May 16, 2018

Duos Technologies Reports First Quarter 2018 Results and Introduces Revenue Guidance for Full Year 2018 of $9.3 Million

JACKSONVILLE, Fla., May 16, 2018 (GLOBE NEWSWIRE) -- **Duos Technologies Group, Inc. (the "Company" or "Duos")** (OTCQB:DUOT)**,** a provider of advanced intelligent security and analytical technology solutions, reported financial results for the first quarter ended March 31, 2018.

First Quarter 2018 and Recent Operational Highlights

- Awarded multi-million-dollar contract from CN, a leading North American Class-1 transportation and logistics company (NYSE:CNI), to implement new measures targeted at preventative maintenance, improved reliability, dwell reduction and overall performance
- Awarded a roughly $2.8 million contract by one of the nation's largest retail chains to streamline and automate gatehouse operations across the corporation's national distribution centers to deliver significant operational efficiencies for a rapid return on investment
- Appointed technology entrepreneur and veteran C-Level Executive Noel A. Heiks as President and Chief Operating Officer of its wholly owned operating subsidiary, Duos Technologies, Inc.
- Awarded contract for a pilot program to develop inspection technology for U.S. Government Emergency Housing Program, using a first of its kind rapid deployment inspection portal that validates emergency mobile housing units manufactured for the Federal Emergency Management Agency (FEMA) and ensure that they comply with manufacturing specifications
- Completed deployment of the pilot project for New York City Transit Authority’s track intrusion detection program
- Continued implementation of a branch and HQ security project at a Texas bank

First Quarter 2018 Financial Results

Total revenue increased 11% to $1.1 million from $1.0 million for the same period in the prior year. The increase in total revenue was largely the result of an increase in project revenue, offset by a decrease in maintenance, technical support and IT asset management services. The revenue increase in projects is a result of an ongoing transition to new offerings, including intelligent analytics and machine learning from the Company’s traditional legacy security-centric offerings.

Gross profit increased 18% to $477,000, or 42% of total revenue, compared to $404,000, or 39% of total revenue, for the same period in the prior year. The increase in gross profit was mainly the result of the increase in project revenues and the positive effect of new projects achieving gross margins close to historical norms. The increase was partially offset

by certain accounting changes related to the implementation of Accounting Standards Codification (ASC) 606.

Operating expenses were $1.2 million compared to $1.3 million for the same period in the prior year. The decrease in operating expenses was mainly due to a decrease in selling and marketing expenses, professional expenses and general and administration expenses. The decrease was offset by a less than 5% increase in salaries, wages and contract labor and research and development expenses as the Company prepares for the implementation of new projects going forward.

Net loss totaled $743,000, or $(0.04) per share, compared to a net loss of $2.3 million, or $(1.21) per share, in the first quarter of 2017. The improvement in net loss was primarily attributable to the non-cash charges incurred for 2017 in debt discount expense and warrant derivative loss on debt related to bridge financing, which has now been eliminated.

Financial Outlook

For the fiscal year ending December 31, 2018, the Company expects its total revenue to be at least $9.3 million, representing a 146% increase compared to $3.9 million reported in 2017. This guidance is based on numerous contracts in backlog that are already performing and scheduled to be executed during or before the 4th quarter of this year. Additional awards are expected during the course of the year

Management Commentary

“2017 served as a transition year for Duos and was also a prelude to the growth we anticipate in 2018 and beyond. We have focused on maturing our various technologies under development and are now reaching the stage where we will be able to scale exponentially within our identified target markets,” said company Chief Executive Officer Gianni Arcaini. “In addition, with our now bolstered balance sheet, we believe that Duos is in prime position, and with the necessary resources to drive substantial topline expansion both this year and beyond. With recent multi-million-dollar awards in two of our target market segments, we now not only have validation for our entries into those industries, but we have also created the foundation to achieve sustainability over the long-term. Looking ahead, we now have the visibility and confidence to provide revenue guidance for the full year of 2018 of $9.3 million, which if achieved would represent a nearly 150% increase over 2017.”

Conference Call
Duos Technologies management will host a conference call on Thursday, May 17 at 4:30 p.m. Eastern time (1:30 p.m. Pacific time) to discuss these results, followed by a question and answer period.

Date: Thursday, May 17, 2018

Time: 4:30 p.m. Eastern time (1:30 p.m. Pacific time)

U.S. dial-in: (888) 419-5570

International dial-in: +(617) 896-9871

Passcode: 23287594

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Liolios Group at (949) 574-3860.

About Duos Technologies Group Inc.
Duos Technologies Group, Inc. (OTCQB:DUOT), based in Jacksonville, FL, through its wholly owned subsidiary, Duos Technologies, Inc., provides advanced intelligent security and analytical technology solutions with a strong portfolio of intellectual property. Duos Technologies' core competencies include intelligent technologies that combine machine learning, artificial intelligence and advanced video analytics 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 transportation, retail, petrochemical, government, and banking sectors. Duos Technologies Group also offers professional and consulting services for large data centers. For more information, visit www.duostech.com.

Regarding Forward-Looking Statements
This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking terminology such as "believes," "expects," "may," "will," "should," "anticipates," "plans," or similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause Duos Technologies Group, Inc. actual results to differ materially from those anticipated by the forward-looking statements. These risks and uncertainties include, but are not limited to, those described in Item 1A in Duos' Annual Report on Form 10-K, which is expressly incorporated herein by reference, and other factors as may periodically be described in Duos' filings with the SEC.

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

	For the Three Months Ended March 31,	
	2018	2017
REVENUES:		
Project	$ 844,714	$ 360,487
Maintenance and technical support	257,447	315,327
IT asset management services	45,769	359,916
Total Revenues	1,147,930	1,035,730
COST OF REVENUES:		
Project	547,799	346,128
Maintenance and technical support	103,323	147,402
IT asset management services	20,237	137,858
Total Cost of Revenues	671,359	631,388
GROSS PROFIT	476,571	404,342
OPERATING EXPENSES:		
Selling and marketing expenses	41,221	68,747
Salaries, wages and contract labor	765,870	735,602
Research and development	135,280	87,617
Professional fees	63,865	120,153
General and administrative expenses	209,837	247,988
Total Operating Expenses	1,216,073	1,260,107
LOSS FROM OPERATIONS	(739,502)	(855,765)
OTHER INCOME (EXPENSES):		
Interest Expense	(5,728)	(921,314)
Gain on settlement of debt	—	64,647
Warrant derivative gain (loss)	—	(582,388)
Other income, net	2,126	1
Total Other Income (Expense)	(3,602)	(1,439,054)
NET LOSS	(743,104)	(2,294,819)
Series A preferred stock dividends	—	(5,920)
Net loss applicable to common stock	$ (743,104)	$ (2,300,739)
NET LOSS APPLICABLE TO COMMON STOCK PER COMMON SHARE:		
Basic & Diluted	$ (0.04)	$ (1.21)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic & Diluted	20,709,478	1,894,171

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2018 (Unaudited)	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash	$ 66,841	$ 1,941,818
Accounts receivable, net	1,414,268	298,304
Contract Assets	608,287	423,793
Prepaid expenses and other current assets	187,442	90,923
Total Current Assets	2,276,838	2,754,838
Property and equipment, net	115,761	65,362
OTHER ASSETS:		
Software Development Costs, net	55,000	—
Patents and trademarks, net	45,621	45,978
Total Other Assets	100,621	45,978
TOTAL ASSETS	$ 2,493,220	$ 2,866,178
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 790,182	$ 812,618
Accounts payable - related parties	12,598	12,598
Notes payable - financing agreements	124,770	49,657
Notes payable - related parties	—	9,078
Line of credit	34,212	34,513
Payroll taxes payable	158,056	149,448
Accrued expenses	353,731	497,277
Contract Liabilities	722,582	200,410
Deferred revenue	343,950	438,907
Total Current Liabilities	2,540,081	2,204,506
Notes payable - related party	—	39,137
Notes payable, net of discounts	—	—
Total Liabilities	2,540,081	2,243,643
Commitments and Contingencies (Note 6)		
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred Stock: Series B convertible cumulative preferred stock, $1,000 stated value per share, 15,000 shares authorized: 2,830 issued and outstanding at March 31, 2018 and December 31, 2017, convertible into Duos Common stock at stated value divided by $0.50 per share	2,830,000	2,830,000
Common stock: $0.001 par value; 500,000,000 shares authorized 20,710,059 and 20,657,850 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	20,710	20,658
Additional paid-in capital	26,682,479	26,608,823
Total stock & paid-in-capital	26,703,189	26,629,481
Accumulated deficit	(29,432,050)	(28,688,946)
Sub-total	(2,728,861)	(2,059,465)
Less: Treasury stock (3,280 shares of common stock)	(148,000)	(148,000)
Total Stockholders' Equity (Deficit)	(46,861)	622,535
Total Liabilities and Stockholders' Equity (Deficit)	$ 2,493,220	$ 2,866,178

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

	For the Three Months Ended March 31,	
	2018	2017
Cash from operating activities:		
Net loss	$ (743,104)	$ (2,294,819)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	19,071	12,191
Gain on settlement of debt	—	(64,647)
Stock and warrants issued for services	—	15,000
Amortization of debt discounts	—	844,988
Warrant derivative loss	—	582,388
Changes in assets and liabilities:		
Accounts receivable	(1,115,965)	(267,885)
Contract assets	(184,494)	329,034
Prepaid expenses and other current assets	53,029	61,968
Accounts payable	(22,436)	53,253
Accounts payable-related party	—	1,408
Payroll taxes payable	8,608	259,056
Accrued expenses	(69,837)	52,233
Contract liabilities	522,172	1,503
Deferred revenue	(94,957)	(261,197)
Net cash used in operating activities	(1,627,913)	(675,526)
Cash flows from investing activities:		
Purchase of software	(60,000)	—
Purchase of patents/trademarks	(1,000)	—
Purchase of fixed assets	(63,113)	(16,266)
Net cash used in investing activities	(124,113)	(16,266)
Cash flows from financing activities:		
Proceeds from related party notes	—	(13,612)
Repayments of line of credit	(301)	—
Repayments of related party notes	(48,215)	—
Repayments of insurance and equipment financing	(74,435)	(26,287)
Repayments of notes payable	—	(172,500)
Proceeds of notes payable, net of $117,000 cash fees	—	783,000
Net cash (used) provided by financing activities	(122,951)	570,601
Net decrease in cash	(1,874,977)	(121,191)
Cash, beginning of period	1,941,818	174,376
Cash, end of period	66,841	53,185
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 3,519	$ 45,334
Supplemental Non-Cash Investing and Financing Activities:		
Common stock issues for accrued BOD fees	$ 73,709	—
Accrued interest forgiven related to note payable settlement	$ —	$ 20,697
Debt discount related to notes payable	$ —	$ 992,369
Note issued for financing of insurance premiums	$ —	$ 1,276,520

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Source: Duos Technologies Group, Inc.