

For immediate release:

AXCESS INTERNATIONAL ANNOUNCES RECORD FIRST QUARTER 2006 RFID REVENUE

Dallas – May 12, 2006 – AXCESS International Inc. (OTCBB: AXSI), a leading provider of Radio Frequency Identification (RFID) solutions and Real Time Location Systems (RTLS), today reported results for the first quarter ended March 31, 2006.

Highlights for the First Quarter Ended March 31, 2006

- Record First Quarter RFID Revenues
- Reduced Net Loss and EPS after Gain on Sale of Intellectual Property
- Continued Emphasis on R&D for New Technology
- Added to RFID Intellectual Property Portfolio
- Successfully Raised \$2.1 million Through Additional Funding and Sale of Non-core Assets
- Reduced Notes Payable Debt by \$485,000

“Our record first quarter can be attributed to the continued evolution of the RFID market space and our reaction to those improved market conditions. We have a complete and proven system including hardware, middleware, and flexible software options for providing enterprise solutions in active RFID and RTLS. Prospective end users and integrators are becoming more aware of our capabilities every day. In the quarter, we continued to take a more aggressive approach in selling our solutions directly to customers, while still supporting our growing system integrator relationships. Our vertical market application successes are now more easily replicated as the awareness of our unique RFID’s capabilities have spread,” said Allan Griebenow, President and CEO of AXCESS. “For the second consecutive quarter we achieved record levels of revenue. In addition, significant progress was made in every aspect of managing the Company. We completed financial transactions that raised \$2.1 million for working capital and development, and reduced our debt and interest service. With improved business activity and an improved balance sheet, we invested more on research and development as the needs of the market and the trends have become clearer. We believe the Company is well positioned to capitalize on existing opportunities as well as exploit the growing demand as the use of RFID technology continues to gain acceptance. We expect to see a number of our integrator programs and large account implementations become significant growth platforms in the near future and further enable our long term growth.”

First Quarter 2006 Corporate and Industry Developments

The awareness of RFID globally continues to grow with the continued adoption of RFID and RTLS across multiple industry segments including: the retail supply chain; vehicle toll tagging; contactless payment systems; transportation ticketing; security access control; military container tagging; and AXCESS’ enterprise solutions. WalMart continues to mandate that more of its suppliers use low cost, disposable passive tags for identifying cases and pallets. Last year, that awareness began to translate into increased user demand for active (battery-powered) RFID and RTLS applications. AXCESS took a more proactive approach to facilitate demand creation. The Company’s sales force began a transformation from an indirect, inside selling model to one that is now more involved with potential customers and distribution partners to tailor its products

and technologies for specific applications. Business development partnerships were forged within vertical markets. In the first quarter, demand increased for applications in all three areas of AXCESS' core competency: personnel tracking and accountability; asset management and protection; and fleet vehicle access control and payload management.

At the RFID World Conference and Exposition, one of the RFID industry's leading events held in February 2006 in Dallas, TX, the Company publicly introduced an automatic personnel location accountability solution. The new RFID application, based on the ActiveTag™ platform, provides automatic personnel location accountability as required in multiple industries, including the Department of Defense (DoD), port security, financial securities and services, healthcare, warehouses, and data centers. This platform was previously demonstrated for the DoD and the Transportation Safety Administration (TSA), during which AXCESS proved that its RFID solution is uniquely capable of dramatically reducing the cost of managing facility operations with secured areas.

The RFID solution uses long range personnel cards which are the exact size and form factor of standard access control cards. The cards have an embedded battery and electronics to automatically track, in a hands-free mode (or without any human intervention), personnel as they move throughout a facility. When worn by personnel, the RFID cards can be activated on-demand (called semi-active operation) at doors or at virtual entrances to areas and provide their exact location and direction.

In May, AXCESS demonstrated the industry's thinnest, long range personal card credential at the RFID Journal Live trade show at the Las Vegas MGM Grand Hotel. The battery-powered "active" RFID card and the entire system are used for a variety of automatic identification applications. Personnel tagging for improved efficiencies, accounting, and security are growing as evidenced by orders in multiple industries including the DoD, casino, trade show, amusement, and financial industries among others.

In asset management, the AXCESS solution continues to be best-of-breed for locating and protecting IT assets such as laptops. The reliable, cost effective solution also enables personnel to be electronically linked to the asset for a secure, custodial relationship. Recently, AXCESS announced a solution integrating active and passive tags in an integrated and comprehensive hybrid system solution for locating, accounting for, and protecting bank data storage media, with all automatically linked to responsible custodians. The unique hybrid system is currently being implemented in one of the nation's largest financial institutions.

In the area of fleet vehicle management, AXCESS announced an agreement with STEMCO LP to work together in the development of RFID based solutions for heavy-duty commercial vehicle fleets. These solutions will utilize the semi-active tag technology and hardware from AXCESS and is being seamlessly integrated with STEMCO's BAT RF active RFID mileage and tire pressure data collection sensors. Future products utilizing these combined capabilities are in development and planned for release in 2007.

The Company continues to work on next generation products based on the demands of the market for smaller, lower cost tags and infrastructure which also have multiple features and flexible operating options. AXCESS sees this as an opportunity to use its time-to-market and technical advantages to serve an ever expanding market based on its core technology which has been optimized for the exact needs of enterprise tagging. The development of intellectual property in support of the technology portfolio and to re-enforce competitive advantages continued in the first quarter and is expected to continue into the future.

First Quarter 2006 Financial Results

AXCESS achieved another record level of RFID revenue in the first quarter. Historically, AXCESS reported revenue from its RFID and video businesses. Following the sale of the video patent portfolio in the first quarter, the Company is generating and reporting revenues only from its RFID operations. Revenue was \$453,563 for the three months ended March 31, 2006, an increase of 88% from the same quarter in 2005 and 9% from the fourth quarter of 2005. The increase in revenue in the quarter is due to the Company gaining traction in the active RFID market with new contracts and add-on sales for products and services relating to existing customers.

Gross margin was 39%, or \$178,934, in the first quarter 2006 as compared to 32%, or \$135,528, in the fourth quarter 2005, and 49%, or \$116,810, in the first quarter of 2005, reflecting higher sales and benefits of manufacturing leverage. The gross profit as a percentage of revenue was negatively affected on a year-over-year basis by the change in product mix with an increase in the amount coming from tag sales.

Research & development (R&D) expenses for the first quarter totaled \$603,690, compared to \$184,181 in the year-ago period. The increase in R&D is due to the Company's strategy to develop enhanced technologies to support system applications and a focused progression toward its next generation RFID products.

Selling, marketing, general & administrative (S, M, G &A) expenses for the first quarter totaled \$727,654, as compared to \$610,560 in the prior year period. Spending on sales and marketing activities increased year-over-year as the Company has been undertaking a more direct sales model. However, against a significant increase in revenues, the sales and marketing expense as a percentage of sales decreased to 59% in the 2006 quarter as compared to 106% in the 2005 period. General and administrative costs increased in the first quarter 2006 largely due to expensing of stock options from current and prior years that we began expensing in 2006.

Net loss for the first quarter 2006 was reduced 15% to \$632,110 from \$743,432 in the prior year quarter. The reduced loss in the current quarter as compared to the prior year reflects a \$600,000 gain on sale of intellectual property and increased gross margin offset by higher R&D spending and the expensing of stock options.

Recurring Preferred stock dividend requirements for the first quarter of both fiscal 2006 and 2005 were \$80,847. AXCESS recorded a one-time dividend of \$1,489,245 for Preferred stock issued in the first quarter 2006. In the first quarter 2005, a one-time warrant inducement cost of \$2,060,397 was reported as required for Preferred stock issuances in that period.

Net loss applicable to common stock for the 2006 first quarter was \$2,202,202, or \$0.08 per share, compared to a loss of \$2,884,676, or \$0.11 per share, for the first quarter of 2005. The difference in loss in the current year period from the prior year is primarily attributable to the preferred stock dividend requirements and the sale of intellectual property.

Balance Sheet Improvements

On March 14, 2006, AXCESS closed on a capital raise that generated \$1.5 million of additional working capital through an exempt Preferred Stock offering. The transaction involved the issuance of 1,752,055 shares of preferred stock bearing no dividends and 1,752,055 warrants to purchase the Company's common stock exercisable for five years at \$1.50 per share. Reflecting the increased interest in AXCESS' ability to capitalize on emerging opportunities in the RFID industry, a large portion of this funding came from the Company's largest shareholder group, Amphion Innovations plc (AMP.L), a company which creates, operates, and finances technology companies.

As part of the aforementioned transaction, the Company recorded in the first quarter a one-time preferred stock dividend of \$1.5 million relating to the beneficial conversion feature of the preferred stock and warrants.

Since the beginning of the first quarter, management of AXCESS implemented further initiatives to strengthen its balance sheet and improve cash flow. To this end, the Company successfully negotiated the conversion of notes payable and accrued interest into common stock. This resulted in the reduction of \$396,666 in notes payable debt, the elimination of \$20,109 of accrued interest, and the issuance of 706,394 shares of common stock. On an annual basis, the Company reduced its interest service relating to the notes payable by approximately \$28,000.

The Company completed a transaction intended to monetize certain non-core assets. As previously announced, AXCESS completed the sale of a portion of its video surveillance patent portfolio, although the Company retained the right to use such technology for integration into its enterprise solutions. The assets were sold for \$600,000, which has been accounted for as a gain on sale of intellectual property.

Conference Call

In conjunction with the first quarter earnings release, AXCESS invites you to listen to its conference call today, May 12, 2006, at 11:00 a.m. (Eastern). To participate in the call, domestic callers can dial (800) 260-8140 and international callers can dial (617) 614-3672 and enter the reservation code "40857247". 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 "53181304". The replay will be available from approximately one hour after the end of the call until 11:59 p.m. (Eastern) on May 28, 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 on AXCESS' website at www.axcessinc.com.

About AXCESS International Inc.

AXCESS International Inc. (OTCBB:AXSI), headquartered in greater Dallas, TX, provides Radio Frequency Identification (RFID) solutions and Real Time Location Systems (RTLS) for asset management, physical security and supply chain efficiencies. The battery-powered "active" and "semi-active" (on-demand) 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, real time location determination, and sensor management. AXCESS is a portfolio company of Amphion Innovations plc.

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<p>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.</p>

(tables to follow)

Source: AXCESS International, Inc.

AXCESS INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	(Unaudited) March 31, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,379,343	\$ 236,869
Accounts receivable - trade, net of allowance for doubtful accounts of \$17,389 for 2006 and 2005.	303,322	141,200
Inventory, net	151,215	112,270
Prepaid expenses and other	94,041	72,628
Total current assets	1,927,921	562,967
Property, plant and equipment, net	25,624	29,387
Deferred debt issuance costs	295,685	337,926
Other assets	2,810	2,699
Total assets	<u>\$ 2,252,040</u>	<u>\$ 932,979</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 555,076	\$ 252,155
Accrued liabilities	983,714	959,149
Notes payable:		
Convertible notes payable (includes \$80,000 with related parties in 2005)	—	396,666
Discounts on convertible debt	—	(5,520)
Dividends payable	289,626	208,780
Total current liabilities	1,828,416	1,811,230
Notes payable to stockholders	3,620,429	3,709,071
Total liabilities	5,448,845	5,520,301
Commitments and contingencies		
Stockholders' deficit:		
Convertible preferred stock, 7,000,000 shares authorized		
With liquidation preference; no shares issued and outstanding in 2006 and 2005, respectively;	—	—
Without liquidation preference; \$0.01 par value, 5,123,550 and 3,371,495 shares issued and outstanding in 2006 and 2005, respectively	51,235	33,715
Common stock, \$.01 par value, 50,000,000 shares authorized in 2006 and 2005; 28,203,138 shares issued and outstanding in 2006 and 27,437,111 shares issued and outstanding in 2005	282,032	274,371
Shares of common stock to be issued, 5,333 shares as of December 31, 2005	—	53
Non-voting convertible common stock, \$.01 par value, 2,250,000 shares authorized; no shares issued and outstanding in 2006 or 2005	—	—
Additional paid-in capital	155,515,072	153,436,725
Accumulated deficit	(159,045,144)	(158,332,186)
Total stockholders' deficit	(3,196,805)	(4,587,322)
Total liabilities and stockholders' deficit	<u>\$ 2,252,040</u>	<u>\$ 932,979</u>

AXCESS INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATION
(Unaudited)

	Three Months Ended March 31,	
	2006	2005
Sales	\$ 453,563	\$ 241,158
Cost of sales	<u>274,629</u>	<u>124,348</u>
Gross profit	178,934	116,810
Expenses:		
Research and development	603,690	184,181
General and administrative	461,410	355,463
Selling and marketing	266,244	255,097
Depreciation and amortization	<u>4,826</u>	<u>9,073</u>
Operating expenses	<u>1,336,170</u>	<u>803,814</u>
Loss from operations	(1,157,236)	(687,004)
Other income (expense):		
Interest expense, net	(95,263)	(165,138)
Gain in vendor settlements	20,389	108,710
Gain on sale of intellectual property	<u>600,000</u>	<u>—</u>
Other income (expense), net	<u>525,126</u>	<u>(56,428)</u>
Net loss	(632,110)	(743,432)
Preferred stock dividend requirements:		
Recurring	(80,847)	(80,847)
Warrant inducement	—	(2,060,397)
2005 Preferred equity offering	<u>(1,489,245)</u>	<u>—</u>
Preferred stock dividend requirements	<u>(1,570,092)</u>	<u>(2,141,244)</u>
Net loss applicable to common stock	<u>\$ (2,202,202)</u>	<u>\$ (2,884,676)</u>
Basic and diluted net loss per share	<u>\$ (0.08)</u>	<u>\$ (0.11)</u>
Weighted average shares of common stock outstanding	<u>27,929,553</u>	<u>25,728,563</u>