



# NEWS RELEASE

**FOR IMMEDIATE RELEASE**

## Contacts

Investors:

Press:

Stephanie Prince/ Ian Hirsch

Emily Brunner

Morgen-Walke Associates, Inc.

212-850-5600

[investor-relations@ion-networks.com](mailto:investor-relations@ion-networks.com)

## **ION NETWORKS ANNOUNCES RESULTS FOR FISCAL THIRD QUARTER 2002**

*Revenue Increase 100 Percent Sequentially*

**Piscataway, New Jersey** January 23, 2002 – ION Networks Incorporated (**Nasdaq: IONN**), a leading provider of security and management solutions that protect critical infrastructure from internal and external security threats while maintaining high availability, today announced its results for the fiscal third quarter ended December 31, 2001.

Revenue for the fiscal third quarter was \$2.2 million compared to \$1.1 million in the fiscal second quarter, representing a sequential increase of 100 percent. Revenue was \$3.4 million in the third quarter of the prior fiscal year.

Fiscal third quarter EBITDA improved to negative \$1.2 million including one-time restructuring, asset impairment and other charges of \$0.2 million as compared to negative \$1.9 million for the second quarter ended September 30, 2001. In the fiscal third quarter ended December 31, 2000, EBITDA was negative \$4.1 million including one-time restructuring, asset impairment and other charges of \$3.0 million.

The Company reported a net loss of \$1.4 million, or \$0.07 per share including one-time restructuring, asset impairment and other charges of \$0.2 million for fiscal third quarter ended December 31, 2001, compared to a net loss of \$2.3 million, or \$0.13 per share in the fiscal second quarter. Net loss for the third quarter of the prior fiscal year was \$4.9 million, or \$0.27 per share including one-time restructuring, asset impairment and other charges of \$3.0 million.

“As our results clearly indicate, we made tangible progress this quarter by refocusing our Company’s efforts on the large and fast growing infrastructure security market. We have continued to reduce operating expenses while focusing on our sales execution capabilities. Our better than forecasted sales were propelled by the strength of our proven products and technology, and our roster of blue-chip customers,” said Kam Saifi, President and Chief Executive Officer. “Although the economic environment remains challenging, we expect to see additional forward momentum. With our new management team, a re-invigorated culture, and our focus on the robust infrastructure security market, we look forward to executing on our business and financial goals.”

Fiscal Third Quarter Highlights Included:

- Gross margins improved to 51% of revenue, an improvement of 4% as compared with the September 30, 2001 quarter;
- R&D and SG&A expenses excluding restructuring charges were reduced by more than 14% as compared with the September 30, 2001 quarter;
- Cash and accounts receivables were \$3.2 million;
- Days sales outstanding were reduced to 61 days, an improvement of 11 days as compared with the September 30, 2001 quarter;
- Total of 60 customers in the quarter, 9 new customers;
- Significant deals with AT&T Solutions and EADS/Cogent

## Outlook

ION Networks is committed to achieving solid revenue growth and profitability. Based on its current outlook, management expects revenue will be in the range of \$2.3 - \$2.5 million in the fiscal fourth quarter ending March 31, 2002. For the twelve-month period ending December 31, 2002, ION Networks reaffirms its previous revenue projection of \$12.0 million. With its cost structure in line, the Company continues to project achieving positive EBITDA during the quarter ending December 31, 2002. ION also believes its current cash, accounts receivables, and projected revenue will be sufficient to fund its operations through the quarter ending December 31, 2002. However, additional financing opportunities are being explored as well to support the Company's expansion into new markets and increased investment in research and development.

## Conference Call

ION Networks will host a conference call at 5:00 p.m. (EST) on Wednesday, January 23, to discuss the Company's operating performance for the fiscal third quarter ended December 31, 2001. To participate in the conference call, local and international callers can dial **212-896-6053**. A replay will be available approximately two hours after the call until 8:00 p.m. (EST) on January 30. The replay number is 858-812-6440, passcode: 20187780.

The conference call will also be available on the Internet at [www.ion-networks.com](http://www.ion-networks.com). Please go to the web site at least fifteen minutes prior to the call to register, and download and install any necessary audio software. A replay of the conference call will also be available via the web site. Follow the directions in the Investors section for the link to the archived audio replay.

## About ION Networks

ION Networks, Inc. is a leading provider of infrastructure security and management solutions. The ION Secure suite helps customers protect critical infrastructure and maximize operational efficiency while lowering operational costs. ION Networks customers include AT&T, Bank of America, British Telecom, Citigroup, Entergy, Intel, Oracle, Qwest, SBC, Sprint, WorldCom and the U.S. Government. Headquartered in Piscataway, New Jersey, the Company has installed tens of thousands of its products worldwide from its eight direct sales offices in the United States, Livingston, Scotland and Antwerp, Belgium, and its distribution channels on four continents.

ION Networks and ION Secure are trademarks of ION Networks, Incorporated. All other trademarks and registered trademarks in this document are the properties of their respective owners. Any statements contained in this press release that do not describe historical facts may constitute forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Any forward-looking statements contained herein are based on current expectations, but are subject to a number of risks and uncertainties.

The factors that could cause actual future results to differ materially from the forward-looking statements include the following: fluctuations in customer demand, the Company's ability to manage its growth (including the ability to hire sufficient sales and technical personnel), the risks associated with the expansion of the Company's distribution channels, the risk of new product introductions and customer acceptance of new products; the rapid technological change which characterizes the Company's markets, the risks associated with competition, the risks associated with international sales as the Company expands its markets, and the ability of the Company to compete successfully in the future, as well as other risks identified in the Company's Securities and Exchange Commission Filings, including but not limited to those appearing within the Company's most recent Quarterly Reports on Form 10-QSB and on Form 10-KSB on file with the Securities and Exchange Commission.

ION Networks, Inc. and Subsidiaries  
Consolidated Statements of Operations  
(Unaudited)

	Three Months December 31,		Nine Months December 31,	
	2001	2000	2001	2000
Net Sales	\$2,214,216	\$3,432,572	\$5,236,038	\$8,304,574
Cost of Sales	1,092,872	\$1,610,796	2,523,047	\$4,734,864
Gross Margin	\$1,121,344	\$1,821,776	\$2,712,991	\$3,569,710
Research and development expenses	211,929	\$468,539	720,426	\$1,987,673
Selling, general and administrative expenses	1,870,157	\$2,450,863	6,405,442	\$9,532,008
Restructuring, assets impairment and other charges	217,467	\$2,961,125	217,467	\$3,449,420
Depreciation & Amortization	468,830	\$949,787	1,412,794	\$3,175,999
(Loss) from operations	\$ (1,647,039)	\$ (5,008,538)	\$ (6,043,138)	\$ (14,575,390)
Other income	264,725	-	264,725	-
Interest income	17,932	\$91,756	91,714	\$311,172
Interest (expense)	(7,510)	(12,289)	(25,134)	(40,621)
(Loss) before income tax expense	\$ (1,371,892)	\$ (4,929,071)	\$ (5,711,833)	\$ (14,304,839)
Income tax expense	-	\$11,291	-	\$53,019
Net (loss)	\$ (1,371,892)	\$ (4,940,362)	\$ (5,711,833)	\$ (14,357,858)
Net (loss) per share:				
Basic	(\$0.07)	(\$0.27)	(\$0.31)	(\$0.87)
Diluted	(\$0.07)	(\$0.27)	(\$0.31)	(\$0.87)
Weighted average number of common shares outstanding				
Basic	18,542,991	18,077,210	18,316,943	16,598,179
Diluted	18,542,991	18,077,210	18,316,943	16,598,179

ION Networks, Inc. and Subsidiaries  
Consolidated Balance Sheet  
(Unaudited)

	Assets	
	31-Dec-01	31-Mar-01
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Current Assets		
Cash & Cash Equivalents	\$ 1,746,632	\$ 5,230,833
Accounts Receivable	1,475,021	2,796,531
Other Receivables	-	13,497
Inventory	1,436,102	1,139,448
Prepaid & Other Current	255,609	205,829
Related Party Notes Receivable	98,537	897,250
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Total Current Assets	\$ 5,011,901	\$ 10,283,388
Restricted Cash	375,000	375,000
PP&E	948,248	1,467,766
Capitalized Software	967,120	1,241,495
Goodwill	63,523	305,556
Security Deposits / Other	19,588	22,683
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Total Assets	\$ 7,385,380	\$ 13,695,888
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Liabilities & Stockholders' Equity		
Current Liabilities		
Current Portion Capital Leases	\$ 74,426	\$ 74,426
Current Portion Long Term Debt	61,320	107,026
Accounts Payable	1,128,145	1,716,212
Accrued Expenses	397,035	562,860
Accrued Payroll & Related Liabilities	668,625	416,093
Deferred Income	179,381	178,737
Other Current Liabilities	296,782	309,977
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Total Current Liabilities	\$ 2,805,714	\$ 3,365,331
Long Term Portion Capital Leases	165,775	220,966
Long Term Debt	8,702	18,732
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Total Liabilities	\$ 2,980,191	\$ 3,605,029
Stockholders' Equity	4,405,189	10,090,859
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Total Liabilities & Stockholders' Equity	\$ 7,385,380	\$ 13,695,888
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*"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this press release regarding Ion Networks' business which are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in the Company's Annual Report or Form 10-K for the most recently ended fiscal year.*