

*For immediate release:*

## AXCESS INTERNATIONAL ANNOUNCES RECORD FOURTH QUARTER AND FULL YEAR 2005 RFID REVENUE

**Dallas – February 16, 2006** – AXCESS International Inc. (OTCBB: AXSI), a leading provider of Radio Frequency Identification (RFID) systems for the enterprise, today reported results for the fourth quarter and full year ended December 31, 2005.

### **Highlights for the Fourth Quarter and Full Year Ended December 31, 2005**

- Record Fourth Quarter and Annual RFID Revenues
- Reduced Net Loss
- Reduced Operating Expenses as a Percentage of Revenues
- Successfully Raised Additional Funding
- Added to RFID Intellectual Property Portfolio
- Monetized Video Patent Portfolio
- New Distribution Channel Partnerships
- Traction for Key Enterprise Market Applications: Enterprise Asset Management, Logistics Asset Management, Fleet Access Control, Personnel Tracking and Performance Measurement, and Automatic People Recognition Systems

“Our record fourth quarter and full year revenues can be attributed to the progress we are making in marketing and sales in response to the evolving demand for RFID solutions,” said Allan Griebenow, President and CEO of AXCESS. “During the year, we added to our distribution channel relationships, and executed on strategic sales initiatives to focus on applications and vertical markets furthest along in the adoption of RFID. The RFID market continued to recognize the unique features of our system and we built upon our well positioned base of intellectual property. We secured additional funding for the company and set the stage for growth in 2006.”

### **Sales Channel and New Customer Developments**

Early in the year, AXCESS teamed with GTSI® Corp. to market its unique RFID solutions to GTSI's government customers. The company is now working on specific government opportunities leveraged by contract purchasing vehicles GTSI has in place. AXCESS was selected by Sun Microsystems to join its Sun(SM) Partner Advantage Program and worked closely with Honeywell to close a key account sale in South America. The company received a number of orders through the growing relationship with Tyco. The portfolio of security integrators brought multiple sales through the PSA buying cooperative. Additional partner announcements are anticipated in '06 based on customer reference account wins in 2005.

The sales model was changed during the year for salesmen to be more directly involved in the sales process from feasibility and the initial design stage through installation. This will continue to be a focus in 2006. Announced customer wins in 2005 included Boyd Gaming, Bechtel, New York City's John F. Kennedy (JFK) International and LaGuardia airports, and the US Transportation Security Administration. Their applications emphasized the unique solutions AXCESS provides. Applications included asset protection, payload management, vehicle

access control, and safety, among others. Implementations yet to be announced include IT asset management, personnel attendance, personnel performance management, and customer recognition solutions. Reflecting a global market, international sales equaled approximately 27% of the 2005 revenue. Over 15% of revenue in the year came from growth at existing implementations representing the attractiveness of the business model.

### **RFID Market Evolution and Strategic Advantage**

Larger enterprises were seen adopting RFID for multiple business needs where the company feels it is uniquely qualified to deliver the best technical and economic solution. During the year, the industry began to focus on the benefits of “semi-active” RFID technology where tags only transmit on-demand, versus active (or constantly transmitting tags). AXCESS offers both but is unique in offering the most advanced semi-active solutions in the industry. Semi-active operation provides the lowest cost infrastructure for enterprise applications, more accurate location determination, improved system life, and perimeter security. AXCESS is unique in being able to provide this full complement of features required in the market.

The industry also has begun to focus on the benefits of the Company’s “hands-free” solution where hands-on labor is entirely eliminated. This concept of “zero human involvement operations” is a key element of the AXCESS solution. It will remain a key focus in '06 as labor-less solutions deliver the maximum economic value to the customer. AXCESS has recently begun to publish customer case studies to illustrate the return on investment and multitude of uses for its RFID solutions. These reports are “real world” examples of how enterprise users have increased productivity and security while reducing their costs by utilizing the unique capabilities of the AXCESS system. The company believes the return on investment (ROI) for RFID implementations, like most emerging technologies, needs to be demonstrated in order to stimulate wide spread and sustainable demand. AXCESS is driving this process and using it to demonstrate the superiority of its systems and to be a catalyst for improved adoption.

The RFID industry as a whole is still viewed as being early in the adoption curve. The company believes that cost and functionality will be the leading drivers of mass utilization of enterprise applications, both of which are the primary focus of AXCESS’ engineering and development. The ActiveTag™ technology platform is designed to deliver solutions that go far beyond the limitations of passive tagging systems being implemented at the consumer retail level. Its next generation tag development initiative is designed to extend the Company’s advantage in enterprise tagging. To this end, AXCESS continues to support the development of its intellectual property through patent filings.

### **Marketing**

By the end of the 2005, AXCESS made progress on a number of marketing initiatives intended to add focus for 2006 as the market continues to mature. Its domain expertise was represented in sales for enterprise asset management for IT assets such as laptops, for automating tool cribs in manufacturing, and for casino key protection in the gaming industry. Sales success in logistics asset management was demonstrated with closed loop, re-usable containers. The company expects its expertise in access control, data collection and enterprise integration to facilitate growth in fleet vehicle management. Additional growth is expected to come in automatic personnel attendance and productivity measurement, as well as other personnel tracking applications.

### **Financing**

In December 2005, AXCESS closed on a raise of \$813,021 through a preferred stock offering of 956,495 shares bearing no dividends and 956,495 warrants to purchase the Company’s common stock exercisable for five years at \$1.50 per share. The Company was pleased to have received a large portion of this funding from its largest shareholder group including

Amphion Innovations plc (AMP.L), a company which creates, operates, and finances technology companies and continues to support AXCESS and its progress.

## **Financial Results**

AXCESS achieved a record level of RFID revenue in the fourth quarter. RFID revenue was \$417,751 for the three months ended December 31, 2005, an increase of 177% from \$151,080 in the fourth quarter of 2004 and up 139% from \$174,899 in the third quarter of 2005. RFID revenue increased to a record \$986,377 for the twelve months ended December 31, 2005, an increase of 28% from \$772,475 in 2004. The increase in revenue in the quarter and on an annual basis is due to the Company gaining traction in the active RFID market and continued improvement in technology and customer system implementation.

Gross margin was 32%, or \$135,528, in the fourth quarter 2005 as compared to 50%, or \$88,767, in the fourth quarter of 2004. For the full year 2005, gross margin was 40%, or \$430,525, compared with 50%, or \$457,476 in 2004. The gross profit in dollars and as a percentage of revenue was negatively affected in the 2005 periods due to a \$55,557 charge for inventory impairment mainly relating to our video products and the shift of focus to the RFID product line. Gross margin for the RFID product line for the full year 2005 was \$414,191 or 42%.

Research & development (R&D) expenses for the fourth quarter totaled \$366,107, compared to \$189,594 in the year-ago period. As a percentage of revenue, R&D expenses declined to 86% in the fourth quarter of 2005 from 107% in the same quarter of 2004. R&D expenses for the year totaled \$935,248 as compared to \$718,278 in 2004. On a year-over-year basis, the dollar increase in R&D is due to the Company's strategy to develop enhanced technologies to support system applications and a focused progression toward our next generation RFID products.

Selling, marketing, general & administrative (S, M, G & A) expenses for the fourth quarter totaled \$519,094, a decrease of 11% as compared to \$580,188 in the prior year period. S, M, G & A expenses for 2005 increased to \$2,334,229, compared to \$2,356,260 in 2004. Management was successful in reducing costs in the fourth quarter as well as for the full year, although spending on sales and marketing activities increased by 16% while general and administrative costs declined by 10% on a year-over-year basis.

Net loss for 2005 was reduced 5% to \$3,256,054 from \$3,416,552.

Recurring Preferred stock dividend requirements for the fourth quarter of both fiscal 2005 and 2004 were \$81,735. For the twelve month period, preferred stock dividend requirements including concessions for fund raising events during 2005 were \$3,198,581. Preferred stock dividend requirements for 2004 were \$299,481.

Net loss applicable to common stock for the 2005 fourth quarter was \$1,682,253, or \$0.06 per share, compared to a loss of \$723,087, or \$0.03 per share, for the fourth quarter of 2004. Net loss applicable to common stock was \$6,454,635, or \$0.24 per share, for 2005, compared to a loss of \$3,716,035, or \$0.16 per share, in 2004. The difference in loss in the current year from the prior year is primarily attributable to the preferred stock dividend requirements and related fund raising expenses.

## **2005 Technology and Solutions Developments**

During the year, the Company announced a number of new capabilities associated with its patented battery-powered RFID long-range wireless tagging technology.

In the first quarter of 2005, AXCESS introduced FleetTag™ into its ActiveTag product line, which was developed as a logical extension to the Company's success in tagging vehicles for government, public utilities and commercial fleets. FleetTag is being marketed to the \$490+

billion trucking industry to resolve the intrinsic challenges faced by fleet operators managing their vehicle assets.

ActiveTag is a platform which the Company believes will drive the industry's next generation of products and commercial applications. AXCESS introduced a portable RFID reader to its ActiveTag product line. The reader interrogates battery-powered "active" tags providing walk-around automatic electronic inventory of assets, personnel, patients, and vehicles. This platform addresses needs across a variety of vertical markets.

Late in the year, the Company introduced Asset Activator™, which successfully integrates 812.11b/g Wi-Fi, Active and Semi-Active RFID to automatically inventory, track and protect assets over the existing wireless LAN. This marks the first solution to utilize the highly accurate "On-Demand" RFID tag activation methodology with Wi-Fi, paving the way for lower costs and simplified installation of an automatic management system in the enterprise.

"The general awareness of RFID in the marketplace continued to pick up momentum during the year as a result of the initiatives at Wal-Mart, Target and others, as well as our own marketing activities", commented Mr. Griebenow. "From enterprise receiving bays, logistics, and operations, to the Department of Defense, airport terminals, education, and hospitals, RFID solutions are becoming increasingly pervasive. The applications are expanding as RFID functionality is enabling the enterprise. We believe AXCESS is empowering the next wave of productivity and ROI improvements in the RFID marketplace and, as such, will be a significant beneficiary of the industry's growth."

### **Conference Call**

In conjunction with the fourth quarter and full year 2005 earnings release, AXCESS invites you to listen to its conference call today, February 16, 2006, at 11:00 a.m. (Eastern). To participate in the call domestic callers can dial (866) 277-1181 and international callers can dial (617) 597-5358 and enter the reservation code "59588249". Participants should dial into the call about 10 minutes prior to the start time.

For those unable to attend the live conference call, a replay will be available by dialing (888) 286-8010 for domestic callers and (617) 801-6888 for international callers and entering the replay code "44765132". The replay will be available from approximately one hour after the end of the call until 11:59 p.m. (Eastern), on February 23, 2006. There is no charge for participants to access the live event or replay. The conference call and replay dial in information is also available at AXCESS' website at [www.axcessinc.com](http://www.axcessinc.com).

### **About AXCESS International Inc.**

AXCESS International Inc. (OTCBB:AXSI), headquartered in greater Dallas, TX, provides Active and Semi-Active RFID (radio frequency identification) systems for asset management, physical security and supply chain efficiencies. The battery-powered (active) RFID tags locate, identify, track, monitor, count, and protect people, assets, inventory, and vehicles. AXCESS' RFID solutions are supported by its integrated network-based, streaming digital video (or IPTV) technology. Both patented technologies enable applications including: automatic "hands-free" personnel access control, automatic vehicle access control, automatic asset management, and sensor management. AXCESS is a portfolio company of Amphion Innovations PLC.

Media Contact – AXCESS  
Stephanie Collins  
972-250-5981  
[scollins@AXCESSinc.com](mailto:scollins@AXCESSinc.com)

Investor Relations – Darrow Associates  
Jordan Darrow  
631-367-1866  
[jdarrow@optonline.net](mailto:jdarrow@optonline.net)

This release contains forward-looking statements as defined in Section 21E of the Securities Exchange Act of 1934, including statements about future business operations, financial performance and market conditions. Such forward-looking statements involve risks and uncertainties inherent in business forecasts.

Source: AXCESS International, Inc.

**ACCESS INTERNATIONAL INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 236,869	\$ 461,101
Accounts receivable - trade, net of allowance for doubtful accounts of \$17,389 and \$8,859, respectively.	141,200	79,965
Inventory, net	112,270	144,714
Prepaid expenses and other	<u>72,628</u>	<u>97,164</u>
Total current assets	562,967	782,944
Property, plant and equipment, net	29,387	49,395
Intellectual property, net	—	133
Deferred debt issuance costs	337,926	506,889
Other assets	<u>2,699</u>	<u>3,906</u>
Total assets	<u>\$ 932,979</u>	<u>\$ 1,343,267</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 252,155	\$ 490,100
Accrued liabilities	959,149	789,589
Notes payable:		
Convertible notes payable (includes \$80,000 and \$66,667 with related in 2005 and 2004, respectively)	396,666	483,333
Discounts on convertible debt	(5,520 )	(289,482 )
Dividends payable	<u>208,780</u>	<u>316,062</u>
Total current liabilities	1,811,230	1,789,602
Notes payable to stockholders	3,709,071	3,932,092
Convertible notes payable (includes \$13,333 with related party in 2004)	—	236,667
Discount on convertible debt	<u>—</u>	<u>(34,084 )</u>
Total liabilities	5,520,301	5,924,277
Commitments and contingencies		
Stockholders' deficit:		
Convertible preferred stock, 7,000,000 shares authorized		
With liquidation preference; no shares issued and outstanding in 2005 and 2004, respectively;	—	—
Without liquidation preference; \$0.01 par value, 3,371,495 and 2,415,000 shares issued and outstanding in 2005 and 2004, respectively	33,715	24,150
Common stock, \$0.01 par value, 50,000,000 shares authorized in 2005 and 2004; 27,437,111 shares issued and outstanding in 2005 and 24,720,939 shares issued and outstanding in 2004	274,371	247,209
Shares of common stock to be issued, 5,333 shares in 2005	53	—
Non-voting convertible common stock, \$0.01 par value, 2,250,000 shares authorized; no shares issued and outstanding in 2005 or 2004	—	—
Additional paid-in capital	153,436,725	149,898,600
Accumulated deficit	<u>(158,332,186 )</u>	<u>(154,750,969 )</u>
Total stockholders' deficit	<u>(4,587,322 )</u>	<u>(4,581,010 )</u>
Total liabilities and stockholders' deficit	<u>\$ 932,979</u>	<u>\$ 1,343,267</u>

**ACCESS INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF OPERATION**  
(Unaudited)

	<u>2005</u>	<u>2004</u>
Sales	\$ 1,080,240	\$ 911,565
Cost of sales	594,158	439,215
Inventory impairment	<u>55,557</u>	<u>14,874</u>
Gross profit	430,525	457,476
Expenses:		
Research and development	935,248	718,278
General and administrative	1,373,980	1,528,937
Selling and marketing	960,249	827,323
Depreciation, amortization and impairment	<u>27,631</u>	<u>202,394</u>
Operating expenses	<u>3,297,108</u>	<u>3,276,932</u>
Loss from operations	(2,866,583 )	(2,819,456 )
Other income (expense):		
Interest expense	(715,895 )	(781,434 )
Gain on vendor settlements	10,000	177,787
Other	<u>316,424</u>	<u>6,549</u>
Other expense, net	(389,471 )	(597,098 )
Net loss	(3,256,054 )	(3,416,554 )
Preferred stock dividend requirements		
Recurring	(325,163 )	(299,481 )
Warrant inducement	(2,060,397 )	—
2005 Preferred equity offering	<u>(813,021 )</u>	<u>—</u>
Preferred stock dividend requirements	<u>(3,198,581 )</u>	<u>(299,481 )</u>
Net loss applicable to common stock	\$ <u>(6,454,635 )</u>	\$ <u>(3,716,035 )</u>
Basic and diluted net loss per share	\$ <u>(0.24 )</u>	\$ <u>(0.16 )</u>
Weighted average shares of common stock outstanding	<u>26,850,272</u>	<u>23,848,676</u>