

## Network-1 Reports 2011 Year-End Financial Results

NEW YORK, March 9, 2012 /PRNewswire/ -- Network-1 Security Solutions, Inc. (OTC BB: NSSI), a company specializing in the development, licensing, and protection of intellectual property, today announced financial results for the year ended December 31, 2011.

Network-1 reported net income of \$8,493,000 or \$0.33 per share (\$0.27 per share on a diluted basis) for the year ended December 31, 2011 as compared to net income of \$19,236,000 or \$0.79 (\$0.67 per share on a diluted basis) for the year ended December 31, 2010. 2011 net income includes \$6,903,000 (or \$0.22 per share on a diluted basis) recorded as a one-time non-cash income tax benefit. 2010 net income includes the receipt of \$32,320,000 from a patent litigation settlement in July 2010. Also, included in the results for 2011 and 2010 are non-cash compensation expenses of \$303,000 and \$402,000, respectively.

"It was a very good year for Network-1", commented Corey M. Horowitz, Chairman and CEO of Network-1. "A year after we successfully resolved our second litigation over our Remote Power Patent we now have 11 licensees to this important technology, including some of the largest technology companies in the world. We received almost \$7.4 million in royalties during 2011 from these licenses, a tenfold increase over royalties received in 2010 not including our one-time litigation settlement in July 2010. We look forward now to licensing our technology to other vendors of Power over Ethernet equipment and pursuing new opportunities in the intellectual property monetization arena", he added.

### **The following are financial and strategic highlights:**

- Network-1 had revenues of \$ 7,398,000 for the year December 31, 2011 as compared with \$33,037,000 of revenues for the year ended December 31, 2010. Revenues for the year ended December 31, 2010 include one time aggregate payments of \$32,320,000 received from the settlement of our patent litigation in July 2010 against seven major data networking manufacturers over our Remote Power Patent. Excluding the settlement payments of \$32,320,000, royalty revenue was \$717,000 for 2010 as compared to royalty revenue of \$7,398,000 for 2011.
- At December 31, 2011, Network-1 had net operating loss carryforwards (NOLs) totaling approximately \$27,000,000 expiring through 2029, with a future tax benefit of approximately \$9,450,000. During 2011, as a result of recent results and projected future operating results, management determined that a portion of the NOL was more likely than not to be utilized resulting in the recording of a one-time, non-cash tax benefit. Accordingly, at December 31, 2011, \$6,903,000 has been recorded as a deferred tax benefit on the balance sheet and \$6,903,000 (or \$0.22 per share on a

diluted basis) has also been recorded as income for the year ended December 31, 2011.

- At December 31, 2011 Network-1's principal sources of liquidity consisted of working capital of approximately of \$20,402,000 which includes cash and cash equivalents of approximately \$20,661,000. As of March 1, 2012, Network-1 had cash and cash equivalents of approximately \$20,500,000. 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
- In September 2011, the Company initiated patent litigation against 16 additional 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. 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 2011, the Board of Directors approved a share repurchase program to repurchase up to \$2,000,000 of shares of common stock over the next 12 months. During 2011, Network-1 repurchased 1,540,099 shares of common stock at an average price of \$1.28. On January 31, 2012, the Board of Directors increased the share repurchase program to repurchase up to an additional \$2,000,000 (an aggregate of \$4,000,000) of its common stock.

The Remote Power Patent relates to, among other things, the delivery of power over Ethernet cables in order to remotely power network connected devices including, among others, wireless switches, wireless access points, RFID card readers, VOIP telephones and network cameras. In June 2003, the Institute of Electrical and Electronic Engineers (IEEE) approved the IEEE 802.3af Power over Ethernet ("PoE") standard which has led to the rapid adoption of PoE.

Consistent with its activities over the past several years, Network-1 plans on continuing its licensing activities relating to the Remote Power Patent. Such licensing activities may require the expenditure of cash to support the licensing and enforcement of the Remote Power Patent. 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. Network-1 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 vary depending upon the opportunity and may include, among other things, a strategic investment in such third party or the formation of a joint venture for the purpose of monetizing such third party's intellectual property assets.

#### ABOUT NETWORK-1 SECURITY SOLUTIONS, INC.

Network-1 Security Solutions, Inc. is engaged in the acquisition, development, licensing and protection of its intellectual property and proprietary technologies. It currently owns six patents covering various telecommunications and data networking technologies and is currently focusing its licensing efforts on its Remote Power Patent (U.S. Patent No. 6,218,930) covering 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. . In addition, Network-1 seeks to acquire additional intellectual property assets and enter into strategic relationships with third parties to monetize their intellectual property assets.

*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, 2011 including, among others, the continued validity of Network-1's Remote Power Patent, the ability of Network-1 to enter into additional license agreements with third parties for its intellectual property or the intellectual property of its strategic partners, the ability of Network-1 to receive significant royalties from its existing license agreements, the uncertainty of patent litigation, Network-1's ability to achieve revenues and profits from its intellectual property or the intellectual property of its strategic partners, Network-1's ability to execute its strategy to acquire additional patents or 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.*

The condensed statements of operations and condensed balance sheet are attached.

#### Statements of Income and Comprehensive Income

	Years Ended December 31,	
	2011	2010
ROYALTY REVENUE	\$ 7,398,000	\$ 33,037,000
COST OF REVENUE	<u>2,106,000</u>	<u>9,595,000</u>
GROSS PROFIT	<u>5,292,000</u>	<u>23,442,000</u>

OPERATING EXPENSES:

General and administrative	2,456,000	3,771,000
Additional Patent Expense	1,000,000	—
Non-cash compensation	<u>303,000</u>	<u>402,000</u>
TOTAL OPERATING EXPENSES	<u>3,759,000</u>	<u>4,173,000</u>

OPERATING INCOME	1,533,000	19,269,000
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OTHER INCOME (EXPENSES):

Interest income, net	<u>48,000</u>	<u>41,000</u>
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INCOME BEFORE INCOME TAXES	<u>1,581,000</u>	<u>\$19,310,000</u>
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INCOME TAXES (BENEFIT):

Current	(9,000)	74,000
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Deferred	<u>(6,903,000)</u>	—
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Total Income Taxes (Benefits)	<u>(6,912,000)</u>	<u>74,000</u>
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NET INCOME	<u>\$8,493,000</u>	<u>\$19,236,000</u>
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Net Income Per Share

Basic	<u>\$0.33</u>	<u>\$0.79</u>
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Diluted	<u>\$0.27</u>	<u>\$0.67</u>
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Weighted average common shares outstanding

Basic	<u>25,813,038</u>	<u>24,422,567</u>
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Diluted	<u>30,930,483</u>	<u>28,619,982</u>
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NET INCOME	\$8,493,000	\$19,236,000
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OTHER COMPREHENSIVE INCOME, NET OF  
TAX:

Unrealized gain (loss) arising during the period	<u>(5,000)</u>	—
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COMPREHENSIVE INCOME	<u>\$8,488,000</u>	<u>\$19,236,000</u>
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#### Condensed Balance Sheet as of December 31, 2011

Cash and cash equivalents	\$ 20,661,000
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Total current assets	\$ <u>22,133,000</u>

Total assets	\$ <u>29,129,000</u>
Total current liabilities	\$ <u>1,731,000</u>
Total long term liabilities	\$ <u>0</u>
Total stockholders' equity	\$ <u>27,398,000</u>

#### Contacts:

Network-1 Security Solutions, Inc.  
 Corey M. Horowitz, Chairman and CEO  
 212-829-5770

SOURCE Network-1 Security Solutions, Inc.