



**FOR IMMEDIATE RELEASE**  
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**Sielox, Inc. Announces Financial Results for the First and Second  
Quarters Ended March 31, 2011 and June 30, 2011, respectively**  
**(\$ in thousands)**

Coppell, Texas – October 17, 2011 – Sielox, Inc. (OTC Markets Group: SLXN) reported its unaudited financial results for both the first and second quarters ended March 31, 2011 and June 30, 2011, respectively.

**Highlights**

- Revenue increased 24% year-over-year for the second quarter of 2011 and 20% for the first six months of 2011, net of video sales to Sielox, LLC.
- Sielox, Inc. posted a profit of \$71 for the second quarter of 2011.
- Sielox, Inc. secured a new three year \$3,500 credit facility with Briar Capital on September 23, 2011.

**Financial Results, Second Quarter of 2011 Compared to Second Quarter of 2010**

Revenue from continuing operations for the second quarter ended June 30, 2011 was \$4,359, as compared to \$2,954 for the same period in 2010. The increase was due in part to \$557 of video sales to Sielox, LLC, sold to the Sielox, LLC dealer base, which was eliminated in consolidation for the 2010 results. The remaining 24% increase was due to increased sales to our existing customer base. Total revenue from discontinued operations in the second quarter ended June 30, 2010 was \$1,846.

Gross profit for the three months ended June 30, 2011 totaled \$1,086. This compares to gross profit of \$782 for the three months ended June 30, 2010, an increase of 38.9%. Gross profit for the second quarter of 2010 excludes gross profit from discontinued operations of \$679.

Selling, general and administrative expenses for the three months ended June 30, 2011 totaled \$981. This compares to selling, general and administrative expenses of \$897 for the three months ended June 30, 2010, an increase of 9.4%. The \$84 increase was due to growth initiatives. Selling, general and administrative expenses for the three

months ended June 30, 2010 excludes selling, general and administrative expenses from discontinued operations of \$571.

Other income (expense) for the three months ended June 30, 2011 totaled \$(34). This compares to other income (expense) of \$(29) for the same period in 2010. For the three months ended June 30, 2011, interest expense was \$27, compared to interest expense of \$30 for the three months ended June 30, 2010.

Net profit for the second quarter of 2011 was approximately \$71, compared to a net loss for the same period in 2010 of \$(80). Profitability was attained primarily as a result of increased sales and gross margins for video products. Video gross margins improved from an unconsolidated 22.2% in the second quarter 2010 to 24.9% in the second quarter 2011. Part of the margin gains were due to the Company obtaining discounts for the prepayment of products, which helped support some of our supply partners who had difficulty securing parts due to the Japanese tsunami.

### **Financial Results, Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010**

Revenue from continuing operations for the six months ended June 30, 2011 totaled \$7,821, an increase of 39% compared to revenue of \$5,608 for the same period last year. Revenue for the six months ended June 30, 2010 excludes revenue from discontinued operations of \$3,284. Consolidation removed revenue from continuing operations for intercompany video sales to Sielox, LLC, sold to the Sielox, LLC dealer base. For the six months ended June 30, 2010, intercompany sales were \$883, compared to \$0 for the same period in 2011, which coincides with the December 31, 2010 sale of Sielox, LLC.

Gross profit for the six months ended June 30, 2011 totaled \$1,943. This compares to gross profit of \$1,429 for the six months ended June 30, 2010, an increase of 36.0%. Gross profit for the six months ended June 30, 2010 excludes gross profit from discontinued operations of \$1,257.

Selling, general and administrative expenses for the six months ended June 30, 2011 totaled \$2,016. This compares to selling, general and administrative expenses of \$1,895 for the six months ended June 30, 2010, an increase of 6.4%. The increase was due, in part, to growth initiatives. The Company also incurred \$73 in expenses related to its relocation from Carrollton, TX to Coppell, TX. Selling, general and administrative expenses for the six months ended June 30, 2010 excludes selling, general and administrative expenses from discontinued operations of \$1,137.

Other income (expense) for the six months ended June 30, 2011 totaled \$(42). This compares to other income (expense) of \$(60) for the six months ended June 30, 2010. For the six months ended June 30, 2011, interest expense was \$52, compared to interest expense of \$61 for the six months ended June 30, 2010.

Net loss for the six months ended June 30, 2011 was approximately \$(116), compared to a loss for the same period in 2010 of \$(493). The improved results were due to increases in sales to existing customers combined with first quarter sales to a new distributor added in the second quarter of 2010.

### **Financial Results, First Quarter of 2011 Compared to First Quarter of 2010**

Revenue from continuing operations for the first quarter ended March 31, 2011 was \$3,462, as compared to \$2,654 for the same period in 2010. The increase was due in part to \$326 of video sales to Sielox, LLC, sold to the Sielox, LLC dealer base, which was eliminated in consolidation for the 2010 results. Much of the remaining 16% increase was due to a new customer, a large distributor, obtained in the second quarter of 2010. Total revenue from discontinued operations in the first quarter ended March 31, 2010 was \$1,438.

Gross profit for the three months ended March 31, 2011 totaled \$857. This compares to gross profit of \$647 for the three months ended March 31, 2010, an increase of 32%. Gross profit for the first quarter of 2010 excludes gross profit from discontinued operations of \$578.

Selling, general and administrative expenses for the three months ended March 31, 2011 totaled \$1035. This compares to selling, general and administrative expenses of \$998 for the three months ended March 31, 2010, an increase of 4%. Selling, general and administrative expenses for the three months ended March 31, 2010 excludes selling, general and administrative expenses from discontinued operations of \$566.

Other income (expense) for the three months ended March 31, 2011 totaled \$(8). This compares to other income (expense) of \$(31) for the same period in 2010. For the three months ended March 31, 2011, interest expense was \$25, compared to interest expense of \$31 for the three months ended March 31, 2010.

Net loss for the first quarter of 2011 was approximately \$(187), compared to a net loss for the same period in 2010 of \$(413).

### **Briar Capital Credit Facility**

On September 23, 2011, the Company entered into a new three year \$3,500 credit facility with Briar Capital. Further information can be found in note 7 of the Company's second quarter 2011 financial statements.

James Pritchett, President and CEO of Sielox, Inc. stated, "We are encouraged by the Company's improving financial performance. Despite the difficult economic environment, we are executing well in 2011 and have cautious optimism for our near term opportunities." Mr. Pritchett added, "We are also pleased with the new facility with Briar Capital. While our new banking arrangement has moderately increased the Company's cost of capital, the three year maturity provides us with stability and the new

facility is less restrictive than our previous credit facility, enabling us to take advantage of strategic opportunities as and when they may arise.”

The Company’s outside independent accountants completed their analysis of the Company’s financial condition. The Independent Accountants Review Report, along with full financial statements and all required footnote disclosures, are on our website at [www.sieloxinc.com](http://www.sieloxinc.com).

### **About Sielox, Inc.**

Sielox, Inc. develops, designs and distributes a range of security solution products including surveillance cameras, lenses, digital video recorders and high-speed domes. The Company also develops, designs and distributes industrial vision products to observe repetitive production and assembly lines, thereby increasing efficiency by detecting faults in the production process. Founded in 1979 and headquartered in Coppell, Texas, Sielox, Inc.’s shares currently trade on the OTC Markets Group under the ticker symbol “SLXN”.

### **Cautionary Statement Regarding Forward Looking Statements**

This document contains forward-looking statements that involve risks and uncertainties, as well as assumptions, that if they never materialize or prove incorrect, could cause the results of the Company to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements generally are identified by the words “expects,” “anticipates,” “believes,” “intends,” “estimates,” “should,” “would,” “strategy,” “plan” and similar expressions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The risks, uncertainties and assumptions include developments in the marketplace for our products, competition, related products and services and general economic conditions, as well as other risks and uncertainties. Accordingly, we cannot give assurance that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of the Company.

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