

May 22, 2017



NETSOL Technologies Announces Fiscal 2017 Third Quarter Financial Results

Third Quarter Total Net Revenues increased 12.4% year-over-year to a Q3 Record of \$17.9 million

Third Quarter Net Income of \$0.7 million and Diluted EPS of \$0.06

Third Quarter Adjusted EBITDA of \$2.3 million

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

CALABASAS, Calif., May 22, 2017 (GLOBE NEWSWIRE) -- NetSol Technologies, Inc. (Nasdaq:NTWK), a leading global provider of enterprise application solutions and business services to the finance and leasing industry, today announced financial results for the fiscal 2017 third quarter ended March 31, 2017.

Fiscal 2017 Third Quarter Financial Results

Total net revenues for the third quarter of fiscal 2017 were \$17.9 million, an increase of 12.4% from the prior year period.

- Total license fees were \$5.7 million, an increase of 210.9% from \$1.8 million in the prior year period.
- Total maintenance fees were \$3.6 million, an increase of 5.1% from \$3.4 million in the prior year period.
- Total services revenues were \$8.6 million, a decrease of 19.5% from \$10.7 million in the prior year period.
- On-track to deliver record revenues in fiscal year 2017.

Gross profit for the third quarter of fiscal 2017 was \$9.0 million, or 50.1% of net revenues, an increase of 21.7% from \$7.4 million, or 46.3% of net revenues, in the third quarter of fiscal 2016.

Net income attributable to NETSOL for the third quarter of fiscal 2017 was \$0.7 million, or \$0.06 per diluted share, compared with \$0.8 million, or \$0.08 per diluted share, in the third quarter of fiscal 2016.

Adjusted EBITDA¹ for the third quarter of fiscal 2017 was \$2.3 million, representing Adjusted EBITDA per diluted share of \$0.21, compared with Adjusted EBITDA of \$2.3 million, or Adjusted EBITDA per diluted share of \$0.21, in the third quarter of fiscal 2016.

At March 31, 2017, cash and cash equivalents were \$8.5 million, compared with \$11.6 million at June 30, 2016 and \$11.9 million at March 31, 2016.

[1] The reconciliation of Adjusted EBITDA to net income, the most comparable financial measure based upon GAAP, as well as a further explanation of adjusted EBITDA, is included in the financial tables in Schedule 4 of this press release. Beginning with the fourth quarter of fiscal 2016, NETSOL has revised its calculation of Adjusted EBITDA to exclude the portion of Adjusted EBITDA that is attributable to its subsidiaries that have a minority interest.

Management Commentary

“We are pleased to deliver solid revenue growth and margin improvement in the fiscal third quarter,” said Najeeb Ghauri, Founder, Chairman and Chief Executive Officer of NETSOL. “We had a strong quarter for NFS Ascent license and services revenue, and for the first time, Ascent revenue exceeded fees from our legacy NFS solution suite. Conversely, our legacy NFS-related revenue was lower-than-expected in the fiscal third quarter, driven by a slowdown in new license and services fees as several of our NFS clients are beginning to explore with us a migration path to our next-generation NFS Ascent platform. Looking ahead, we view this inflection point in our revenue growth mix as a long-term positive for NETSOL and believe we are well-positioned to continue to build off this solid foundation. Nevertheless, we expect this tactical shift in our clients’ demand will continue to impact our results in the fourth quarter. In addition, the non-conversion of some new client contracts also impacted our fiscal third quarter results. We have reduced our fiscal year 2017 guidance to reflect these factors. Despite our tempered outlook for fiscal 2017, the strong fundamental drivers of our business remain unchanged, and we remain very optimistic about NETSOL’s future growth potential. Finally, I am pleased with the progress we have made on our recently announced costs reduction initiatives, as this helped us to improve our bottom-line in the quarter. We are on track to deliver \$1.5 million of cost savings in the second half of fiscal 2017 and \$4 million on an annualized basis beginning in fiscal 2018.”

Naeem Ghauri, President of NETSOL Global Sales and Marketing, provided additional color on the Company’s sales pipeline, “We have a robust global pipeline of new business opportunities, including our NFS Ascent pipeline which continues to expand across the Americas, Europe and Asia Pacific. Ascent has become referenceable for new clients as several of the implementations are now live and being used by thousands of users across our APAC region. Our pipeline includes both upgrades from legacy NFS to NFS Ascent as well as organic opportunities from new prospects. Many of these potential opportunities represent multi-country, multi-million dollar implementations.” Naeem Ghauri continued, “While we are highly encouraged by the growth of our NFS Ascent pipeline, we are also experiencing elongated sales cycles that require in-depth evaluation and stringent procurement processes within tier-one organizations. However, we have extensive experience working within these processes, and expect to come out on the other end with positive outcomes.”

Fiscal 2017 Financial Outlook

The Company has revised its financial outlook for the fiscal year ending June 30, 2017 as follows:

- Total net revenues of \$66 to \$67 million for fiscal 2017.
- Non-GAAP Adjusted EBITDA, net, of \$5 to \$6 million for fiscal 2017.

Revision to Prior Period Financial Statements

During the preparation of the Company's Form 10-Q for the nine months ended March 31, 2017, misstatements were identified regarding the timing of revenue recognition for the complex 12-country NFS Ascent contract. NETSOL will amend its financial statements for the quarters ended September 30, 2015, December 31, 2015, September 30, 2016 and December 31, 2016. The cumulative impact to the Company's financial results from the amendment is immaterial for the fiscal year ended June 30, 2016 and the nine months ended March 31, 2017. The Company has disclosed further in detail in its Form 10-Q for the period ended March 31, 2017, which will be filed today with the Securities Exchange Commission.

Fiscal 2017 Third Quarter Conference Call

When: Monday, May 22, 2017

Time: 9:00 a.m. Eastern Time

Phone: 1-844-868-9327 (domestic)
1-412-317-6595 (international)

Note: Once connected, please ask to be joined into the NETSOL Technologies call.

A replay will be available one hour after the end of the conference call and can be accessed by dialing 1-877-344-7529 (domestic) or 1-412-317-0088 (international); the replay access code is 10106843. The replay will be available through Monday, May 29, 2017.

A live webcast will be available online within the investor relations section of NETSOL's website at <http://www.netsoltech.com>. A replay of the webcast will be available one hour following conclusion of the live call, and will be archived for one year.

About NetSol Technologies

NetSol Technologies, Inc. (NASDAQ:NTWK) is a worldwide provider of IT and enterprise software solutions primarily serving the global leasing and financing industry. The Company's suite of applications are backed by 40 years of domain expertise and supported by a committed team of more than 1,500 professionals placed in eight strategically located support and delivery centers throughout the world. NFSTM, LeasePakTM, LeaseSoft or NFS AscentTM – help companies transform their finance and leasing operations, providing a fully automated asset-based finance solution covering the complete leasing and finance lifecycle.

Investors can receive news releases and invitations to special events by accessing our online signup form at <http://ir.netsoltech.com/email-alerts>.

Forward-Looking Statements

Certain statements in this press release are forward-looking in nature, including, but not limited to, expected net revenue, EBITDA, and adjusted EPS amounts for the full fiscal year and the growing market need for NFS Ascent, and accordingly, 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.

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NETSOL Technologies, Inc. and Subsidiaries Schedule 1: Consolidated Balance Sheets

	As of March 31, 2017	As of June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,450,115	\$ 11,557,527
Accounts receivable, net of allowance of \$494,011 and \$492,498	10,301,949	9,691,229
Accounts receivable, net - related party	4,414,635	5,691,178
Revenues in excess of billings	20,893,955	10,493,096
Revenues in excess of billings - related party	94,685	804,168
Other current assets	3,040,774	2,214,628
Total current assets	47,196,113	40,451,826
Restricted cash	90,000	90,000
Property and equipment, net	21,205,976	22,774,435
Other assets	2,549,858	842,553
Intangible assets, net	17,662,773	19,674,033
Goodwill	9,516,568	9,516,568
Total assets	\$ 98,221,288	\$ 93,349,415
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,404,181	\$ 5,962,770
Current portion of loans and obligations under capitalized leases	5,650,475	4,440,084
Unearned revenues	4,025,642	4,739,214
Common stock to be issued	88,324	88,324
Total current liabilities	17,168,622	15,230,392
Long term loans and obligations under capitalized leases; less current maturities	499,515	477,692
Total liabilities	17,668,137	15,708,084
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 500,000 shares authorized;	-	-
Common stock, \$.01 par value; 14,500,000 shares authorized;		
11,132,349 shares issued and 11,097,570 outstanding as of March 31, 2017 and		
10,713,372 shares issued and 10,686,093 outstanding as of June 30, 2016	111,324	107,134
Additional paid-in-capital	123,693,569	121,448,946
Treasury stock (34,779 shares and 27,279 shares)	(454,310)	(415,425)

Accumulated deficit	(39,177,897)	(37,323,360)
Stock subscription receivable	(359,070)	(783,172)
Other comprehensive loss	(18,797,496)	(18,730,494)
Total NetSol stockholders' equity	65,016,120	64,303,629
Non-controlling interest	15,537,031	13,337,702
Total stockholders' equity	80,553,151	77,641,331
Total liabilities and stockholders' equity	\$ 98,221,288	\$ 93,349,415

NETSOL Technologies, Inc. and Subsidiaries
Schedule 2: Consolidated Statement of Operations

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2017	2016	2017	2016
Net Revenues:				
License fees	\$ 5,730,222	\$ 1,358,469	\$ 14,953,574	\$ 3,076,541
Maintenance fees	3,538,996	3,388,526	10,651,692	9,826,209
Services	7,004,272	8,159,490	19,795,073	24,487,467
License fees - related party	-	484,644	246,957	484,644
Maintenance fees - related party	51,698	28,423	233,674	218,409
Services - related party	1,624,132	2,554,347	5,003,605	7,377,430
Total net revenues	17,949,320	15,973,899	50,884,575	45,470,700
Cost of revenues:				
Salaries and consultants	6,161,110	5,691,530	18,034,263	15,936,191
Travel	764,867	543,672	2,313,002	1,779,134
Depreciation and amortization	1,340,188	1,483,695	3,989,824	4,419,396
Other	686,950	860,868	2,725,015	2,822,347
Total cost of revenues	8,953,115	8,579,765	27,062,104	24,957,068
Gross profit	8,996,205	7,394,134	23,822,471	20,513,632
Operating expenses:				
Selling and marketing	2,439,948	1,896,295	7,497,464	5,597,689
Depreciation and amortization	284,642	321,230	825,224	898,018
General and administrative	4,329,798	3,808,327	12,882,407	10,391,844
Research and development cost	101,193	132,123	285,732	362,117
Total operating expenses	7,155,581	6,157,975	21,490,827	17,249,668
Income (loss) from operations	1,840,624	1,236,159	2,331,644	3,263,964
Other income and (expenses)				
Gain (loss) on sale of assets	1,647	14,848	(33,095)	642
Interest expense	(60,357)	(56,070)	(176,959)	(196,399)
Interest income	27,229	29,673	81,085	117,084
Gain (loss) on foreign currency exchange transactions	390,897	12,955	(645,886)	(235,291)
Other income (expense)	(219)	25,258	28,164	200,256
Total other income (expenses)	359,197	26,664	(746,691)	(113,708)
Net income (loss) before income taxes	2,199,821	1,262,823	1,584,953	3,150,256
Income tax provision	(61,604)	(106,209)	(440,363)	(454,707)
Net income (loss)	2,138,217	1,156,614	1,144,590	2,695,549
Non-controlling interest	(1,438,249)	(307,135)	(2,999,127)	(1,382,033)
Net income (loss) attributable to NetSol	\$ 699,968	\$ 849,479	\$ (1,854,537)	\$ 1,313,516

Net income (loss) per share:

Net income (loss) per common share

Basic	\$	0.06	\$	0.08	\$	(0.17)	\$	0.13
Diluted	\$	0.06	\$	0.08	\$	(0.17)	\$	0.12

Weighted average number of shares outstanding

Basic	10,987,214	10,427,664	10,850,538	10,338,740
Diluted	11,121,620	10,643,479	10,850,538	10,554,555

NETSOL Technologies, Inc. and Subsidiaries
Schedule 3: Consolidated Statement of Cash Flows

	For the Nine Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 1,144,590	\$ 2,695,549
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,815,048	5,317,414
Provision for bad debts	732	49,605
(Gain) Loss on sale of assets	33,095	(642)
Stock issued for services	1,998,968	694,693
Fair market value of warrants and stock options granted	26,956	145,716
Changes in operating assets and liabilities:		
Accounts receivable	(649,776)	115,428
Accounts receivable - related party	405,009	(3,111,316)
Revenues in excess of billing	(10,388,695)	(3,078,655)
Revenues in excess of billing - related party	553,767	15,507
Other current assets	419,704	(838,913)
Accounts payable and accrued expenses	337,890	617,112
Unearned revenue	(715,880)	(1,490,697)
Net cash provided by (used in) operating activities	(2,018,592)	1,130,801
Cash flows from investing activities:		
Purchases of property and equipment	(1,315,922)	(2,523,865)
Sales of property and equipment	149,430	556,280
Purchase of treasury stock	(38,885)	-
Investment	(905,555)	(555,556)
Purchase of subsidiary shares from open market	-	(767,397)
Net cash used in investing activities	(2,110,932)	(3,290,538)
Cash flows from financing activities:		
Proceeds from sale of common stock	-	64,931
Proceeds from the exercise of stock options and warrants	785,479	728,699
Proceeds from exercise of subsidiary options	54,377	16,744
Dividend paid by subsidiary to non-controlling interest	(968,657)	-
Proceeds from bank loans	1,484,162	1,334,285
Payments on capital lease obligations and loans - net	(251,040)	(736,405)
Net cash provided by financing activities	1,104,321	1,408,254
Effect of exchange rate changes	(82,209)	(1,536,315)
Net decrease in cash and cash equivalents	(3,107,412)	(2,287,798)
Cash and cash equivalents, beginning of the period	11,557,527	14,168,957
Cash and cash equivalents, end of period	\$ 8,450,115	\$ 11,881,159

NETSOL Technologies, Inc. and Subsidiaries
Schedule 4: Reconciliation to GAAP

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Net Income (loss) before preferred dividend, per GAAP	\$ 699,968	\$ 849,479	\$ (1,854,537)	\$ 1,313,516
Non-controlling interest	1,438,249	307,135	2,999,127	1,382,033
Income taxes	61,604	106,209	440,363	454,707
Depreciation and amortization	1,624,830	1,804,925	4,815,048	5,317,414
Interest expense	60,357	56,070	176,959	196,399
Interest (income)	(27,229)	(29,673)	(81,085)	(117,084)
EBITDA	\$ 3,857,779	\$ 3,094,145	\$ 6,495,875	\$ 8,546,985
Add back:				
Non-cash stock-based compensation	478,345	368,674	2,025,924	840,409
Adjusted EBITDA, gross	\$ 4,336,124	\$ 3,462,819	\$ 8,521,799	\$ 9,387,394
Less non-controlling interest (a)	(2,045,028)	(1,186,132)	(4,860,826)	(3,884,124)
Adjusted EBITDA, net	\$ 2,291,096	\$ 2,276,687	\$ 3,660,973	\$ 5,503,270
Weighted Average number of shares outstanding				
Basic	10,987,214	10,427,664	10,850,538	10,338,740
Diluted	11,121,620	10,643,479	10,984,944	10,554,555
Basic adjusted EBITDA	\$ 0.21	\$ 0.22	\$ 0.34	\$ 0.53
Diluted adjusted EBITDA	\$ 0.21	\$ 0.21	\$ 0.33	\$ 0.52

(a) The reconciliation of adjusted EBITDA of non-controlling interest to net income attributable to non-controlling interest is as follows

Net Income attributable to non-controlling interest	\$ 1,438,249	\$ 307,135	\$ 2,999,127	\$ 1,382,033
Income Taxes	10,871	36,569	71,916	74,350
Depreciation and amortization	538,118	790,065	1,587,412	2,346,603
Interest expense	17,502	9,416	53,918	40,749
Interest (income)	(10,610)	(31,715)	(27,702)	(83,112)
EBITDA	\$ 1,994,130	\$ 1,111,470	\$ 4,684,671	\$ 3,760,623
Add back:				
Non-cash stock-based compensation	50,898	74,662	176,155	123,501
Adjusted EBITDA of non-controlling interest	\$ 2,045,028	\$ 1,186,132	\$ 4,860,826	\$ 3,884,124

From time to time, NETSOL may refer to Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization and Stock-based Compensation) and “non-GAAP adjusted EBITDA per diluted share or Adjusted EBITDA per diluted share” in its conference calls and discussions with investors and analysts in connection with the company’s reported historical financial results. Adjusted EBITDA does not represent cash flows from operations as defined by generally accepted accounting principles (“GAAP”), is not derived in accordance

with GAAP and should not be considered by the reader as an alternative to net income (the most comparable GAAP financial measure to Adjusted EBITDA). Non-GAAP adjusted EBITDA per diluted share or Adjusted EBITDA per diluted share is not derived in accordance with GAAP and should not be considered by the reader as an alternative to reported GAAP diluted EPS. The reconciliation of GAAP and non-GAAP financial measures for the three and nine month periods ended March 31, 2017 and 2016 are included in the above table. NETSOL's management believes that Adjusted EBITDA and Adjusted EBITDA per diluted share are helpful as an indicator of the current financial performance of the company. NETSOL also adjusts for non-cash items, such as stock-based compensation as we believe excluding these costs provide a useful metric by which to compare performance from period to period. Management strongly encourages investors to review the company's consolidated financial statements in their entirety and to not rely on any single financial measure in evaluating the company.



Source: NETSOL Technologies, Inc.