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ClearOne Reports 2010 Fourth Quarter, Full-Year Financial Results Q4 Revenue Growth of 37 Percent Year-over-Year to a Record \$12.6 Million;

2010 Revenue Growth of 31 Percent to a record \$41.3 million

SALT LAKE CITY, March 10, 2011 /PRNewswire/ -- ClearOne Communications, Inc. (Nasdaq: CLRO) today reported financial results for the fourth quarter and full year ended December 31, 2010.

During the fourth quarter of 2010, revenue increased 37% to \$12.6 million from \$9.2 million in the same quarter of last year. Gross profit during the fourth quarter of 2010 rose to \$7.5 million, or 60% of revenue, from \$5.6 million, or 61% of revenue, for the prior year period. Adjusted operating income for the fourth quarter of 2010, which excludes \$2.2 million of legal expenses accrued in connection with the indemnification of a former ClearOne Officer, was \$2.3 million. Operating income for the fourth quarter of 2009 was \$609,000. Net income during the fourth quarter of 2010 was \$817,000, or \$0.09 per diluted share, compared with \$699,000, or \$0.08 per diluted share, for the comparable period in 2009.

For the 2010 full year, revenue increased 31% to \$41.3 million from \$31.5 million for 2009. Gross profit rose to \$24.6 million, or 60% of revenue, from \$16.8 million, or 53% of revenue, for the prior year. Adjusted operating income for 2010, which excludes \$2.2 million of legal expenses accrued in connection with the indemnification of a former ClearOne Officer, was \$4.0 million. Adjusted operating loss for 2009, which excludes credits for \$1.2 million received on insurance settlements and a \$1.1 million reversal of accrued legal expenses in connection with the indemnification of a former ClearOne Officer, was \$2.9 million. Net income for 2010 was \$2.4 million, or \$0.27 per diluted share, compared with \$384,000, or \$0.04 per diluted share, for 2009.

At December 31, 2010, the company had cash and cash equivalents of \$11.4 million and no long-term debt.

"ClearOne had an outstanding quarter and an outstanding year on all fronts," said Zee Hakimoglu, President, Chief Executive Officer and Chairman of ClearOne. "We established a beach head with new products for the Unified Communications market. We grew strategic partner relationships in these markets. We acquired strategic technology for networked multimedia streaming solutions through the acquisition of NetStreams to complement our conferencing and collaboration solutions. And, we achieved record revenue and profitability growth for the quarter and for the year."

"Throughout 2010, we continued to build operational momentum. Increased demand for our products, both in domestic and international markets, combined with new product introductions significantly contributed to our strong financial performance."

"Looking ahead, we are confident of sustaining the momentum and continuing our strong financial and operational performance into 2011. We are particularly encouraged by the potential for our recently launched Collaborate™, an all-in-one voice, video and data collaboration console for users of Unified Communications or popular cloud based web services. We believe this innovative solution has many applications for organizations of any size and promises to be a strategic product in our solutions portfolio."

Non-GAAP Financial Measures

ClearOne provides non-GAAP financial information in the form of Adjusted operating income to investors to supplement GAAP financial information. ClearOne believes that excluding certain items from GAAP results allows ClearOne's management to better understand ClearOne's consolidated financial performance from period to period as management does not believe that the excluded items are reflective of underlying operating performance. Non-GAAP Adjusted operating income excludes insurance settlement receipts, legal expenses accrued in connection with the indemnification of a former ClearOne Officer and the reversal of accrued legal expenses in connection with the indemnification of a former ClearOne Officer. The exclusion of these items in the non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent, or unusual. ClearOne believes non-GAAP financial measures will provide investors with useful information to help them evaluate ClearOne's operating results and projections. This non-GAAP financial information is not meant to be considered in isolation or as a substitute for operating income prepared in accordance with GAAP. There are limitations to the use of non-GAAP financial measures. Other companies, including companies in ClearOne's industry, may calculate non-GAAP financial measures differently than ClearOne does, limiting the usefulness of those measures for comparative purposes.

A detailed reconciliation of Non-GAAP Adjusted operating income (loss) to GAAP operating income (loss) is included with this news release.

About ClearOne

ClearOne is a global communications solutions company that develops and sells conferencing, collaboration, streaming media and connectivity systems for audio, video, and web applications. The reliability, flexibility and performance of the company's advanced comprehensive solutions enhance the quality of life through better communication, education, and entertainment.

ClearOne develops, manufactures, markets and services a comprehensive line of high-quality audio conferencing products under personal, tabletop, premium and professional (installed audio) categories. The company occupies the number one position in the professional audio conferencing market. ClearOne's conferencing solutions save organizations time and money by creating a natural environment for collaboration.

NetStreams, recently acquired by ClearOne, delivers the ultimate IP A/V experience by distributing high definition audio and video over TCP/IP networks. NetStreams' products, designed for commercial and residential use, offer unprecedented levels of performance, functionality, simplicity, reliability and expandability. By combining audio/video content, meta-data and control signals into one stream and incorporating industry standards, NetStreams' newly patented StreamNet® solutions are a smart investment, enabling the Power of AV over IP™ today.

NetStreams' StreamNet technology provides elegant solutions for streaming media & control applications such as digital signage, distribution of HD video and audio, LAN Cloud Matrix Switching™, and audio paging over data networks.

This release contains "forward-looking" statements that are based on present circumstances and on ClearOne's predictions with respect to events that have not occurred, that may not occur, or that may occur with different consequences and timing than those now assumed or anticipated. Such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that could cause actual events or results to differ materially from the events or results described in the forward-looking statements. Such forward-looking statements are made only as of the date of this release and ClearOne assumes no obligation to update forward-looking statements to reflect subsequent events or circumstances. Readers should not place undue reliance on these forward-looking statements.

<http://www.b2i.us/irpass.asp?BzID=509&to=ea&s=0>

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FINANCIAL TABLES FOLLOW

CLEARONE COMMUNICATIONS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (in thousands of dollars, except per share amounts)

	Unaudited	Audited
	As of Dec. 31, 2010	As of Dec. 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,431	\$ 9,494
Receivables, net of allowance for doubtful accounts of \$206 and \$103, respectively	9,951	6,571
Inventories, net	8,780	6,236
Deferred income taxes	3,389	3,128
Prepaid expenses and other assets	446	1,609
Total current assets	33,997	27,038
Long-term inventory	2,617	6,412
Property and equipment, net	2,965	3,246
Intangibles	2,745	3,095

Goodwill	726	726
Deferred income taxes	913	1,037
Other assets	18	21
Total assets	<u>\$ 43,981</u>	<u>\$ 41,575</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	2,362	2,304
Accrued liabilities	4,573	1,768
Current maturities of long-term debt	-	2,000
Deferred product revenue	4,306	4,707
Total current liabilities	<u>11,241</u>	<u>10,779</u>
Deferred rent	584	466
Other long-term liabilities	421	1,232
Total liabilities	<u>12,246</u>	<u>12,477</u>
Shareholders' equity:		
Common stock, par value \$0.001, 50,000,000 shares authorized, 8,929,439 and 8,929,134 shares issued and outstanding, respectively	9	9
Additional paid-in capital	39,073	38,810
Accumulated deficit	(7,347)	(9,721)
Total shareholders' equity	<u>31,735</u>	<u>29,098</u>
Total liabilities and shareholders' equity	<u>\$ 43,981</u>	<u>\$ 41,575</u>

CLEARONE COMMUNICATIONS, INC. AND SUBSIDIARIES UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands of dollars, except per share amounts)

	Quarter ended Dec. 31,		Year ended Dec. 31,	
	2010	2009	2010	2009
Revenue	\$ 12,632	\$ 9,190	\$ 41,284	\$ 31,499
Cost of goods sold	5,101	3,584	16,643	14,712
Gross profit	<u>7,531</u>	<u>5,606</u>	<u>24,641</u>	<u>16,787</u>
Operating expenses:				
Sales and marketing	2,358	1,601	8,685	6,822
Research and product development	1,967	1,825	7,739	7,414
General and administrative	3,167	1,571	6,420	4,203
Insurance settlement	-	-	-	(1,100)
Total operating expenses	<u>7,492</u>	<u>4,997</u>	<u>22,844</u>	<u>17,339</u>
Operating income (loss)	39	609	1,797	(552)
Other income (expense), net	16	74	(104)	429
Income (loss) before income taxes	55	683	1,693	(123)
Benefit from income taxes	762	16	681	507
Net income	<u>\$ 817</u>	<u>\$ 699</u>	<u>\$ 2,374</u>	<u>\$ 384</u>

Basic earnings (loss) per common share	\$ 0.09	\$ 0.08	\$ 0.27	\$ 0.04
Diluted earnings (loss) per common share	\$ 0.09	\$ 0.08	\$ 0.27	\$ 0.04
Basic weighted average shares outstanding	8,929,421	8,929,043	8,929,305	8,925,173
Diluted weighted average shares outstanding	8,960,006	9,047,148	8,942,929	9,044,776

CLEARONE COMMUNICATIONS, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP ADJUSTED OPERATING INCOME
(in thousands of dollars)

	Quarter ended Dec.		Year ended Dec. 31,	
	2010	2009	2010	2009
Reported GAAP Operating Income (loss)	\$ 39	\$ 609	\$ 1,797	\$ (552)
Insurance Settlement (reported separately)	-	-	-	(1,100)
Insurance Settlement (included in General & Administrative expenses)	-	-	-	(145)
Reversal of accrued legal expenses in connection with the indemnification of a former ClearOne Officer (included in General & Administrative expenses)	-	-	-	(1,147)
Accrual of legal expenses in connection with the indemnification of a former ClearOne Officer (included in General & Administrative expenses)	2,224	-	2,224	-
Non-GAAP Adjusted operating income (loss)	<u>\$ 2,263</u>	<u>\$ 609</u>	<u>\$ 4,021</u>	<u>\$ (2,944)</u>

SOURCE ClearOne Communications, Inc.