



May 10, 2012

ClearOne Reports 2012 First Quarter Financial Results

SALT LAKE CITY, May 10, 2012 /PRNewswire/ -- ClearOne (NASDAQ: CLRO) today reported its financial results for the 2012 first quarter ended March 31, 2012.

For the 2012 first quarter, revenue was \$10.2 million compared with \$10.7 million for the first quarter of 2011. Gross profit was \$6.1 million, or 60% of revenue, compared with \$6.3 million, or 59% of revenue, for the first quarter of 2011. Operating expenses, excluding litigation proceeds, increased to \$5.6 million from \$5.1 million in the prior year first quarter. Operating income declined to \$711,000 from \$1.2 million for the first quarter last year. Net income declined to \$453,000 or \$0.05 per diluted share, from \$812,000, or \$0.09 per diluted share, for the 2011 first quarter. Non-GAAP net income decreased to \$626,000, or \$0.07 per diluted share, from \$1.1 million, or \$0.12 per diluted share, for the first quarter of 2011. Non-GAAP Adjusted EBITDA decreased to \$1.2 million, or \$0.13 per diluted share, from \$1.9 million, or \$0.21 per diluted share, for the first quarter of 2011. The results for the first quarter of 2012 included the operations of VCON, a video conferencing solutions company acquired in February 2012. The reconciliation between GAAP and Non-GAAP measures is available in the tables attached to this release.

At March 31, 2012, the company had cash and cash equivalents of \$10.6 million, and no debt after paying for the acquisition of VCON.

"The revenue for the 2012 first quarter fell short of last year's record-setting numbers primarily due to a decline in sales in EMEA and softer sales for the Americas," said Zee Hakimoglu, President, Chief Executive Officer and Chairman of ClearOne. "Moving forward, the recent acquisitions we have made will provide us with complementary technologies allowing us to enter new growth markets."

Recent Highlights

- In February, ClearOne completed the acquisition of VCON Video Conferencing opening new opportunities to grow enterprise sales through a new line of conferencing and collaboration products.
- In March, the company expanded its room conferencing product line with the introduction of the INTERACT® AT-Skype.
- Also in March, ClearOne launched its ANTHOLOGY™ media server and the SpeakerLinX SLX300 amplifier.
- In April 2012, the company launched the MagicBox WebSuite digital signage software platform that allows users to control their entire signage network from any web browser at any location.

Non-GAAP Financial Measures

ClearOne provides non-GAAP financial information in the form of Non-GAAP net income, EBITDA, Adjusted EBITDA and earnings per share 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 net income, EBITDA, Adjusted EBITDA and earnings per share excludes certain costs and expenses, the details of which are provided in the tables below containing the reconciliation between GAAP and Non-GAAP financial measures. 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, net income or other financial measures 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 net income to GAAP net income is included with this news release.

About ClearOne

ClearOne is a global company that designs, develops and sells conferencing, collaboration, streaming and digital signage solutions for audio, video and data multimedia communication. The performance and simplicity of its advanced comprehensive solutions enhance the quality of life. ClearOne products are designed for business and residential use, offering unprecedented levels of functionality, reliability and scalability. More information about the company can be found at www.clearone.com.

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 any statements of the plans and objectives of management for future operations, 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.

CLEARONE COMMUNICATIONS, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except par value)

	Unaudited	Audited
	As of Mar. 31, 2012	As of Dec. 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,577	\$ 16,683
Receivables, net of allowance for doubtful accounts of \$68 and \$149, respectively	7,100	8,457
Inventories	14,475	12,565
Deferred income taxes	3,025	2,987
Prepaid expenses and other assets	1,846	740
Total current assets	37,023	41,432
Long-term inventories, net	2,449	1,905
Property and equipment, net	2,210	2,338
Intangibles, net	6,063	2,690
Goodwill	1,939	1,153
Other assets	67	41
Total assets	\$ 49,751	\$ 49,559

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	1,830	2,814
Accrued liabilities	2,753	2,534
Deferred product revenue	3,822	3,404
Total current liabilities	8,405	8,752
Deferred income taxes	129	101
Deferred rent	486	494
Other long-term liabilities	563	548
Total liabilities	9,583	9,895
Shareholders' equity:		
Common stock, par value \$0.001, 50,000,000 shares authorized, 9,098,152 shares issued and outstanding	9	9
Additional paid-in capital	40,124	40,073
Retained earnings (accumulated deficit)	35	(418)
Total shareholders' equity	40,168	39,664
Total liabilities and shareholders' equity	\$ 49,751	\$ 49,559

CLEARONE COMMUNICATIONS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share value)

	Quarter ended March 31,	
	2012	2011
Revenue	\$ 10,154	\$ 10,701
Cost of goods sold	4,046	4,399
Gross profit	6,108	6,302
Operating expenses:		
Sales and marketing	2,134	1,983
Research and product development	2,008	1,637
General and administrative	1,505	1,472
Proceeds from litigation	(250)	-
Total operating expenses	5,397	5,092
Operating income	711	1,210
Other income, net	16	11
Income before income taxes	727	1,221
Provision for income taxes	274	409
Net income	\$ 453	\$ 812

Basic earnings per common share	\$	0.05	\$	0.09
Diluted earnings per common share	\$	0.05	\$	0.09

Basic weighted average shares outstanding	9,098,152	8,931,504
Diluted weighted average shares outstanding	9,246,310	9,122,671

CLEARONE COMMUNICATIONS, INC.
RECONCILIATION OF GAAP TO NON-GAAP NET INCOME
(Dollars in thousands, except per share value)

	Quarter ended March 31, 2012			Quarter ended March 31, 2011		
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
Revenue	\$ 10,154	\$ -	\$ 10,154	\$ 10,701	\$ -	\$ 10,701
Cost of goods sold	4,046	(1)	4,045	4,399	-	4,399
Gross profit	6,108	1	6,109	6,302	-	6,302
Operating expenses:						
Sales and marketing	2,134	(13)	2,121	1,983	(4)	1,979
Research and product development	2,008	(7)	2,001	1,637	(4)	1,633
General and administrative	1,505	(471)	1,034	1,472	(463)	1,009
Proceeds from litigation	(250)	250	-	-	-	-
Total operating expenses	5,397	(241)	5,156	5,092	(471)	4,621
Operating income	711	242	953	1,210	471	1,681
Other income, net	16	-	16	11	-	11
Income before income taxes	727	242	969	1,221	471	1,692
Provision for income taxes	274	69	343	409	152	561
Net income	\$ 453	\$ 173	\$ 626	\$ 812	\$ 319	\$ 1,131
Basic earnings per common share	\$ 0.05		\$ 0.07	\$ 0.09		\$ 0.13
Diluted earnings per common share	\$ 0.05		\$ 0.07	\$ 0.09		\$ 0.12
Basic weighted average shares outstanding	9,098,152		9,098,152	8,931,504		8,931,504
Diluted weighted average shares outstanding	9,246,310		9,246,310	9,122,671		9,122,671

The adjustments consist of the following:

Share-based compensation	\$ 51	\$ 39
Amortization of purchased intangibles	127	88
Legal expenses for litigation relating to indemnification of former officers, intellectual property claims and our claim for damages	127	344
Proceeds from litigation	(250)	-
Acquisition related expenses	187	-
	242	471
Provision for income taxes affected by the above adjustments	69	152
Total adjustments	\$ 173	\$ 319

CLEARONE COMMUNICATIONS, INC.
(Dollars in thousands, except per share value)

RECONCILIATION OF GAAP NET INCOME TO NON-GAAP ADJUSTED EBITDA

	Quarter ended March 31,	
	2012	2011
GAAP Net Income	\$ 453	\$ 812
Adjustments:		
Provision for (benefit from) for income taxes	274	409
Depreciation and Amortization	337	295
Non-GAAP EBITDA	1,064	1,516
Share-based compensation	51	39
Legal expenses for litigation relating to indemnification of former officers, intellectual property claims and our claim for damages	127	344
Proceeds from litigation	(250)	-

Acquisition related expenses	187	-
Non-GAAP Adjusted EBITDA	<u>\$ 1,179</u>	<u>\$ 1,899</u>
Basic weighted average shares outstanding	9,098,152	8,931,504
Diluted weighted average shares outstanding	9,246,310	9,122,671
Basic Adjusted EBITDA per common share	\$ 0.13	\$ 0.21
Diluted Adjusted EBITDA per common share	\$ 0.13	\$ 0.21

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