



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

	<b>Three months ended October 31</b>	
	<b>2015</b>	<b>2014</b>
Net revenue	\$ 11,737	\$ 9,112
Cost of revenue	2,069	1,749
Gross profit	9,668	7,363
Operating expenses:		
Sales and marketing	2,765	2,542
Customer operations and support	2,446	1,690
Software development and technical support (net of capitalized software product costs)	1,255	872
General and administrative	1,785	1,604
Depreciation and amortization (exclusive of amortization of software product costs included in cost of revenue)	609	372
Net operating expenses	8,860	7,080
Operating income	808	283
Other income (expense):		
Interest expense	(112)	(89)
Loss on change in fair value of contingent liabilities	(8)	—
Other, net	—	(1)
Total other income (expense)	(120)	(90)
Income before provision for income tax	688	193
Income tax expense	(299)	(89)
Net income	\$ 389	\$ 104
Weighted average common shares outstanding:		
Basic	17,152	13,693
Diluted	17,604	14,014
Net income per common share:		
Basic	\$ 0.02	\$ 0.01
Diluted	\$ 0.02	\$ 0.01



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

	<i>(Unaudited)</i>	<i>(Audited)</i>
	<b>October 31</b>	<b>July 31</b>
	<b>2015</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,179	\$ 2,284
Trade receivables, less allowance for doubtful accounts of \$335 and \$372 at October 31, 2015 and July 31, 2015, respectively	2,147	2,046
Work in process	136	165
Prepaid expenses and other	736	820
Deferred income taxes	3,305	3,092
<i>Total current assets</i>	<u>9,503</u>	<u>8,407</u>
Equipment and leasehold improvements:		
Computer equipment and software for internal use	2,936	2,800
Leasehold improvements	629	629
Furniture and equipment	3,012	2,981
<i>Total equipment and leasehold improvements</i>	<u>6,577</u>	<u>6,410</u>
Less accumulated depreciation and amortization	(4,202)	(3,989)
<i>Net equipment and leasehold improvements</i>	<u>2,375</u>	<u>2,421</u>
Capitalized software product costs:		
Amounts capitalized for software product costs	25,836	25,463
Less accumulated amortization	(20,833)	(20,337)
<i>Net capitalized software product costs</i>	<u>5,003</u>	<u>5,126</u>
Deferred income taxes	1,892	2,398
Other intangible assets	9,719	10,116
Goodwill	21,066	21,168
<i>Total non-current assets</i>	<u>40,055</u>	<u>41,229</u>
<b>Total assets</b>	<u><u>\$ 49,558</u></u>	<u><u>\$ 49,636</u></u>
<b>LIABILITIES</b>		
Current portion of long-term debt	\$ 1,693	\$ 1,338
Current portion of contingent liabilities	639	754
Accounts payable	785	708
Deferred revenue	6,674	7,327
Accrued payroll and related liabilities	2,207	1,752
Accrued sales, use and income taxes	167	140
Other accrued liabilities	696	748
Current portion of capital lease obligations	121	174
<i>Total current liabilities</i>	<u>12,982</u>	<u>12,941</u>
Long-term debt	8,510	9,079
Long-term portion of contingent liabilities	245	362
Capital lease obligations	94	106
Other long-term liabilities	199	199
<i>Total non-current liabilities</i>	<u>9,048</u>	<u>9,746</u>
<b>Total liabilities</b>	<u>22,030</u>	<u>22,687</u>
<b>SHAREHOLDERS' EQUITY</b>		
Cumulative preferred stock, par value \$.001 per share, 1,000,000 shares authorized; 0 shares issued and outstanding at October 31, 2015 and July 31, 2015, respectively	—	—
Junior preferred stock, par value \$.001 per share, 100,000 shares authorized; 0 shares issued and outstanding at October 31, 2015 and July 31, 2015, respectively	—	—
Common stock, par value \$.001 per share, 25,000,000 shares authorized; 17,169,523 and 17,097,426 shares issued and outstanding at October 31, 2015 and July 31, 2015, respectively	17	17
Additional paid-in capital	114,892	114,700
Accumulated deficit	(87,404)	(87,793)
Other accumulated comprehensive income	23	25
<i>Total shareholders' equity</i>	<u>27,528</u>	<u>26,949</u>
<b>Total liabilities and shareholders' equity</b>	<u><u>\$ 49,558</u></u>	<u><u>\$ 49,636</u></u>



**ARI Network Services, Inc.**  
**Consolidated Statements of Cash Flows**  
*(Dollars in Thousands)*  
*(Unaudited)*

	<b>Three months ended October 31</b>	
	<b>2015</b>	<b>2014</b>
<i>Operating activities:</i>		
Net income	\$ 389	\$ 104
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of software products	496	549
Net non-cash interest expense	5	17
Depreciation and other amortization	610	371
Gain on change in fair value of earn-out payable	8	-
Provision for bad debt allowance	25	51
Deferred income taxes	293	69
Stock based compensation	90	68
Stock based director fees	25	35
Net change in assets and liabilities:		
Trade receivables	(102)	(224)
Work in process	29	(22)
Prepaid expenses and other	86	185
Other long-term assets	-	(39)
Accounts payable	71	226
Deferred revenue	(700)	(130)
Accrued payroll and related liabilities	435	230
Accrued sales, use and income taxes	27	-
Other accrued liabilities	(52)	144
<i>Net cash provided by operating activities</i>	<b>\$ 1,735</b>	<b>\$ 1,634</b>
<i>Investing activities:</i>		
Purchase of equipment, software and leasehold improvements	(167)	(21)
Cash paid for contingent liabilities related to acquisitions	(125)	(249)
Cash paid for net assets related to acquisitions	-	(4,200)
Software development costs capitalized	(373)	(341)
<i>Net cash used in investing activities</i>	<b>\$ (665)</b>	<b>\$ (4,811)</b>
<i>Financing activities:</i>		
Borrowings under line of credit, net	\$ -	\$ 1,000
Payments on long-term debt	(151)	(168)
Borrowings under long-term debt	-	2,168
Payments of capital lease obligations	(65)	(55)
Proceeds from issuance of common stock	43	16
<i>Net cash provided by (used in) financing activities</i>	<b>\$ (173)</b>	<b>\$ 2,961</b>
Effect of foreign currency exchange rate changes on cash	(2)	5
Net change in cash and cash equivalents	895	(211)
Cash and cash equivalents at beginning of period	2,284	1,808
Cash and cash equivalents at end of period	<b>\$ 3,179</b>	<b>\$ 1,597</b>
<i>Cash paid for interest</i>	<b>\$ 113</b>	<b>\$ 74</b>
<i>Cash paid for income taxes</i>	<b>\$ 64</b>	<b>\$ 20</b>



**ARI Network Services, Inc.**  
**Reconciliation of Non-GAAP Measures**

**Earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA for the three and twelve months ended October 31, 2015 and 2014, respectively:**

	FY2016		FY2015	
	Q1	Q1	TTM	TTM
Net Income (loss)	\$ 389	\$ 104	\$ 1,356	\$ (23)
Interest	112	89	488	305
Amortization of software products	496	549	1,970	2,157
Other depreciation and amortization	609	372	1,993	1,373
Loss on FMV of Warrant Derivatives	-	-	-	6
Loss on impairment of long-lived assets	-	-	-	35
Income taxes	299	89	1,021	246
EBITDA	\$ 1,905	\$ 1,203	\$ 6,828	\$ 4,099
Stock-based compensation	115	103	458	627
Adjusted EBITDA	\$ 2,020	\$ 1,306	\$ 7,286	\$ 4,726

**Earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA for the following fiscal quarters:**

	10/31/15	7/31/15	4/30/15	1/31/15	10/31/14	7/31/14	04/30/14	01/31/14
	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
<b>Quarterly</b>								
Net Income (loss)	\$ 389	\$ 368	\$ 339	\$ 260	\$ 104	\$ 174	\$ 160	\$ (461)
Interest	112	113	123	140	89	70	68	78
Amortization of software products	496	463	458	553	549	558	532	518
Other depreciation and amortization	609	511	465	408	372	308	354	339
Loss on debt extinguishment	-	-	-	-	-	-	-	-
Loss on FMV of Warrant Derivatives	-	-	-	-	-	-	(4)	10
Loss on impairment of long-lived assets	-	-	-	-	-	35	-	-
Income taxes	299	205	243	274	89	230	153	(226)
EBITDA	\$ 1,905	\$ 1,660	\$ 1,628	\$ 1,635	\$ 1,203	\$ 1,375	\$ 1,263	\$ 258
Stock-based compensation	115	141	95	107	103	231	168	125
Adjusted EBITDA	\$ 2,020	\$ 1,801	\$ 1,723	\$ 1,742	\$ 1,306	\$ 1,606	\$ 1,431	\$ 383
<b>Trailing 12 months (TTM)</b>								
Net Income (loss)	\$ 1,356	\$ 1,071	\$ 877	\$ 698	\$ (23)	\$ (102)	\$ (575)	\$ (1,306)
Interest	488	465	422	367	305	286	308	437
Amortization of software products	1,970	2,023	2,118	2,192	2,157	2,052	1,923	1,843
Other depreciation and amortization	1,993	1,756	1,553	1,442	1,373	1,322	1,342	1,322
Loss on debt extinguishment	-	-	-	-	-	-	-	682
Loss on FMV of Warrant Derivatives	-	-	-	(4)	6	28	663	667
Loss on impairment of long-lived assets	-	-	35	35	35	35	-	420
Income taxes	1,021	811	836	746	246	241	325	(566)
EBITDA	\$ 6,828	\$ 6,126	\$ 5,841	\$ 5,476	\$ 4,099	\$ 3,862	\$ 3,986	\$ 3,499
Stock-based compensation	458	446	536	609	627	560	29	147
Adjusted EBITDA	\$ 7,286	\$ 6,572	\$ 6,377	\$ 6,085	\$ 4,726	\$ 4,422	\$ 4,015	\$ 3,646