



## PRESS RELEASE

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## ION NETWORKS REPORTS FINANCIAL RESULTS FOR FIRST QUARTER ENDED MARCH 31, 2003

PISCATAWAY, N.J May 12, 2003--ION Networks Incorporated (OTC: [IONN](#)), a provider of security and management solutions that protect critical infrastructure from internal and external security threats, today announced results for its first fiscal quarter ended March 31, 2003.

Net sales for the quarter ended March 31, 2003 were approximately \$765,000 compared to approximately \$853,000 in the previous quarter ended December 31, 2002. Net sales were approximately \$2,076,000 in the quarter ended March 31, 2002.

The Company incurred a net loss for the quarter ended March 31, 2003 of approximately \$875,000 or \$0.04 per share. This compares with a net loss of approximately \$2.2 million or \$0.10 per share for the previous quarter and approximately \$1.2 million or \$0.06 per share for the quarter ended March 31, 2002.

	Three months Ended (Unaudited)*	
	<u>3/31/03</u>	<u>3/31/02</u>
Net sales	\$765	\$2,076
Operating Loss	\$(877)	\$(1,209)
Net loss	\$(875)	\$(1,218)
Net loss per share	\$ (0.04)	\$ (0.06)
Basic and diluted shares	23,512,668	18,890,609

\*In 000s except "per share" amounts

For the quarter ended March 31, 2003, gross margins were 68 percent, compared to 40 percent for the previous quarter and 54 percent for the quarter ended March 31, 2002.

## **Conference Call**

ION Networks will host a conference call at 5 p.m. (EST) today, Monday, May 12, to discuss the Company's financial results for the quarter. The conference call can be accessed by dialing 800-621-5346 and providing the following reservation number: 21144003.

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 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  
Consolidated Balance Sheets  
(Unaudited)

	March 31, 2003	December 31, 2002
<b>Assets</b>	2003 (Unaudited)	2002
Current assets		
Cash and cash equivalents	\$ 397,185	\$ 865,684
Accounts receivable, less allowance for doubtful accounts of \$90,799, and \$90,521, respectively	453,985	561,762
Inventory, net	1,174,182	1,259,268
Prepaid expenses and other current assets	121,549	203,934
Total current assets	<u>2,146,901</u>	<u>2,890,648</u>
Restricted cash	-	125,700
Property and equipment, net	418,694	485,735
Capitalized software, less accumulated amortization of \$4,083,247 and \$3,920,223, respectively	672,202	764,429
Other assets	4,115	14,878
Total assets	<u>\$ 3,241,912</u>	<u>\$ 4,281,390</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Current portion of capital leases	\$ 89,033	\$ 87,057
Current portion of long-term debt	5,890	4,004
Accounts payable	1,099,265	1,195,023
Accrued expenses	1,044,974	906,154
Accrued payroll and related liabilities	128,461	185,358
Deferred income	129,384	155,021
Sales tax payable	73,381	84,025
Other current liabilities	91,031	89,317
Total current liabilities	<u>\$ 2,661,419</u>	<u>\$ 2,705,959</u>
Long term portion of capital leases	50,538	73,551
Long term debt, net of current portion	-	5,717
Commitments and contingencies		
Stockholders' Equity		
Preferred stock – par value \$.001 per share; authorized 1,000,000 shares at March 31, 2003, and December 31, 2002; 200,000 shares designated Series A at March 31, 2003 and December 31, 2002; 166,835 shares issued and outstanding at March 31, 2003 and December 31, 2002	167	167
Common stock – par value \$.001 per share; authorized 50,000,000 shares at March 31, 2003 and December 31, 2002; 24,875,500 shares issued and outstanding at March 31, 2003 24,875,500 shares issued and outstanding at December 31, 2002	24,876	24,876
Additional paid-in capital	44,585,740	44,680,740
Notes receivable from officers	(480,658)	(473,405)
Deferred compensation	-	-
Accumulated deficit	(43,597,858)	(42,722,946)
Accumulated other comprehensive income	(2,312)	(13,269)
Total stockholder's equity	<u>529,955</u>	<u>1,496,163</u>
Total liabilities and stockholders' equity	<u>\$ 3,241,912</u>	<u>\$ 4,281,390</u>

ION Networks, Inc and Subsidiaries  
Consolidated Statement Of Operations  
(Unaudited)

	Three Months Ended March 31,	Three Months, Ended March 31,
	<u>2003</u>	<u>2002</u>
Net sales	\$ 765,119	\$ 2,076,197
Cost of sales	<u>243,988</u>	<u>961,085</u>
Gross Margin	<u>521,131</u>	<u>1,115,112</u>
Research and development expenses	137,399	171,116
Selling, general and administrative expenses	1,026,703	1,714,159
Depreciation and amortization expenses	<u>234,115</u>	<u>439,296</u>
Loss from operations	(877,086)	(1,209,459),
Interest income	9,543	22,924
Interest expense	<u>(7,369)</u>	<u>(6,647)</u>
Loss before income taxes	(874,912)	(1,193,182)
Income tax expense	<u>-</u>	<u>24,364</u>
Net loss	<u>\$ (874,912)</u>	<u>\$ (1,217,546)</u>
Per share data		
Basic and diluted	\$ (0.04)	\$ (0.06)
Weighted average number of common shares outstanding		
Basic and diluted	23,512,668	18,890,609