

Network-1 Reports Second Quarter 2013 Results

NEW YORK, Aug. 14, 2013 /PRNewswire/ -- Network-1 Security Solutions, Inc. (OTC BB: NSSI) today announced financial results for the quarter ended June 30, 2013. Network-1 had revenue of \$1,907,000 and \$5,971,000 for the three and six months ended June 30, 2013, respectively, as compared with revenue of \$1,966,000 and \$ 6,391,000 for the three and six months ended June 30, 2012, respectively.

Network-1 reported net income of \$782,000 or \$0.03 per share (basic) and \$0.03 (diluted) for the second quarter ended June 30, 2013 as compared \$737,000 or \$0.03 per share (basic) and \$0.02 (diluted) for the second quarter ended June 30, 2012.

Network-1 reported net income for the six months ended June 30, 2013 of \$2,174,000 or \$0.09 per share (basic) and \$0.08 per share (diluted), compared with a net income \$2,660,000 or \$0.10 per share (basic) and \$0.09 per share (diluted) for the six months ended June 30, 2012.

At June 30, 2013, the Company had net operating loss carry forwards (NOLs) totaling approximately \$23,954,000 expiring through 2029, with a future tax benefit of approximately \$8,144,000. At June 30, 2013 the remaining deferred tax asset was \$5,878,000.

During the six months ended June 30, 2013, Network-1 acquired thirteen (13) patents as well as six (6) pending patent applications. Network-1 continues to review potential patent acquisitions and strategic relationships with third parties to monetize their patents.

"It was another strong quarter for Network-1," commented Corey M. Horowitz, Chairman and CEO of Network-1.

"Importantly, during this quarter we acquired a patent portfolio from Mirror Worlds, LLC which has significant licensing potential and at the same time continued to develop our content recognition patent portfolio acquired during the first quarter. Combined with our ongoing Remote Power Patent licensing initiatives, we are strongly positioned for continued growth in our overall technology licensing activities," he added.

During the quarter, Network -1 initiated patent litigation against several vendors of document system software and computer systems in the United States District Court for the Eastern District of Texas, Tyler Division, for infringement of U.S. Patent No. 6,006,227 (the "227 Patent").

Named as defendants in the lawsuit are Apple, Inc., Microsoft, Inc., Hewlett-Packard Company, Lenovo Group Ltd., Lenovo, Inc., Dell, Inc., Best Buy Co., Inc., Samsung Electronics America, Inc. and Samsung Telecommunications America L.L.C. Network-1 seeks, among others things, monetary damages based upon reasonable royalties.

The lawsuit alleges that that the Defendants have infringed and continue to infringe the claims of the '227 Patent by selling and offering to sell Mac OS and Windows operating systems as well as personal computers and tablets that include versions of those operating systems.

The '227 Patent was among nine (9) patents and five (5) pending patent applications acquired by Network-1, through its newly formed subsidiary, Mirror Worlds Technologies, LLC, from Mirror Worlds, LLC (the "MW Patent Portfolio") during the quarter. The '227 Patent entitled "Document Stream Operating System" relates to methods that enable unified search, indexing, displaying and archiving of documents in a computer system. The inventions described in the '227 Patent resulted from the work done by Yale University computer scientist, Professor David Gelernter, and his then graduate student, Dr. Eric Freeman, in the mid-1990s. Both Professor Gelernter and Dr. Freeman entered into consulting agreements with us as part of our acquisition of the MW Patent Portfolio.

Professor Gelernter and Dr. Freeman are currently associated with Lifestreams Technologies Corporation ("Lifestreams"), a company that develops next generation applications and methodologies aimed at organizing and displaying digital data. Lifestreams is a licensee of the MW Patent Portfolio. In connection with the acquisition of the MW Patent Portfolio, we also acquired an equity interest in Lifestreams. In addition, in July 2013 we made an additional equity investment in Lifestreams and, as part of an amended license agreement with Lifestreams related to the MW Patent Portfolio, we received a warrant to purchase 7.5% of the outstanding common stock of Lifestreams on a fully diluted basis.

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. Network-1 works with inventors and patent owners to assist in the development and monetization of their patented technologies. It currently owns nineteen (19) patents covering various technologies including patents covering (i) the delivery of power over Ethernet (PoE) cables for the purpose of remotely powering

network devices, such as wireless access ports, IP phones and network based cameras; (ii) foundational technologies that enable unified search and indexing, displaying and archiving of documents in a computer system; (iii) enabling technology for identifying media content on the Internet and taking further action to be performed based on such identification including, among others, the insertion of advertising and the facilitation of the purchase of goods and services; and (iv) systems and methods for the transmission of audio, video and data over computer and telephony networks. 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. 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. During the first six months ended June 30, 2013, Network-1 acquired thirteen (13) patents as well as six (6) pending patent applications.

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, 2012 including, among others, the continued validity of Network-1's Remote Power Patent, the ability of Network-1 to enter into additional license agreements, the ability of Network-1 to receive significant royalties from its existing license agreements, the uncertainty of patent litigation, risks related to the reexamination of Network-1's Remote Power Patent by the United States Patent and Trademark Office, 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.

Corey M. Horowitz, Chairman and CEO
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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	
	June 30,		June 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
ROYALTY REVENUE	\$ 1,907,000	\$ 1,966,000	\$ 5,971,000	\$ 6,391,000
COST OF REVENUE	<u>547,000</u>	<u>562,000</u>	<u>1,772,000</u>	<u>1,948,000</u>
GROSS PROFIT	<u>1,360,000</u>	<u>1,404,000</u>	<u>4,199,000</u>	<u>4,443,000</u>
OPERATING EXPENSES:				
General and Administrative	767,000	446,000	1,445,000	1,036,000
Non-Cash compensation	<u>144,000</u>	<u>74,000</u>	<u>256,000</u>	<u>165,000</u>

TOTAL OPERATING EXPENSES	<u>911,000</u>	<u>520,000</u>	<u>1,701,000</u>	<u>1,201,000</u>
OPERATING INCOME	449,000	884,000	2,498,000	3,242,000
OTHER INCOME (EXPENSES):				
Interest income, net	<u>12,000</u>	<u>10,000</u>	<u>18,000</u>	<u>19,000</u>
INCOME BEFORE INCOME TAXES	<u>461,000</u>	<u>894,000</u>	<u>2,516,000</u>	<u>3,261,000</u>
INCOME TAXES (BENEFIT)				
Current	(22,000)	9,000	26,000	33,000
Deferred	<u>(299,000)</u>	<u>148,000</u>	<u>316,000</u>	<u>568,000</u>
Total Income Taxes (Benefits)	<u>(321,000)</u>	<u>157,000</u>	<u>342,000</u>	<u>601,000</u>
NET INCOME	\$ 782,000	\$ 737,000	\$ 2,174,000	\$ 2,660,000
Net Income per share - Basic	\$ 0.03	\$ 0.03	\$ 0.09	\$ 0.10
Diluted	\$ 0.03	\$ 0.02	\$ 0.08	\$ 0.09
Weighted average number of common shares outstanding:				
- Basic	25,181,736	26,192,920	25,098,074	25,595,913
- Diluted	27,087,061	28,819,929	27,396,414	28,729,256
NET INCOME	\$ 782,000	\$ 737,000	\$ 2,174,000	\$ 2,660,000
OTHER COMPREHENSIVE INCOME NET OF TAX:				
Unrealized gain (loss) arising during period	<u>(9,000)</u>	<u>3,000</u>	<u>(14,000)</u>	<u>2,000</u>

COMPREHENSIVE INCOME	\$ 773,000	\$ 740,000	\$ 2,160,000	\$ 2,662,000
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**Condensed Balance Sheet as of June 30,
2013**

Cash and cash equivalents	\$ 18,103,000
Total current assets	\$ 20,735,000
Total assets	\$ 32,307,000
Total current liabilities	\$ 811,000
Total long term liabilities	\$ -0-
Total stockholders' equity	\$ 31,496,000

SOURCE Network-1 Security Solutions, Inc.