

Network-1 Reports 2013 Year-end Financial Results

NEW YORK, March 21, 2014 /PRNewswire/ -- Network-1 Technologies, Inc. (OTC BB: NTIP), a company specializing in the development, licensing, and protection of its intellectual property assets, today announced financial results for the year ended December 31, 2013.

Network-1 had revenue of \$8,017,000 for the year ended December 31, 2013 as compared with \$8,698,000 of revenue for the year ended December 31, 2012. Network-1 reported net income of \$1,016,000 or \$0.04 per share (\$0.04 per share on a diluted basis) for the year ended December 31, 2013 as compared to net income of \$2,626,000 or \$0.10 per share (\$0.09 per share on a diluted basis) for the year ended December 31, 2012. Included in the results for 2013 and 2012 are non-cash compensation expenses of \$390,000 and \$316,000, respectively, and non-cash amortization expense of \$1,008,000 and \$9,000, respectively. The increase in amortization expense in 2013 was due to Network-1's acquisition of thirteen (13) additional patents during the year.

"2013 was a very productive year for Network-1," commented Corey M. Horowitz, Chairman and CEO of Network-1. "We now have sixteen (16) licensees for our Remote Power Patent, twelve (12) of which generate on-going royalties for Network-1. Significantly, during the year we also acquired two additional patent portfolios that we believe have the potential to generate substantial royalties for Network-1," he added. "The combination of our cash position, our profitable royalty stream and our diverse and valuable IP portfolio positions us very well going forward in the IP development and monetization space."

The following are financial and strategic highlights:

- As part of Network-1's Share Repurchase Program we repurchased an aggregate of 1,086,872 shares of common stock during the year at a cost of \$1,485,732 or an average price per share of \$1.37 per share. We continue to believe that our shares are undervalued and will continue to purchase shares pursuant to the Program. During the year, our Board of Directors twice increased our Share Repurchase Program to an aggregate of \$7,000,000. Since inception of the Share Repurchase Program (August 2011) through March 18, 2014, Network-1 has repurchased an aggregate of 3,486,828 shares of its common stock at a cost of \$4,517,839 or an average per share price of \$1.30 per share.
- At December 31, 2013 Network-1's principal sources of liquidity consisted of working capital of approximately of \$19,794,000 which includes cash and cash equivalents of approximately \$18,938,000. Management believes based on Network-1's current cash position and projected licensing revenue from its existing licensing agreements that Network-1 will have sufficient cash to fund its operations for the foreseeable future.

- During the year, Network-1 completed the acquisition of 4 patents (as well as a pending patent application) pertaining to enabling technology for identification of media content on the Internet from Dr. Ingemar Cox, a technology leader in digital watermarking and content identification technologies. Dr. Cox now serves as a consultant to Network-1 to assist in the development and monetization of the portfolio. Following the acquisition we filed seven (7) additional related patent applications with the United States Patent and Trademark Office seeking patent protection based upon the original patent application filed in 2000. To date, we have received two new patents from those applications.
- During the year, Mirror Worlds Technologies, LLC, our wholly-owned subsidiary, acquired all of the patents previously owned by Mirror Worlds, LLC (which subsequently changed its name to Looking Glass LLC) including nine (9) issued United States patents and five (5) pending applications covering foundational technologies that enable unified search and indexing, displaying and archiving of documents in a computer system (the "Mirror Worlds Patent Portfolio"). The inventions described in the Mirror Worlds Patent Portfolio were developed in (1995) by Yale University computer scientist Professor David Gelernter and his then graduate student, Dr. Eric Freeman and commercialized in their company's product offering called "Scopeware". Scopeware received extensive media accolades when introduced to the public in 2001 and the technologies embodied in Scopeware now are common in various computer and web-based operating systems. Professor Gelernter and Dr. Freeman have agreed to act as consultants to Network-1 to assist in the development and monetization of the Mirror Worlds Patent Portfolio.
- In connection with the acquisition of the Mirror Worlds Patent Portfolio, we also acquired an equity interest in Lifestreams Technologies Corporation ("Lifestreams"), a company that develops next generation applications and methodologies aimed at organizing and displaying digital data. Professor Gelernter and Dr. Freeman are currently associated with Lifestreams. Lifestreams is a licensee of the Mirror Worlds Patent Portfolio. In addition, in July 2013 we made an additional equity investment in Lifestreams and, as part of an amended license agreement with Lifestreams, we received a warrant to purchase 7.5% of the then outstanding common stock of Lifestreams on a fully diluted basis.
- In May 2013, Mirror Worlds Technologies, LLC initiated patent litigation against Apple, Inc., Microsoft, Inc., Hewlett-Packard Company, Lenovo Group Ltd., Lenovo (United States), Inc., Dell, Inc., Best Buy Co., Inc., Samsung Electronics America, Inc. and Samsung Telecommunications America L.L.C., in the United States District Court for the Eastern District of Texas, Tyler Division, for infringement of U.S. Patent No. 6,006,227 (part of the Mirror Worlds Patent Portfolio).

- Our Remote Power Patent litigation, initiated in September 2011 against sixteen (16) data networking equipment manufacturers in the United States District Court for the Eastern District of Texas, Tyler Division, for infringement of its Remote Power Patent has been stayed pending the resolution of an *Inter Partes* Review proceeding at the United States Patent and Trademark Office. Named as defendants in the lawsuit, excluding related parties, were Alcatel-Lucent USA, Inc., Allied Telesis, Inc., Avaya Inc., AXIS Communications Inc., Dell, Inc., GarrettCom, Inc., Hewlett-Packard Company, Huawei Technologies USA, Juniper Networks, Inc., Motorola Solutions, Inc., NEC Corporation, Polycom Inc., Samsung Electronics Co., Ltd., ShoreTel, Inc., Sony Electronics, Inc., and Transitions Networks, Inc. Network-1 seeks monetary damages based upon reasonable royalties. During 2012 and 2013 we settled with five (5) of the defendants each of who have become licensees to the Remote Power Patent.
- At December 31, 2013, we had net operating loss carryforwards (NOLs) totaling approximately \$25,239,000 expiring through 2029, with a future tax benefit of approximately \$8,581,000. At December 31, 2013 and 2012, \$5,659,000 and \$6,194,000, respectively, was recorded as a deferred tax asset on our balance sheet. During 2013, we realized a tax savings of \$535,000 by using the tax benefit associated with our net operating loss carryforwards.

Consistent with its activities over the past several years, Network-1 plans on continuing its licensing activities relating to the Remote Power Patent and the development and monetization of the Mirror Worlds Patent Portfolio and the Cox Patent Portfolio. In addition, Network-1 may acquire additional intellectual property assets in the future to develop, commercialize, license or otherwise monetize such intellectual property. In this regard, Network-1 continually reviews opportunities to acquire or license additional intellectual property for the purpose of pursuing licensing opportunities related to its existing intellectual property portfolio or otherwise. Our strategy includes working with inventors and patent owners to assist in the development and monetization of their patented technologies. We may also enter into strategic relationships with third parties to develop, commercialize, license or otherwise monetize their intellectual property. The form of such relationships may differ depending upon the opportunity and may include, among other things, a strategic investment in such third party, the provision of financing to such third party or the formation of a joint venture with such third party or others for the purpose of monetizing their intellectual property assets.

ABOUT NETWORK-1 TECHNOLOGIES, INC.

Network-1 Technologies, Inc. is engaged in the development, licensing and protection of its intellectual property and proprietary technologies. Network-1 works with inventors and patent owners to assist in the development and monetization of their patented technologies. It currently owns twenty-two (22) patents covering various telecommunications and data networking technologies as well as technologies relating to

document stream operating systems and the identification of media content. Network-1 currently has sixteen (16) license agreements with respect to its Remote Power Patent, which include, among others, license agreements with Cisco Systems, Inc., Cisco Linksys, Inc., Extreme Networks, Inc., Netgear Inc., Motorola Solutions, Inc., Allied Telesis, Inc., NEC Corporation and several other data networking vendors. The Remote Power Patent covers the remote delivery of power over Ethernet networks. The Remote Power Patent was granted by the U.S. Office of Patents and Trademarks on April 21, 2001 and expires on March 11, 2020.

This release contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements address future events and conditions concerning Network-1's business plans. Such statements are subject to a number of risk factors and uncertainties as disclosed in the Network-1's Annual Report on Form 10-K for the year ended December 31, 2013 including, among others, the continued validity of Network-1's Remote Power Patent, the ability of Network-1 to successfully execute its strategy to acquire high quality patents with significant licensing opportunities, Network-1's ability to achieve revenue and profits from the Mirror Worlds Patent Portfolio and the Cox Patent Portfolio as well as intellectual property it may acquire in the future, the ability of Network-1 to enter into additional license agreements, the ability of Network-1 to continue to receive material royalties from its existing license agreements for its Remote Power Patent, the uncertainty of patent litigation, risks related to the Inter Partes Review proceeding and reexamination proceeding involving Network-1's Remote Power Patent pending at the United States Patent and Trademark Office, Network-1's ability to enter into strategic relationships with third parties to license or otherwise monetize their intellectual property, the continued viability of the PoE market, future economic conditions and technology changes and legislative, regulatory and competitive developments. Except as otherwise required to be disclosed in periodic reports, Network-1 expressly disclaims any future obligation or undertaking to update or revise any forward-looking statement contained herein.

Corey M. Horowitz, Chairman and CEO
Network-1 Technologies, Inc.
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The condensed statements of operations and condensed balance sheet are attached.

	Years Ended December 31,	
	2013	2012
ROYALTY REVENUE	\$ 8,017,000	\$ 8,698,000

	2,359,000	2,602,000
COST OF REVENUE		
	5,658,000	6,096,000
GROSS PROFIT		
OPERATING EXPENSES:		
General and administrative	2,735,000	2,438,000
Depreciation and Amortization	1,008,000	9,000
Non-cash compensation	390,000	316,000
TOTAL OPERATING EXPENSES	4,133,000	2,763,000
OPERATING INCOME	1,525,000	3,333,000
OTHER INCOME (EXPENSES):		
Interest income, net	36,000	39,000
INCOME BEFORE INCOME TAXES	1,561,000	3,372,000
INCOME TAXES (BENEFIT):		
Current	10,000	37,000
Deferred	535,000	709,000
Total Income Taxes (Benefits)	545,000	746,000

NET INCOME	\$ 1,016,000	\$ 2,626,000
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Net Income Per Share

Basic	\$ 0.04	\$.10
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Diluted	\$ 0.04	\$.09
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Weighted average common shares outstanding

Basic	25,589,238	25,744,330
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Diluted	27,954,685	28,472,753
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NET INCOME	\$ 1,016,000	\$ 2,626,000
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OTHER COMPREHENSIVE INCOME, NET OF TAX:

Unrealized gain (loss) arising during the period	(17,000)	(9,000)
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COMPREHENSIVE INCOME	\$ 999,000	\$ 2,617,000
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Sheet as of December 31, 2013

Cash and cash equivalents \$18,938,000

Total current assets \$20,558,000

Total assets \$31,568,000

Total current liabilities \$764,000

Total long term liabilities \$--

Total stockholders' equity \$30,804,000

SOURCE Network-1 Technologies, Inc.