



NEWS RELEASE

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FOR IMMEDIATE RELEASE

ION NETWORKS ANNOUNCES RESULTS FOR FISCAL FOURTH QUARTER 2002; REAFFIRMS REVENUE PROJECTION OF \$12.0 MILLION BY CALENDAR 2002 YEAR END; EBITDA IMPROVES 33 PERCENT SEQUENTIALLY

PISCATAWAY, N.J May 21, 2002--ION Networks Incorporated ([IONN](#)), a leading provider of security and management solutions that protect critical infrastructure from internal and external security threats, today announced results for the fiscal fourth quarter and year ended March 31, 2002.

Consistent with the Company's preliminary announcement on April 22, 2002, total revenue for the fiscal fourth quarter was \$2.1 million compared to \$2.2 million in the fiscal third quarter. Revenue was \$3.4 million in the fourth quarter of the prior fiscal year.

Fiscal fourth quarter earnings before interest, taxes, depreciation and amortization (EBITDA) improved 33 percent to negative \$0.8 million as compared to negative \$1.2 million for the third quarter ended December 31, 2001, which included one-time restructuring charge of \$0.2 million. In the fiscal fourth quarter ended March 31st 2001, EBITDA was negative \$1.9 million including one-time restructuring, asset impairment and other charges of \$0.3 million.

For the fiscal fourth quarter ended March 31, 2002, the Company reported an improved net loss of \$1.2 million or \$0.06 per share compared to a net loss of \$1.4 million, which included one-time restructuring charges of \$0.2 million, or \$0.07 per share in the fiscal third quarter ended December 31st 2001. Net loss for the fourth quarter of the prior fiscal year was \$2.3 million, or \$0.13 per share, which included one-time restructuring, asset impairment and other charges of \$0.3 million.

"We are continuing to make progress and have achieved many of the goals we set for ourselves during this quarter," stated Kam Saifi, President and Chief Executive Officer. "Refocusing our efforts on the large and fast growing infrastructure security market has allowed us to address much broader market opportunities. We are receiving positive feedback on our product strategy from current and prospective customers. This quarter we reduced our losses while doubling our North American sales force since last quarter, positioning ION to benefit from the increased spending on security solutions. Furthermore, we added new senior executives to our management team in Strategic Alliances and Engineering, as well as our new CFO, reflecting our confidence in ION's future. We believe we have positioned ION for significant progress by continuing to manage our operating expenses while focusing on our sales execution capabilities, and with our management team now fully in place we believe we are positioned to successfully execute on our business and financial goals."

Fiscal Fourth Quarter Highlights Included:

- Gross margins improved to 54% of revenue, an improvement of 3 percentage points as compared with the December 31, 2001 quarter;
- Balance sheet strengthened by \$3.48 million raised through private placement;
- Cash and accounts receivables totaled \$5.6 million, as compared to \$3.2 million for the quarter ending December 31st 2001;
- Days Sales Outstanding were 66 days, an increase of 5 days as compared with the December 31, 2001 quarter;
- A total of 55 customers purchased from ION in the quarter, including 6 new customers;

-- The launch of the ION Secure 5000 Series incorporating the latest in Infrastructure Security functionality as well as VPN router technology providing a comprehensive solution for securing administration of IP networks and other computing environments.

Full Year Financials

Total revenue for the twelve months ending March 31, 2002 was \$7.3 million compared to \$11.7 million in the prior year period.

EBITDA for the fiscal year ended March 31, 2002, was negative \$5.4 million, as compared to negative \$13.3 million in the fiscal year ended March 31, 2001. The Company reported a net loss of \$6.9 million, or \$0.37 per share, for the fiscal year ended March 31, 2002, compared to a loss of \$16.7 million, or \$0.98 per share, reported in the prior year period.

Outlook

The Company remains committed to achieving solid revenue growth and remains confident with its prior revenue projection of \$12.0 million for the twelve-month period ending December 31, 2002. ION's management believes that its current cash, accounts receivables, and projected revenue will be sufficient to fund its operations until the Company reaches profitability, which is projected for the second calendar quarter ending June 30, 2003.

Additionally, the Company intends to change its fiscal year to a calendar-based fiscal year effective for the year ending December 31, 2002.

Conference Call

ION Networks will host a conference call at 5:00 p.m. (EST) on Tuesday, May 21, to discuss the Company's operating performance for the fiscal fourth quarter and year ended March 31, 2002. To participate in the conference call, local and international callers can dial 706-634-2339. A replay will be available approximately two hours after the call until 8:00 p.m. (EST) on May 28, 2002. The replay number is 706-645-9291, passcode: 4152665.

The conference call will also be available on the Internet at 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, Fortis Bank, Oracle, Qwest, SBC, Sprint and the U.S. Government. Headquartered in Piscataway, New Jersey, the Company has installed tens of thousands of its products worldwide from its sales and operations facilities in the United States, Livingston, Scotland and Antwerp, Belgium, and its distribution channels on four continents.

ION Networks(TM) and ION Secure(TM) are trademarks of ION Networks, Incorporated. All other trademarks and registered trademarks in this document are the properties of their respective owners.

Forward-Looking Statement Disclaimer

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. Such statements include, but are not limited to, our expectations regarding projected revenue for the 12 months ending December 31, 2002, and profitability in the second calendar quarter ending June 30, 2003, our progress and success in executing on our business and financial goals, and our belief that we will have sufficient funds for operations for the next 12 months. We typically use words like "anticipates", "believes", "plans", "intends", "expects", "future" and similar expressions to identify forward-looking statements. 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; fluctuations in spending on technology generally and security solutions in particular; general economic conditions (both domestic and abroad); the rapid technological change which characterizes the Company's markets, the risks associated with competition; 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 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 Form 10-KSB, filed with the Securities and Exchange Commission on June 29, 2001.

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

	Three Months March 31,		Full Year March 31,	
	2002	2001	2002	2001
Net Sales	\$2,076,197	\$3,371,973	\$7,312,235	\$11,676,547
Cost of Sales	961,085	2,445,802	3,484,132	7,184,666
Gross Margin	1,115,112	926,171	3,828,103	4,491,881
Research and development expenses	171,117	138,573	891,542	2,126,246
Selling, general and administrative expenses	1,707,423	2,338,255	8,112,867	11,870,263
Restructuring, asset impairments and other charges	-	314,192	217,467	3,763,612
Depreciation & Amortization	439,296	566,451	1,852,090	3,742,450
(Loss) from operations	(1,202,724)	(2,431,300)	(7,245,863)	(17,010,690)
Other income	-	-	264,725	-
Interest income	22,924	78,187	114,638	389,359
Interest (expense)	(6,647)	(7,146)	(31,781)	(47,767)
(Loss) before income tax expense	(1,186,447)	(2,360,259)	(6,898,281)	(16,669,098)
Income tax expense	31,099	(45,451)	31,099	7,568
Net (loss)	\$(1,217,546)	\$(2,314,808)	\$(6,929,380)	\$(16,676,666)
Net (loss) per share:				
Basic	(\$0.06)	(\$0.13)	(\$0.37)	(\$0.98)
Diluted	(\$0.06)	(\$0.13)	(\$0.37)	(\$0.98)
Weighted average number of common shares outstanding:				
Basic	20,643,479	18,203,301	18,890,609	17,064,620
Diluted	20,643,479	18,203,301	18,890,609	17,064,620

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

Assets	31-Mar-02	31-Mar-01
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Current Assets		
Cash & Cash Equivalents	\$ 4,050,657	\$ 5,230,833
Accounts Receivable	1,521,230	2,796,531
Other Receivables	-	13,497
Inventory	1,024,126	1,139,448
Prepaid & Other Current	492,609	205,829
Related Party Notes Receivable	83,656	897,250
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Total Current Assets	\$ 7,172,278	\$ 10,283,388
Restricted Cash	125,700	375,000
PP&E	796,625	1,467,766
Capitalized Software	908,464	1,241,495
Goodwill	-	305,556
Security Deposits / Other	6,653	22,683
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Total Assets	\$ 9,009,720	\$ 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	33,444	107,026
Accounts Payable	917,845	1,716,212
Accrued Expenses	373,766	562,860
Accrued Payroll & Related		
Liabilities	353,590	416,093
Deferred Income	115,927	178,737
Other Current Liabilities	262,358	309,977
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Total Current Liabilities	\$ 2,131,356	\$ 3,365,331
Long Term Portion Capital		
Leases	146,540	220,966
Long Term Debt	4,597	18,732
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Total Liabilities	\$ 2,282,493	\$ 3,605,029
Stockholders' Equity	6,727,227	10,090,859
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Total Liabilities & Stockholders' Equity	\$ 9,009,720	\$ 13,695,888
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