



ARI Network Services, Inc.
Consolidated Statements of Income
(Dollars in Thousands, Except per Share Data)
(Unaudited)

	Three months ended January 31		Six months ended January 31	
	2013	2012	2013	2012
Net revenue	\$ 7,478	\$ 5,501	\$ 13,420	\$ 10,911
Cost of revenue	1,721	1,251	3,129	2,387
Gross profit	5,757	4,250	10,291	8,524
Operating expenses:				
Sales and marketing	1,744	1,118	2,790	2,151
Customer operations and support	1,470	850	2,478	1,696
Software development and technical support (net of capitalized software product costs)	672	490	1,249	878
General and administrative	2,098	1,218	3,418	2,326
Depreciation and amortization (exclusive of amortization of software product costs included in cost of revenue)	339	404	619	807
Net operating expenses	6,323	4,080	10,554	7,858
Operating income (loss)	(566)	170	(263)	666
Other income (expense):				
Interest expense	(269)	(59)	(337)	(121)
Other, net	4	11	8	17
Total other income (expense)	(265)	(48)	(329)	(104)
Income before provision for income tax	(831)	122	(592)	562
Income tax benefit (expense)	835	(61)	709	(229)
Net income	\$ 4	\$ 61	\$ 117	\$ 333
Net income per common share:				
Basic	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.04
Diluted	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.04



ARI Network Services, Inc.
Consolidated Balance Sheets
(Dollars in Thousands, Except per Share Data)

	<i>(Unaudited)</i>	
	January 31	July 31
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 190	\$ 1,350
Trade receivables, less allowance for doubtful accounts of \$239 and \$215 at January 31, 2013 and July 31, 2012, respectively	1,272	1,187
Work in process	208	151
Prepaid expenses and other	694	766
Deferred income taxes	3,245	2,686
<i>Total current assets</i>	<u>5,609</u>	<u>6,140</u>
Equipment and leasehold improvements:		
Computer equipment and software for internal use	2,677	2,592
Leasehold improvements	609	584
Furniture and equipment	2,432	1,989
	<u>5,718</u>	<u>5,165</u>
Less accumulated depreciation and amortization	3,614	3,214
<i>Net equipment and leasehold improvements</i>	<u>2,104</u>	<u>1,951</u>
Capitalized software product costs:		
Amounts capitalized for software product costs	20,381	18,247
Less accumulated amortization	16,158	15,298
<i>Net capitalized software product costs</i>	<u>4,223</u>	<u>2,949</u>
Deferred income taxes	2,650	2,443
Other long term assets	138	148
Other intangible assets	4,394	1,439
Goodwill	12,238	5,439
Total assets	<u>\$ 31,356</u>	<u>\$ 20,509</u>



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Consolidated Balance Sheets
(Dollars in Thousands, Except per Share Data)

	<i>(Unaudited)</i>	
	January 31	July 31
	2013	2012
LIABILITIES		
Current borrowings on line of credit	\$ 180	\$ -
Current portion of long-term debt	4,469	1,084
Current portion of contingent liabilities	362	-
Accounts payable	1,406	725
Deferred revenue	8,944	4,926
Accrued payroll and related liabilities	921	758
Accrued sales, use and income taxes	124	216
Other accrued liabilities	778	214
Current portion of capital lease obligations	108	150
<i>Total current liabilities</i>	<u>17,292</u>	<u>8,073</u>
Long-term debt	2,943	2,888
Long-term portion of contingent liabilities	463	-
Capital lease obligations	16	58
Other long term liabilities	256	274
<i>Total non-current liabilities</i>	<u>3,678</u>	<u>3,220</u>
Total liabilities	<u>20,970</u>	<u>11,293</u>
SHAREHOLDERS' EQUITY		
Cumulative preferred stock, par value \$.001 per share, 1,000,000 shares authorized; 0 shares issued and outstanding at January 31, 2013 and July 31, 2012, respectively	-	-
Junior preferred stock, par value \$.001 per share, 100,000 shares authorized; 0 shares issued and outstanding at January 31, 2013 and July 31, 2012, respectively	-	-
Common stock, par value \$.001 per share, 25,000,000 shares authorized; 8,787,789 and 8,037,750 shares issued and outstanding at January 31, 2013 and July 31, 2012, respectively	9	8
Common stock warrants and options	1,372	1,287
Additional paid-in capital	96,924	95,931
Accumulated deficit	(87,892)	(88,009)
Other accumulated comprehensive loss	(27)	(1)
<i>Total shareholders' equity</i>	<u>10,386</u>	<u>9,216</u>
Total liabilities and shareholders' equity	<u>\$ 31,356</u>	<u>\$ 20,509</u>