

Information Analysis Inc. Reports New Contracts in the Third Quarter

FAIRFAX, VA -- (Marketwired) -- 11/12/14 -- Information Analysis Inc. (OTCBB: IAIC) today reported results for its third fiscal quarter ended September 30, 2014. Revenues were \$1,357,000 compared to \$3,218,000 reported in the third quarter 2013. The information technology services company reported net income of \$28,000, or \$0.00 per share basic and diluted, compared to net income of \$108,000 or \$0.01 per share basic and diluted, in the third quarter 2013.

For the nine months ended September 30, 2014, IAI's revenues were \$3,561,000 compared to revenues of \$5,653,000 for the same period in 2013. The Company reported a net loss of \$231,000 or (\$0.02) per share basic and diluted, compared to a net loss of \$80,000, or \$ (0.01) per share basic and diluted, reported for the comparable 2013 period.

"The company has been aggressively pursuing new business opportunities through the bidding process for prime contracts and teaming with our partners. During the third quarter of this year the company was profitable, and in addition, was awarded a number of larger contracts. If the government elects to exercise all option periods in these contracts, the total value could reach in excess of \$16 million in new business. These contracts are expected to improve our profitability going forward in the fourth quarter and over the next year," said Sandor Rosenberg, Chairman and Chief Executive Officer of IAI.

"We continue to pursue merger and acquisition opportunities."

About Information Analysis Incorporated

Information Analysis Incorporated (www.infoa.com), headquartered in Fairfax, Virginia, is an information technology services company. The Company is a web solution provider and software conversion specialist, modernizing legacy systems and extending their reach to the internet world.

Additional information for investors

This release may contain forward-looking statements regarding the Company's business, customer prospects, or other factors that may affect future earnings or financial results. Such statements involve risks and uncertainties which could cause actual results to vary materially from those expressed in the forward-looking statements. Investors should read and understand the risk factors detailed in the Company's 10-K for the fiscal year ended December 31, 2013 and in other filings with the Securities and Exchange Commission.

Information Analysis Incorporated Statements of Operations

(in thousands, except per share data; unaudited)

Revenue:

Three months ended September 30,	
2014	2013

Professional fees	\$	944	\$	1,017
Software sales		<u>413</u>		<u>2,201</u>
Total revenue		1,357		3,218
Cost of goods sold and services provided:				
Cost of professional fees		521		510
Cost of software sales		<u>232</u>		<u>1,952</u>
Total cost of sales		<u>753</u>		<u>2,462</u>
Gross margin		604		756
Selling, general and administrative expense		<u>578</u>		<u>650</u>
Income from operations		26		106
Other income, net		<u>2</u>		<u>2</u>
Income before income taxes		28		108
Provision for income taxes		<u>--</u>		<u>--</u>
Net income	\$	<u>28</u>	\$	<u>108</u>
Earnings per common share:				
Basic	\$	0.00	\$	0.01
Diluted	\$	0.00	\$	0.01
Shares used in calculating earnings per share:				
Basic		11,201,760		11,201,760
Diluted		11,347,107		11,211,501

Information Analysis Incorporated
Statements of Operations

<i>(in thousands, except per share data; unaudited)</i>	Nine months ended September 30,	
	<u>2014</u>	<u>2013</u>
Revenue:		
Professional fees	\$ 2,608	\$ 3,097
Software sales	<u>953</u>	<u>2,556</u>
Total revenue	3,561	5,653
Cost of goods sold and services provided:		
Cost of professional fees	1,498	1,724
Cost of software sales	<u>687</u>	<u>2,257</u>
Total cost of sales	<u>2,185</u>	<u>3,981</u>
Gross margin	1,376	1,672
Selling, general and administrative expense	<u>1,615</u>	<u>1,758</u>
Loss from operations	(239)	(86)
Other income, net	<u>8</u>	<u>6</u>
Loss before income taxes	<u>(231)</u>	<u>(80)</u>
Provision for income taxes	<u>--</u>	<u>--</u>
Net loss	\$ (231)	\$ (80)
Earnings per share:		
Basic	\$ (0.02)	\$ (0.01)
Diluted	\$ (0.02)	\$ (0.01)
Shares used in calculating earnings per share:		
Basic	11,201,760	11,201,760
Diluted	11,201,760	11,201,760

Information Analysis Incorporated
Balance Sheets

<i>(in thousands)</i>	As of	As of
	September 30, 2014	December 31, 2013
	<u>(unaudited)</u>	<u>(audited)</u>

ASSETS

Current assets:

Cash and cash equivalents	\$	2,067	\$	2,360
Accounts receivable, net		862		1,438
Prepaid expenses		285		535
Note receivable		4		6
Total current assets		<u>3,218</u>		<u>4,339</u>

Fixed assets, net

Fixed assets, net		50		53
Note receivable		6		8
Other assets		6		6
Total assets	\$	<u>3,280</u>	\$	<u>4,406</u>

LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$	93	\$	612
Deferred revenues		260		503
Commissions payable		770		903
Accrued payroll and related liabilities		220		221
Other accrued liabilities		50		61
Total current liabilities		<u>1,393</u>		<u>2,300</u>

Common stock, par value \$0.01, 30,000,000 shares authorized; 12,844,376 shares issued, 11,196,760 outstanding as of September 30, 2014 and December 31, 2013

Common stock		128		128
Additional paid in capital		14,612		14,600
Accumulated deficit		(11,923)		(11,692)
Less treasury stock; 1,642,616 shares at cost		<u>(930)</u>		<u>(930)</u>
Total stockholders' equity		<u>1,887</u>		<u>2,106</u>
Total liabilities and stockholders' equity	\$	<u>3,280</u>	\$	<u>4,406</u>

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Source: Information Analysis, Inc.