



**FOR IMMEDIATE RELEASE**  
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**SIELOX REPORTS SECOND QUARTER SALES GROWTH OF 82.5%  
AND SIGNIFICANT IMPROVEMENT IN FINANCIAL PERFORMANCE**

Runnemede, NJ, August 16, 2008 – Sielox, Inc. (OTC: SLXN), a developer, designer and distributor of security solution and industrial vision products, announced today its results for the second quarter and six month periods ended June 30, 2008. Total revenue reached \$7.3 million for the second quarter and \$13.9 million for the first six months of 2008, representing increases of 82.5% and 69.5%, respectively, when compared to the same periods in 2007. Operating income for the second quarter improved year-over-year by \$212 thousand to \$12 thousand. The Company's net loss for the second quarter improved year-over-year by \$162 thousand to \$(10) thousand.

Sam Cassetta, Chief Executive Officer of Sielox, stated, "I'm pleased to report significant improvement in Sielox's financial progress in the second quarter in which the addition of new products, an aggressive sales strategy and an improved sales force began yielding results. Sielox's innovative products and world-class support and service have made the Company the vendor of choice for several Fortune 500 companies who seek to invest in store security and surveillance."

He added, "The integration of Sielox's two divisions, Costar Video Systems and Sielox LLC, has generated cost efficiencies and synergies in sales to dealer clients. The Company anticipates further improvements in revenue growth as we launch new products and technologies for the security industry."

Sielox, Inc. develops designs and distributes a wide range of security solution products such as surveillance cameras, lenses, digital video recorders, high speed domes and access control systems. 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 1986 and headquartered in Runnemede, NJ, Sielox's shares trade on the OTC market under the ticker symbol "SLXN".

A complete copy of the Company's Form 10-Q for the quarterly period ended June 30, 2008 can be downloaded at [www.Sielox.com](http://www.Sielox.com) (click on the Company Information link, then click on the Investor Relations link) or at the SEC's web site at [www.sec.gov](http://www.sec.gov).

This release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You can identify forward-looking statements by the use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume" and other similar expressions which predict or indicate future events and trends and which do not relate to historical matters. You should not rely on forward-looking statements, because they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. Our actual results could differ materially from those set forth in the forward-looking statements.

Forward-looking statements herein are based on information, plans and estimates at the date of this release, and we do not promise to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

**SIELOX, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(\$ in thousands)

|  | <u>June 30, 2008</u><br><u>(unaudited)</u> | <u>December 31, 2007</u><br><u>( audited)</u> |
|--|--|---|
| <b>ASSETS</b>  |  |   |
| Current assets:  |  |   |
| Cash and cash equivalents  | \$ 716                                     | \$ 1,422                                      |
| Short-term Investments   | 405  | 889   |
| Accounts receivable, net of allowance for doubtful<br>accounts of \$40 and \$25 in 2008 and 2007, respectively | 4,290                                      | 3,920   |
| Inventory, net of reserve for obsolescence of \$201 and \$194 in<br>2008 and 2007, respectively                | 5,694                                      | 7,005   |
| Prepaid expenses   | 401  | 484   |
| <b>Total current assets</b>  | <b>11,506</b>                              | <b>13,720</b>                                 |
| Fixed assets, net  | 292  | 354   |
| Goodwill   | 1,229                                      | 1,229   |
| Trade Name - Costar  | 1,587                                      | 1,587   |
| Trademark – Sielox, LLC  | 300  | 300   |
| Distribution agreement, net  | 1,321                                      | 1,358   |
| Customer relationships, net  | 1,066                                      | 1,198   |
| Proprietary technology, net  | 443  | 474   |
| Long-term prepaid expenses   | 361  | 347   |
| Deposits   | 66   | 67  |
| <b>Total assets</b>  | <b>\$ 18,171</b>                           | <b>\$ 20,634</b>                              |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |  |   |
| Current liabilities:   |  |   |
| Accounts payable   | \$ 2,401                                   | \$ 3,664                                      |
| Accrued expenses and other   | 363  | 527   |
| Contingent purchase price, current portion   | 700  | 700   |
| Line of credit   | 1,808                                      | 1,761   |
| <b>Total current liabilities</b>   | <b>5,272</b>                               | <b>6,652</b>                                  |
| Long term liability, contingent purchase price   | 349  | 983   |
| <b>Total liabilities</b>   | <b>5,621</b>                               | <b>7,635</b>                                  |
| Commitments and Contingencies  |  |   |
| Stockholders' equity:  |  |   |
| Common stock, \$0.001 par value; 90,000,000 shares<br>authorized; 42,016,924 shares issued and outstanding.    | 42   | 42  |
| Additional paid-in capital   | 155,788                                    | 155,774                                       |
| Accumulated other comprehensive income   | 260  | 260   |
| Accumulated deficit  | (139,070)                                  | (138,607)                                     |
|  | 17,020                                     | 17,469  |
| Less: Common stock held in treasury, at cost; 6,116,241<br>shares at June 30, 2008 and December 31, 2007       | (4,470)                                    | (4,470)                                       |
| <b>Total stockholders' equity</b>  | <b>12,550</b>                              | <b>12,999</b>                                 |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 18,171</b>                           | <b>\$ 20,634</b>                              |

**SIELOX, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(\$ in thousands, unaudited)

|   | <b>Three Months Ended</b> |                  | <b>Six Months Ended</b> |                  |
|---|---------------------------|------------------|-------------------------|------------------|
|   | <b>June 30,</b>           |                  | <b>June 30,</b>         |                  |
|   | <b>2008</b>               | <b>2007</b>      | <b>2008</b>             | <b>2007</b>      |
| Net revenues  | \$ 7,311                  | \$ 3,975         | \$ 13,895               | \$ 8,183         |
| Cost of revenues                                      | <u>5,126</u>              | <u>3,122</u>     | <u>9,917</u>            | <u>6,450</u>     |
| Gross profit  | 2,185                     | 853              | 3,978                   | 1,733            |
| Selling, general and administrative expenses          | <u>2,173</u>              | <u>1,053</u>     | <u>4,403</u>            | <u>1,987</u>     |
| Income / (Loss) from Operations                       | 12                        | (200)            | (425)                   | (254)            |
| Other Income (expense)                                |                           |                  |                         |                  |
| Interest income                                       | 9                         | 47               | 25                      | 82               |
| Interest expense                                      | <u>(31)</u>               | <u>(19)</u>      | <u>(63)</u>             | <u>(31)</u>      |
| Total other income (expense), net                     | <u>(22)</u>               | <u>28</u>        | <u>(38)</u>             | <u>51</u>        |
| Net Income / (Loss)                                   | <u>\$ (10)</u>            | <u>\$ (172)</u>  | <u>\$ (463)</u>         | <u>\$ (203)</u>  |
| Net loss per share:                                   |                           |                  |                         |                  |
| Basic   | <u>\$ -</u>               | <u>\$ (0.01)</u> | <u>\$ (0.01)</u>        | <u>\$ (0.01)</u> |
| Diluted   | <u>\$ -</u>               | <u>\$ (0.01)</u> | <u>\$ (0.01)</u>        | <u>\$ (0.01)</u> |
| Weighted average number of common shares outstanding: |                           |                  |                         |                  |
| Basic and diluted                                     | <u>35,982</u>             | <u>23,692</u>    | <u>35,982</u>           | <u>23,692</u>    |

**SIELOX, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(\$ in thousands; unaudited)

|  | <b>Six Months Ended<br/>June 30</b> |             |
|--|-------------------------------------|-------------|
|  | <b>2008</b>                         | <b>2007</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                               |                                     |             |
| Net Loss   | \$ (463)                            | \$ (203)    |
| Adjustments to reconcile net loss to net cash used in operating activities |                                     |             |
| Stock based compensation   | 14                                  |             |
| Depreciation and amortization  | 287                                 | 192         |
| Provision for doubtful accounts  | 14                                  | (1)         |
| Change in cash attributable to changes in operating assets and liabilities |                                     |             |
| Accounts receivable, net   | (384)                               | (325)       |
| Inventories, net   | 1,311                               | (535)       |
| Prepaid expense  | 83                                  | (1)         |
| Long term prepaid expenses   | (14)                                | 119         |
| Accounts payable   | (1,263)                             | 99          |
| Accrued expense and other current liabilities                              | (164)                               | 31          |
| Net cash used in operating activities                                      | (579)                               | (624)       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                               |                                     |             |
| Proceeds from sale of short term investments                               | 484                                 |             |
| Purchase of fixed assets   | (25)                                | (60)        |
| Payment of earn out provision related to Southern Imaging                  | (634)                               | (542)       |
| Net cash used in investing activities                                      | (175)                               | (602)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                               |                                     |             |
| Proceeds from line of credit   | 47                                  | 399         |
| Deposits   | 1                                   |             |
| Net cash provided by financing activities                                  | 48                                  | 399         |
| NET DECREASE IN CASH AND CASH EQUIVALENTS                                  | (706)                               | (827)       |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD                             | 1,422                               | 2,938       |
| CASH AND CASH EQUIVALENTS, END OF PERIOD                                   | \$ 716                              | \$ 2,111    |
| <b>SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION:</b>                      |                                     |             |
| Cash paid for interest   | \$ 39                               | \$ 33       |