



TII NETWORK TECHNOLOGIES REPORTS FIRST QUARTER 2009 RESULTS

EDGEWOOD, NY – May 4, 2009 – Tii Network Technologies, Inc. (Nasdaq: TIII), a leader in designing, manufacturing and marketing network products for the communications industry, today reported results of operations for the three months ended March 31, 2009.

Net sales for the three months ended March 31, 2009 were \$5,749,000 compared to \$8,851,000 for the comparable prior year period, a decrease of \$3,102,000 or 35.0%. The decline was due to the sharp downturn in economic activity which has negatively impacted the markets for the Company's connectivity, network interface device and overvoltage surge protection products. This decrease was partially offset by an increase in sales of the Company's broadband products.

Operating loss for the three months ended March 31, 2009 was \$196,000 compared to operating income of \$223,000 in the comparable prior year period, a decrease of \$419,000. The decrease is primarily attributable to a \$1,125,000 decrease in gross profit as a result of the decrease in sales, partially offset by a \$706,000 reduction in operating expenses. The improvement in operating expenses in the 2009 period from the 2008 period was due to a number of cost reductions, the largest being a decrease in salary and related benefits resulting from decreases in headcount.

For the three months ended March 31, 2009, net loss was \$232,000, or \$0.02 per share, compared to net income of \$151,000, or \$0.01 per diluted share, for the same prior year period, a decrease of \$383,000. The current quarter results include a tax provision of \$39,000 compared to \$89,000 in the same prior year period. Our income tax provision for each period consists of amounts necessary to align our year-to-date tax provision with the effective tax rate we expect to achieve for the full year. That rate differs from the U.S. statutory rate primarily as a result of the non-deductibility of certain share-based compensation expense for income tax purposes that has been recognized for financial statement purposes, state taxes and additionally, in the current year period, an increase in the valuation allowance against deferred tax assets for our estimate of state net operating losses that will expire unutilized.

Kenneth A. Paladino, President and Chief Executive Officer, stated, "The effect of the economic recession continued to negatively impact our sales levels in the first quarter resulting in a loss for the quarter. Despite this loss, our financial position continued to improve due to our ongoing operating expense reductions of more than \$700,000 from the prior year quarter. Our balance sheet remains strong, with cash increasing from January 1, 2009 by \$1.3 million to \$9.5 million at March 31, 2009.

During this economic contraction we continue to execute our strategy of developing new products, aggressively pursuing market share and improving our operations. Though the decline in the overall market for our products has continued, we believe that this is the right strategy."

About Tii Network Technologies, Inc.

Tii Network Technologies, Inc. (NASDAQ: TIII) headquartered in Edgewood, New York, designs, manufactures and sells products to the service providers in the Communications Industry for use in their networks. Our products are typically found outdoors in the service provider's distribution network, at the interface where the service provider's network connects to the user's network, and inside the user's home or apartment, and are critical to the successful delivery of voice and broadband communication services. Additional information about the company can be found at www.tiinettech.com.

Forward Looking Statement

Certain statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this release, words such as "may," "should," "seek," "believe," "expect," "anticipate," "estimate," "project," "intend," "strategy" and similar expressions are intended to identify forward looking statements regarding events, conditions and financial trends that may affect our future plans, operations, business strategies, operating results and financial position. Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause our actual results, performance or achievements to differ materially from those described or implied in the forward-looking statements as a result of several factors. Among those factors are:

- general economic and business conditions, especially as they pertain to the Telco industry;
- potential changes in customers' spending and purchasing policies and practices, which are effected by customers' internal budgetary allotments that may be impacted by the current economic climate, particularly in the United States;
- pressure from customers to reduce pricing without achieving a commensurate reduction in costs;
- the ability to market and sell products to new markets beyond our principal copper-based Telco market which has been declining over the last several years, due principally to the impact of alternate technologies;
- exposure to increases in the cost of our products, including increases in the cost of our petroleum-based plastic products and precious metals;
- the ability to timely develop products and adapt our existing products to address technological changes, including changes in our principal market;
- competition in our traditional Telco market and new markets we are seeking to penetrate;
- dependence on, and ability to retain, our "as-ordered" general supply agreements with our largest customer and ability to win new contracts;
- dependence on third parties for certain product development;
- dependence for products and product components from Pacific Rim contract manufacturers, including on-time delivery that could be interrupted as a result of third party labor disputes, political factors or shipping disruptions, quality control and exposure to changes in costs and changes in the valuation of the Chinese Yuan;
- weather and similar conditions, particularly the effect of typhoons on our assembly and warehouse facilities in the Pacific Rim;
- the ability to attract and retain technologically qualified personnel; and
- the availability of financing on satisfactory terms.

We undertake no obligation to update any forward-looking statement to reflect events after the date of this Report.

CONTACT:

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-- *Statistical Tables Follow* --

TII NETWORK TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three months ended	
	March 31,	
	2009	2008
	(unaudited)	
Net sales	\$ 5,749	\$ 8,851
Cost of sales	3,622	5,599
Gross profit	<u>2,127</u>	<u>3,252</u>
Operating expenses:		
Selling, general and administrative	1,884	2,407
Research and development	439	622
Total operating expenses	<u>2,323</u>	<u>3,029</u>
Operating (loss) income	(196)	223
Interest income	<u>3</u>	<u>17</u>
(Loss) income before income taxes	(193)	240
Income tax provision	<u>39</u>	<u>89</u>
Net (loss) income	<u>\$ (232)</u>	<u>\$ 151</u>
Net (loss) income per common share:		
Basic	<u>\$ (0.02)</u>	<u>\$ 0.01</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding:		
Basic	13,560	13,493
Diluted	13,560	13,750

TII NETWORK TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	March 31, 2009 (unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,535	\$ 8,282
Accounts receivable, net of allowance of \$98 and \$88 at March 31, 2009 and December 31, 2008, respectively	2,831	3,906
Inventories, net	8,353	9,031
Deferred tax assets, net	613	697
Other current assets	156	175
Total current assets	21,488	22,091
Property, plant and equipment, net	8,545	8,877
Deferred tax assets, net	8,642	8,599
Other assets, net	185	154
Total assets	\$ 38,860	\$ 39,721
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,150	\$ 2,090
Accrued liabilities	769	652
Total current liabilities and total liabilities	1,919	2,742
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$1.00 per share; 1,000,000 shares authorized, including 30,000 shares of series D junior participating at December 31, 2008; no shares outstanding	-	-
Common stock, par value \$.01 per share; 30,000,000 shares authorized; 13,787,429 shares issued and 13,769,792 shares outstanding as of March 31, 2009, and December 31, 2008	138	138
Additional paid-in capital	42,456	42,262
Accumulated deficit	(5,372)	(5,140)
	37,222	37,260
Less: Treasury shares, at cost, 17,637 common shares at March 31, 2009 and December 31, 2008	(281)	(281)
Total stockholders' equity	36,941	36,979
Total liabilities and stockholders' equity	\$ 38,860	\$ 39,721