

Network-1 Reports Second Quarter 2011 Results

NEW YORK, Aug. 15, 2011 /PRNewswire/ -- Network-1 Security Solutions, Inc. (OTC BB: NSSI) today announced financial results for the quarter ended June 30, 2011. Network-1 had revenue of \$1,814,000 and \$5,390,000 for the three and six months ended June 30, 2011, respectively, as compared with revenue of \$174,000 and \$292,000 for the three and six months ended June 30, 2010, respectively.

Network-1 reported net income of \$6,666,000 or \$0.26 per share (basic) and \$0.21 per share (diluted) for the second quarter ended June 30, 2011 as compared to a net loss of (\$1,157,000) or \$(.05) per share (basic and diluted) for the second quarter ended June 30, 2010.

Network-1 reported net income for the six months ended June 30, 2011 of \$8,332,000 or \$0.32 per share (basic) and \$0.27 per share (diluted), compared with a net loss of (\$1,815,000) or \$(0.08) per share (basic and diluted) for the six months ended June 30, 2010.

Included in the quarter and the six month period ended June 30, 2011 were (i) an income tax benefit of \$7,000,000 and (ii) \$1,000,000 of additional patent cost expense payable to a third party because Network-1 achieved \$25 million in net royalties from licensing its Remote Power Patent.

Exclusive of the items consisting of the patent cost expense of \$1,000,000 and the \$7,000,000 one-time tax benefit (more fully described below), net income for the three month period end June 30, 2011 was \$666,000 or \$0.03 per share (basic) and \$0.02 per share (diluted) and for the six months ended June 30, 2011, net income was \$2,332,000 or \$0.09 per share (basic) and \$0.07 (diluted).

At June 30, 2011, the Company had net operating loss carry forwards (NOLs) totaling approximately \$27,000,000 expiring between 2020 and 2030, with a future tax benefit of approximately \$9,000,000. During the three month period ended June 30, 2011, based on recent results and projected future operating results, management determined that a portion of the NOL was more likely than not to be utilized. Accordingly, included in the quarter and six-month periods ended June 30, 2011 was the recognition of a \$7,000,000 deferred tax benefit which resulted in a one-time, non-cash income tax benefit of \$7,000,000 as well as an increase to shareholder's equity of \$7,000,000.

Consistent with its activities over the past several years, Network-1 plans on continuing its licensing activities relating to the Remote Power Patent which may include additional enforcement activities. In addition, the Company may acquire intellectual property assets to develop, commercialize, license or otherwise monetize such intellectual property. In

this regard, the Company continually reviews opportunities to acquire, develop or license additional intellectual property for the purpose of pursuing licensing opportunities related to its existing intellectual property portfolio or otherwise. The Company 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. Network-1 has 11 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. and several other data networking vendors. 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, 2010 including, among others, 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 sheets are attached.

Network-1 Security Solutions, Inc.
Condensed Statements of Operations

Three Months Ended		Six Months Ended	
<u>June 30,</u>		<u>June 30,</u>	
<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>

Royalty Revenue	\$1,814,000	\$174,000	\$5,390,000	\$292,000
Cost of Revenue	<u>514,000</u>	<u>9,000</u>	<u>1,542,000</u>	<u>15,000</u>
Gross Profit	<u>1,300,000</u>	<u>165,000</u>	<u>3,848,000</u>	<u>277,000</u>
Operating Expenses:				
General and Administrative	537,000	\$1,053,000	1,283,000	\$1,776,000
Additional Patent Expense	1,000,000	—	1,000,000	—
Non-Cash compensation	<u>113,000</u>	<u>269,000</u>	<u>209,000</u>	<u>316,000</u>
Total Operating Expenses	<u>1,650,000</u>	<u>1,322,000</u>	<u>2,492,000</u>	<u>2,092,000</u>
Operating Income (Loss)	(350,000)	(1,157,000)	1,356,000	(1,815,000)
Other Income (Expenses):				
Interest income, net	<u>16,000</u>	—	<u>32,000</u>	—
Income (Loss) before income taxes	<u>(334,000)</u>	<u>(1,157,000)</u>	<u>1,388,000</u>	<u>(1,815,000)</u>
Income Taxes (Benefit)				
Current	—	—	56,000	—
Deferred	<u>(7,000,000)</u>	—	<u>(7,000,000)</u>	—
Total Income Taxes (Benefit)	<u>(7,000,000)</u>	<u>0</u>	<u>(6,944,000)</u>	<u>0</u>
Net Income (Loss)	<u>\$6,666,000</u>	<u>\$(1,157,000)</u>	<u>\$8,332,000</u>	<u>\$(1,815,000)</u>
Net Income (loss) per share --Basic	<u>\$ 0.26</u>	<u>\$(0.05)</u>	<u>\$ 0.32</u>	<u>\$(0.08)</u>
-- Diluted	<u>\$ 0.21</u>	<u>\$(0.05)</u>	<u>\$ 0.27</u>	<u>\$(0.08)</u>

Weighted average number of common shares outstanding:

- Basic	25,974,609	24,250,942	25,961,815	24,193,568
- Diluted	31,195,523	24,250,942	31,182,729	24,193,568

Condensed Balance Sheet as of June 30, 2011

Cash and cash equivalents \$ 21,822,000

Total current assets	<u><u>\$ 24,763,000</u></u>
Total assets	<u><u>\$ 31,860,000</u></u>
Total current liabilities	<u><u>\$ 2,069,000</u></u>
Total long term liabilities	<u><u>\$ 0</u></u>
Total stockholders' equity	<u><u>\$29,251,000</u></u>

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SOURCE Network-1 Security Solutions, Inc.