

March 31, 2017



Duos Technologies Group Reports 2016 Results

Fourth Quarter Revenue Growth of 15% to \$2.1 Million from \$1.8 Million in Fourth Quarter 2015

JACKSONVILLE, FL -- (Marketwired) -- 03/31/17 -- Duos Technologies Group (OTCQB: DUOT), ("Duos" or the "Company"), a provider of intelligent security analytical technology solutions, today reported financial and operating results for the year ended December 31, 2016.

The Company completed its first full year of operations since the combined merger in early 2015.

Key Business Highlights for Full Year 2016:

- Successfully implemented a \$1.2 million rail inspection portal for Ferrocarril Mexicano (Ferromex)
- Strengthened its high resolution train imaging system for security and mechanical inspection strategies
- Delivering against IT infrastructure service project of over \$1 million
- Completed software deployment for a major independent oil and gas company

Key Financial Highlights for Full Year 2016:

- Revenues of \$6.1 million
- Revenues of \$2.1 million in the fourth quarter of 2016, representing 15% growth over 2015
- Gross margins continue to be above 50%
- Reduced operating loss throughout the year to near breakeven in the fourth quarter
- Secured new financing to support growth

Gianni Arcaini, Chairman and Chief Executive Officer of Duos Technologies Group, Inc. commented, "We finished the year strong as evident by the revenue growth in the fourth quarter. Our team has been successful in refining and improving our security and analytical technologies to address much needed demand of such solutions in the marketplace. We are well positioned to enter the next phase of evolution as we prepare to uplist our common stock to a national exchange."

Financial Results for the Year Ended December 31, 2016:

Revenue was \$6.1 million for the twelve months ended December 31, 2016, a 10% decrease from \$6.8 million for the twelve months ended December 31, 2015. The decrease was primarily due to the cancellation of a one-off \$2.4 million project with one of the Company's large customers. The cancellation was due to a withdrawal of funding in

conjunction with the federal government. Excluding this one-time project loss, there was revenue growth by new projects within the Company's main business focus and an approximate 27% growth in IT asset management services.

Gross profit was \$3.4 million for the twelve months ended December 31, 2016, a 6% decrease from \$3.6 million for the twelve months ended December 31, 2015. Improved gross margins in the project business and lower costs overall in the maintenance and technical support areas resulted in an increase in gross profit margin as a percentage of revenue.

Operating loss for the twelve months ended December 31, 2016 was \$1.7 million, an improvement of \$0.5 million from a \$2.2 million operating loss for the twelve months ended December 31, 2015.

Net loss for the twelve months ended December 31, 2016 was \$2.6 million, an increase of \$0.3 million from a \$2.3 million net loss for the twelve months ended December 31, 2015. This increase was due to a one time Other Income gain of \$0.9 million in 2015.

At December 31, 2016, Duos had \$0.2 million of cash and cash equivalents and approximately 66 million shares issued and outstanding.

Of note, the Company came close to breakeven during the fourth quarter despite the added investment in resources as a prelude to anticipated growth in 2017.

Duos Technologies Group, Inc.

Duos Technologies Group, Inc. (OTCQB: DUOT), based in Jacksonville, FL, provides intelligent security analytical technology solutions with a strong portfolio of intellectual property. The Company's core competencies include advanced intelligent technologies that are delivered through its proprietary integrated enterprise command and control platform, Centraco™. The Company provides its broad range of technology solutions with an emphasis on mission critical security, inspection and operations within the rail, utilities, petrochemical, healthcare, and hospitality sectors.

For more information, visit: <http://www.duostech.com>.

Forward-Looking Statements

This press release contains forward-looking statements that involve substantial uncertainties and risks. These forward-looking statements are based upon our current expectations, estimates and projections and reflect our beliefs and assumptions based upon information available to us at the date of this release. We caution readers that forward-looking statements are predictions based on our current expectations about future events. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Our actual results, performance or achievements could differ materially from those expressed or implied by the forward-looking statements as a result of a number of factors, including but not limited to, our expectations as to continued revenues growth and profitability in 2016 and beyond, our ability to raise working capital to further grow our business and the impact thereon of the going concern qualification in our auditors report for 2016, our business environment and

industry trends, competitive environment, the sufficiency and availability of working capital, general changes in economic conditions and other risks and uncertainties described in our filings with the Securities and Exchange Commission, including our Annual Report Form 10-K for the year ended December 31, 2016. Any forward-looking statement made by us herein speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to revise or update any forward-looking statement for any reason.

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 174,376	\$ 140,129
Accounts receivable	256,989	452,235
Costs and estimated earnings in excess of billings on uncompleted contracts	476,673	421,116
Prepaid expenses and other current assets	<u>135,964</u>	<u>165,095</u>
Total Current Assets	<u>1,044,002</u>	<u>1,178,575</u>
Property and equipment, net	66,491	72,544
OTHER ASSETS:		
Patents and trademarks, net	<u>51,423</u>	<u>57,006</u>
Total Other Assets	<u>51,423</u>	<u>57,006</u>
TOTAL ASSETS	<u><u>\$ 1,161,916</u></u>	<u><u>\$ 1,308,125</u></u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$ 842,787	\$ 1,014,711
Accounts payable - related parties	40,136	30,070
Commercial insurance/office equipment financing	46,368	44,024
Notes payable - related parties	577,716	486,964
Notes payable	87,210	196,608
Convertible notes payable, including premiums	193,950	193,950
Warrant derivative liability	793,099	-
Line of credit	38,019	40,216
Payroll taxes payable	444,476	296,215
Accrued expenses	1,218,105	1,002,820
Billings in excess of costs and estimated earnings on uncompleted contracts	219,625	303,064
Deferred revenue	675,171	908,206
Contingent lawsuit payable	<u>-</u>	<u>550,000</u>
Total Current Liabilities	<u>5,176,662</u>	<u>5,066,848</u>
Notes payable, net of discounts	<u>1,206,522</u>	<u>-</u>
Total Liabilities	<u>6,383,184</u>	<u>5,066,848</u>
Series A redeemable convertible cumulative preferred stock, \$10 stated value per share, 500,000 shares designated, 29,600 shares issued and outstanding at December 31, 2016 (\$301,920 liquidation value)	 301,920	 -
Commitments and Contingencies (Note 10)		
STOCKHOLDERS' DEFICIT:		

Preferred stock, \$0.001 par value, 10,000,000 authorized, 9,500,000 available to be issued	-	-
Common stock: \$0.001 par value; 500,000,000 shares authorized 66,220,698 and 64,777,621 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively	66,221	64,778
Additional paid-in capital	18,077,300	17,127,675
Total paid-in-capital	<u>18,143,521</u>	<u>17,192,453</u>
Accumulated deficit	<u>(23,518,709)</u>	<u>(20,951,176)</u>
Sub-total	(5,375,188)	(3,758,723)
Less: Treasury stock (114,793 shares of common stock)	(148,000)	-
Total Stockholders' Deficit	<u>(5,523,188)</u>	<u>(3,758,723)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 1,161,916</u>	<u>\$ 1,308,125</u>

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	December 31,	
	2016	2015
REVENUES:		
Project	\$ 3,200,182	\$ 3,758,653
Maintenance and technical support	2,230,633	2,481,183
IT asset management services	674,078	527,927
Total Revenues	<u>6,104,893</u>	<u>6,767,763</u>
COST OF REVENUES:		
Project	1,580,665	2,051,969
Maintenance and technical support	785,872	958,995
IT asset management services	365,914	185,212
Total Cost of Revenues	<u>2,732,451</u>	<u>3,196,176</u>
GROSS PROFIT	<u>3,372,442</u>	<u>3,571,587</u>
OPERATING EXPENSES:		
Selling and marketing expenses	278,264	254,083
Salaries, wages and contract labor	3,370,191	2,586,735
Research and development	271,950	216,806
Professional fees	306,458	256,111
General and administrative expenses	889,685	906,344
Impairment loss on intangible assets and goodwill acquired	-	1,578,816
Total Operating Expenses	<u>5,116,548</u>	<u>5,798,895</u>
LOSS FROM OPERATIONS	<u>(1,744,106)</u>	<u>(2,227,308)</u>
OTHER INCOME (EXPENSES):		
Interest Expense	(561,174)	(744,343)
Loss on settlement of debt	-	(216,271)
Warrant derivative gain (loss)	(264,099)	-
Other income, net	7,766	861,973
Total Other Income (Expense)	<u>(817,507)</u>	<u>(98,641)</u>
NET LOSS	<u>(2,561,613)</u>	<u>(2,325,950)</u>
Series A preferred stock dividends	<u>(5,920)</u>	<u>-</u>
Net loss applicable to common stock	<u>\$ (2,567,533)</u>	<u>\$ (2,325,950)</u>
NET LOSS APPLICABLE TO COMMON STOCK PER COMMON SHARE:		
Basic & Diluted	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic & Diluted	<u>65,925,944</u>	<u>61,250,974</u>

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2016	2015
Cash from operating activities:		
Net loss	\$ (2,561,613)	\$ (2,325,950)
Adjustments to reconcile net loss to net cash used in operating activities:		

Depreciation and amortization	47,051	44,411
Gain on settlement of accounts payable/note conversion	-	(27,194)
Stock and warrants issued for services	90,036	58,775
Amortization of debt discounts	243,427	-
Loss on settlement of debt	-	243,465
Amortization of stock based prepaid consulting fees	351,100	41,126
Loss related to warrants exchanged for stock	630	3,082
Impairment loss	-	1,578,816
Warrant derivative loss	264,099	-
Changes in assets and liabilities:		
Accounts receivable	195,246	(134,301)
Costs and estimated earnings on uncompleted contracts	(55,557)	(202,807)
Prepaid expenses and other current assets	252,282	(35,526)
Accounts payable	(221,379)	(657,920)
Accounts payable-related party	10,066	(23,052)
Payroll taxes payable	148,261	(303,966)
Accrued expenses	262,535	294,117
Contingent lawsuit liability	(550,000)	(861,650)
Billings in excess of costs and earnings on uncompleted contracts	(83,439)	149,281
Deferred revenue	(233,035)	42,812

Net cash used in operating activities (1,840,290) (2,116,481)

Cash flows from investing activities:		
Cash acquired in acquisition	-	1,346
Purchase of patents/trademarks	(70)	(10,420)
Purchase of fixed assets	(35,345)	(66,162)

Net cash used in investing activities (35,415) (75,236)

Cash flows from financing activities:		
Proceeds from issuance of series A preferred stock	296,000	-
Proceeds from borrowings under convertible notes and other debt	-	1,730,772
Proceeds from bank line of credit	-	40,216
Repurchase common stock	(148,000)	-
Proceeds from related party notes	221,570	464,464
Repayments of related party notes	(130,818)	-
Proceeds (repayments) of insurance and equipment financing	(220,800)	10,959
Repayments of notes payable	(155,000)	-
Proceeds of notes payable, net of \$358,263 cash fees	2,047,000	-

Net cash (used in) provided by financing activities 1,909,952 2,246,411

Net decrease in cash 34,247 54,694

Cash, beginning of period 140,129 85,435

Cash, end of period 174,376 140,129

Supplemental Disclosure of Cash Flow Information:

Interest paid	\$ 245,134	\$ 59,398
Taxes paid	\$ 10,149	\$ 3,136

Supplemental Non-Cash Investing and Financing Activities:

Common stock issued upon conversion of convertible debt	\$ -	\$ 2,258,071
Common stock issued for prepaid consulting services	\$ 351,100	\$ -
Common stock issued to settle notes payable and accrued interest		\$ 610,802
Common stock issued to settle accounts payable	\$ -	\$ 16,800
Common stock issued for accrued salary	\$ -	\$ 56,482
Reclassification of put premium liability on convertible notes to paid-in capital	\$ -	\$ 111,058
Increase in debt discount and paid-in capital for warrants issued with debt	\$ 791,303	\$ 30,722
Note issued for financing of insurance premiums	\$ 223,154	\$ -
Accrued dividends	\$ 5,920	\$ -

Liabilities assumed in share exchange	\$ -	\$ 1,186,234
Less: assets acquired in share exchange	-	(1,347)
Net liabilities assumed	-	1,184,887
Fair value of shares exchanged	-	393,929

Increase intangible assets

\$	-	\$	1,578,816
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