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ARI ANNOUNCES SECOND QUARTER RESULTS

Company posts strong operating cash flows

Milwaukee, Wis., March 17, 2011 – ARI (OTCBB:ARIS), a leading provider of technology-enabled solutions that help dealers, distributors and manufacturers in selected vertical markets increase revenue and reduce costs, today reported results for its second quarter ended January 31, 2011.

The Company posted a significant increase in operating cash flows, and its revenues, operating income, and net income remained positive, despite the loss from certain non-recurring revenues this fiscal year.

Operations Review

"In the second quarter we continued to successfully execute our strategies of deepening relationships with existing customers to foster organic growth, enhancing our core products and services, and driving innovation and efficiency throughout the entire organization," said Roy W. Olivier, President and Chief Executive Officer of ARI. "We believe the continued successful execution of our strategy is reflected in the significant year over year increase in operating cash flow, which we used to continue our investment in product development. We went to market with a significantly upgraded website product during the quarter and are creating new releases and upgrades to both our lead management and catalog products. Additionally, we continually look for opportunities to refine our organization and processes to drive innovation and efficiency. In the second quarter we continued to execute our plan to consolidate our data centers into a Tier III hosted facility in Madison, WI. As we continue to execute on our strategies, we anticipate continued improvements in our performance for the remainder of the fiscal year."

Summary of Financial Results

For the second fiscal quarter ended January 31, 2011:

- Cash flows from operations were \$770,000 for the quarter, compared to \$509,000 over the same period last year. Cash provided by financing activities was \$98,000 for the second quarter of fiscal 2011, compared to \$306,000 over the same period last year.
- Revenues for the quarter were \$5.2 million, versus \$5.3 million last year, a 2% decline.
- Operating income was \$254,000 for the second quarter, a 48% decrease compared to the same period last year.
- Net income decreased to \$123,000, or \$0.02 per share, for the second quarter of fiscal 2011, compared to \$176,000, or \$0.02, per share for the second quarter of fiscal 2010.

ARI Announces Second Quarter Results

For the six months ended January 31, 2011:

- The Company generated cash flows from operations of \$1.3 million for the first half of fiscal 2011, while over the same period last year generated cash flows from operations of \$195,000. Net cash provided by financing activities was \$44,000 in the quarter, versus \$649,000 last year.
- Net revenues decreased 2% to \$10.6 million for the first half of fiscal 2011, compared to \$10.8 million for the first half of fiscal 2010.
- Operating income decreased 27% to \$699,000 for the first half of fiscal 2011, compared to \$961,000 for the same period last year.
- Net income decreased to \$222,000, or \$0.03 per share, for the first half of fiscal 2011, compared to \$338,000, or \$0.04 per share, for the first half of fiscal 2010.

Darin R. Janecek, Chief Financial Officer of ARI, commented "entering into fiscal 2011, we anticipated a decline in our revenues and operating results due to the loss of \$600,000 of non-cash, non-recurring revenues recognized in the first half of fiscal 2010 associated with the amortization of our deferred revenue liability established at the time of the Channel Blade acquisition. Despite the absence of these non-cash revenues, we still posted strong operating results, which is a direct reflection of our fiscal 2011 strategy. We are seeing declines in our customer churn rates, continuing to invest in product development, and uncovering additional areas for efficiencies within the organization. We are also seeing an increase in the level of monthly recurring revenue. As a substantial majority of our revenues are subscription-based, increasing MRR is one of, if not the most important financial driver of our business."

Mr. Olivier added, "I am excited with the results we are seeing from the execution of our strategies. We anticipate continued improvements in our financial results in the latter half of the year."

For additional information please refer to ARI's quarterly report on Form 10-Q for the second quarter ended January 31, 2011, filed with the SEC on March 17, 2011.

ARI Announces Second Quarter Results

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

	<i>(Unaudited)</i>	<i>(Audited)</i>
	January 31	July 31
	2011	2010
Current assets:		
Cash and cash equivalents	\$ 1,227	\$ 938
Trade receivables, less allowance for doubtful accounts of \$355 at January 31, 2011 and \$565 at July 31, 2010	1,006	1,359
Work in process	112	133
Prepaid expenses and other	588	481
Deferred income taxes	2,294	2,600
<i>Total current assets</i>	<u>5,227</u>	<u>5,511</u>
Equipment and leasehold improvements:		
Computer equipment	1,970	1,883
Leasehold improvements	506	506
Software and equipment	2,181	1,970
	<u>4,657</u>	<u>4,359</u>
Less accumulated depreciation and amortization	2,852	2,433
<i>Net equipment and leasehold improvements</i>	<u>1,805</u>	<u>1,926</u>
Capitalized software product costs:		
Amounts capitalized for software product costs	16,666	15,919
Less accumulated amortization	14,048	13,524
<i>Net capitalized software product costs</i>	<u>2,618</u>	<u>2,395</u>
Deferred income taxes	1,854	1,616
Other long term assets	66	63
Other intangible assets	2,422	2,827
Goodwill	5,439	5,439
Total assets	<u><u>\$ 19,431</u></u>	<u><u>\$ 19,777</u></u>

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

	<i>(Unaudited)</i>	<i>(Audited)</i>
	January 31	July 31
	2011	2010
Current liabilities:		
Current borrowings on line of credit	\$ 1,175	\$ 1,025
Current portion of notes payable	549	-
Accounts payable	498	490
Deferred revenue	4,794	5,270
Accrued payroll and related liabilities	1,192	1,322
Accrued taxes	44	60
Other accrued liabilities	749	844
Current portion of capital lease obligations	144	192
<i>Total current liabilities</i>	<u>9,145</u>	<u>9,203</u>
Non-current liabilities:		
Notes payable	4,451	5,000
Long-term portion of accrued compensation	-	17
Capital lease obligations	274	338
Other long term liabilities	-	-
<i>Total non-current liabilities</i>	<u>4,725</u>	<u>5,355</u>
Total liabilities	<u>13,870</u>	<u>14,558</u>
Shareholders' equity:		
Cumulative preferred stock, par value \$.001 per share, 1,000,000 shares authorized; 0 shares issued and outstanding at January 31, 2011 and July 31, 2010, respectively	-	-
Junior preferred stock, par value \$.001 per share, 100,000 shares authorized; 0 shares issued and outstanding at January 31, 2011 and July 31, 2010, respectively	-	-
Common stock, par value \$.001 per share, 25,000,000 shares authorized; 7,884,498 and 7,768,921 shares issued and outstanding at January 31, 2011 and July 31, 2010, respectively	8	8
Common stock warrants and options	1,042	983
Additional paid-in-capital	95,822	95,748
Accumulated deficit	(91,285)	(91,507)
Other accumulated comprehensive loss	(26)	(13)
Total shareholders' equity	<u>5,561</u>	<u>5,219</u>
Total liabilities and shareholders' equity	<u>\$ 19,431</u>	<u>\$ 19,777</u>

ARI Announces Second Quarter Results

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

	(Unaudited)		(Unaudited)	
	Three months ended January 31		Six months ended January 31	
	2011	2010	2011	2010
Net revenue	\$ 5,238	\$ 5,334	\$ 10,562	\$ 10,771
Cost of revenue	1,086	973	2,253	1,924
Gross profit	4,152	4,361	8,309	8,847
Operating expenses:				
Sales and marketing	1,084	1,196	2,226	2,334
Customer operations and support	922	847	1,711	1,656
Software development and technical support (net of capitalized software product costs)	454	284	776	831
General and administrative	1,028	1,125	2,080	2,168
Restructuring	-	-	-	76
Depreciation and amortization (exclusive of amortization of software product costs included in cost of revenue)	410	417	817	821
Net operating expenses	3,898	3,869	7,610	7,886
Operating income	254	492	699	961
Other income (expense):				
Interest expense	(203)	(150)	(404)	(289)
Other, net	6	(3)	6	(3)
Total other income (expense)	(197)	(153)	(398)	(292)
Income (loss) from continuing operations before provision for income tax	57	339	301	669
Income tax benefit (expense)	66	-	(79)	(5)
Income from continuing operations	123	339	222	664
Discontinued operations, net of tax	-	(163)	-	(326)
Net income	\$ 123	\$ 176	\$ 222	\$ 338
Income from continuing operations per common share:				
Basic	\$0.02	\$0.04	\$0.03	\$0.08
Diluted	\$0.02	\$0.04	\$0.03	\$0.08
Net income per common share:				
Basic	\$0.02	\$0.02	\$0.03	\$0.04
Diluted	\$0.02	\$0.02	\$0.03	\$0.04