



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

| | Three months ended October 31 | |
|--|-------------------------------|----------|
| | 2013 | 2012 |
| Net revenue | \$ 8,160 | \$ 5,942 |
| Cost of revenue | 1,560 | 1,408 |
| Gross profit | 6,600 | 4,534 |
| Operating expenses: | | |
| Sales and marketing | 2,457 | 1,221 |
| Customer operations and support | 1,611 | 1,046 |
| Software development and technical support (net of capitalized software product costs) | 556 | 613 |
| General and administrative | 1,488 | 1,071 |
| Depreciation and amortization (exclusive of amortization of software product costs included in cost of revenue) | 321 | 280 |
| Net operating expenses | 6,433 | 4,231 |
| Operating income | 167 | 303 |
| Other income (expense): | | |
| Interest expense | (70) | (68) |
| Loss on change in fair value of stock warrants | (22) | - |
| Gain on change in fair value of estimated contingent liabilities | 26 | - |
| Other, net | 8 | 4 |
| Total other expense | (58) | (64) |
| Income before provision for income tax | 109 | 239 |
| Income tax expense | (84) | (126) |
| Net income | \$ 25 | \$ 113 |
| Net income per common share: | | |
| Basic | \$ 0.00 | \$ 0.01 |
| Diluted | \$ 0.00 | \$ 0.01 |



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

| | October 31 2013 | July 31 2013 |
|---|--------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,121 | \$ 2,195 |
| Trade receivables, less allowance for doubtful accounts of \$227 and \$220 at October 31, 2013 and July 31, 2013, respectively | 1,369 | 945 |
| Work in process | 117 | 154 |
| Prepaid expenses and other | 819 | 934 |
| Deferred income taxes | 2,817 | 2,938 |
| <i>Total current assets</i> | <u>6,243</u> | <u>7,166</u> |
| Equipment and leasehold improvements: | | |
| Computer equipment and software for internal use | 2,752 | 2,641 |
| Leasehold improvements | 612 | 609 |
| Furniture and equipment | 2,636 | 2,561 |
| | <u>6,000</u> | <u>5,811</u> |
| Less accumulated depreciation and amortization | 4,125 | 3,948 |
| <i>Net equipment and leasehold improvements</i> | <u>1,875</u> | <u>1,863</u> |
| Capitalized software product costs: | | |
| Amounts capitalized for software product costs | 21,362 | 20,814 |
| Less accumulated amortization | 17,048 | 16,604 |
| <i>Net capitalized software product costs</i> | <u>4,314</u> | <u>4,210</u> |
| Deferred income taxes | 3,451 | 3,451 |
| Other long term assets | 120 | 141 |
| Other intangible assets | 3,949 | 4,099 |
| Goodwill | 12,198 | 12,198 |
| Total assets | <u>\$ 32,150</u> | <u>\$ 33,128</u> |



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

| | October 31 2013 | July 31 2013 |
|---|--------------------|------------------|
| LIABILITIES | | |
| Current portion of long-term debt | \$ 506 | \$ 450 |
| Current portion of contingent liabilities | 318 | 303 |
| Accounts payable | 553 | 710 |
| Deferred revenue | 7,933 | 8,571 |
| Accrued payroll and related liabilities | 1,295 | 1,434 |
| Accrued sales, use and income taxes | 104 | 147 |
| Other accrued liabilities | 590 | 316 |
| Current portion of capital lease obligations | 30 | 24 |
| <i>Total current liabilities</i> | <u>11,329</u> | <u>11,955</u> |
| Long-term debt | 3,882 | 4,050 |
| Common stock warrants at fair value | 276 | 254 |
| Long-term portion of contingent liabilities | 151 | 418 |
| Capital lease obligations | 163 | 169 |
| Other long term liabilities | 228 | 233 |
| <i>Total non-current liabilities</i> | <u>4,700</u> | <u>5,124</u> |
| Total liabilities | 16,029 | 17,079 |
| SHAREHOLDERS' EQUITY | | |
| Cumulative preferred stock, par value \$.001 per share, 1,000,000 shares authorized; 0 shares issued and outstanding at October 31, 2013 and July 31, 2013, respectively | - | - |
| Junior preferred stock, par value \$.001 per share, 100,000 shares authorized; 0 shares issued and outstanding at October 31, 2013 and July 31, 2013, respectively | - | - |
| Common stock, par value \$.001 per share, 25,000,000 shares authorized; 12,996,588 and 12,976,588 shares issued and outstanding at October 31, 2013 and July 31, 2013, respectively | 13 | 13 |
| Additional paid-in capital | 104,868 | 104,816 |
| Accumulated deficit | (88,737) | (88,762) |
| Other accumulated comprehensive loss | (23) | (18) |
| <i>Total shareholders' equity</i> | <u>16,121</u> | <u>16,049</u> |
| Total liabilities and shareholders' equity | <u>\$ 32,150</u> | <u>\$ 33,128</u> |