



# NEWS RELEASE

## Contacts

Investors: Stephen Deixler  
 ION Networks, Inc.  
 732-529-0100  
 investor-relations@ion-networks.com

Investors: Joe Zappala  
 Wall Street Investor Relations Corp.  
 212-714-2445  
 investor-relations@ion-networks.com

**FOR IMMEDIATE RELEASE**

## **ION NETWORKS REPORTS FINANCIAL RESULTS FOR 3 MONTH AND 9 MONTH PERIODS ENDED DECEMBER 31, 2002**

PISCATAWAY, N.J March 18, 2003--ION Networks Incorporated (Nasdaq: [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 December 31, 2002.

Net sales for the quarter ended December 31, 2002 were approximately \$853,000 compared to approximately \$1.5 million in the previous quarter ended September 30, 2002. Net sales were approximately \$2.2 million in the quarter ended December 31, 2001.

The Company incurred a net loss for the quarter ended December 31, 2002 of approximately \$2.2 million or \$0.10 per share, which includes restructuring and impairment of asset charges of \$508,000 or \$0.02 per share. This compares with a net loss of approximately \$1.35 million or \$0.06 per share for the previous quarter and approximately \$1.4 million or \$0.07 per share for the quarter ended December 31, 2001.

	Three months Ended (Unaudited)		Nine Months Ended (Unaudited)	
	<u>12/31/02</u>	<u>12/31/01</u>	<u>12/31/02</u>	<u>12/31/01</u>
Net sales	\$ 853	\$ 2,214	\$ 3,335	\$ 5,236
Operating Loss	\$(2,460)	\$(1,647)	\$(5,877)	\$(6,043)
Net loss	\$(2,220)	\$(1,372)	\$(5,628)	\$(5,712)
Net loss per share	\$ (0.10)	\$ (0.07)	\$ (0.25)	\$ (0.31)
Basic and diluted shares	23,318	18,543	22,843	18,317

In 000s except "per share" amounts

For the quarter ended December 31, 2002, gross margins fell to 40 percent, compared to 63 percent for the previous quarter and 51 percent for the quarter ended December 31, 2001. The anticipated gross margin of 65 percent for the quarter ended December 31, 2002 was not achieved as a result of discontinuation of ION Secure 3200 appliances and the lower than expected revenues in that quarter.

"The challenges that continue to weigh on the technology sector have slowed our progress in achieving our objective to reach break-even," commented Kam Saifi, ION Network's President and CEO. "While our pipeline

continues to advance, the sales cycle remains extended far beyond normal terms. As we negotiate the task of restarting the company amid unfavorable market conditions, we firmly believe ION has the potential to emerge as a leader in the security market with its unique and differentiated solutions. For ION to continue its operations, our immediate plans are (a) to secure approximately \$1 million in additional capital and (b) very carefully managing operating costs. As more companies become cognizant of their intellectual property's vulnerability to expensive and time-consuming security breaches, we expect the significance of ION's comprehensive solution to gain further market penetration."

## **Conference Call**

ION Networks will host a conference call at 5 p.m. (EST) today, Tuesday, March 18, to discuss the Company's financial results for the quarter. The conference call can be accessed by dialing 888-214-7563 and providing the following reservation number: 21130260. It is recommended that participants call at least 10 minutes before the call is scheduled to begin.

## **About ION Networks**

ION Networks, Inc. is a leading provider of security and management solutions that protect critical information and infrastructure from internal and external security threats. 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, Sprint and the U.S. Government. Headquartered in Piscataway, New Jersey, the Company has installed tens of thousands of its products worldwide.

More information can be obtained from [www.ion-networks.com](http://www.ion-networks.com).

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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. These statements include, but are not limited to, statements regarding the Company's plans to secure additional capital and the Company's ability to gain further market recognition. The factors that could cause actual future results to differ materially from the forward-looking statements include the following: fluctuations in customer demand; changes in the Company's sales force and management; fluctuations in spending on technology generally and security solutions in particular; insufficiency of operating capital; 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 sales 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 most recent Form 10-KSB and amendments thereto, and form 10-QSB, respectively filed with the Securities and Exchange Commission on August 21, 2002 and November 14, 2002.

\*\*\*\*\* Financial Tables Follow \*\*\*\*\*

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

	For the Three Months Ended		For the Nine Months Ended	
	December 31,	December 31,	December 31,	December 31,
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Net sales	\$852,692	\$ 2,214,216	\$3,335,160	\$5,236,038
Cost of sales	<u>\$513,969</u>	<u>\$1,092,872</u>	<u>\$ 1,428,037</u>	<u>\$ 2,523,047</u>
Gross margin	338,723	1,121,344	1,907,123	2,712,991
Research and development expenses	250,319	211,929	766,521	720,426
Selling, general and administration expenses	1,768,224	1,870,157	5,519,665	6,405,442
Restructuring, asset impairment and other charges	508,458	217,467	662,828	217,467
Depreciation and amortization expenses	<u>271,748</u>	<u>468,830</u>	<u>835,315</u>	<u>1,412,794</u>
Total Operating Expense	2,798,749	2,768,383	7,784,329	8,756,129
Loss from operations	(2,460,026)	(1,647,039)	(5,877,206)	(6,043,138)
Other Income	236,728	264,725	236,728	264,725
Interest income	11,584	17,932	36,781	91,714
Interest expense	<u>(8,022)</u>	<u>(7,510)</u>	<u>(19,524)</u>	<u>(25,134)</u>
Loss before income tax expense	(2,219,736)	(1,371,892)	(5,623,221)	(5,711,833)
Income tax expense	<u>-</u>	<u>-</u>	<u>5,301</u>	<u>-</u>
Net loss	<u><u>\$(2,219,736)</u></u>	<u><u>\$ (1,371,892)</u></u>	<u><u>\$ (5,628,522)</u></u>	<u><u>\$ (5,711,833)</u></u>
<b>Per share data</b>				
Net loss per share				
Basic & diluted	\$ (0.10)	\$ (0.07)	\$ (0.25)	\$ (0.31)
Weighted average number of common shares outstanding:				
Basic & diluted	23,317,620	18,542,991	22,843,009	18,316,943

**ION Networks, Inc and Subsidiaries**

**Condensed Consolidated Balance Sheets (Unaudited)**

	December 31, 2002	December 31, 2001
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 865,684	\$ 1,746,632
Accounts receivable, net of allowance for doubtful accounts of \$90,521 and \$148,781 respectively	561,762	1,475,021
Inventory, net	1,259,268	1,436,102
Prepaid expenses and other current assets	203,934	255,609
Related party notes receivable	-	98,537
Total current assets	2,890,648	5,011,901
Restricted cash	125,700	375,000
Property and equipment, net	485,735	948,248
Capitalized software, less accumulated amortization of \$3,920,223 and \$3,197,791 respectively	764,429	967,120
Goodwill and other acquisition related intangibles, less accumulated amortization of \$1,000,000 and \$963,021 respectively	-	63,523
Other assets	<u>14,878</u>	<u>19,588</u>
Total assets	<u>\$ 4,281,390</u>	<u>\$ 7,385,380</u>

**Liabilities and Stockholders' Equity**

Current Liabilities:

Current portion of capital leases	\$ 87,057	\$ 74,426
Current portion of long-term debt	4,004	61,320
Accounts payable	1,195,023	1,128,145
Accrued expenses	906,154	397,035
Accrued payroll and related liabilities	185,358	668,625
Deferred income	155,021	179,381
Other current liabilities	<u>173,342</u>	<u>296,782</u>
Total current liabilities	2,705,959	2,805,714
Long-term portion of capital leases	73,551	165,775
Long-term debt, net of current portion	5,717	8,702

Commitments and contingencies

Stockholders' equity:

Preferred stock-par value \$.001 per share; authorized shares - 1,000,000 at December 31, 2002 and 2001, designated shares - 200,000 at December 31, 2002 and none at December 31, 2001; issued and outstanding 166,835 at December 31, 2002 & none at December 31, 2001

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Common stock, par value \$.001 per share; authorized shares 50,000,000, issued and outstanding 24,875,500 shares at December 31, 2002;

issued and outstanding 21,124,801 shares at December 31, 2001	24,876	21,125
Additional paid-in capital	44,680,740	40,764,831
Notes receivable from officers	(473,405)	(536,100)
Accumulated deficit	(42,722,946)	(35,876,878)
Accumulated other comprehensive (loss) income	<u>(13,269)</u>	<u>32,211</u>
Total stockholders' equity	<u>1,496,163</u>	<u>4,405,189</u>
Total liabilities and stockholders' equity	<u>\$ 4,281,390</u>	<u>\$ 7,385,380</u>

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