

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2025

☐ For the transition period from _____ to _____

Commission file number: 0-22773



NETSOL TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

NEVADA

(State or other Jurisdiction of Incorporation or Organization)

95-4627685

(I.R.S. Employer NO.)

16000 Ventura Blvd., Suite 770, Encino, CA 91436
(Address of principal executive offices) (Zip Code)

(818) 222-9195 / (818) 222-9197
(Issuer's telephone/facsimile numbers, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, \$0.01 par value per share	NTWK	NASDAQ

Indicate by check mark whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer ☐
Non-accelerated Filer ☒

Accelerated Filer ☐
Smaller reporting company ☒
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes ☐ No ☒

The issuer had 12,755,550 shares issued and 11,816,519 outstanding of its \$.01 par value Common Stock and no Preferred Stock outstanding as of February 5, 2026.

NETSOL TECHNOLOGIES, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

	As of December 31, 2025	As of June 30, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,132,086	\$ 17,357,944
Accounts receivable, net of allowance of \$401,507 and \$355,464	7,776,096	7,527,572
Revenues in excess of billings, net of allowance of \$84,882 and \$34,496	17,080,695	18,230,619
Other current assets	3,423,634	3,203,468
Total current assets	46,412,511	46,319,603
Revenues in excess of billings, net - long term	763,396	903,766
Property and equipment, net	5,185,764	5,073,372
Right of use assets - operating leases	1,015,011	809,513
Other assets	6,941	32,331
Goodwill	9,302,524	9,302,524
Total assets	\$ 62,686,147	\$ 62,441,109
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,059,205	\$ 8,010,844
Current portion of loans and obligations under finance leases	8,509,841	8,240,061
Current portion of operating lease obligations	542,022	433,242
Unearned revenue	2,884,757	3,029,850
Total current liabilities	19,995,825	19,713,997
Loans and obligations under finance leases; less current maturities	337,028	134,608
Operating lease obligations; less current maturities	414,725	333,374
Total liabilities	20,747,578	20,181,979
Stockholders' equity:		
Preferred stock, \$.01 par value; 500,000 shares authorized;	-	-
Common stock, \$.01 par value; 18,000,000 shares authorized; 12,753,209 shares issued and 11,814,178 outstanding as of December 31, 2025, 12,700,465 shares issued and 11,761,434 outstanding as of June 30, 2025	127,535	127,008
Additional paid-in-capital	129,545,854	129,529,901
Treasury stock (at cost, 939,031 shares as of December 31, 2025 and June 30, 2025)	(3,920,856)	(3,920,856)
Accumulated deficit	(43,399,611)	(41,289,080)
Other comprehensive loss	(46,413,009)	(46,613,208)
Total NetSol stockholders' equity	35,939,913	37,833,765
Non-controlling interest	5,998,656	4,425,365
Total stockholders' equity	41,938,569	42,259,130
Total liabilities and stockholders' equity	\$ 62,686,147	\$ 62,441,109

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2025	2024	2025	2024
Net Revenues:				
License fees	\$ 117,482	\$ 72,688	\$ 189,707	\$ 73,917
Subscription and support	9,079,783	8,642,629	18,040,338	16,835,100
Services	9,611,213	6,821,344	15,590,356	13,226,142
Total net revenues	18,808,478	15,536,661	33,820,401	30,135,159
Cost of revenues	9,779,386	8,616,320	18,879,319	16,650,706
Gross profit	9,029,092	6,920,341	14,941,082	13,484,453
Operating expenses:				
Selling, general and administrative	7,481,647	7,073,622	15,018,000	14,037,943
Research and development cost	247,713	333,669	462,056	693,618
Total operating expenses	7,729,360	7,407,291	15,480,056	14,731,561
Income (loss) from operations	1,299,732	(486,950)	(538,974)	(1,247,108)
Other income and (expenses)				
Interest expense	(176,273)	(236,386)	(350,884)	(494,605)
Interest income	208,775	529,072	489,749	1,298,939
Gain (loss) on foreign currency exchange transactions	46,074	(698,426)	(240,843)	(155,881)
Other income	63,925	38,098	81,595	191,589
Total other income (expenses)	142,501	(367,642)	(20,383)	840,042
Net income (loss) before income taxes	1,442,233	(854,592)	(559,357)	(407,066)
Income tax provision	(480,194)	(331,614)	(695,969)	(561,431)
Net income (loss)	962,039	(1,186,206)	(1,255,326)	(968,497)
Non-controlling interest	(715,282)	39,164	(855,205)	(107,750)
Net income (loss) attributable to NetSol	\$ 246,757	\$ (1,147,042)	\$ (2,110,531)	\$ (1,076,247)
Net income (loss) per share:				
Net income (loss) per common share				
Basic	\$ 0.02	\$ (0.10)	\$ (0.18)	\$ (0.09)
Diluted	\$ 0.02	\$ (0.10)	\$ (0.18)	\$ (0.09)
Weighted average number of shares outstanding				
Basic	11,797,068	11,484,298	11,782,439	11,456,996
Diluted	11,812,098	11,484,298	11,782,439	11,456,996

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2025	2024	2025	2024
Net income (loss)	\$ 246,757	\$ (1,147,042)	\$ (2,110,531)	\$ (1,076,247)
Other comprehensive income (loss):				
Translation adjustment	97,895	(185,914)	357,812	(258,097)
Translation adjustment attributable to non-controlling interest	(108,530)	47,171	(157,613)	5,947
Net translation adjustment	(10,635)	(138,743)	200,199	(252,150)
Comprehensive income (loss) attributable to NetSol	<u>\$ 236,122</u>	<u>\$ (1,285,785)</u>	<u>\$ (1,910,332)</u>	<u>\$ (1,328,397)</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

A statement of the changes in equity for the three months ended December 31, 2025, is provided below:

	Common Stock		Additional	Treasury	Accumulated	Other	Non	Total
	Shares	Amount	Paid-in	Shares	Deficit	Compre- hensive Loss	Controlling Interest	Stockholders' Equity
Balance at September 30, 2025	12,733,907	\$ 127,342	\$ 129,636,251	\$ (3,920,856)	\$ (43,646,368)	\$ (46,402,374)	\$ 4,729,654	\$ 40,523,649
Exercise of subsidiary common stock options			(151,204)				445,190	293,986
Common stock issued for:								
Services	19,302	193	60,807					61,000
Foreign currency translation adjustment						(10,635)	108,530	97,895
Net income					246,757		715,282	962,039
Balance at December 31, 2025	<u>12,753,209</u>	<u>\$ 127,535</u>	<u>\$ 129,545,854</u>	<u>\$ (3,920,856)</u>	<u>\$ (43,399,611)</u>	<u>\$ (46,413,009)</u>	<u>\$ 5,998,656</u>	<u>\$ 41,938,569</u>

A statement of the changes in equity for the three months ended September 30, 2025 is provided below:

	Common Stock		Additional	Treasury	Accumulated	Other	Non	Total
	Shares	Amount	Paid-in	Shares	Deficit	Compre- hensive Loss	Controlling Interest	Stockholders' Equity
Balance at June 30, 2025	12,700,465	\$ 127,008	\$ 129,529,901	\$ (3,920,856)	\$ (41,289,080)	\$ (46,613,208)	\$ 4,425,365	\$ 42,259,130
Exercise of subsidiary common stock options	-	-	(38,716)	-	-	-	115,283	76,567
Common stock issued for:								
Services	33,442	334	145,066	-	-	-	-	145,400
Foreign currency translation adjustment	-	-	-	-	-	210,834	49,083	259,917
Net loss	-	-	-	-	(2,357,288)	-	139,923	(2,217,365)
Balance at September 30, 2025	<u>12,733,907</u>	<u>\$ 127,342</u>	<u>\$ 129,636,251</u>	<u>\$ (3,920,856)</u>	<u>\$ (43,646,368)</u>	<u>\$ (46,402,374)</u>	<u>\$ 4,729,654</u>	<u>\$ 40,523,649</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

A statement of the changes in equity for the three months ended December 31, 2024 is provided below:

	Common Stock		Additional	Treasury	Accumulated	Other	Non	Total
	Shares	Amount	Paid-in	Shares	Deficit	Compre- hensive Loss	Controlling Interest	Stockholders' Equity
Balance at September 30, 2024	12,383,872	\$ 123,842	\$ 128,709,890	\$ (3,920,856)	\$ (44,141,518)	\$ (46,049,023)	\$ 5,017,675	\$ 39,740,010
Exercise of common stock options	190,000	1,900	406,600	-	-	-	-	408,500
Common stock issued for:								
Services	15,174	152	39,598	-	-	-	-	39,750
Fair value of subsidiary options issued	-	-	7,605	-	-	-	-	7,605
Acquisition of non-controlling interest in subsidiary	-	-	31,004	-	-	-	(31,987)	(983)
Dividend to non-controlling interest	-	-	-	-	-	-	(306,799)	(306,799)
Foreign currency translation adjustment	-	-	-	-	-	(138,743)	(47,171)	(185,914)
Net loss	-	-	-	-	(1,147,042)	-	(39,164)	(1,186,206)
Balance at December 31, 2024	<u>12,589,046</u>	<u>\$ 125,894</u>	<u>\$ 129,194,697</u>	<u>\$ (3,920,856)</u>	<u>\$ (45,288,560)</u>	<u>\$ (46,187,766)</u>	<u>\$ 4,592,554</u>	<u>\$ 38,515,963</u>

A statement of the changes in equity for the three months ended September 30, 2024 is provided below:

	Common Stock		Additional	Treasury	Accumulated	Other	Non	Total
	Shares	Amount	Paid-in	Shares	Deficit	Compre- hensive Loss	Controlling Interest	Stockholders' Equity
Balance at June 30, 2024	12,359,922	\$ 123,602	\$ 128,783,865	\$ (3,920,856)	\$ (44,212,313)	\$ (45,935,616)	\$ 4,694,418	\$ 39,533,100
Exercise of common stock options	10,000	100	21,400	-	-	-	-	21,500
Common stock issued for:								
Services	13,950	140	39,610	-	-	-	-	39,750
Fair value of subsidiary options issued	-	-	8,029	-	-	-	-	8,029
Acquisition of non-controlling interest in subsidiary	-	-	(143,014)	-	-	-	135,119	(7,895)
Foreign currency translation adjustment	-	-	-	-	-	(113,407)	41,224	(72,183)
Net income	-	-	-	-	70,795	-	146,914	217,709
Balance at September 30, 2024	<u>12,383,872</u>	<u>\$ 123,842</u>	<u>\$ 128,709,890</u>	<u>\$ (3,920,856)</u>	<u>\$ (44,141,518)</u>	<u>\$ (46,049,023)</u>	<u>\$ 5,017,675</u>	<u>\$ 39,740,010</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Six Months Ended December 31,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (1,255,326)	\$ (968,497)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	624,352	738,582
Provision for bad debts	90,462	475,172
Gain on sale of assets	(79,325)	(25,084)
Stock based compensation	206,400	95,134
Changes in operating assets and liabilities:		
Accounts receivable	(275,785)	4,405,610
Revenues in excess of billing	1,468,463	2,688,774
Other current assets	401,208	(170,856)
Accounts payable and accrued expenses	5,092	(878,148)
Unearned revenue	(630,660)	(5,990,971)
Net cash provided by operating activities	554,881	369,716
Cash flows from investing activities:		
Purchases of property and equipment	(856,330)	(568,134)
Sales of property and equipment	77,522	45,535
Investment in associates	25,396	-
Purchase of subsidiary shares	-	(8,878)
Net cash used in investing activities	(753,412)	(531,477)
Cash flows from financing activities:		
Proceeds from the exercise of stock options and warrants	-	430,000
Proceeds from exercise of subsidiary options	358,133	-
Dividend paid by subsidiary to non-controlling interest	-	(306,799)
Proceeds from bank loans	792,484	2,676,932
Payments on finance lease obligations and loans - net	(425,764)	(162,370)
Net cash provided by financing activities	724,853	2,637,763
Effect of exchange rate changes	247,820	(332,525)
Net increase (decrease) in cash and cash equivalents	774,142	2,143,477
Cash and cash equivalents at beginning of the period	17,357,944	19,127,165
Cash and cash equivalents at end of period	\$ 18,132,086	\$ 21,270,642

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(UNAUDITED)

		For the Six Months Ended December 31,	
		2025	2024
SUPPLEMENTAL DISCLOSURES:			
Cash paid during the period for:			
Interest	\$	468,889	\$ 503,375
Taxes	\$	337,985	\$ 942,413

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC.
Notes to Condensed Consolidated Financial Statements
December 31, 2025
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The Company is a business services and asset finance solutions provider that designs, develops, markets, and exports proprietary software products to customers in the automobile financing and leasing, banking, and financial services industries worldwide. The Company also provides system integration, consulting, and IT products and services in exchange for fees from customers.

The consolidated condensed interim financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended June 30, 2025. The Company follows the same accounting policies in preparation of interim reports. Results of operations for the interim periods are not indicative of annual results.

The accompanying consolidated financial statements include the accounts of the Company as follows:

Wholly owned Subsidiaries

NetSol Technologies Americas, Inc. ("NTA")
NetSol Connect (Private), Ltd. ("Connect")
NetSol Technologies Australia Pty Ltd. ("Australia")
NetSol Technologies Europe Limited ("NTE")
NetSol Technologies (Beijing) Co. Ltd. ("NetSol Beijing")
Tianjin NuoJinZhiCheng Co., Ltd ("Tianjin")
Ascent Europe Ltd. ("AEL")
Virtual Lease Services Holdings Limited ("VLSH")
Virtual Lease Services Limited ("VLS")
Virtual Lease Services (Ireland) Limited ("VLSIL")

Majority-owned Subsidiaries

NetSol Technologies, Ltd. ("NetSol PK")
NetSol Innovation (Private) Limited ("NetSol Innovation")
NetSol Institute of Artificial Intelligence (Private) Limited ("NIAI")
NETSOL Ascent Middle East Computer Equipment Trading LLC ("Namecet")
NetSol Technologies Thailand Limited ("NetSol Thai")
Otoz (Thailand) Limited ("Otoz® Thai")

NETSOL TECHNOLOGIES, INC.
Notes to Condensed Consolidated Financial Statements
December 31, 2025
(Unaudited)

NOTE 2 – ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The areas requiring significant estimates are the measurement of progress toward completion of long-term software implementation projects, the allocation of the transaction price in multiple performance obligations, expected credit loss on accounts receivable and revenues in excess of billings, provision for taxation, useful life of depreciable assets, useful life of intangible assets, contingencies, the determination of stock-based compensation expense and estimated contract costs. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results could differ from those estimates.

Concentration of Credit Risk

Cash includes cash on hand and demand deposits in accounts maintained within the United States as well as in foreign countries. Certain financial instruments, which subject the Company to concentration of credit risk, consist of cash and restricted cash. The Company maintains balances at financial institutions which, from time to time, may exceed Federal Deposit Insurance Corporation insured limits for the banks located in the United States. Balances at financial institutions within certain foreign countries are not covered by insurance, except balances maintained in China are insured for RMB 500,000 (\$71,429) in each bank and in the UK for GBP 85,000 (\$114,865) in each bank. The Company maintains three bank accounts in China and nine bank accounts in the UK. As of December 31, 2025, and June 30, 2025, the Company had uninsured deposits related to cash deposits in accounts maintained within foreign entities of approximately \$17,335,174 and \$16,386,079, respectively. The Company has not experienced any losses in such accounts.

The Company's operations are carried out globally. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments of each country and by the general state of the country's economy. The Company's operations in each foreign country are subject to specific considerations and significant risks not typically associated with companies in economically developed nations. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

Fair Value of Financial Instruments

The Company applies the provisions of Accounting Standards Codification ("ASC") 820-10, "*Fair Value Measurements and Disclosures*." ASC 820-10 defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. For certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and short-term debt, the carrying amounts approximate fair value due to their relatively short maturities. The carrying amounts of the long-term debt approximate their fair values based on current interest rates for instruments with similar characteristics.

The three levels of valuation hierarchy are defined as follows:

- Level 1: Valuations consist of unadjusted quoted prices in active markets for identical assets and liabilities and has the highest priority.
- Level 2: Valuations rely on quoted prices in markets that are not active or observable inputs over the full term of the asset or liability.
- Level 3: Valuations are based on prices or third party or internal valuation models that require inputs that are significant to the fair value measurement and are less observable and thus have the lowest priority.

NETSOL TECHNOLOGIES, INC.
Notes to Condensed Consolidated Financial Statements
December 31, 2025
(Unaudited)

The Company's financial assets that were measured at fair value on a recurring basis as of December 31, 2025, were as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenues in excess of billings - long term	\$ -	\$ -	\$ 763,396	\$ 763,396
Total	\$ -	\$ -	\$ 763,396	\$ 763,396

The Company's financial assets that were measured at fair value on a recurring basis as of June 30, 2025, are as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenues in excess of billings - long term	\$ -	\$ -	\$ 903,766	\$ 903,766
Total	\$ -	\$ -	\$ 903,766	\$ 903,766

The reconciliation from June 30, 2025 to December 31, 2025 is as follows:

	Revenues in excess of billings - long term	Fair value discount	Total
Balance at June 30, 2025	\$ 1,111,803	\$ (208,037)	\$ 903,766
Amortization during the period		37,318	37,318
Transfers to short term	(160,295)		(160,295)
Effect of Translation Adjustment	(17,483)	90	(17,393)
Balance at December 31, 2025	\$ 934,025	\$ (170,629)	\$ 763,396

Management analyzes all financial instruments with features of both liabilities and equity under ASC 480, "*Distinguishing Liabilities from Equity*" and ASC 815, "*Derivatives and Hedging*." Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The effects of interactions between embedded derivatives are calculated and accounted for in arriving at the overall fair value of the financial instruments. In addition, the fair values of freestanding derivative instruments such as warrants and option derivatives are valued using the Black-Scholes model.

Recent Accounting Standards Not Yet Implemented:

Income Taxes

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09 – *Income Taxes (Topic ASC 740) Income Taxes*. This ASU improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation, as well as disaggregated income taxes paid by jurisdiction. The amendments are effective for annual periods beginning after December 15, 2024. For the Company, this corresponds to fiscal year 2026. The amendments will be applied on a prospective basis, although retrospective application for prior periods is permitted. The Company expects the adoption of this ASU to result in additional disclosures but does not anticipate any impact on its financial position, results of operations, or cash flows.

NETSOL TECHNOLOGIES, INC.
Notes to Condensed Consolidated Financial Statements
December 31, 2025
(Unaudited)

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. Additionally, in January 2025, the FASB issued ASU 2025-01 to clarify the effective date of ASU 2024-03. The standard requires disclosure of specified information about certain costs and expenses, including purchases of inventory, employee compensation, depreciation, and intangible asset amortization from each relevant expense caption. The amendments are effective for annual reporting periods beginning after December 15, 2026, which corresponds to the Company's fiscal year 2028 and interim periods beginning after December 15, 2027, which corresponds to the Company's first quarter of fiscal 2029. Early adoption and retrospective application are permitted but not required. The Company plans to adopt the standard and make the required disclosures beginning in fiscal year 2028 for annual periods and in Q1 of fiscal 2029 for interim periods. The Company expects the adoption of this ASU to result in additional disclosures but does not anticipate any impact on its financial position, results of operations, or cash flows.

Internal-Use Software

In September 2025, the FASB issued ASU No. 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. This ASU eliminates references to "project stages" and clarifies the criteria for capitalizing costs related to internal-use software. The amendments apply to all entities subject to the guidance in Subtopic 350-40. The ASU is effective for fiscal years beginning after December 15, 2027, and interim periods within those fiscal years, which corresponds to the Company's fiscal year 2029. Early adoption is permitted. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements and related disclosures.

Interim Reporting

In December 2025, the FASB issued ASU No. 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, which clarifies the application of interim reporting guidance, including the types of interim reporting and the form and content of interim financial statements under U.S. GAAP. The amendments are intended to clarify and improve the organization of existing interim reporting requirements and do not change the fundamental principles of interim reporting. The ASU is effective for interim reporting periods within fiscal years beginning after December 15, 2027, which corresponds to the interim periods within the Company's fiscal year 2029. The Company is currently assessing the impact of this ASU on its consolidated financial statements and related disclosures.

All other newly issued accounting pronouncements not yet effective have been deemed either immaterial or not applicable.

NOTE 3 – REVENUE RECOGNITION

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company records the amount of revenue and related costs by considering whether the entity is a principal (gross presentation) or an agent (net presentation) by evaluating the nature of its promise to the customer. Revenue is presented net of sales, value-added and other taxes collected from customers and remitted to government authorities.

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The Company has two primary revenue streams: core revenue and non-core revenue.

Core Revenue

The Company generates its core revenue from the following sources: (1) software licenses, (2) services, which include implementation and consulting services, and (3) subscription and support, which includes post-contract support, of its enterprise software solutions for the lease and finance industry. The Company offers its software using the same underlying technology via two models: a traditional on-premises licensing model and a subscription model. The on-premises model involves the sale or license of software on a perpetual basis to customers who take possession of the software and install and maintain the software on their own hardware. Under the subscription delivery model, the Company provides access to its software on a hosted basis as a service, and customers generally do not have the contractual right to take possession of the software.

Non-Core Revenue

The Company generates its non-core revenue by providing business process outsourcing (“BPO”), other IT services, and internet services.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under Topic 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied by transferring the promised good or service to the customer. The Company identifies and tracks the performance obligations at contract inception so that the Company can monitor and account for the performance obligations over the life of the contract.

The Company’s contracts which contain multiple performance obligations generally consist of the initial purchase of subscription or licenses and a professional services engagement. License purchases generally have multiple performance obligations as customers purchase post-contract support and services in addition to the licenses. The Company’s single performance obligation arrangements are typically post-contract support renewals, subscription renewals and services engagements.

For contracts with multiple performance obligations where the contracted price differs from the standalone selling price (“SSP”) for any distinct good or service, the Company may be required to allocate the contract’s transaction price to each performance obligation using its best estimate for the SSP.

Software Licenses

Transfer of control for software is considered to have occurred upon delivery of the product to the customer. The Company’s typical payment terms tend to vary by region, but its standard payment terms are within 30 days of invoice.

Subscription

Subscription revenue is recognized ratably over the initial subscription period committed to by the customer commencing when the product is made available to the customer. The initial subscription period is typically 12 to 60 months. The Company generally invoices its customers in advance in quarterly or annual installments and typical payment terms provide that customers make payment within 30 days of invoice.

Post Contract Support

Revenue from support services and product updates, referred to as subscription and support revenue, is recognized ratably over the term of the maintenance period, which in most instances is one year. Software license updates provide customers with rights to unspecified software product updates and patches released during the term of the support period on a when-and-if available basis. The Company’s customers purchase both product support and license updates when they acquire new software licenses. In addition, most customers renew their support services contracts annually and typical payment terms provide that customers make payment within 30 days of invoice.

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Professional Services

Revenue from professional services is typically comprised of implementation, development, data migration, training, or other consulting services. Consulting services are generally sold on a time-and-materials or fixed fee basis and can include services ranging from software installation to data conversion and building non-complex interfaces to allow the software to operate in integrated environments. The Company recognizes revenue for time-and-materials arrangements as the services are performed. In fixed fee arrangements, revenue is recognized as services are performed as measured by costs incurred to date, compared to total estimated costs to complete the services project. Management applies judgment when estimating project status and the costs necessary to complete the services projects. Several internal and external factors can affect these estimates, including labor rates, utilization and efficiency variances and specification and testing requirement changes. Services are generally invoiced upon milestones in the contract or upon consumption of the hourly resources and payments are typically due 30 days after invoice.

BPO and Internet Services

Revenue from BPO services is recognized based on the stage of completion which is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours for each contract. Internet services are invoiced either monthly, quarterly, or half yearly in advance to the customers and revenue is recognized ratably overtime on a monthly basis.

Disaggregated Revenue

The Company disaggregates revenue from contracts with customers by category — core and non-core, as it believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Company's disaggregated revenue by category is as follows:

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2025	2024	2025	2024
Core:				
License	\$ 117,482	\$ 72,688	\$ 189,707	\$ 73,917
Subscription and support	9,079,783	8,642,629	18,040,338	16,835,100
Services	8,794,428	5,886,331	13,889,339	11,416,960
Total core revenue, net	17,991,693	14,601,648	32,119,384	28,325,977
Non-Core:				
Services	816,785	935,013	1,701,017	1,809,182
Total non-core revenue, net	816,785	935,013	1,701,017	1,809,182
Total net revenue	\$ 18,808,478	\$ 15,536,661	\$ 33,820,401	\$ 30,135,159

Significant Judgments

Due to the complexity of certain contracts, the actual revenue recognition treatment required under Topic 606 for the Company's arrangements may be dependent on contract-specific terms and may vary in some instances.

Judgment is required to determine the SSP for each distinct performance obligation. The Company rarely licenses or sells products on a stand-alone basis, so the Company is required to estimate the range of SSPs for each performance obligation. In instances where SSP is not directly observable because the Company does not sell the license, product, or service separately, the Company determines the SSP using information that may include market conditions and other observable inputs. In making these judgments, the Company analyzes various factors, including its pricing methodology and consistency, size of the arrangement, length of term, customer demographics and overall market and economic conditions. Based on these results, the estimated SSP is set for each distinct product or service delivered to customers.

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The most significant inputs involved in the Company's revenue recognition policies are: The (1) stand-alone selling prices of the Company's software license, and the (2) the method of recognizing revenue for installation/customization, and other services.

The stand-alone selling price of the licenses was measured primarily through an analysis of pricing that management evaluated when quoting prices to customers. Although the Company has no history of selling its software separately from post-contract support and other services, the Company does have historical experience with amending contracts with customers to provide additional modules of its software or providing those modules at an optional price. This information guides the Company in assessing the stand-alone selling price of the Company's software, since the Company can observe instances where a customer had a particular component of the Company's software that was essentially priced separate from other goods and services that the Company delivered to that customer.

The Company recognizes revenue from implementation and customization services using the percentage of estimated "person-days" that the work requires. The Company believes the level of effort to complete the services is best measured by the amount of time (measured as an employee working for one day on implementation/customization work) that is required to complete the implementation or customization work. The Company reviews its estimate of person-days required to complete implementation and customization services each reporting period.

Revenue is recognized over time for the Company's subscription, post contract support and fixed fee professional services that are separate performance obligations. For the Company's professional services, revenue is recognized over time, generally using costs incurred or hours expended to measure progress. Judgment is required in estimating project status and the costs necessary to complete projects. Several internal and external factors can affect these estimates, including labor rates, utilization, specification variances and testing requirement changes.

If a group of agreements are entered at or near the same time and so closely related that they are, in effect, part of a single arrangement, such agreements are deemed to be combined as one arrangement for revenue recognition purposes. The Company exercises significant judgment to evaluate the relevant facts and circumstances in determining whether agreements should be accounted for separately or as a single arrangement. The Company's judgments about whether a group of contracts comprise a single arrangement can affect the allocation of consideration to the distinct performance obligations, which could have an effect on results of operations for the periods involved.

If a contract includes variable consideration, the Company exercises judgment in estimating the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. When estimating variable consideration, the Company will consider all relevant facts and circumstances. Variable consideration will be estimated and included in the contract price only when it is probable that a significant reversal in the amount of revenue recognized will not occur.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers, and these timing differences result in receivables, contract assets (revenues in excess of billings), or contract liabilities (unearned revenue) on the Company's Consolidated Balance Sheets. The Company records revenues in excess of billings when the Company has transferred goods or services but does not yet have the right to consideration. The Company records unearned revenue when the Company has received or has the right to receive consideration but has not yet transferred goods or services to the customer.

The revenues in excess of billings are transferred to receivables when the rights to consideration become unconditional, usually upon completion of a milestone.

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The Company's revenues in excess of billings and unearned revenue are as follows:

	As of December 31, 2025	As of June 30, 2025
Revenues in excess of billings	\$ 17,844,091	\$ 19,134,385
Unearned revenue	\$ 2,884,757	\$ 3,029,850

The Company's unearned revenue reconciliation is as follows:

	Unearned Revenue
Balance at June 30, 2025	\$ 3,029,850
Invoiced	16,376,557
Revenue Recognized	(16,384,671)
Adjustments	(136,979)
Balance at December 31, 2025	\$ 2,884,757

During the three and six months ended December 31, 2025, the Company recognized revenue of \$771,000 and \$2,340,000, which was included in the unearned revenue balance at the beginning of the period. All other activity in unearned revenue is due to the timing of invoicing in relation to the timing of revenue recognition.

Revenue allocated to the remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Contracted but unsatisfied performance obligations were approximately \$13,240,000 as of December 31, 2025, of which the Company estimates to recognize approximately \$10,300,000 in revenue over the next 12 months and the remainder over an estimated 3 years thereafter. Actual revenue recognition depends in part on the timing of software modules installed at various customer sites. Accordingly, some factors that affect the Company's revenue, such as the availability and demand for modules within customer geographic locations, is not entirely within the Company's control. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that its contracts generally do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing the Company's products and services, and not to facilitate financing arrangements.

Unearned Revenue

The Company typically invoices its customers for subscription and support fees in advance on a quarterly or annual basis, with payment due at the start of the subscription or support term. Unpaid invoice amounts for non-cancelable license and services starting in future periods are included in accounts receivable and unearned revenue.

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Practical Expedients and Exemptions

There are several practical expedients and exemptions allowed under Topic 606 that impact timing of revenue recognition and the Company's disclosures. The Company has applied the following practical expedients:

- The Company does not evaluate a contract for a significant financing component if payment is expected within one year or less from the transfer of the promised items to the customer.
- The Company generally expenses sales commissions and sales agent fees when incurred when the amortization period would have been one year or less or the commissions are based on cashed received. These costs are recorded within sales and marketing expense in the Consolidated Statement of Operations.
- The Company does not disclose the value of unsatisfied performance obligations for contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed (applies to time-and-material engagements).

Costs to Obtain a Contract

The Company does not have a material amount of costs to obtain a contract capitalized at any balance sheet date. In general, the Company incurs few direct incremental costs of obtaining new customer contracts. The Company rarely incurs incremental costs to review or otherwise enter into contractual arrangements with customers. In addition, the Company's sales personnel receive fees that are referred to as commissions, but that are based on more than simply signing up new customers. The Company's sales personnel are required to perform additional duties beyond new customer contract inception dates, including fulfillment duties and collections efforts.

NOTE 4 – EARNINGS PER SHARE

Basic earnings per share are computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and stock awards.

The components of basic and diluted earnings per share were as follows:

	For the three months ended December 31, 2025			For the six months ended December 31, 2025		
	Net Income	Shares	Per Share	Net Loss	Shares	Per Share
Basic income (loss) per share:						
Net income (loss)	\$ 246,757	11,797,068	\$ 0.02	\$ (2,110,531)	11,782,439	\$ (0.18)
Effect of dilutive securities						
Stock options	-	15,030	-	-	-	-
Diluted income (loss) per share	<u>\$ 246,757</u>	<u>11,812,098</u>	<u>\$ 0.02</u>	<u>\$ (2,110,531)</u>	<u>11,782,439</u>	<u>\$ (0.18)</u>

	For the three months ended December 31, 2024			For the six months ended December 31, 2024		
	Net Loss	Shares	Per Share	Net Loss	Shares	Per Share
Basic loss per share:						
Net loss	\$ (1,147,042)	11,484,298	\$ (0.10)	\$ (1,076,247)	11,456,996	\$ (0.09)
Effect of dilutive securities						
Stock options	-	-	-	-	-	-
Diluted loss per share	<u>\$ (1,147,042)</u>	<u>11,484,298</u>	<u>\$ (0.10)</u>	<u>\$ (1,076,247)</u>	<u>11,456,996</u>	<u>\$ (0.09)</u>

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As of December 31, 2025, 50,000 options were outstanding. For the six months ended December 31, 2025, the Company reported a net loss; accordingly, these options were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

NOTE 5 – OTHER COMPREHENSIVE INCOME AND FOREIGN CURRENCY

The following table represents the functional currencies of the Company and its subsidiaries:

The Company and Subsidiaries	Functional Currency
NetSol Technologies, Inc.	USD
NTA	USD
NTE	British Pound
AEL	British Pound
VLSH	British Pound
VLS	British Pound
VLSIL	Euro
NetSol PK	Pakistan Rupee
Connect	Pakistan Rupee
NetSol Innovation	Pakistan Rupee
NIAI	Pakistan Rupee
NetSol Thai	Thai Bhat
Otoz Thai	Thai Bhat
Australia	Australian Dollar
Namecet	AED
NetSol Beijing	Chinese Yuan
Tianjin	Chinese Yuan

Assets and liabilities are translated at the exchange rate on the balance sheet date, and operating results are translated at the average exchange rate throughout the period. Accumulated translation losses classified as an item of accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheet were \$46,413,009 and \$46,613,208 as of December 31, 2025 and June 30, 2025, respectively. During the three and six months ended December 31, 2025, comprehensive income (loss) in the consolidated statements of comprehensive income (loss) included a translation loss attributable to NetSol of \$10,635 and a translation gain of \$200,199, respectively. During the three and six months ended December 31, 2024, comprehensive income (loss) in the consolidated statements of comprehensive income (loss) included a translation loss attributable to NetSol of \$138,743 and \$252,150, respectively.

NOTE 6 – MAJOR CUSTOMERS

Revenue Concentration

For the three months ended December 31, 2025, three customers accounted for 24.3%, 18.9%, and 11.4% of net revenues. For the six months ended December 31, 2025, three customers accounted for 21.5%, 20.1%, and 11.0% of net revenues.

For the three months ended December 31, 2024, two customers accounted for 20.1% and 19.6% of net revenues. For the six months ended December 31, 2024, two customers accounted for 20.8% and 18.5% of net revenues.

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Accounts Receivable Concentration

As of December 31, 2025, four customers accounted for 14.8%, 13.5%, 10.1%, and 10.0% of accounts receivable. As of June 30, 2025, three customers accounted for 16.8%, 16.1%, and 10.8% of accounts receivable.

Revenues in Excess of Billings Concentration

As of December 31, 2025, four customers accounted for 21.4%, 19.7%, 10.8%, and 10.0% of revenues in excess of billings. As of June 30, 2025, four customers accounted for 24.2%, 16.9%, 15.9%, and 11.9% of revenues in excess of billings.

NOTE 7 - OTHER CURRENT ASSETS

Other current assets consisted of the following:

	As of December 31, 2025	As of June 30, 2025
Prepaid Expenses	\$ 1,434,464	\$ 1,760,321
Advance Income Tax	444,467	406,221
Employee Advances	325,512	151,355
Security Deposits	198,040	159,849
Other Receivables	482,782	410,489
Other Assets	538,369	315,233
Net Balance	<u>\$ 3,423,634</u>	<u>\$ 3,203,468</u>

NOTE 8 – REVENUES IN EXCESS OF BILLINGS – LONG TERM

Revenues in excess of billings, net consisted of the following:

	As of December 31, 2025	As of June 30, 2025
Revenues in excess of billings - long term	\$ 934,025	\$ 1,111,803
Present value discount	(170,629)	(208,037)
Net Balance	<u>\$ 763,396</u>	<u>\$ 903,766</u>

Pursuant to revenue recognition for contract accounting, the Company has recorded revenues in excess of billings long-term for amounts billable after one year. During the three and six months ended December 31, 2025, the Company accreted \$12,504 and \$37,318, respectively, which was recorded in interest income for that period. During the three and six months ended December 31, 2024, the Company accreted \$18,367 and \$36,734, respectively, which was recorded in interest income for that period. The Company used the discounted cash flow method with interest rates ranging from 4.2% to 17.5%, for the period ended December 31, 2025 and June 30, 2025.

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NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	As of December 31, 2025	As of June 30, 2025
Office Furniture and Equipment	\$ 2,521,350	\$ 2,437,002
Computer Equipment	9,657,439	9,513,181
Assets Under Capital Leases	143,590	145,197
Building	3,577,671	3,532,475
Land	906,761	894,698
Autos	1,884,839	1,603,271
Improvements	222,339	217,230
Subtotal	18,913,989	18,343,054
Accumulated Depreciation	(13,728,225)	(13,269,682)
Property and Equipment, Net	<u>\$ 5,185,764</u>	<u>\$ 5,073,372</u>

For the three and six months ended December 31, 2025, depreciation expense totaled \$299,746 and \$624,352, respectively. Of these amounts, \$190,066 and \$398,797, respectively, are reflected in cost of revenues. For the three and six months ended December 31, 2024, depreciation expense totaled \$372,585 and \$738,582, respectively. Of these amounts, \$237,882 and \$466,432, respectively, are reflected in cost of revenues.

Following is a summary of fixed assets held under finance leases as of December 31, 2025 and June 30, 2025:

	As of December 31, 2025	As of June 30, 2025
Vehicles	\$ 143,590	\$ 145,197
Total	143,590	145,197
Less: Accumulated Depreciation - Net	(64,598)	(47,807)
	<u>\$ 78,992</u>	<u>\$ 97,390</u>

Finance lease term and discount rate were as follows:

	As of December 31, 2025	As of June 30, 2025
Weighted average remaining lease term - Finance leases	1.25 Years	1.75 Years
Weighted average discount rate - Finance leases	11.3%	11.3%

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NOTE 10 - LEASES

The Company leases certain office space, office equipment and autos with remaining lease terms of one year to 10 years under leases classified as financing and operating. For certain leases, the Company has options to extend the lease term for additional periods ranging from one year to 10 years.

The Company treats a contract as a lease when the contract conveys the right to use a physically distinct asset for a period of time in exchange for consideration, or the Company directs the use of the asset and obtains substantially all the economic benefits of the asset. These leases are recorded as right-of-use ("ROU") assets and lease obligation liabilities for leases with terms greater than 12 months. ROU assets represent the Company's right to use an underlying asset for the entirety of the lease term. Lease liabilities represent the Company's obligation to make payments over the life of the lease. A ROU asset and a lease liability are recognized at the commencement of the lease based on the present value of the lease payments over the life of the lease. Initial direct costs are included as part of the ROU asset upon commencement of the lease. Since the interest rate implicit in a lease is generally not readily determinable for the operating leases, the Company uses an incremental borrowing rate to determine the present value of the lease payments. The incremental borrowing rate represents the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar lease term to obtain an asset of similar value.

The Company reviews the impairment of ROU assets consistent with the approach applied to the Company's other long-lived assets. The Company reviews the recoverability of long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset from the expected undiscounted future pre-tax cash flows of the related operations.

The Company elected the practical expedient to exclude short-term leases (leases with original terms of 12 months or less) from ROU asset and lease liability accounts.

Lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred. Variable payments change due to facts or circumstances occurring after the commencement date, other than the passage of time, and do not result in a re-measurement of lease liabilities. The Company's variable lease payments include payments for finance leases that are adjusted based on a change in the Karachi Inter Bank Offer Rate. The Company's lease agreements do not contain any significant residual value guarantees or restrictive covenants.

Supplemental balance sheet information related to leases was as follows:

	As of December 31, 2025	As of June 30, 2025
Assets		
Operating lease assets, net	\$ 1,015,011	\$ 809,513
Liabilities		
Current		
Operating	\$ 542,022	\$ 433,242
Non-current		
Operating	414,725	333,374
Total Lease Liabilities	\$ 956,747	\$ 766,616

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The components of lease cost were as follows:

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2025	2024	2025	2024
Amortization of finance lease assets	\$ 8,015	\$ 7,720	\$ 16,140	\$ 21,597
Interest on finance lease obligation	3,001	2,907	6,043	5,994
Operating lease cost	181,861	98,492	263,488	198,338
Short term lease cost	80,964	60,477	157,429	110,040
Sub lease income	(8,854)	(8,514)	(17,828)	(16,920)
Total lease cost	<u>\$ 264,987</u>	<u>\$ 161,082</u>	<u>\$ 425,272</u>	<u>\$ 319,049</u>

Lease term and discount rate were as follows:

	As of December 31, 2025	As of June 30, 2025
Weighted average remaining lease term - Operating leases	<u>1.06 Years</u>	<u>1.44 Years</u>
Weighted average discount rate - Operating leases	<u>4.9%</u>	<u>4.8%</u>

Supplemental disclosures of cash flow information related to leases were as follows:

	For the Six Months Ended December 31,	
	2025	2024
Operating cash flows related to operating leases	<u>\$ 295,894</u>	<u>\$ 185,514</u>
Operating cash flows related to finance leases	<u>\$ 6,042</u>	<u>\$ 5,994</u>
Financing cash flows related finance leases	<u>\$ 6,021</u>	<u>\$ 9,296</u>

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Maturities of operating lease liabilities were as follows as of December 31, 2025:

	Amount
Within year 1	\$ 577,728
Within year 2	273,739
Within year 3	148,238
Within year 4	11,092
Total Lease Payments	1,010,797
Less: Imputed interest	(54,050)
Present Value of lease liabilities	956,747
Less: Current portion	(542,022)
Non-Current portion	\$ 414,725

The Company is a lessor for certain office space leased by the Company and sub-leased to others under non-cancellable leases. These lease agreements provide for a fixed base rent and are currently on a month-by-month basis. All leases are considered operating leases. There are no rights to purchase the premises and no residual value guarantees. For the three and six months ended December 31, 2025, the Company received lease income of \$8,854 and \$17,828, respectively. For the three and six months ended December 31, 2024, the Company received lease income of \$8,514 and \$16,920, respectively.

NOTE 11 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	As of December 31, 2025	As of June 30, 2025
Accounts Payable	\$ 896,204	\$ 981,504
Accrued Liabilities	4,300,705	4,502,366
Accrued Payroll	1,512,876	1,313,127
Accrued Payroll Taxes	195,885	329,618
Taxes Payable	939,988	600,199
Other Payable	213,547	284,030
Total	\$ 8,059,205	\$ 8,010,844

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NOTE 12 – DEBTS

Notes payable and finance leases consisted of the following:

Name		As of December 31, 2025		
		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	\$ 86,082	\$ 86,082	\$ -
Line of Credit	(2)	505,000	505,000	-
Bank Overdraft Facility	(3)	-	-	-
Loan Payable Bank - Export Refinance	(4)	1,783,358	1,783,358	-
Loan Payable Bank - Running Finance	(5)	-	-	-
Loan Payable Bank - Export Refinance II	(6)	1,355,352	1,355,352	-
Loan Payable Bank - Export Refinance III	(7)	4,636,730	4,636,730	-
Loan Payable Bank - Export Refinance IV	(8)	-	-	-
Sale and Leaseback Financing	(9)	386,832	129,456	257,376
Short Term Financing	(10)	-	-	-
		8,753,354	8,495,978	257,376
Subsidiary Finance Leases	(11)	93,515	13,863	79,652
		<u>\$ 8,846,869</u>	<u>\$ 8,509,841</u>	<u>\$ 337,028</u>

Name		As of June 30, 2025		
		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	\$ 119,542	\$ 119,542	\$ -
Line of Credit	(2)	405,000	405,000	-
Bank Overdraft Facility	(3)	-	-	-
Loan Payable Bank - Export Refinance	(4)	1,759,634	1,759,634	-
Loan Payable Bank - Running Finance	(5)	-	-	-
Loan Payable Bank - Export Refinance II	(6)	1,337,322	1,337,322	-
Loan Payable Bank - Export Refinance III	(7)	4,575,048	4,575,048	-
Loan Payable Bank - Export Refinance IV	(8)	-	-	-
Sale and Leaseback Financing	(9)	76,618	29,660	46,958
Short Term Financing	(10)	-	-	-
		8,273,164	8,226,206	46,958
Subsidiary Finance Leases	(11)	101,505	13,855	87,650
		<u>\$ 8,374,669</u>	<u>\$ 8,240,061</u>	<u>\$ 134,608</u>

(1) The Company finances Directors' and Officers' ("D&O") liability insurance and Errors and Omissions ("E&O") liability insurance, for which the D&O and E&O balances are renewed on an annual basis and, as such, are recorded in current maturities. The interest rate on these financings were ranging from 7.8% to 11.6% as of December 31, 2025 and 8.4% to 11.6% as of June 30, 2025.

(2) The Company has an uncommitted discretionary demand line of credit up to an aggregate amount of \$1,000,000 with HSBC, secured by a lien on the Company's assets. The annual interest rate was 7.0% as of December 31, 2025 and 7.75% as of June 30, 2025. The total outstanding balance as of December 31, 2025 and June 30, 2025 was \$505,000 and \$405,000, respectively.

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- (3) The Company's subsidiary, NTE, has an overdraft facility with HSBC Bank plc whereby the bank would cover any overdrafts up to £300,000, or approximately \$405,405. The annual interest rate was 8.0% as of December 31, 2025 and 8.5% as of June 30, 2025. The total outstanding balance as of December 31, 2025 and June 30, 2025 was £Nil.

This overdraft facility requires that the aggregate amount of invoiced trade debtors (net of provisions for bad and doubtful debts and excluding intra-group debtors) of NTE, not exceeding 90 days old, will not be less than an amount equal to 200% of the facility. As of December 31, 2025, NTE was in compliance with this covenant.

- (4) The Company's subsidiary, NetSol PK, has an export refinance facility with Askari Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every six months. The total facility amount is Rs. 600,000,000 or \$2,140,029 at December 31, 2025 and Rs. 600,000,000 or \$2,111,561 at June 30, 2025. NetSol PK used Rs. 500,000,000 or \$1,783,358 at December 31, 2025 and Rs. 500,000,000 or \$1,759,634 at June 30, 2025. The interest rate for the loan was 7.5% at December 31, 2025 and 8.0% at June 30, 2025.
- (5) The Company's subsidiary, NetSol PK, has a running finance facility with Askari Bank Limited, secured by NetSol PK's assets. The total facility amount is Rs. 4,050,937 or \$14,449 and Rs. 4,050,937 or \$14,256, at December 31, 2025 and June 30, 2025, respectively. The balance outstanding at December 31, 2025 and June 30, 2025 was Rs. Nil. The interest rate for the loan was 12.6% at December 31, 2025 and 13.2% at June 30, 2025.
- (6) The Company's subsidiary, NetSol PK, has an export refinance facility with Bank Al-Habib Limited, secured by NetSol PK's assets. This is a revolving loan that matures every six months. The total facility amount is Rs. 400,000,000 or \$1,426,687 at December 31, 2025. NetSol PK has not used this facility at December 31, 2025. The interest rate for the loan was 7.5% at December 31, 2025.

This facility requires NetSol PK to maintain a long-term debt equity ratio of 60:40 and a current ratio of 1:1. As of December 31, 2025, NetSol PK was in compliance with this covenant.

- (7) The Company's subsidiary, NetSol PK, has an export refinance facility with Samba Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every six months. The total facility amount is Rs. 380,000,000 or \$1,355,352 and Rs. 380,000,000 or \$1,337,322 at December 31, 2025 and June 30, 2025, respectively. The interest rate for the loan was 7.5% at December 31, 2025 and 8.0% at June 30, 2025.

During the tenure of the loan, the facilities from Samba Bank Limited require NetSol PK to maintain at a minimum a current ratio of 1:1, an interest coverage ratio of 4 times, a leverage ratio of 2 times, and a debt service coverage ratio of 4 times. As of December 31, 2025, NetSol PK was in compliance with these covenants.

- (8) The Company's subsidiary, NetSol PK, has an export refinance facility with Habib Metro Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every nine months. The total facility amount is Rs. 1,300,000,000 or \$4,636,730 and Rs. 1,300,000,000 or \$4,575,048, at December 31, 2025 and June 30, 2025, respectively. NetSol PK used Rs. 1,300,000,000 or \$4,636,730 and Rs. 1,300,000,000 or \$4,575,048, at December 31, 2025 and June 30, 2025, respectively. The interest rate for the loan was 7.5% at December 31, 2025 and 8.0% at June 30, 2025.
- (9) The Company's subsidiary, NetSol PK, availed sale and leaseback financing from First Habib Modaraba secured by the transfer of the vehicles' title. As of December 31, 2025, NetSol PK used Rs. 108,456,123 or \$386,832 of which \$257,376 was shown as long term and \$129,456 as current. As of June 30, 2025, NetSol PK used Rs. 21,771,042 or \$76,618 of which \$46,958 was shown as long-term and \$29,660 as current. The interest rate for the loan was from 12.3% to 22.7% at December 31, 2025 and June 30, 2025.
- (10) The Company leases various fixed assets under finance lease arrangements expiring in various years through 2028. The assets and liabilities under finance leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are secured by the assets themselves. Depreciation of assets under finance leases is included in depreciation expense for the three and six months ended December 31, 2025 and 2024.

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Following are the aggregate minimum future lease payments under finance leases as of December 31, 2025:

	Amount
Minimum Lease Payments	
Within year 1	\$ 26,970
Within year 2	78,334
Within year 3	4,416
Total Minimum Lease Payments	109,720
Interest Expense relating to future periods	(16,205)
Present Value of minimum lease payments	93,515
Less: Current portion	(13,863)
Non-Current portion	\$ 79,652

The following are the aggregate future long-term debt payments as of December 31, 2025, which consist of “Sale and Leaseback Financing (9)”.

	Amount
Loan Payments	
Within year 1	\$ 129,456
Within year 2	144,265
Within year 3	113,111
Total Loan Payments	386,832
Less: Current portion	(129,456)
Non-Current portion	\$ 257,376

NOTE 13 - STOCKHOLDERS' EQUITY

During the three and six months ended December 31, 2025, the Company issued 11,883 and 19,464 shares of common stock, respectively, to the independent Board of Directors as part of their board compensation. The grant date fair value was \$36,000 and \$72,000, respectively, and was recorded as compensation expense in the accompanying consolidated financial statements.

During the three and six months ended December 31, 2025, the Company issued 7,419 and 13,280 shares of common stock to a consultant pursuant to the terms of his consultancy agreement. The grant date fair value of the shares was \$25,000 and \$50,000, respectively, and was recorded as compensation expense in the accompanying consolidated financial statements.

During the six months ended December 31, 2025, the Company issued 20,000 shares of common stock to employees pursuant to the terms of their employment agreements. The grant date fair value was \$84,400 and was recorded as compensation expense in the accompanying consolidated financial statements.

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Stock Grants

The following table summarizes stock grants awarded as compensation:

	# Number of shares	Weighted Average Grant Date Fair Value (\$)
Unvested, June 30, 2025	-	\$ -
Granted	52,744	\$ 3.91
Vested	(52,744)	\$ 3.91
Unvested, December 31, 2025	-	\$ -

For the three and six months ended December 31, 2025, the Company recorded compensation expense of \$61,000 and \$206,400, respectively. For the three and six months ended December 31, 2024, the Company recorded compensation expense of \$39,750 and \$79,500, respectively. The weighted average grant date fair value is determined by the Company's closing stock price on the grant date.

NOTE 14 – INCENTIVE AND NON-STATUTORY STOCK OPTION PLAN

Common stock purchase options consisted of the following:

OPTIONS:

	# of shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregated Intrinsic Value
Outstanding and exercisable, June 30, 2025	50,000	\$ 2.94	1.89	
Granted	-	-	-	
Exercised	-	-	-	
Expired / Cancelled	-	-	-	
Outstanding and exercisable, December 31, 2025	50,000	\$ 2.94	1.40	\$ 4,500

The aggregate intrinsic value at December 31, 2025 represents the difference between the Company's closing stock price of \$3.03 on December 31, 2025 and the exercise price of the in-the-money stock options.

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The following table summarizes information about stock options outstanding and exercisable at December 31, 2025.

Exercise Price	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
<u>OPTIONS:</u>			
\$2.94	50,000	1.40	\$ 2.94
Totals	50,000	1.40	\$ 2.94

NOTE 15– OPERATING SEGMENTS

The Company has identified three segments for its products and services: North America, Europe, and Asia-Pacific. The reportable segments are business units located in different global regions. Each business unit provides similar products and services: license fees for leasing and asset-based software, subscription and support fees, and implementation and IT consulting services. Separate management of each segment is required because each business unit is subject to different operational issues and strategies due to its particular regional location. The Company’s chief operating decision maker (“CODM”) evaluates performance and allocates resources based on gross profit and income from operations. The Company has designated its Chief Executive Officer as the CODM.

Segment assets include all assets attributable to operations within the respective geographic regions, including cash, accounts receivable, revenue in excess of billings, and property, plant, and equipment. Corporate assets, which primarily consist of cash and cash equivalents, goodwill, and assets associated with the Company’s corporate headquarters, are not allocated to the geographic segments and are shown separately.

Prior year results have been restated to conform to the current year presentation, reflecting the use of gross profit and income from operations as the measures of segment performance evaluated by the CODM.

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The following tables present financial information by reportable segment for the three months ended December 31, 2025:

	For the Three Months Ended December 31, 2025			
	North America	Europe	Asia - Pacific	Total
Revenues				
License	\$ -	\$ 1,262	\$ 116,220	\$ 117,482
Subscription and support	1,366,633	1,547,866	6,165,284	9,079,783
Services	1,383,035	1,716,670	6,511,508	9,611,213
Intersegment revenues	-	-	1,243,061	1,243,061
Total revenue from reportable segments	2,749,668	3,265,798	14,036,073	20,051,539
Elimination of intersegment revenues				(1,243,061)
Total consolidated revenues				<u>\$ 18,808,478</u>
Revenues from reportable segments	2,749,668	3,265,798	14,036,073	20,051,539
Salaries and consultants	520,887	1,105,058	5,456,949	7,082,894
Travel	226,924	102,702	699,815	1,029,441
Depreciation	-	-	190,066	190,066
Other (a)	762,676	838,029	1,119,341	2,720,046
Gross Profit	1,239,181	1,220,009	6,569,902	9,029,092
Selling and marketing	743,583	384,859	1,719,862	2,848,304
Depreciation	1,922	44,125	63,633	109,680
General and administrative	211,149	838,415	2,451,910	3,501,474
Income (loss) from operations - reportable segments	<u>\$ 282,527</u>	<u>\$ (47,390)</u>	<u>\$ 2,334,497</u>	<u>\$ 2,569,634</u>
Reconciliation:				
Income (loss) from operations - reportable segments				\$ 2,569,634
Corporate operating expenses				(1,269,902)
Interest expense				(176,273)
Interest income				208,775
Gain (loss) on foreign currency exchange transactions				46,074
Other income (expense)				63,925
Net income (loss) before income taxes				<u>\$ 1,442,233</u>

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The following tables present financial information by reportable segment for the six months ended December 31, 2025:

	For the Six Months Ended December 31, 2025			
	North America	Europe	Asia - Pacific	Total
Revenues				
License	\$ -	\$ 73,487	\$ 116,220	\$ 189,707
Subscription and support	2,853,030	3,032,512	12,154,796	18,040,338
Services	2,005,001	3,464,116	10,121,239	15,590,356
Intersegment revenues	-	-	2,304,832	2,304,832
Total revenue from reportable segments	\$ 4,858,031	\$ 6,570,115	\$ 24,697,087	\$ 36,125,233
Elimination of intersegment revenues				(2,304,832)
Total consolidated revenues				<u>\$ 33,820,401</u>
Revenues from reportable segments	\$ 4,858,031	\$ 6,570,115	\$ 24,697,087	\$ 36,125,233
Salaries and consultants	1,013,523	2,238,059	10,795,838	14,047,420
Travel	280,658	170,062	1,076,893	1,527,613
Depreciation	-	-	398,797	398,797
Other (a)	1,263,978	1,756,056	2,190,287	5,210,321
Gross Profit	2,299,872	2,405,938	10,235,272	14,941,082
Selling and marketing	1,381,144	779,867	3,627,460	5,788,471
Depreciation	3,516	88,733	133,306	225,555
General and administrative	510,175	1,727,992	4,724,480	6,962,647
Income (loss) from operations - reportable segments	<u>\$ 405,037</u>	<u>\$ (190,654)</u>	<u>\$ 1,750,026</u>	<u>\$ 1,964,409</u>
Reconciliation:				
Income (loss) from operations - reportable segments				\$ 1,964,409
Corporate operating expenses				(2,503,383)
Interest expense				(350,884)
Interest income				489,749
Gain (loss) on foreign currency exchange transactions				(240,843)
Other income (expense)				81,595
Net income (loss) before income taxes				<u>\$ (559,357)</u>

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	As of December 31, 2025			
	North America	Europe	Asia - Pacific	Total
Segment assets:				
Cash	\$ 268,754	\$ 1,934,027	\$ 15,401,147	\$ 17,603,928
Accounts receivable, net of allowance	581,587	1,740,660	5,453,849	7,776,096
Revenue in excess of billings, net of allowance	1,936,177	2,565,384	13,342,530	17,844,091
Other segment assets (b)	214,072	1,216,615	8,052,098	9,482,785
Total segment assets	<u>\$ 3,000,590</u>	<u>\$ 7,456,686</u>	<u>\$ 42,249,624</u>	<u>\$ 52,706,900</u>
Asset Reconciliation				
Total assets for reportable segments				52,706,900
Corporate assets				676,723
Goodwill not allocated to segments				9,302,524
Consolidated total				<u>\$ 62,686,147</u>
	For the Six Months ended December 31, 2025			
	North America	Europe	Asia - Pacific	Total
Expenditures for property, plant and equipment	<u>\$ 21,100</u>	<u>\$ 70,928</u>	<u>\$ 764,302</u>	<u>\$ 856,330</u>

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The following tables present financial information by reportable segment for the three months ended December 31, 2024:

	For the Three Months Ended December 31, 2024			
	North America	Europe	Asia - Pacific	Total
Revenues				
License	\$ -	\$ 72,688	\$ -	\$ 72,688
Subscription and support	1,606,262	1,202,858	5,833,509	8,642,629
Services	1,601,011	1,985,634	3,234,699	6,821,344
Intersegment revenues	-	-	2,326,738	2,326,738
Total revenue from reportable segments	3,207,273	3,261,180	11,394,946	17,863,399
Elimination of intersegment revenues				(2,326,738)
Total consolidated revenues				<u>\$ 15,536,661</u>
Revenues from reportable segments	3,207,273	3,261,180	11,394,946	17,863,399
Salaries and consultants	633,275	1,186,918	4,894,244	6,714,437
Travel	40,925	76,296	484,030	601,251
Depreciation	-	-	237,882	237,882
Other (a)	1,566,498	996,022	826,968	3,389,488
Gross Profit	966,575	1,001,944	4,951,822	6,920,341
Selling and marketing	593,160	333,166	1,601,336	2,527,662
Depreciation	599	53,179	80,925	134,703
General and administrative	153,455	933,885	2,291,938	3,379,278
Income (loss) from operations - reportable segments	<u>\$ 219,361</u>	<u>\$ (318,286)</u>	<u>\$ 977,623</u>	<u>\$ 878,698</u>
Reconciliation:				
Income (loss) from operations - reportable segments				\$ 878,698
Corporate operating expenses				(1,365,648)
Interest expense				(236,386)
Interest income				529,072
Gain (loss) on foreign currency exchange transactions				(698,426)
Other income (expense)				38,098
Net income (loss) before income taxes				<u>\$ (854,592)</u>

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The following tables present financial information by reportable segment for the six months ended December 31, 2024:

	For the Six Months Ended December 31, 2024			
	North America	Europe	Asia - Pacific	Total
Revenues				
License	\$ -	\$ 73,917	\$ -	\$ 73,917
Subscription and support	2,868,907	2,095,630	11,870,563	16,835,100
Services	3,207,027	3,586,919	6,432,196	13,226,142
Intersegment revenues	-	-	2,948,130	2,948,130
Total revenue from reportable segments	\$ 6,075,934	\$ 5,756,466	\$ 21,250,889	\$ 33,083,289
Elimination of intersegment revenues				(2,948,130)
Total consolidated revenues				<u>\$ 30,135,159</u>
Revenues from reportable segments	\$ 6,075,934	\$ 5,756,466	\$ 21,250,889	\$ 33,083,289
Salaries and consultants	1,116,884	2,187,993	9,613,294	12,918,171
Travel	180,700	91,026	900,387	1,172,113
Depreciation	-	-	466,432	466,432
Other (a)	1,826,943	1,641,946	1,573,231	5,042,120
Gross Profit	2,951,407	1,835,501	8,697,545	13,484,453
Selling and marketing	1,141,259	606,534	3,002,224	4,750,017
Depreciation	1,070	112,859	158,221	272,150
General and administrative	374,881	1,861,087	4,651,243	6,887,211
Income (loss) from operations - reportable segments	<u>\$ 1,434,197</u>	<u>\$ (744,979)</u>	<u>\$ 885,857</u>	<u>\$ 1,575,075</u>
Reconciliation:				
Income (loss) from operations - reportable segments				\$ 1,575,075
Corporate operating expenses				(2,822,183)
Interest expense				(494,605)
Interest income				1,298,939
Gain (loss) on foreign currency exchange transactions				(155,881)
Other income (expense)				191,589
Net income (loss) before income taxes				<u>\$ (407,066)</u>

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	As of June 30, 2025			
	North America	Europe	Asia - Pacific	Total
Segment assets:				
Cash	\$ 387,955	\$ 1,138,048	\$ 15,248,031	\$ 16,774,034
Accounts receivable, net of allowance	581,872	1,084,418	5,861,282	7,527,572
Revenue in excess of billings, net of allowance	1,967,757	3,178,780	13,987,848	19,134,385
Other segment assets (b)	243,550	1,580,534	7,066,725	8,890,809
Total segment assets	<u>\$ 3,181,134</u>	<u>\$ 6,981,780</u>	<u>\$ 42,163,886</u>	<u>\$ 52,326,800</u>
Asset Reconciliation				
Total assets for reportable segments				52,326,800
Corporate assets				811,785
Goodwill not allocated to segments				9,302,524
Consolidated total				<u>\$ 62,441,109</u>

	For the Six Months ended December 31, 2024			
	North America	Europe	Asia - Pacific	Total
Expenditures for property, plant and equipment	<u>\$ 3,841</u>	<u>\$ 56,204</u>	<u>\$ 508,089</u>	<u>\$ 568,134</u>

(a) Other costs of goods sold include computer costs, third-party hardware and software costs, repair and maintenance, insurance, utilities, and communication expenses.

(b) Other assets include property and equipment, right of use of assets, advances, deposits, and prepayments.

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NOTE 16 – NON-CONTROLLING INTEREST IN SUBSIDIARY

The Company had non-controlling interests in several of its subsidiaries. The balance of non-controlling interest was as follows:

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at December 31, 2025
NetSol PK	31.33%	\$ 5,572,128
NetSol Innovation	31.33%	(816,369)
NAMECET	31.33%	1,252,670
NIAI	31.33%	(9,576)
NetSol Thai	0.006%	(196)
OTOZ Thai	0.01%	(1)
Total		<u>\$ 5,998,656</u>

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at June 30, 2025
NetSol PK	30.24%	\$ 4,496,723
NetSol Innovation	30.24%	(637,529)
NAMECET	30.24%	567,819
NIAI	30.24%	(1,471)
NetSol Thai	0.006%	(184)
OTOZ Thai	0.01%	7
OTOZ	0.00%	-
Total		<u>\$ 4,425,365</u>

During the six months ended December 31, 2025, employees of NetSol PK, a majority-owned subsidiary of the Company, exercised stock options to purchase an aggregate of 1,346,330 shares of the subsidiary's common stock for total proceeds of \$370,553. Of this amount, \$358,133 was received during the six months ended December 31, 2025, and \$12,420 was received during the fiscal year ended June 30, 2025. Due to this exercise, the non-controlling interest in NetSol PK, NetSol Innovation, NAMECET and NIAI, increased from 30.24% at June 30, 2025 to 31.33% at December 31, 2025. The carrying amount of the non-controlling interest was increased by \$560,473, and the difference of \$189,920 was recognized as a decrease in additional paid-in capital in the Company's consolidated equity.

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The following schedule discloses the effect on the Company's equity due to the changes in the Company's ownership interest.

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2025	2024	2025	2024
Net income (loss) attributable to NetSol	<u>\$ 246,757</u>	<u>\$ (1,147,042)</u>	<u>\$ (2,110,531)</u>	<u>\$ (1,076,247)</u>
Transfer to (from) non-controlling interest				
Decrease in paid-in capital for purchase of 177,558 shares of OTOZ Inc common stock		31,004	-	(112,010)
Decrease in paid-in capital for option exercise of 1,346,330 shares of common stock of NetSol PK by employees	(151,204)		(189,920)	-
Net transfer to (from) non-controlling interest	<u>(151,204)</u>	<u>31,004</u>	<u>(189,920)</u>	<u>(112,010)</u>
Change from net income (loss) attributable to NetSol and transfer (to) from non-controlling interest	<u>\$ 95,553</u>	<u>\$ (1,116,038)</u>	<u>\$ (2,300,451)</u>	<u>\$ (1,188,257)</u>

NOTE 17– INCOME TAXES

The current tax provision is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for tax on income is calculated at the current rates of taxation as applicable after considering tax credit and tax rebates available, if any. We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Our effective tax rate will depend on the portion of our profits earned within and outside the United States.

During the three and six months ended December 31, 2025, the Company recorded an income tax provision of \$480,194 and \$695,969, respectively. During the three and six months ended December 31, 2024, the Company recorded an income tax provision of \$331,614 and \$561,431, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist in an understanding of the Company's financial position and results of operations for the three months ended December 31, 2025. The following discussion should be read in conjunction with the information included within our Annual Report on Form 10-K for the year ended June 30, 2025, and the Condensed Consolidated Financial Statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

Our website is located at <https://netsoltech.com/>, and our investor relations website is located at <https://ir.netsoltech.com>. The following filings are available through our investor relations website after we file with the SEC: Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and our Proxy Statements for our annual meetings of stockholders. These filings are also available for download free of charge on our investor relations website. We also provide a link to the section of the SEC's website at www.sec.gov that has all of our public filings, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, our Proxy Statements and other ownership related filings. Further, a copy of this Quarterly Report on Form 10-Q is located at the SEC's Public Reference Room at 100 F Street, NE, Washington D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs as part of our investor relations website and on social media platforms linked to our corporate website. Investors and others can receive notifications of new information posted on our investor relations website by signing up for e-mail alerts. Further corporate governance information, including our committee charters and code of conduct, is also available on our investor relations website at <https://ir.netsoltech.com/all-sec-filings>. The content of our websites is not intended to be incorporated by reference into this or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Forward-Looking Information

This report contains certain forward-looking statements and information relating to the Company that is based on the beliefs of its management as well as assumptions made by and information currently available to its management. When used in this report, the words "anticipate", "believe", "estimate", "expect", "intend", "plan", and similar expressions as they relate to the Company or its management, are intended to identify forward-looking statements. These statements reflect management's current view of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Should any of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report as anticipated, estimated or expected. The Company's realization of its business aims could be materially and adversely affected by any technical or other problems in, or difficulties with, planned funding and technologies, third party technologies which render the Company's technologies obsolete, the unavailability of required third party technology licenses on commercially reasonable terms, the loss of key research and development personnel, the inability or failure to recruit and retain qualified research and development personnel, or the adoption of technology standards which are different from technologies around which the Company's business ultimately is built. The Company does not intend to update these forward-looking statements.

Business Overview

NetSol Technologies is a global business services and asset finance solutions provider. NetSol delivers state-of-the-art solutions for the asset finance and leasing industry, serving automotive and equipment OEMs, auto captives and financial institutions across over 30 countries. Since its inception in 1997, NetSol has been at the cutting edge of technology, pioneering innovations with its asset finance solutions and leveraging advanced AI and cloud services to meet the complex needs of the global market.

Renowned for its deep industry expertise, customer-centric approach and commitment to excellence, NetSol fosters strong partnerships with its clients, ensuring their success in an ever-evolving landscape. With a rich history of innovation, ethical business practices and a focus on sustainability, NetSol is dedicated to empowering businesses worldwide, securing its position as the trusted partner for leading firms around the globe.

Our primary sources of revenues have been licensing, subscriptions, modification, enhancement and support of our suite of financial applications, under the brand name Transcend™ Finance (formerly called NFS Ascent®) for leading businesses in the global finance and leasing space.

Our clients include blue chip organizations, Dow-Jones 30 Industrials, Fortune 500 manufacturers, financial institutions, global vehicle manufacturers and enterprise technology providers, all of which are serviced by our strategically placed support and delivery locations around the globe.

We are also committed to serving Tier-2 and Tier-3 banks and financial institutions. We understand the unique challenges faced by these institutions, which is why we offer innovative cloud implementation solutions without any license fees, with rapid deployments and the with ability to scale. Further, our out-of-the-box, API-first products are designed to seamlessly integrate into existing systems, providing flexibility and scalability that smaller institutions often need. By prioritizing accessibility and ease of use, we empower smaller financial companies to enhance their service offerings and streamline operations, positioning ourselves as a trusted partner in their digital transformation journey.

Founded in 1997, NetSol is headquartered in Encino, California. While the Company follows a global strategy for sales and delivery of its portfolio of solutions and services, it continues to maintain regional offices in the following locations:

- North America Encino, California and Austin, Texas
- Europe London Metropolitan area, Horsham and Flintshire
- Asia Pacific Lahore, Karachi, Bangkok, Beijing, Tianjin, Jakarta and Sydney
- Middle East Dubai

We believe that our strong technology solutions offer our customers a return on their investment and allows us to thrive in a hyper competitive and mature global marketplace. Our solutions are bolstered by our people. We believe that people are the drivers of success; therefore, we invest heavily in our hiring, training and retention of top-notch staff to ensure not only successful selling, but also the ongoing satisfaction of our clients. Taken together, this “selling and attentive servicing” approach creates a distinctive advantage for us and a unique value for our customers. We continue to underpin our proven and effective business model, which is a combination of careful cost arbitrage, subject matter expertise, domain experience, scalability and proximity with our global and regional customers.

Expertise

Our expertise in enterprise technology and financial application development has helped us emerge as a global player in the finance and leasing industry and enabled us to secure a broad footprint across the major markets of North America, Asia Pacific and Europe. The Asia Pacific region has particularly benefitted from the organic growth in the fast-developing leasing automation industry, which is still nascent as per Western standards.

Domain Experience

NetSol is a dynamic leader and has been able to accumulate a wealth of experience in the global asset finance and leasing industry. We have built a large knowledge base which is regularly refined and updated to ensure the most up-to-date best practices and business solutions for the benefit of our clients and partners. We have a strong presence in the captive asset-finance domain. We have had continual operations for nearly three decades in Asia Pacific and Europe and over four decades in North America.

Proximity with Global and Regional Customers

We have offices across the world, located strategically to maintain close contact and proximity with our customers in various key markets. This has not only helped us strengthen our customer relationships, but also build a deeper understanding of local market dynamics. Simultaneously, we can extend services and support development through a combination of onsite and offsite resources. This approach has allowed us to offer blended rates to our customers by employing a unique and cost-effective global development model.

While our business model is built around the development, implementation and maintenance of our suite of financial applications, we employ the same facilities and competencies to extend our services to related segments, including but not limited to:

- Information security
- Digital solutions
- AI, ML and data analytics
- Generative AI
- Policy and strategy
- Emerging technologies|
- Cloud services
- Data engineering

Our global operations are broken down into three primary regions: North America, Europe and Asia Pacific. All of the subsidiaries are seamlessly integrated to function effectively with global delivery capabilities, cross selling to multinational asset finance companies, leveraging the centralized marketing and pre-sales organization, and a network of employees connected across the globe to support local and global customers and partners.

OUR PRODUCTS AND SERVICES

Covering the complete finance and leasing lifecycle starting from quotation origination through contract settlements, our products are designed and developed for highly flexible settings and are capable of dealing with multinational, multi-company, multi-asset, multi-lingual, multi-distributor and multi-manufacturer environments. Our solutions empower financial institutions to effectively manage their complex lending portfolios, enabling them to thrive in hyper-competitive global markets.

Built on cutting-edge, modern technology, NetSol's unified Transcend™ Platform is an AI-powered digital retail and asset finance solution for automotive and equipment OEMs, auto captives, commercial lenders, dealers, brokers and financial institutions.

PRODUCTS AND SERVICES: TRANSCEND™ PLATFORM

The Transcend™ Platform, powered by NetSol, is an AI-driven unified ecosystem that revolutionizes how assets are sold, financed and leased. Designed to automate and optimize every step - from sales to originations to servicing, Transcend™ leverages AI and ML to drive predictive insights and smarter decision-making.

Transcend™ Retail (Formerly Known as Otoz®)

We revolutionize auto and equipment retail with a fully digital, integrated platform that simplifies the entire customer journey. From online purchasing to finance approval, Transcend™ Retail (formerly known as Otoz®) offers advanced retail and mobility solutions that keep dealerships or OEMs at the cutting edge of consumer expectations.

Transcend™ Finance (Formerly Known as Ascent®)

We streamline finance and leasing operations with a comprehensive solution for originations, servicing and wholesale finance. Transcend™ Finance (formerly known as Ascent®) empowers automotive and equipment OEMs, auto captives, commercial lenders, dealers, brokers and financial institutions with end-to-end visibility and control, ensuring seamless workflows and accelerated business outcomes.

Originations

We streamline the entire origination process, from submission to approval, with advanced features such as real-time, AI-powered credit decisioning, automated deal flows and more.

Servicing

We enable financial institutions to attain real-time insights into portfolio performance, delinquencies and losses, enabling proactive portfolio management and strategic decision-making.

Wholesale finance

Our wholesale finance solution empowers customers to gain a competitive edge by automating their wholesale finance and floor planning operations effortlessly.

Transcend™ Marketplace (Formerly Known as Appex Now)

Transcend™ Marketplace (formerly known as Appex Now) offers a suite of flexible, component-based solutions that integrate seamlessly with the customer's existing infrastructure. Transcend™ Marketplace is a modular, API-first solution that addresses every aspect of finance and leasing using tools for calculations, document generation, loan origination and lending configurations.

Flex™

Flex is an API-first, ready-to-use calculation and quotation engine. It is a one-stop solution that guarantees precise calculations at all stages of the contract lifecycle through various calculation types. All the calculations are parameter-driven, which helps perform simple, multi-dimensional or complex calculations based on the needs of a business. Flex™ has a lightning-fast onboarding process, which can take place in mere minutes.

Hubex™

Hubex™ is an API library that enables companies to standardize all their API integration procedures across multiple API services through a single integration. In addition to traditional lending companies, Hubex™ can also streamline the operations of dealerships, vendors and consultants. With a ready-to-use service, Hubex™ makes it easy for businesses to seamlessly connect with multiple APIs and achieve their desired outcomes. Pre-integrated services in the Hubex™ library include, but are not limited to, payment processing, bank account authentication, finance and insurance products, fraud check, know your customer (KYC) service, driver license verification, address validation, vehicle valuation and notification service.

Index™

Index™ is a cloud-based parameter storage that smoothly runs all of a company's core lending operations. It is an accumulation of all the master setups, including asset catalog and inventory, programs, rates, and profiles for lenders, dealers and multiple partners, in one centralized location for all business types. Index™ can enhance delivery efficiency and program management for easy integration into all systems.

Dock™

Dock™ is an advanced document generation tool that lets a company create accurate and professional-looking documents in just seconds. With Dock™'s template-based configuration, a company can set up placeholders for data, essentially simplifying the document creation process and reducing the chance of human error. Its API-first architecture ensures scalability, making it capable of handling any document generation task, from single documents to millions, with ease.

Lane™

Lane™ offers a feature-rich, end-to-end order management system for asset leasing and loans and credit companies. Our platform covers all aspects, from conducting end-to-end sales to performing dealer and partner-related tasks and marketing-related activities. The system offers a variety of dashboards that provide vital information for dealers and partners while enabling quick order management and providing a way for users to record and submit a complete credit application for their clients.

Link™

Link is a purpose-built platform designed for brokers, lenders, dealers and borrowers to work seamlessly together. With tailored solutions that simplify applications and automate key processes, Link™ is designed to enhance customer relationships whilst making compliance effortless. This results in faster approvals, enriched customer experiences and stronger loyalty via elevated customer satisfaction.

Intermediary portals:**Broker portals**

Efficiency and effectiveness are paramount for any broker. Managing disparate systems and processes can be cumbersome and time-consuming, often leading to inefficiencies and missed opportunities. NetSol offers a solution to these challenges by consolidating disparate processes into a single unified interface, revolutionizing the way a brokerage operates.

Lender portals

NETSOL's lender-specific portals are designed to transform the lending process by enhancing risk management and driving profitability. Our advanced tools not only streamline loan origination, but also facilitate seamless communication and collaboration with the lending ecosystem. We empower a company's lending process with intuitive and efficient lender portals designed for a seamless user experience.

Dealer portals

In the competitive automotive industry, dealers need efficient and comprehensive solutions to manage their operations effectively. NetSol's intermediary portals serve as digital command centers, providing dealers with a wide array of tools, resources and services to optimize every aspect of their business, from inventory management to sales and marketing.

Transcend™ Consultancy

Empowering businesses with Transcend™ Consulting Services, we offer expert guidance across critical areas like information security, data engineering and cloud services. Our team partners with businesses to create tailored solutions that drive innovation, efficiency and growth.

Transcend™ AI Labs

We are leading AI-driven innovation with our Transcend™ AI Labs, integrating advanced AI services into our product suite to solve the unique challenges of BFSI, equipment and auto OEMs and dealerships. Our tailored solutions drive industry-specific advancements, helping companies stay ahead in a competitive market.

Highlights

Listed below are a few of NetSol's highlights for the quarter ended December 31, 2025:

- We entered into a four-year contract extension valued at approximately \$50 million with a long-standing customer and strategic partner. The extension reinforces recurring revenue through ongoing maintenance and licensing fees and expands the customer's continued use of the Transcend™ Finance platform across multiple countries.
- We launched *Check AI*, an AI-powered credit decisioning engine within the Transcend™ Finance platform. The solution automates manual credit workflows, accelerates decision-making, and enhances underwriting accuracy through improved data aggregation, document processing, and financial analysis.
- We signed a contract valued at approximately \$1.75 million with a provincial government entity in Pakistan, funded by the World Bank, to support the digitization of government workflows. The project focuses on process automation and cross-departmental system integration to improve operational efficiency and public service delivery.
- We successfully went live with a China-based captive automotive finance company, deploying a localized Transcend™ Finance platform to support dealer and customer financing operations. The implementation enables streamlined credit workflows, regulatory compliance, and scalable growth.
- A Thailand-based captive finance company of a leading Japanese automotive manufacturer went live on the upgraded Transcend™ Wholesale platform, automating wholesale financing, inventory management, and dealer credit processes and improving operational visibility.
- A UK-based multi-asset finance company successfully went live on the Transcend™ Finance Wholesale platform, enabling wholesale loan origination, servicing, and digital dealer self-service across its European operations.
- A leading German automotive manufacturer in North America successfully completed a dealer portal pilot, enabling enhanced dealer self-service, real-time financing workflows, and improved digital engagement. The pilot represents a milestone toward broader rollout.
- We secured a third-party support services engagement with a global automotive captive finance company in China, generating approximately \$0.8 million in annual recurring revenue. The engagement includes ongoing platform support and operational services.
- We generated approximately \$1.5 million in incremental revenue through the delivery of platform modifications and enhancements requested by multiple customers across various regions.
- NETSOL Institute of Artificial Intelligence entered into a strategic partnership with Pakistan's national vocational and technical training authority to train approximately 1,600 individuals in artificial intelligence, data science, and cybersecurity. The initiative is expected to generate over \$1 million in revenue.

Management has identified the following material trends affecting NetSol.

Positive trends:

- The global automotive market appears to be holding steady or growing, positively affecting our customers' potential revenues and, accordingly their willingness to spend on technology solutions:
 - Despite the volatility of the 2025 automobile market, executives still pointed to critical opportunity areas for 2026, including the demand for Battery Electric Vehicles (BEV) and Advanced Drive Assistance Systems (ADAS) (S&P Global Mobility, January 14, 2026).

- According to recent forecasts, China's auto sales in 2025 are expected to reach approximately 32.9 million units, representing a 4.7% year-over-year increase. Sales of New Energy Vehicles (NEV) account for 48.7% of all new car sales in China. (China Automobile Manufacturers Association). China's sales target for NEVs in 2025 is projected to reach 15.5 million units, amounting to a 20% rise over 2024 figures (Fastmarkets, September 19, 2025).
- Chinese OEMs have rapidly scaled exports globally, notably to Europe and emerging economies, selling approximately three million vehicles per year to major regions since 2020. Chinese vehicles provide significant cost advantages stemming from integrated supply chains, innovative battery chemistries, concentrated mineral refining capabilities, advancements in local engineering capabilities, and high competition among the rapidly expanding base of legacy and emerging OEMs (PWC, January 30, 2026).
- Current forecasts project North American vehicle production volumes will return to mid-2019 levels by 2030, driven by capacity expansions and reallocation toward BEV and HEV (Hybrid Electric Vehicle) vehicles. Global players are investing heavily in expanding facilities in North America, while others are repurposing BEV capacity for flexible manufacturing lines that can adapt to evolving demand (PWC, January 30, 2026).
- China's exports have grown rapidly, with Chinese manufacturers penetrating nearly all major global regions except the US—adding approximately three million vehicles in exports since 2020. This export surge targets primarily Europe, Latin America, and parts of Southeast Asia, where Chinese OEMs such as BYD and Chery offer quality vehicles at low cost. Localized production strategies and expanding EU dealerships support this growth (PWC, January 30, 2026).
- The overall size of the mobility market in Europe and the United States is projected to increase to over \$425 billion combined by 2035 or a compound CAGR of 5% from 2022 (Deloitte Global Automotive Mobility Market Simulation Tool).
- The global automotive finance market size was valued at approximately \$295.13 billion in 2024 and is projected to reach \$451.71 billion by 2030, representing a compound annual growth rate (CAGR) of 7.4% from 2025 through 2030 (Grandview Research).

Negative trends:

- The conflict in Gaza has disrupted the entire Middle East region since October 7, 2023. The conflict has expanded to neighboring nations such as Syria, Lebanon, and Iran. The unrest and turmoil in the region are viewed unfavorably by the regional business community. While recent ceasefire efforts may signal a positive change to the volatility in the region, there is no guarantee that the ceasefire will hold or that any outcome of the conflict will positively affect the region. Gulf markets remain cautious due to ongoing uncertainties (CEO Today, October 10, 2025; Reuters, December 17, 2025).
- The new-vehicle sales pace in the U.S. in 2026 will decline to 15.8 million from 16.3 million in 2025. Slower economic growth, softer job creation, and the loss of EV tax incentives are all expected to weigh on demand (Cox Automotive, January 27, 2026).
- General economic conditions in our geographic markets, inflation, economic uncertainty, and increased operational costs are pressuring margins and leading companies to prioritize critical investment and control spending.
- SaaS cybersecurity faces unprecedented challenges as companies increasingly migrate critical functions to cloud platforms. Proliferation of AI tools within these platforms has created additional attack vectors that require specialized security approaches beyond legacy protections (JOSYS.COM).
- The imposition of tariffs on China and on other US trading partners may affect the price of consumer goods, including vehicles, amongst others, negatively affecting the profitability of many of our customers.

CHANGES IN FINANCIAL CONDITION

Quarter Ended December 31, 2025 Compared to the Quarter Ended December 31, 2024

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the three months ended December 31, 2025 and 2024 as a percentage of revenues.

	For the Three Months Ended December 31,			
	2025	%	2024	%
Net Revenues:				
License fees	\$ 117,482	0.6%	\$ 72,688	0.5%
Subscription and support	9,079,783	48.3%	8,642,629	55.6%
Services	9,611,213	51.1%	6,821,344	43.9%
Total net revenues	18,808,478	100.0%	15,536,661	100.0%
Cost of revenues	9,779,386	52.0%	8,616,320	55.5%
Gross profit	9,029,092	48.0%	6,920,341	44.5%
Operating expenses:				
Selling, general and administrative	7,481,647	39.8%	7,073,622	45.5%
Research and development cost	247,713	1.3%	333,669	2.1%
Total operating expenses	7,729,360	41.1%	7,407,291	47.7%
Income (loss) from operations	1,299,732	6.9%	(486,950)	-3.1%
Other income and (expenses)				
Interest expense	(176,273)	-0.9%	(236,386)	-1.5%
Interest income	208,775	1.1%	529,072	3.4%
Gain (loss) on foreign currency exchange transactions	46,074	0.2%	(698,426)	-4.5%
Other income	63,925	0.3%	38,098	0.2%
Total other income (expenses)	142,501	0.8%	(367,642)	-2.4%
Net income (loss) before income taxes	1,442,233	7.7%	(854,592)	-5.5%
Income tax provision	(480,194)	-2.6%	(331,614)	-2.1%
Net income (loss)	962,039	5.1%	(1,186,206)	-7.6%
Non-controlling interest	(715,282)	-3.8%	39,164	0.3%
Net income (loss) attributable to NetSol	\$ 246,757	1.3%	\$ (1,147,042)	-7.4%
Net income (loss) per share:				
Net income (loss) per common share				
Basic	\$ 0.02		\$ (0.10)	
Diluted	\$ 0.02		\$ (0.10)	
Weighted average number of shares outstanding				
Basic	11,797,068		11,484,298	
Diluted	11,797,068		11,484,298	

A significant portion of our business is conducted in currencies other than the U.S. dollar. We operate in several geographical regions as described in Note 15 “Operating Segments” within the Notes to the Condensed Consolidated Financial Statements. Weakening of the value of the U.S. dollar compared to foreign currency exchange rates generally has the effect of increasing our revenues but also increasing our expenses denominated in currencies other than the U.S. dollar. Similarly, strengthening of the U.S. dollar compared to foreign currency exchange rates generally has the effect of reducing our revenues but also reducing our expenses denominated in currencies other than the U.S. dollar. We plan our business accordingly by deploying additional resources to areas of expansion, while continuing to monitor our overall expenditures given the economic uncertainties of our target markets. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we compare the changes in results from one period to another period using constant currency. In order to calculate our constant currency results, we apply the current period results to the prior period foreign currency exchange rates. In the table below, we present the change based on actual results in reported currency and in constant currency.

	For the Three Months Ended December 31,				Favorable (Unfavorable) Change in Constant Currency	Favorable (Unfavorable) Change due to Currency Fluctuation	Total Favorable (Unfavorable) Change as Reported
	2025	%	2024	%			
Net Revenues:	\$ 18,808,478	100.0%	\$ 15,536,661	100.0%	\$ 3,259,628	\$ 12,189	\$ 3,271,817
Cost of revenues:	9,779,386	52.0%	8,616,320	55.5%	(1,201,747)	38,681	(1,163,066)
Gross profit	9,029,092	48.0%	6,920,341	44.5%	2,057,881	50,870	2,108,751
Operating expenses:	7,729,360	41.1%	7,407,291	47.7%	(306,264)	(15,805)	(322,069)
Income (loss) from operations	\$ 1,299,732	6.9%	\$ (486,950)	-3.1%	\$ 1,751,617	\$ 35,065	\$ 1,786,682

Net revenues for the three months ended December 31, 2025 and 2024 are broken out among the segments as follows:

	2025		2024	
	Revenue	%	Revenue	%
North America	\$ 2,749,668	14.6%	\$ 3,207,273	20.6%
Europe	3,265,798	17.4%	3,261,180	21.0%
Asia-Pacific	12,793,012	68.0%	9,068,208	58.4%
Total	<u>\$ 18,808,478</u>	<u>100.0%</u>	<u>\$ 15,536,661</u>	<u>100.0%</u>

Revenues

License fees

License fees for the three months ended December 31, 2025 were \$117,482 compared to \$72,688 for the three months ended December 31, 2024 reflecting an increase of \$44,794 with an increase in constant currency of \$43,128.

Subscription and support

Subscription and support fees for the three months ended December 31, 2025, were \$9,079,783 compared to \$8,642,629 for the three months ended December 31, 2024, reflecting an increase of \$437,154 with an increase in constant currency of \$515,085. Subscription and support fees for the three months ended December 31, 2024, included approximately \$1,000,000 related to a one-time catch-up from four customers. Subscription and support fees begin once a customer has “gone live” with our product and are recurring in nature. We anticipate these fees to increase over time as we implement our TranscendTM products.

Services

Services income for the three months ended December 31, 2025, was \$9,611,213 compared to \$6,821,344 for the three months ended December 31, 2024, reflecting an increase of \$2,789,869, with an increase in constant currency of \$2,701,415. Services revenue increased compared to the prior quarter, primarily due to the timing and composition of the current implementation projects.

Gross Profit

The gross profit was \$9,029,092 for the three months ended December 31, 2025, compared with \$6,920,341 for the three months ended December 31, 2024. This is an increase of \$2,108,751 with an increase in constant currency of \$2,057,881. The gross profit percentage for the three months ended December 31, 2025, also increased to 48.0% from 44.5% for the three months ended December 31, 2024. The cost of sales was \$9,779,386 for the three months ended December 31, 2025, compared to \$8,616,320 for the three months ended December 31, 2024, for an increase of \$1,163,066 and on a constant currency basis an increase of \$1,201,747. As a percentage of sales, cost of sales decreased from 55.5% for the three months ended December 31, 2024, to 52.0% for the three months ended December 31, 2025.

Salaries and consultant fees increased by \$368,457 from \$6,714,437 for the three months ended December 31, 2024, to \$7,082,894 for the three months ended December 31, 2025, and on a constant currency basis increased by \$361,926. The increase is due to annual salary raises. As a percentage of sales, salaries, and consultant expenses decreased from 43.2% for the three months ended December 31, 2024, to 37.7% for the three months ended December 31, 2025.

Travel expenses were \$1,029,441 for the three months ended December 31, 2025, compared to \$601,251 for the three months ended December 31, 2024, for an increase of \$428,190 with an increase in constant currency of \$425,180. As a percentage of sales, travel expense increased from 3.9% for the three months ended December 31, 2024, to 5.5% for the three months ended December 31, 2025. Travel expenses increased due to travel associated with new customer implementation projects.

Depreciation and amortization expense decreased to \$190,066 compared to \$237,882 for the three months ended December 31, 2024, or a decrease of \$47,816 and on a constant currency basis a decrease of \$45,574.

Other costs were \$1,476,985 for the three months ended December 31, 2025, compared to \$1,062,750 for the three months ended December 31, 2024, or an increase of \$414,235, and on a constant currency basis an increase of \$460,215. The increase is mainly due to an increase in third-party hardware and software costs of approximately \$377,698 and hosting fees of approximately \$79,881.

Operating Expenses

Operating expenses were \$7,729,360 for the three months ended December 31, 2025, compared to \$7,407,291, for the three months ended December 31, 2024, for an increase of \$322,069 and on a constant currency basis an increase of \$306,264. As a percentage of sales, it decreased from 47.7% to 41.1%. The increase in operating expenses was primarily due to increases in selling and marketing expenses, salaries and wages, offset by a decrease in other general and administrative expenses and the provision for doubtful accounts.

Selling and marketing expenses were \$3,016,079 for the three months ended December 31, 2025, compared to \$2,662,397 for the three months ended December 31, 2024, for an increase of \$353,682 and on a constant currency basis an increase of \$356,319. The increase is mainly due to increases in salaries and consultants of approximately \$167,714, due to annual raises and the hiring of additional marketing personnel. Other marketing expenses increased by approximately \$138,702 due to the increase in advertising and marketing events.

General and administrative expenses were \$4,465,568 for the three months ended December 31, 2025, compared to \$4,411,225 for the three months ended December 31, 2024, or an increase of \$54,343 and on a constant currency basis an increase of \$32,746. During the three months ended December 31, 2025, salaries increased by \$289,749 and increased by \$279,058 on a constant currency basis, bad debt expense decreased by \$46,621 and decreased by \$47,447 on a constant currency basis, and other general and administrative expenses decreased by \$188,785 and decreased by \$198,865 on a constant currency basis.

Research and development cost was \$247,713 for the three months ended December 31, 2025, compared to \$333,669 for the three months ended December 31, 2024, for a decrease of \$85,956 and on a constant currency basis a decrease of \$82,801.

Income/Loss from Operations

Income from operations was \$1,299,732 for the three months ended December 31, 2025, compared to a loss from operations of \$486,950 for the three months ended December 31, 2024. This represents an increase in income of \$1,786,682 with an increase of \$1,751,617 on a constant currency basis for the three months ended December 31, 2025, compared with the three months ended December 31, 2024. As a percentage of sales, income from operations was 6.9% for the three months ended December 31, 2025, compared to a loss from operations of 3.1% for the three months ended December 31, 2024.

Other Income and Expense

Other income was \$142,501 for the three months ended December 31, 2025, compared to other loss of \$367,642 for the three months ended December 31, 2024. This represents an increase in other income of \$510,143 with an increase of \$513,784 on a constant currency basis. The increase is primarily due to the foreign currency exchange transactions. The majority of the contracts with NetSol PK are either in U.S. dollars or Euros; therefore, the currency fluctuations will lead to foreign currency exchange gains or losses depending on the value of the PKR compared to the U.S. dollar and the Euro. During the three months ended December 31, 2025, we recognized a gain of \$46,074 in foreign currency exchange transactions compared to a loss of \$698,426 for the three months ended December 31, 2024. During the three months ended December 31, 2025, the value of the U.S. dollar decreased 0.7% and the Euro decreased 0.7%, compared to the PKR. During the three months ended December 31, 2024, the value of the U.S. dollar increased 0.4% and the Euro decreased 6.6%, compared to the PKR.

Non-controlling Interest

For the three months ended December 31, 2025, the net income attributable to non-controlling interest was \$715,282, compared to the net loss attributable to non-controlling interest of \$39,164 for the three months ended December 31, 2024.

Net income (loss) attributable to NetSol

The net income was \$246,757 for the three months ended December 31, 2025, compared to a net loss of \$1,147,042 for the three months ended December 31, 2024. This is an increase of \$1,393,799 with an increase of \$1,314,986 on a constant currency basis, compared to the prior year. For the three months ended December 31, 2025, net income per share was \$0.02 for basic and diluted shares compared to a net loss per share of \$0.10 for basic and diluted shares for the three months ended December 31, 2024.

Six Months Ended December 31, 2025 Compared to the Six Months Ended December 31, 2024

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the six months ended December 31, 2025 and 2024 as a percentage of revenues.

	For the Six Months Ended December 31,			
	2025	%	2024	%
Net Revenues:				
License fees	\$ 189,707	0.6%	\$ 73,917	0.2%
Subscription and support	18,040,338	53.3%	16,835,100	55.9%
Services	15,590,356	46.1%	13,226,142	43.9%
Total net revenues	33,820,401	100.0%	30,135,159	100.0%
Cost of revenues	18,879,319	55.8%	16,650,706	55.3%
Gross profit	14,941,082	44.2%	13,484,453	44.7%
Operating expenses:				
Selling, general and administrative	15,018,000	44.4%	14,037,943	46.6%
Research and development cost	462,056	1.4%	693,618	2.3%
Total operating expenses	15,480,056	45.8%	14,731,561	48.9%
Income (loss) from operations	(538,974)	-1.6%	(1,247,108)	-4.1%
Other income and (expenses)				
Interest expense	(350,884)	-1.0%	(494,605)	-1.6%
Interest income	489,749	1.4%	1,298,939	4.3%
Gain (loss) on foreign currency exchange transactions	(240,843)	-0.7%	(155,881)	-0.5%
Other income	81,595	0.2%	191,589	0.6%
Total other income (expenses)	(20,383)	-0.1%	840,042	2.8%
Net income (loss) before income taxes	(559,357)	-1.7%	(407,066)	-1.4%
Income tax provision	(695,969)	-2.1%	(561,431)	-1.9%
Net income (loss)	(1,255,326)	-3.7%	(968,497)	-3.2%
Non-controlling interest	(855,205)	-2.5%	(107,750)	-0.4%
Net income (loss) attributable to NetSol	<u>\$ (2,110,531)</u>	-6.2%	<u>\$ (1,076,247)</u>	-3.6%
Net income (loss) per share:				
Net income (loss) per common share				
Basic	\$ (0.18)		\$ (0.09)	
Diluted	\$ (0.18)		\$ (0.09)	
Weighted average number of shares outstanding				
Basic	11,782,439		11,456,996	
Diluted	11,782,439		11,456,996	

A significant portion of our business is conducted in currencies other than the U.S. dollar. We operate in several geographical regions as described in Note 15 “Operating Segments” within the Notes to the Condensed Consolidated Financial Statements. Weakening of the value of the U.S. dollar compared to foreign currency exchange rates generally has the effect of increasing our revenues but also increasing our expenses denominated in currencies other than the U.S. dollar. Similarly, strengthening of the U.S. dollar compared to foreign currency exchange rates generally has the effect of reducing our revenues but also reducing our expenses denominated in currencies other than the U.S. dollar. We plan our business accordingly by deploying additional resources to areas of expansion, while continuing to monitor our overall expenditures given the economic uncertainties of our target markets. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we compare the changes in results from one period to another period using constant currency. In order to calculate our constant currency results, we apply the current period results to the prior period foreign currency exchange rates. In the table below, we present the change based on actual results in reported currency and in constant currency.

	For the Six Months Ended December 31,				Favorable (Unfavorable) Change in Constant Currency	Favorable (Unfavorable) Change due to Currency Fluctuation	Total Favorable (Unfavorable) Change as Reported
	2025	%	2024	%			
Net Revenues:	\$ 33,820,401	100.0%	\$ 30,135,159	100.0%	\$ 3,364,518	\$ 320,724	\$ 3,685,242
Cost of revenues:	18,879,319	55.8%	16,650,706	55.3%	(2,263,611)	34,998	(2,228,613)
Gross profit	14,941,082	44.2%	13,484,453	44.7%	1,100,907	355,722	1,456,629
Operating expenses:	15,480,056	45.8%	14,731,561	48.9%	(656,813)	(91,682)	(748,495)
Income (loss) from operations	\$ (538,974)	-1.6%	\$ (1,247,108)	-4.1%	\$ 444,094	\$ 264,040	\$ 708,134

Net revenues for the six months ended December 31, 2025 and 2024 are broken out among the segments as follows:

	2025		2024	
	Revenue	%	Revenue	%
North America	\$ 4,858,031	14.4%	\$ 6,075,934	20.2%
Europe	6,570,115	19.4%	5,756,466	19.1%
Asia-Pacific	22,392,255	66.2%	18,302,759	60.7%
Total	\$ 33,820,401	100.0%	\$ 30,135,159	100.0%

Revenues

License fees

License fees for the six months ended December 31, 2025 were \$189,707 compared to \$73,917 for the six months ended December 31, 2024 reflecting an increase of \$115,790 with an increase in constant currency of \$111,310.

Subscription and support

Subscription and support fees for the six months ended December 31, 2025, were \$18,040,338 compared to \$16,835,100 for the six months ended December 31, 2024, reflecting an increase of \$1,205,238 with an increase in constant currency of \$1,031,209. Subscription and support fees for the six months ended December 31, 2024, included approximately \$1,000,000 related to a one-time catch-up from four customers. Subscription and support fees begin once a customer has “gone live” with our product and are recurring in nature. We anticipate these fees to increase over time as we implement our TranscendTM products.

Services

Services income for the six months ended December 31, 2025, was \$15,590,356 compared to \$13,226,142 for the six months ended December 31, 2024, reflecting an increase of \$2,364,214, with an increase in constant currency of \$2,221,999. Services revenue increased primarily due to the timing and composition of the current implementation projects.

Gross Profit

The gross profit was \$14,941,082 for the six months ended December 31, 2025, compared with \$13,484,453 for the six months ended December 31, 2024. This is an increase of \$1,456,629 with an increase in constant currency of \$1,100,907. The gross profit percentage for the six months ended December 31, 2025, slightly decreased to 44.2% from 44.8% for the six months ended December 31, 2024. The cost of sales was \$18,879,319 for the six months ended December 31, 2025, compared to \$16,650,706 for the six months ended December 31, 2024, for an increase of \$2,228,613 and on a constant currency basis an increase of \$2,263,611. As a percentage of sales, cost of sales increased from 55.3% for the six months ended December 31, 2024, to 55.8% for the six months ended December 31, 2025.

Salaries and consultant fees increased by \$1,129,249 from \$12,918,171 for the six months ended December 31, 2024, to \$14,047,420 for the six months ended December 31, 2025, and on a constant currency basis increased by \$1,151,090. The increase is due to annual salary raises. As a percentage of sales, salaries and consultant expenses decreased from 42.9% for the six months ended December 31, 2024, to 41.5% for the six months ended December 31, 2025.

Travel expenses were \$1,527,613 for the six months ended December 31, 2025, compared to \$1,172,113 for the six months ended December 31, 2024, for an increase of \$355,500 with an increase in constant currency of \$353,637. As a percentage of sales, travel expense increased from 3.9% for the six months ended December 31, 2024, to 4.5% for the six months ended December 31, 2025. Travel expenses increased due to travel associated with new customer implementation projects.

Depreciation and amortization expense decreased to \$398,797 compared to \$466,432 for the six months ended December 31, 2024, or a decrease of \$67,635 and on a constant currency basis a decrease of \$61,851.

Other costs were \$2,905,489 for the six months ended December 31, 2025, compared to \$2,093,990 for the six months ended December 31, 2024, or an increase of \$811,499 and on a constant currency basis an increase of \$820,735. The increase is mainly due to an increase in third-party hardware and software costs of approximately \$749,100 and hosting fees of approximately \$137,169.

Operating Expenses

Operating expenses were \$15,480,056 for the six months ended December 31, 2025, compared to \$14,731,561, for the six months ended December 31, 2024, for an increase of \$748,495 and on a constant currency basis an increase of \$656,813. As a percentage of sales, it decreased from 48.9% to 45.8%. The increase in operating expenses was primarily due to increases in selling and marketing expenses, salaries and wages, offset by a decrease in other general and administrative expenses and the provision for doubtful accounts.

Selling and marketing expenses were \$6,133,032 for the six months ended December 31, 2025, compared to \$4,954,596, for the six months ended December 31, 2024, for an increase of \$1,178,436 and on a constant currency basis an increase of \$1,110,757. The increase is mainly due to increases in salaries and consultants of approximately \$831,253, due to annual raises and the hiring of additional marketing personnel. Other marketing expenses increased by approximately \$290,538 due to the increase in advertising and marketing events.

General and administrative expenses were \$8,884,968 for the six months ended December 31, 2025, compared to \$9,083,347 for the six months ended December 31, 2024, or a decrease of \$198,379 and on a constant currency basis a decrease of \$229,340. During the six months ended December 31, 2025, salaries increased by \$434,637 and increased by \$423,633 on a constant currency basis, bad debt expense decreased by \$384,710 and decreased by \$385,509 on a constant currency basis, and other general and administrative expenses decreased by \$248,306 and decreased by \$267,464 on a constant currency basis.

Research and development cost was \$462,056 for the six months ended December 31, 2025, compared to \$693,618 for the six months ended December 31, 2024, for a decrease of \$231,562, and on a constant currency basis a decrease of \$224,604.

Income/Loss from Operations

Loss from operations was \$538,974 for the six months ended December 31, 2025, compared to \$1,247,108 for the six months ended December 31, 2024. This represents a decrease in loss of \$708,134 with a decrease of \$444,094 on a constant currency basis for the six months ended December 31, 2025, compared with the six months ended December 31, 2024. As a percentage of sales, loss from operations was 1.6% for the six months ended December 31, 2025, compared to a loss from operations of 4.1% for the six months ended December 31, 2024.

Other Income and Expense

Other expense was \$20,383 for the six months ended December 31, 2025, compared to other income of \$840,042 for the six months ended December 31, 2024. This represents a decrease in other income of \$860,425 with a decrease of \$857,790 on a constant currency basis. The decrease is primarily due to lower interest income, driven by a reduction in interest rates from approximately 15.0%-19.6% for the six months ended December 31, 2024, to approximately 8.9%-10.8% for the six months ended December 31, 2025.

Non-controlling Interest

For the six months ended December 31, 2025, the net income attributable to non-controlling interest was \$855,205, compared to \$107,750 for the six months ended December 31, 2024.

Net income (loss) attributable to NetSol

The net loss was \$2,110,531 for the six months ended December 31, 2025, compared to \$1,076,247 for the six months ended December 31, 2024. This is an increase in net loss of \$1,034,284 with an increase of \$1,386,421 on a constant currency basis, compared to the prior year. For the six months ended December 31, 2025, net loss per share was \$0.18 for basic and diluted shares compared to net loss per share of \$0.09 for basic and diluted shares for the six months ended December 31, 2024.

Non-GAAP Financial Measures

Regulation S-K Item 10(e), "Use of Non-GAAP Financial Measures in Commission Filings," defines and prescribes the conditions for use of non-GAAP financial information. Our measures of adjusted EBITDA and adjusted EBITDA per basic and diluted share meet the definition of a non-GAAP financial measure.

We define the non-GAAP measures as follows:

- EBITDA is GAAP net income or loss before net interest expense, income tax expense, depreciation and amortization.
- Non-GAAP adjusted EBITDA is EBITDA plus stock-based compensation expense.
- Adjusted EBITDA per basic and diluted share – Adjusted EBITDA allocated to common stock divided by the weighted average shares outstanding and diluted shares outstanding.

We use non-GAAP measures internally to evaluate the business and believe that presenting non-GAAP measures provides useful information to investors regarding the underlying business trends and performance of our ongoing operations as well as useful metrics for monitoring our performance and evaluating it against industry peers. The non-GAAP financial measures presented should be used in addition to, and in conjunction with, results presented in accordance with GAAP, and should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review our consolidated financial statements in their entirety and not to rely on any single financial measure in evaluating the Company.

The non-GAAP measures reflect adjustments based on the following items:

EBITDA: We report EBITDA as a non-GAAP metric by excluding the effect of net interest expense, income tax expense, depreciation and amortization from net income or loss because doing so makes internal comparisons to our historical operating results more consistent. In addition, we believe providing an EBITDA calculation is a more useful comparison of our operating results to the operating results of our peers.

Stock-based compensation expense: We have excluded the effect of stock-based compensation expense from the non-GAAP adjusted EBITDA and non-GAAP adjusted EBITDA per basic and diluted share calculations. Although stock-based compensation expense is calculated in accordance with current GAAP and constitutes an ongoing and recurring expense, such expense is excluded from non-GAAP results because it is not an expense which generally requires cash settlement by NetSol, and therefore is not used by us to assess the profitability of our operations. We also believe the exclusion of stock-based compensation expense provides a more useful comparison of our operating results to the operating results of our peers.

Non-controlling interest: We add back the non-controlling interest in calculating gross adjusted EBITDA and then subtract out the income taxes, depreciation and amortization and net interest expense attributable to the non-controlling interest to arrive at a net adjusted EBITDA.

Our reconciliation of the non-GAAP financial measures of adjusted EBITDA and non-GAAP earnings per basic and diluted share to the most comparable GAAP measures for the three and six months ended December 31, 2025 and 2024 are as follows:

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2025	2024	2025	2024
Net Income (loss) attributable to NetSol	\$ 246,757	\$ (1,147,042)	\$ (2,110,531)	\$ (1,076,247)
Non-controlling interest	715,282	(39,164)	855,205	107,750
Income taxes	480,194	331,614	695,969	561,431
Depreciation and amortization	299,746	372,585	624,352	738,582
Interest expense	176,273	236,386	350,884	494,605
Interest (income)	(208,775)	(529,072)	(489,749)	(1,298,939)
EBITDA	\$ 1,709,477	\$ (774,693)	\$ (73,870)	\$ (472,818)
Add back:				
Non-cash stock-based compensation	61,000	47,355	206,400	95,134
Adjusted EBITDA, gross	\$ 1,770,477	\$ (727,338)	\$ 132,530	\$ (377,684)
Less non-controlling interest (a)	(868,111)	(61,529)	(1,092,059)	(207,310)
Adjusted EBITDA, net	\$ 902,366	\$ (788,867)	\$ (959,529)	\$ (584,994)
Weighted Average number of shares outstanding				
Basic	11,797,068	11,484,298	11,782,439	11,456,996
Diluted	11,812,098	11,484,298	11,782,439	11,456,996
Basic adjusted EBITDA	\$ 0.08	\$ (0.07)	\$ (0.08)	\$ (0.05)
Diluted adjusted EBITDA	\$ 0.08	\$ (0.07)	\$ (0.08)	\$ (0.05)

(a)The reconciliation of adjusted EBITDA of non-controlling interest to net income attributable to non-controlling interest is as follows

Net Income (loss) attributable to non-controlling interest	\$ 715,282	\$ (39,164)	\$ 855,205	\$ 107,750
Income Taxes	95,791	102,414	135,583	173,001
Depreciation and amortization	69,777	92,546	144,862	181,681
Interest expense	51,081	68,636	99,908	147,828
Interest (income)	(63,820)	(165,365)	(143,499)	(408,012)
EBITDA	\$ 868,111	\$ 59,067	\$ 1,092,059	\$ 202,248
Add back:				
Non-cash stock-based compensation	-	2,462	-	5,062
Adjusted EBITDA of non-controlling interest	\$ 868,111	\$ 61,529	\$ 1,092,059	\$ 207,310

LIQUIDITY AND CAPITAL RESOURCES

Our cash position was \$18,132,086 at December 31, 2025, compared to \$17,357,944 at June 30, 2025.

Net cash provided by operating activities was \$554,881 for the six months ended December 31, 2025 compared to \$369,716 for the six months ended December 31, 2024. At December 31, 2025, we had current assets of \$46,412,511 and current liabilities of \$19,995,825. We had accounts receivable of \$7,776,096 at December 31, 2025 compared to \$7,527,572 at June 30, 2025. We had revenues in excess of billings of \$17,844,091 at December 31, 2025 compared to \$19,134,385 at June 30, 2025 of which \$763,396 and \$903,766 is shown as long-term as of December 31, 2025 and June 30, 2025, respectively. The long-term portion was discounted by \$170,629 and \$208,037 at December 31, 2025 and June 30, 2025, respectively, using the discounted cash flow method with interest rates ranging from 4.2% to 17.5%. During the six months ended December 31, 2025, our revenues in excess of billings were reclassified to accounts receivable pursuant to billing requirements detailed in each contract. The combined totals for accounts receivable and revenues in excess of billings decreased by \$1,041,770 from \$26,661,957 at June 30, 2025 to \$25,620,187 at December 31, 2025. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to \$8,059,205 and \$8,509,841, respectively, at December 31, 2025. Accounts payable and accrued expenses, and current portions of loans and lease obligations amounted to \$8,010,844 and \$8,240,061, respectively, at June 30, 2025.

The average days sales outstanding for the six months ended December 31, 2025 and 2024 were 142 and 140 days, respectively. The days sales outstanding have been calculated by taking into consideration the average combined balances of accounts receivable and revenues in excess of billings.

Net cash used in investing activities was \$753,412 for the six months ended December 31, 2025, compared to \$531,477 for the six months ended December 31, 2024. We had purchases of property and equipment of \$856,330 compared to \$568,134 for the six months ended December 31, 2024.

Net cash provided by financing activities was \$724,853 for the six months ended December 31, 2025, compared to \$2,637,763 for the six months ended December 31, 2024. During the six months ended December 31, 2025, we received bank proceeds of \$792,484 compared to \$2,676,932 during the six months ended December 31, 2024. During the six months ended December 31, 2025, we had net payments for bank loans and finance leases of \$425,764 compared to \$162,370 for the six months ended December 31, 2024. Employees of our subsidiary, NetSol PK, exercised 1,346,330 options of common stock for \$370,553, of which \$358,133 was received during the six months ended December 31, 2025 and \$12,420 was received during the fiscal year ended June 30, 2025. We are operating in various geographical regions of the world through our various subsidiaries. Those subsidiaries have financial arrangements with various financial institutions to meet both their short and long-term funding requirements. These loans will become due at different maturity dates as described in Note 12 of the financial statements. We are in compliance with the covenants of the financial arrangements and there is no default, which may lead to early payment of these obligations. We anticipate paying back all these obligations on their respective due dates from its own sources.

We typically fund the cash requirements for our operations in the U.S. through our license, services, and subscription and support agreements, intercompany charges for corporate services, and through the exercise of options and warrants. As of December 31, 2025, we had approximately \$18.1 million of cash, cash equivalents and marketable securities of which approximately \$17.3 million is held by our foreign subsidiaries. As of June 30, 2025, we had approximately \$17.4 million of cash, cash equivalents and marketable securities of which approximately \$16.4 million is held by our foreign subsidiaries.

We remain open to strategic relationships that would provide value added benefits. The focus will remain on continuously improving cash reserves internally and reducing reliance on external capital raises.

As a growing company, we have ongoing capital expenditure needs based on our short-term and long-term business plans. Although our requirements for capital expenses vary from time to time, for the next 12 months, we anticipate needing \$1.5 million for APAC, the U.S. and Europe's new business development activities and infrastructure enhancements, which we expect to provide from current operations.

Financial Covenants

The following tables present financial covenants associated with our borrowings.

Subsidiary	Bank / Facility	Facility Amount	Key Financial Covenants / Conditions
NTE (UK)	Overdraft facility	£300,000 (\$405,405)	Eligible trade receivables (≤90 days old, net of provisions, excluding intercompany) must be at least 200% of the facility balance
NetSol PK	Askari Bank – Export refinance	PKR 600 million (\$2,140,029)	Long-term debt-to-equity ratio of 60:40; Current ratio of at least 1:1
NetSol PK	Askari Bank – Running finance	PKR 4.1 million (\$14,449)	
NetSol PK	Habib Metro – Export refinance	PKR 1.3 billion (\$4,636,730)	
NetSol PK	Bank Al-Habib – Export refinance	PKR 400 million (\$1,426,687)	Current ratio ≥ 1:1; Interest coverage ≥ 4x; Leverage ratio ≤ 2x; Debt service coverage ≥ 4x
NetSol PK	Samba Bank – Export refinance	PKR 380 million (\$1,355,352)	

As of the date of this report, we are in compliance with the financial covenants associated with our borrowings. The maturity dates of the borrowings of respective subsidiaries may accelerate if they do not comply with these covenants. In case of any change in control in subsidiaries, they may have to repay their respective credit facilities.

CRITICAL ACCOUNTING POLICIES

Our condensed consolidated financial statements are prepared applying certain critical accounting policies. The SEC defines “critical accounting policies” as those that require application of management’s most difficult, subjective, or complex judgments. Critical accounting policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or subject to variations and may significantly affect our reported results and financial position for the period or in future periods. Changes in underlying factors, assumptions, or estimates in any of these areas could have a material impact on our future financial condition and results of operations. Our financial statements are prepared in accordance with U.S. GAAP, and they conform to general practices in our industry. We apply critical accounting policies consistently from period to period and intend that any change in methodology occur in an appropriate manner. There have been no significant changes to our accounting policies and estimates as discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2025.

RECENT ACCOUNTING PRONOUNCEMENTS

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 2 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risks.

None.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Financial Officer and Chief Executive Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the three months ended December 31, 2025, that have materially affected, or are reasonable likely to materially affect, the Company’s internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)).

PART II OTHER INFORMATION

Item 1. Legal Proceedings

NA

Item 1A. Risk Factors

As of the date of this Quarterly Report on Form 10-Q, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended June 30, 2025, filed with the SEC on September 29, 2025, or our Quarterly Report on Form 10-Q for the quarter ended September 30, 2025, filed with the SEC on November 12, 2025. Any of such factors could result in a significant or material adverse effect on our result of operations or financial conditions. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements and Policies

During the three months ended December 31, 2025, none of the Company's directors or officers have adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933, as amended. The Company's insider trading policy is contained in our Code of Ethics, which has been filed as an exhibit to our Form 10K and is available on our website at <https://ir.netsoltech.com/governance-docs>.

Item 6. Exhibits

31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO)
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO)
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CFO)
101.	INS Inline XBRL Instance Document
101.	SCH Inline XBRL Taxonomy Extension Schema Document
101.	CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.	DFE Inline XBRL Taxonomy Extension definition Linkbase Document
101.	LAB Inline XBRL Taxonomy Extension Label Linkbase Document
101.	PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NETSOL TECHNOLOGIES, INC.

Date: February 12, 2026

/s/ Najeeb U. Ghauri
NAJEEB U. GHAURI
Chief Executive Officer

Date: February 12, 2026

/s/ Sardar Abubakr
SARDAR ABUBAKR
Chief Financial Officer
Principal Financial Officer

Date: February 12, 2026

/s/ Roger K. Almond
ROGER K. ALMOND
Chief Accounting Officer
Principal Accounting Officer

Certification Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Najeeb Ghauri, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q for the quarter ended December 31, 2025 of NetSol Technologies, Inc., (“Registrant”).
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- (3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
- (a) designed such disclosure controls and procedure, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any changes in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and;
- (5) The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 12, 2026

/s/ Najeeb Ghauri

Najeeb Ghauri,
Chief Executive Officer
Principal executive officer

Certification Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Sardar Abubakr, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q for the quarter ended December 31, 2025 of NetSol Technologies, Inc., (“Registrant”).
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- (3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
- (a) designed such disclosure controls and procedure, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any changes in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and;
- (5) The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 12, 2026

/s/ Sardar Abubakr
Sardar Abubakr
Chief Financial Officer
Principal Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NetSol Technologies, Inc. on Form 10-Q for the period ending December 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Najeeb Ghauri, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and,
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: February 12, 2026

/s/ Najeeb Ghauri

Najeeb Ghauri,
Chief Executive Officer
Principal Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NetSol Technologies, Inc. on Form 10-Q for the period ending December 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Sardar Abubakr, Chief Financial Officer, and Principal Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and,
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: February 12, 2026

/s/ Sardar Abubakr

Sardar Abubakr
Chief Financial Officer
Principal Financial Officer
