615	1,310,225
Other	421,416	348,859	937,825	591,997
Total cost of revenues	3,903,969	3,496,745	7,988,629	6,677,375
Gross profit	4,702,083	6,928,503	6,846,131	12,150,944

Operating expenses:				
Selling and marketing	735,132	1,002,877	1,435,413	1,486,847
Depreciation and amortization	289,030	267,861	480,704	534,303
Bad debt expense	--	(353)	192,250	254,279
Salaries and wages	1,152,023	736,898	1,958,587	1,657,162
Professional services, including non-cash compensation	236,911	151,276	423,660	290,361
Lease abandonment charges	--	--	--	--
General and administrative	1,072,483	873,569	1,965,455	2,006,088
Total operating expenses	3,485,579	3,032,128	6,456,069	6,229,041
Income from operations	1,216,504	3,896,375	390,062	5,921,904
Other income and (expenses)				
Loss on sale of assets	(1,633)	(792)	(3,274)	(15,586)
Interest expense	(158,957)	(291,475)	(419,164)	(607,119)
Interest income	7,264	9,958	40,069	94,419
Gain (loss) on foreign currency exchange transactions	160,125	(400,658)	39,219	673,236
Share of net loss from equity investment	--	(71,799)	(100,000)	(142,236)
Beneficial conversion feature	(61,441)	(118,163)	(74,247)	(295,574)
Other expense	(8,988)	(1,748)	(16,706)	(57,301)
Total other income (expenses)	(63,629)	(874,677)	(534,103)	(350,162)
Net income (loss) before income taxes	1,152,875	3,021,698	(144,041)	5,571,741
Income taxes	(7,005)	(3,168)	(31,539)	(11,724)
Net income (loss) after tax	1,145,870	3,018,530	(175,580)	5,560,017
Non-controlling interest	(826,303)	(1,082,792)	(963,561)	(2,057,301)
Net income (loss) attributable to NetSol	319,567	1,935,737	(1,139,141)	3,502,717
Other comprehensive loss:				
Translation adjustment	(1,039,343)	916,065	(2,013,541)	440,163
Comprehensive income (loss)	(719,776)	2,851,802	(3,152,682)	3,942,880
Comprehensive income (loss) attributable to non controlling interest	(437,533)	131,912	(854,892)	(74,976)
Comprehensive income (loss) attributable to NetSol	$ (282,243)	$ 2,719,890	$ (2,297,790)	$ 4,017,856
Net income per share:				
Basic	$ 0.01	$ 0.04	$ (0.02)	$ 0.08
Diluted	$ 0.01	$ 0.04	$ (0.02)	$ 0.08
Weighted average number of shares outstanding				
Basic	56,655,621	48,366,323	56,269,445	43,955,210
Diluted	57,261,550	51,058,140	56,269,445	46,647,027
Amounts attributable to NetSol common shareholders				
Net income / (loss)	$ 319,567	$ 1,935,737	$ (1,139,141)	$ 3,502,717

NetSol Technologies, Inc. and Subsidiaries

Condensed Consolidated Statement of Cash Flows

	For the Six Months Ended December 31,

	2011	2010
Cash flows from operating activities:		
Net (loss) income	$ (175,580)	$ 5,560,017
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,082,319	1,844,528
Provision for bad debts	192,250	254,279
Gain on sale of subsidiary shares in Pakistan	--	--
Loss on foreign currency exchange transaction	--	--
Share of net loss from investment under equity method	100,000	142,236
Loss on sale of assets	3,274	15,586
(Gain) on settlement of lease abandonment provision	--	--
Dividend income	--	--
Non controlling interest in subsidiary	0	--
Stock issued for interest on notes payable	--	35,808
Stock issued for services	155,500	577,943
Fair market value of warrants and stock options granted	256,479	175,341
Non cash exercise of warrants	--	--
Beneficial conversion feature	74,247	295,574
Amortization of capitalized finance cost	--	--
Changes in operating assets and liabilities:		
Increase/ decrease in accounts receivable	3,322,973	(1,863,668)
Increase/ decrease in other current assets	(2,042,183)	(1,377,332)
Increase/ decrease in long-term assets	--	--
Increase/ decrease in accounts payable and accrued expenses	(11,801)	(353,493)
Net cash provided by operating activities	3,957,478	5,306,820
Cash flows from investing activities:		
Purchases of property and equipment	(2,832,212)	(2,450,222)
Sales of property and equipment	73,048	19,988
Purchase of treasury stock	(19,417)	--
Purchase of non-controlling interest in subsidiary	--	(180,000)
Short-term investments held for sale	--	(256,706)
Investment under equity method	(100,000)	--
Cash brought in at acquisition	--	--
Acquisition, net of cash acquired	(253,192)	--
Increase in intangible assets	(3,713,090)	(3,127,234)
Net cash used in investing activities	(6,844,863)	(5,994,175)
Cash flows from financing activities:		
Proceeds from sale of common stock	--	2,566,750
Proceeds from the exercise of stock options and warrants	368,000	667,300
Purchase of subsidiary stock in Pakistan	--	--
Proceeds from sale of subsidiary stock	--	--
Purchase of treasury stock	--	--
Proceeds from convertible notes payable	4,000,000	--
Payments on convertible notes payable	(2,758,330)	--
Restricted cash	2,996,382	--
Dividend Paid	--	--
Bank overdraft		
Proceeds from bank loans	3,866,758	2,588,773

Payments on bank loans	--	(44,455)
Payments on capital lease obligations & loans - net	(5,123,981)	(3,192,089)
Net cash provided by financing activities	3,348,830	2,586,278
Effect of exchange rate changes in cash	89,119	(118,318)
Net increase in cash and cash equivalents	550,564	1,780,605
Cash and cash equivalents, beginning of year	4,172,803	4,075,546
Cash and cash equivalents, end of year	$ 4,723,366	$ 5,856,150

NetSol Technologies, Inc. and Subsidiaries

Reconciliation to GAAP

	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010	Year To date December 31, 2011	Year To date December 31, 2010
Net Income (loss) before preferred dividend, per GAAP	$ 319,567	$ 1,935,737	$ (1,139,141)	$ 3,502,717
Income Taxes	7,005	3,168	31,539	11,724
Depreciation and amortization	1,101,540	947,145	2,082,319	1,844,528
Interest expense	158,957	291,475	419,164	607,119
Interest (income)	(7,264)	(9,958)	(40,069)	(94,419)
EBITDA	$ 1,579,804	$ 3,167,567	$ 1,353,812	$ 5,871,669
Weighted Average number of shares outstanding				
Basic	56,655,621	48,366,323	56,269,445	43,955,210
Diluted	57,261,550	51,058,140	56,875,373	46,647,027
Basic EBITDA	$ 0.03	$ 0.07	$ 0.02	$ 0.13
Diluted EBITDA	$ 0.03	$ 0.06	$ 0.02	$ 0.13

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Source: NetSol Technologies Inc.