

# 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. ANNOUNCES FOURTH QUARTER AND ANNUAL RESULTS

**Richardson, Texas – February 13, 2012** – Intrusion Inc. (OTCBB: INTZ), (“Intrusion”) today announced financial results for the quarter and year ended December 31, 2011.

Intrusion’s financial results in the fourth quarter and year ended December 31, 2011 were adversely affected by the delays in Congress’s approval of the 2011 and 2012 federal budgets. The 2011 budget was not approved until April 2011 and approval of the 2012 budget slipped to the end of December 2011. Because of the budget delays, Intrusion experienced a reduction in revenue across the entire year which was the primary contributor to the net loss in the fourth quarter and year ended December 31, 2011.

Intrusion’s net loss in the fourth quarter 2011 was \$0.2 million, compared to a net loss of \$0.3 million for the fourth quarter 2010. Net loss for the year 2011 was \$0.9 million, compared to net income of \$0.2 million for 2010.

Revenue for the fourth quarter 2011 was \$1.4 million, compared to \$0.9 million for the fourth quarter 2010 and the third quarter 2011. Revenue for the year 2011 was \$5.3 million, compared to \$5.6 million in 2010.

Gross profit margin was 62% of revenue in the fourth quarter of 2011, compared to 61% of revenue in the fourth quarter 2010. For the year, the gross profit margin was 62%, compared to 63% in 2010.

Intrusion’s fourth quarter 2011 operating expenses were \$0.9 million, the same as in the fourth quarter 2010. For the year 2011, operating expenses were \$4.0 million, up from \$3.3 million in 2010.

As of December 31, 2011, Intrusion reported cash and cash equivalents of \$0.3 million, a working capital deficiency of \$0.2 million and debt of \$1.6 million.

“During the fourth quarter 2011, we booked \$1.2 million of orders covering six different projects. In addition, we have already booked \$1.0 million of orders since the beginning of 2012 - - a good start for the new year,” stated G. Ward Paxton, Chairman, 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 February 20, 2012 by calling 1-855-859-2056 (if outside the United States, 1-404-537-3406). At the replay prompt, enter conference identification number 51316232. 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 systems, high speed data mining, regulated information compliance, data leak prevention and data privacy protection, and network intrusion prevention and detection products. Intrusion's product families include TraceCop™ for entity identification, Savant™ for network data mining, Compliance Commander™ for regulated information compliance, data leak prevention and data privacy protection, and Intrusion SecureNet for network intrusion prevention and 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, 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)

	<u>December 31,</u> <b>2011</b>	<u>December 31,</u> <b>2010</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 308	\$ 540
Accounts receivable	480	222
Inventories, net	5	61
Prepaid expenses	90	23
<b>Total current assets</b>	<u>883</u>	<u>846</u>
Property and equipment, net	207	117
Other assets	40	39
<b>TOTAL ASSETS</b>	<u><u>\$ 1,130</u></u>	<u><u>\$ 1,002</u></u>
 <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 839	\$ 529
Dividends payable	123	22
Deferred revenue	97	983
<b>Total current liabilities</b>	<u>1,059</u>	<u>1,534</u>
Loan payable to officer	1,530	230
<b>Stockholders' Deficit:</b>		
Preferred stock, \$.01 par value:		
Authorized shares – 5,000		
Series 1 shares issued and outstanding – 220		
Liquidation preference of \$1,141 as of December 31, 2011	778	778
Series 2 shares issued and outstanding – 460		
Liquidation preference of \$1,198 as of December 31, 2011	724	724
Series 3 shares issued and outstanding – 354		
Liquidation preference of \$804 as of December 31, 2011	504	504
Common stock, \$.01 par value:		
Authorized shares – 80,000		
Issued shares – 11,952 in 2011 and 11,828 in 2010		
Outstanding shares – 11,942 in 2011 and 11,818 in 2010	119	118
Common stock held in treasury, at cost – 10 shares	(362)	(362)
Additional paid-in capital	55,686	55,570
Accumulated deficit	(58,801)	(57,868)
Accumulated other comprehensive loss	(107)	(226)
Total stockholders' deficit	<u>(1,459)</u>	<u>(762)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<u><u>\$ 1,130</u></u>	<u><u>\$ 1,002</u></u>

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

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenue	\$ 1,446	\$ 938	\$ 5,348	\$ 5,588
Cost of revenue	<u>551</u>	<u>364</u>	<u>2,057</u>	<u>2,060</u>
Gross profit	895	574	3,291	3,528
Operating expenses:				
Sales and marketing	291	281	1,383	921
Research and development	406	372	1,555	1,395
General and administrative	<u>233</u>	<u>214</u>	<u>1,102</u>	<u>992</u>
Operating income (loss)	(35)	(293)	(749)	220
Interest expense, net	(25)	(9)	(66)	(41)
Other income (expense)	<u>(118)</u>	<u>—</u>	<u>(118)</u>	<u>47</u>
Income (loss) before income taxes	(178)	(302)	(933)	226
Income tax provision	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net income (loss)	\$ (178)	\$ (302)	\$ (933)	\$ 226
Preferred stock dividends accrued	<u>(38)</u>	<u>(38)</u>	<u>(151)</u>	<u>(136)</u>
Net income (loss) attributable to common stockholders	<u>\$ (216)</u>	<u>\$ (340)</u>	<u>\$ (1,084)</u>	<u>\$ 90</u>
Net income (loss) per share attributable to common stockholders: Basic	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.09)</u>	<u>\$ 0.01</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.09)</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding:				
Basic	<u>11,942</u>	<u>11,798</u>	<u>11,877</u>	<u>11,745</u>
Diluted	<u>11,972</u>	<u>11,798</u>	<u>11,877</u>	<u>13,366</u>