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ClearOne Reports Strong Second Quarter 2010 Financial Results

SALT LAKE CITY, Aug. 13 /PRNewswire-FirstCall/ -- ClearOne Communications, Inc. (Nasdaq: CLRO) today reported financial results for the second quarter ended June 30, 2010.

Revenue for the 2010 second quarter increased 41% to \$9.9 million from \$7.1 million in the same quarter of last year. Gross profit rose to \$5.7 million, or 57% of revenue, from \$3.2 million, or 45% of revenue, for the prior year period. Operating income was \$520,000 compared to an operating loss of \$946,000 in the same period of fiscal 2009. Net income was \$353,000, or \$0.04 per diluted share, versus net loss of \$402,000, or \$0.04 per diluted share, for the second quarter of 2009.

"In the 2010 second quarter, our overall financial performance improved primarily due to increased sales in each of our audio conferencing product lines and the contribution of revenue from NetStreams' products," said Zee Hakimoglu, president, chief executive officer and chairman of ClearOne. "We further strengthened the company's balance sheet during the second quarter, remaining debt free while growing our cash position by \$1.5 million to \$10.9 million even after fully absorbing NetStreams' operations and making investments in its sales channel and product development. In addition, we reduced our inventory by \$1.3 million during the second quarter and \$5.3 million, or 34%, over the last 12 months."

For the first six months of 2010, revenue increased 25% to \$18.3 million from \$14.7 million for the same period of 2009. Gross profit was \$10.9 million, or 59% of revenue, from \$7.2 million, or 49% of revenue, for the comparable prior year period. Operating income was \$977,000 compared to an operating loss of \$516,000 for the first six months of fiscal 2009. Net income was \$570,000, or \$0.06 per diluted share, versus net loss of \$42,000, for the comparable prior period.

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 our 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 with more than 50% of the global market share. 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, including statements regarding the company's ability to successfully commercialize newer products and enter new markets, 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>

FINANCIAL TABLES FOLLOW

CLEARONE COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of dollars, except per share amounts)

(unaudited)

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenue	\$ 9,937	\$ 7,060	\$ 18,293	\$ 14,662
Cost of goods sold	4,276	3,886	7,437	7,435
Gross profit	5,661	3,174	10,856	7,227
Operating expenses:				
Sales and marketing	2,183	1,929	4,085	3,619
Research and product development	1,744	2,111	3,648	3,921
General and administrative	1,214	1,180	2,146	1,303
Insurance settlement	-	(1,100)	-	(1,100)
Total operating expenses	5,141	4,120	9,879	7,743
Operating income (loss)	520	(946)	977	(516)
Other income (expense), net	-	225	(132)	285
Income (loss) before income taxes	520	(721)	845	(231)
(Provision for) benefit from income taxes	(167)	319	(275)	189
Net income (loss)	\$ 353	\$ (402)	\$ 570	\$ (42)
Basic earnings (loss) per common share	\$ 0.04	\$ (0.05)	\$ 0.06	\$ -
Diluted earnings (loss) per common share	\$ 0.04	\$ (0.04)	\$ 0.06	\$ -
Basic weighted average shares outstanding	8,929,281	8,928,546	8,929,277	8,921,313
Diluted weighted average shares outstanding	9,045,866	9,047,260	9,045,718	9,039,863

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

	As of June 30, 2010	As of December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,906	\$ 9,494
Receivables, net of allowance for doubtful accounts of \$191 and \$103, respectively	8,429	6,571
Inventories, net	6,176	6,236
Deferred income taxes	3,351	3,128
Prepaid expenses and other assets	556	1,609
Total current assets	29,418	27,038
Long-term inventory	4,178	6,412
Property and equipment, net	3,195	3,246

Intangibles	2,920	3,095
Goodwill	726	726
Deferred income taxes	852	1,037
Other assets	21	21
Total assets	<u>\$ 41,310</u>	<u>\$ 41,575</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	2,592	2,304
Accrued liabilities	2,066	1,768
Current maturities of long-term debt	-	2,000
Deferred product revenue	5,033	4,707
Total current liabilities	<u>9,691</u>	<u>10,779</u>

Deferred rent	603	466
Other long-term liabilities	1,188	1,232
Total liabilities	<u>11,482</u>	<u>12,477</u>

Shareholders' equity:

Common stock, par value \$0.001, 50,000,000 shares authorized, 8,929,314 and 8,929,134 shares issued and outstanding, respectively	9	9
Additional paid-in capital	38,970	38,810
Accumulated deficit	(9,151)	(9,721)
Total shareholders' equity	<u>29,828</u>	<u>29,098</u>
Total liabilities and shareholders' equity	<u>\$ 41,310</u>	<u>\$ 41,575</u>

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SOURCE ClearOne Communications, Inc.