



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

| | Three months ended January 31 | | Six months ended January 31 | |
|--|-------------------------------|----------|-----------------------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| Net revenue | \$ 8,135 | \$ 7,478 | \$ 16,295 | \$ 13,420 |
| Cost of revenue | 1,686 | 1,721 | 3,246 | 3,129 |
| Gross profit | 6,449 | 5,757 | 13,049 | 10,291 |
| Operating expenses: | | | | |
| Sales and marketing | 2,442 | 1,913 | 4,899 | 3,135 |
| Customer operations and support | 1,780 | 1,515 | 3,391 | 2,561 |
| Software development and technical support (net of capitalized software product costs) | 781 | 710 | 1,337 | 1,323 |
| General and administrative | 1,713 | 1,846 | 3,201 | 2,917 |
| Depreciation and amortization (exclusive of amortization of software product costs included in cost of revenue) | 339 | 339 | 660 | 619 |
| Net operating expenses | 7,055 | 6,323 | 13,488 | 10,554 |
| Operating loss | (606) | (566) | (439) | (263) |
| Other income (expense): | | | | |
| Interest expense | (78) | (269) | (148) | (337) |
| Loss on change in fair value of stock warrants | (10) | - | (32) | - |
| Gain on change in fair value of earn-out payable | - | - | 26 | - |
| Other income, net | 7 | 4 | 15 | 8 |
| Total other expense | (81) | (265) | (139) | (329) |
| Loss before provision for income tax | (687) | (831) | (578) | (592) |
| Income tax benefit | 226 | 835 | 142 | 709 |
| Net income (loss) | \$ (461) | \$ 4 | \$ (436) | \$ 117 |
| Net income (loss) per common share: | | | | |
| Basic | \$ (0.03) | \$ 0.00 | \$ (0.03) | \$ 0.01 |
| Diluted | \$ (0.03) | \$ 0.00 | \$ (0.03) | \$ 0.01 |



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

| | <i>(Unaudited)</i> January 31 2014 | <i>(Audited)</i> July 31 2013 |
|---|--|-------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 581 | \$ 2,195 |
| Trade receivables, less allowance for doubtful accounts of \$377 and \$220 at January 31, 2014 and July 31, 2013, respectively | 1,691 | 945 |
| Work in process | 180 | 154 |
| Prepaid expenses and other | 1,033 | 934 |
| Deferred income taxes | 2,912 | 2,938 |
| <i>Total current assets</i> | <u>6,397</u> | <u>7,166</u> |
| Equipment and leasehold improvements: | | |
| Computer equipment and software for internal use | 2,848 | 2,641 |
| Leasehold improvements | 612 | 609 |
| Furniture and equipment | 2,903 | 2,561 |
| | <u>6,363</u> | <u>5,811</u> |
| Less accumulated depreciation and amortization | <u>(4,301)</u> | <u>(3,948)</u> |
| <i>Net equipment and leasehold improvements</i> | <u>2,062</u> | <u>1,863</u> |
| Capitalized software product costs: | | |
| Amounts capitalized for software product costs | 21,891 | 20,814 |
| Less accumulated amortization | <u>(17,566)</u> | <u>(16,604)</u> |
| <i>Net capitalized software product costs</i> | <u>4,325</u> | <u>4,210</u> |
| Deferred income taxes | 3,621 | 3,451 |
| Other long term assets | 95 | 141 |
| Other intangible assets | 3,901 | 4,099 |
| Goodwill | <u>12,326</u> | <u>12,198</u> |
| Total assets | <u>\$ 32,727</u> | <u>\$ 33,128</u> |



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

| | <i>(Unaudited)</i> January 31 2014 | <i>(Audited)</i> July 31 2013 |
|---|--|-------------------------------------|
| LIABILITIES | | |
| Current borrowings on line of credit | \$ 400 | \$ - |
| Current portion of long-term debt | 562 | 450 |
| Current portion of earn-out payable | 286 | 303 |
| Accounts payable | 866 | 710 |
| Deferred revenue | 7,523 | 8,571 |
| Accrued payroll and related liabilities | 1,365 | 1,434 |
| Accrued sales, use and income taxes | 134 | 147 |
| Other accrued liabilities | 614 | 316 |
| Current portion of capital lease obligations | 30 | 24 |
| <i>Total current liabilities</i> | <u>11,780</u> | <u>11,955</u> |
| Long-term debt | 3,714 | 4,050 |
| Common stock warrants at fair value | 286 | 254 |
| Long-term portion of earn-out payable | 169 | 418 |
| Capital lease obligations | 158 | 169 |
| Other long term liabilities | 223 | 233 |
| <i>Total non-current liabilities</i> | <u>4,550</u> | <u>5,124</u> |
| Total liabilities | 16,330 | 17,079 |
| SHAREHOLDERS' EQUITY | | |
| Cumulative preferred stock, par value \$.001 per share, 1,000,000 shares authorized; 0 shares issued and outstanding at January 31, 2014 and July 31, 2013, respectively | - | - |
| Junior preferred stock, par value \$.001 per share, 100,000 shares authorized; 0 shares issued and outstanding at January 31, 2014 and July 31, 2013, respectively | - | - |
| Common stock, par value \$.001 per share, 25,000,000 shares authorized; 13,367,992 and 12,976,588 shares issued and outstanding at January 31, 2014 and July 31, 2013, respectively | 13 | 13 |
| Additional paid-in capital | 105,607 | 104,816 |
| Accumulated deficit | (89,198) | (88,762) |
| Other accumulated comprehensive loss | (25) | (18) |
| <i>Total shareholders' equity</i> | <u>16,397</u> | <u>16,049</u> |
| Total liabilities and shareholders' equity | <u>\$ 32,727</u> | <u>\$ 33,128</u> |