

REPRODUCED HEREUNDER CONTENTS OF LETTER DATED JULY 23, 2010 RECEIVED FROM "NETSOL TECHNOLOGIES LIMITED" FOR THE INFORMATION OF THE MEMBERS OF THE EXCHANGE.



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July 23, 2010

The General Manager,
Karachi Stock Exchange (G) Limited
Stock Exchange Building, Stock Exchange Road
Karachi

← The Secretary,
Lahore Stock Exchange (G) Limited
19, Khayaban-e-Iqbal
Lahore

Subject: BOARD MEETING DATED JULY 19, 2010

Dear Sir(s),

Please refer to our letter dated July 19, 2010 on the captioned subject. After announcement by the company to acquire two companies namely NetSol Technologies Europe Limited (NTE) and NetSol Technologies North America Inc., (NTNA) as wholly owned subsidiaries, we have received certain queries from our shareholders enquiring about the impact of these acquisitions on the future earnings and payout of the company. This letter is being issued to clarify those queries. You are requested to place it on your respective notice boards.

Board of Directors of NetSol Technologies Limited is of the opinion that this strategic decision will improve the overall shareholders' wealth. These acquisitions will have a positive impact on the consolidated earnings per share of the company because, revenues and net profits of both new subsidiaries will be consolidated with the results of NetSol Technologies Limited, Pakistan. The revenues of both these companies approximate around \$10M per annum which will be consolidated with the current revenues of the company resulting in healthy impact on the consolidated net profits.

In addition to the above, the company would be able to directly launch all new developments, products and marketing activities in North America and Europe markets through NTNA and NTE in most developed and matured markets. These markets are still untapped by us and till to-date, we have zero revenue from both of these regions which are termed as the heavens for IT products. One major issue which we are facing now-a-days is the reluctance of customers to sign new deals with a Pakistani company due to the current geopolitical conditions. Through this acquisition, we will be able to overcome this issue as well by signing the new deals through these subsidiaries as end of the day all results will be consolidated with NetSol Technologies Limited, Pakistan.

The issuance of fresh shares might, for the time being, dilute the earnings of the company however, in the medium to long term, the earnings could improve due to payout by these subsidiaries. The proposed transaction will be subject to approval of regulatory bodies. In addition, approval of shareholders will be obtained for issue of capital otherwise than right shares. As these approvals will take some time, therefore, there will be no immediate dilution of the shares at least for the financial results of fiscal year ended June 30, 2010. This is further clarified that the Parent company, NetSol Technologies Inc., is a strategic investor and main sponsor of NetSol Technologies Limited, Pakistan and it does not have any intention to offload its shareholding in the company.

The detailed information about the transaction will also be sent to the shareholders alongwith notice of extraordinary general meeting proposed to be held shortly.

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(BARKAT ALI ANJUM)
Assistant Manager