

# NEWS RELEASE



1101 East Arapaho Road  
Suite 200  
Richardson TX 75081 USA  
(972) 234-6400 main

## Financial Contact

Michael L. Paxton, VP, CFO  
972.301.3658, [mpaxton@intrusion.com](mailto:mpaxton@intrusion.com)

## **INTRUSION INC. REPORTS NET INCOME OF \$0.62 MILLION AND REVENUE OF \$2.7 MILLION IN THE THIRD QUARTER OF 2018**

**Richardson, Texas – November 12, 2018** – Intrusion Inc. (OTCQB: INTZ), (“Intrusion”) announced today financial results for the three and nine months ended September 30, 2018.

Intrusion’s net income was \$0.62 million in the third quarter 2018 compared to a net income of \$0.57 million in the third quarter 2017.

Intrusion’s revenue for the third quarter 2018 was \$2.7 million compared to \$1.7 million in the third quarter 2017.

Gross profit was \$1.7 million or 64 percent of revenue in the third quarter of 2018 compared to \$0.9 million or 56 percent of revenue in the third quarter 2017. The increase of gross profit percentage is primarily due to favorable margin on current project mix.

Intrusion’s third quarter 2018 operating expenses were \$1.0 million compared to \$1.3 million in the third quarter 2017.

As of September 30, 2018, Intrusion reported cash and cash equivalents of \$0.9 million, a working capital deficiency of \$0.4 million and debt of \$1.9 million.

“Orders booked in the third quarter 2018 totaled \$6.5 million which included \$5.5 million of new projects and \$1.0 million of continuing projects. The new project orders are expected to generate quarterly revenue of approximately \$1.4 million over the next four quarters. In addition, since October 1, 2018, orders booked from continuing projects totaled \$3.6 million,” stated G. Ward Paxton, President and CEO of Intrusion.

Intrusion's management will host its regularly scheduled quarterly conference call to discuss the Company's financial and operational progress at 4:00 P.M., CST today. Interested investors can access the call at 1-877-258-4925 (if outside the United States, 1-973-500-2152). For those unable to participate in the live conference call, a replay will be accessible beginning today at 7:00 P.M., CST until November 19, 2018 by calling 1-855-859-2056 (if outside the United States, 1-404-537-3406). At the replay prompt, enter conference identification number **8077575**. Additionally, a live and archived audio webcast of the conference call will be available at [www.intrusion.com](http://www.intrusion.com).

#### **About Intrusion Inc.**

Intrusion Inc. is a global provider of entity identification, high speed data mining, cybercrime and advanced persistent threat detection products. Intrusion's product families include TraceCop™ for identity discovery and disclosure, and Savant™ for network data mining and advanced persistent threat detection. Intrusion's products help protect critical information assets by quickly detecting, protecting, analyzing and reporting attacks or misuse of classified, private and regulated information for government and enterprise networks. For more information, please visit [www.intrusion.com](http://www.intrusion.com).

*This release may contain certain forward-looking statements, which reflect management's expectations regarding future events and operating performance and speak only as of the date hereof. These forward-looking statements involve a number of risks and uncertainties. Such statements include, without limitations, statements regarding future revenue growth and profitability, including significant expected future revenue from orders booked in fourth quarter of this year, forecasted future sales opportunities with potential new customers, the difficulties in forecasting future sales caused by current economic and market conditions, the effects of sales and implementation cycles for our products on our quarterly results and difficulties in accurately estimating market growth, the effect of military actions on government and corporate spending on information security products, spending patterns of, and appropriations to, U.S. government departments, as well as other statements. These statements are made under the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties which could cause actual results to differ materially from those in the forward-looking statements. The factors that could cause actual results to differ materially from expectations are detailed in the Company's most recent reports on Form 10-K and Form 10-Q, particularly under the heading "Risk Factors."*

**INTRUSION INC.**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands except par value amounts)

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 853	\$ 224
Accounts receivable	1,117	962
Inventories, net	—	15
Prepaid expenses	209	89
<b>Total current assets</b>	<u>2,179</u>	<u>1,290</u>
Property and equipment, net	290	124
Other assets	38	38
<b>TOTAL ASSETS</b>	<u><u>\$ 2,507</u></u>	<u><u>\$ 1,452</u></u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,367	\$ 1,182
Dividends payable	557	447
Obligations under capital lease, current portion	52	44
Deferred revenue	619	406
<b>Total current liabilities</b>	<u>2,595</u>	<u>2,079</u>
Loan payable to officer	1,815	2,865
Obligations under capital lease, noncurrent portion	47	17
<b>Stockholders' Deficit:</b>		
Preferred stock, \$.01 par value:		
Authorized shares – 5,000		
Series 1 shares issued and outstanding—200 in 2018 and 2017		
Liquidation preference of \$1,200 in 2018 and \$1,163 in 2017	707	707
Series 2 shares issued and outstanding—460 in 2018 and 2017		
Liquidation preference of \$1,371 in 2018 and \$1,328 in 2017	724	724
Series 3 shares issued and outstanding—289 in 2018 and 2017		
Liquidation preference of \$752 in 2018 and \$728 in 2017	412	412
Common stock, \$.01 par value:		
Authorized shares – 80,000		
Issued shares – 13,130 in 2018 and 12,808 in 2017		
Outstanding shares – 13,120 in 2018 and 12,798 in 2017	131	128
Common stock held in treasury, at cost – 10 shares	(362)	(362)
Additional paid-in capital	56,572	56,518
Accumulated deficit	(60,092)	(61,529)
Accumulated other comprehensive loss	(42)	(107)
<b>Total stockholders' deficit</b>	<u>(1,950)</u>	<u>(3,509)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<u><u>\$ 2,507</u></u>	<u><u>\$ 1,452</u></u>

**INTRUSION INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands except per share amounts)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenue	\$ 2,665	\$ 1,678	\$ 7,296	\$ 4,780
Cost of revenue	<u>967</u>	<u>736</u>	<u>2,744</u>	<u>1,951</u>
Gross profit	1,698	942	4,552	2,829
Operating expenses:				
Sales and marketing	466	394	1,311	1,169
Research and development	329	617	832	1,797
General and administrative	<u>243</u>	<u>242</u>	<u>828</u>	<u>855</u>
Operating income (loss)	660	(311)	1,581	(992)
Other Income	—	928	—	928
Interest expense, net	<u>(43)</u>	<u>(49)</u>	<u>(144)</u>	<u>(157)</u>
Net income (loss)	\$ 617	\$ 568	\$ 1,437	\$ (221)
Preferred stock dividends accrued	<u>(35)</u>	<u>(35)</u>	<u>(104)</u>	<u>(104)</u>
Net income (loss) attributable to common stockholders	<u>\$ 582</u>	<u>\$ 533</u>	<u>\$ 1,333</u>	<u>\$ (325)</u>
Net income (loss) per share attributable to common stockholders: Basic	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.10</u>	<u>\$ (0.03)</u>
Diluted	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.09</u>	<u>\$ (0.03)</u>
Weighted average common shares outstanding:				
Basic	<u>13,062</u>	<u>12,798</u>	<u>13,009</u>	<u>12,781</u>
Diluted	<u>14,955</u>	<u>14,076</u>	<u>14,901</u>	<u>12,781</u>