



April 2, 2012

ClearOne Reports 2011 Fourth Quarter and Full Year Financial Results

SALT LAKE CITY, April 2, 2012 /PRNewswire/ -- ClearOne (NASDAQ: CLRO) today reported its financial results for the fourth quarter and full year ended December 31, 2011.

For the 2011 full year, revenue increased 12% to \$46.1 million from \$41.3 million for 2010. Gross profit rose 12% to \$27.5 million, or 60% of revenue, from \$24.6 million, or 60% of revenue, for the prior year. Operating expenses declined to \$17.0 million from \$22.8 million for 2010. Operating income climbed to \$10.6 million from \$1.8 million for the prior year. The company recorded a provision for income taxes of \$3.7 million versus a benefit from income taxes of \$681,000 for 2010. Net income more than doubled to \$6.9 million, or \$0.75 per diluted share, from \$2.4 million, or \$0.27 per diluted share, for 2010.

Operating expenses, operating income and net income for 2011 were impacted by a favorable judgment award of \$3.7 million related to litigation against Biamp Systems Corp. for theft of ClearOne trade secrets. Operating expenses, operating income and net income for 2010 were affected by an unfavorable accrual of \$2.2 million of legal expenses in connection with the indemnification of a former ClearOne Officer. Non-GAAP net income increased by 5% to \$5.3 million, or \$0.57 per diluted share, from \$5.1 million, or \$0.57 per diluted share, for 2010. Non-GAAP Adjusted EBITDA for 2011 increased by 37% to \$9.0 million, or \$0.97 per diluted share, from \$6.6 million, or \$0.74 per diluted share, for 2010. The reconciliation between GAAP and Non-GAAP measures is available in the tables attached to this release.

"Our strong 2011 financial results were primarily driven by increased demand for our portfolio of products in North America and Asia Pacific combined with consistent high gross margins," said Zee Hakimoglu, President, Chief Executive Officer and Chairman of ClearOne. "Our continued stellar operational performance in 2011 is reflected in the 37% increase in adjusted EBITDA from a year ago.

"Looking ahead, we will leverage our technology acquisitions, benefit from the wealth of experience the retained management teams bring, and continue to develop our sales channels to enter significantly larger and higher growth markets."

For the 2011 fourth quarter, revenue was \$12.0 million compared with \$12.6 million for the fourth quarter of 2010. Gross profit was \$7.1 million, or 59% of revenue, compared with \$7.5 million, or 60% of revenue, for the prior year fourth quarter.

Operating expenses declined to \$5.0 million from \$7.5 million in the prior year fourth quarter. Operating income climbed to \$2.1 million from \$39,000 for the fourth quarter last year. Net income grew to \$1.4 million, or \$0.15 per diluted share, from \$817,000, or \$0.09 per diluted share, for the 2010 fourth quarter. Operating expenses, operating income and net income for the prior year fourth quarter were affected by an unfavorable accrual of \$2.2 million legal expenses in connection with the indemnification of a former ClearOne Officer. Non-GAAP net income decreased to \$1.5 million, or \$0.17 per diluted share, from \$2.3 million, or \$0.26 per diluted share, for 2010. Non-GAAP Adjusted EBITDA for 2011 decreased to \$2.6 million, or \$0.28 per diluted share, from \$2.8 million, or \$0.32 per diluted share, for 2010. The reconciliation between GAAP and Non-GAAP measures is available in the tables attached to this release.

At December 31, 2011, the company had cash and cash equivalents of \$16.7 million, and no debt.

Recent Highlights

ClearOne announced several significant developments.

- In February 2012, the company completed the acquisition of Israel-based VCON Video Conferencing, a leader in high-performance, end-to-end, software video conferencing. The acquisition extends ClearOne's leadership in the enterprise marketplace to video conferencing and collaboration. Combined, the companies will seamlessly deliver VCON's full HD video conferencing technology and ClearOne's legacy crystal-clear audio for a variety of enterprise applications, including feature-rich room systems and desktop video applications to enhanced infrastructure and network management solutions.
- In December, the company collected its \$3.7 million judgment against Biamp. In August, the United States Court of Appeals for the Tenth Circuit issued an opinion, affirming a November 2008 jury verdict issued by a federal district court in favor of ClearOne against Biamp Systems Corp. for theft of ClearOne's trade secrets, including the federal district court's award of exemplary damages based upon the finding that Biamp's misappropriation was willful and malicious.

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.

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

	<u>As of December 31,</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,683	\$ 11,431
Receivables, net of allowance for doubtful accounts of \$149 and \$206, respectively	8,457	9,951
Inventories	12,565	8,780
Deferred income taxes	2,987	3,389
Prepaid expenses and other assets	740	446
Total current assets	<u>41,432</u>	<u>33,997</u>
Long-term inventories, net	1,905	2,617
Property and equipment, net	2,338	2,965
Intangibles, net	2,690	2,745
Goodwill	1,153	726
Deferred income taxes	-	913
Other assets	41	18
Total assets	<u>\$ 49,559</u>	<u>\$ 43,981</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	2,814	2,362
Accrued liabilities	2,534	4,573
Deferred product revenue	3,404	4,306
Total current liabilities	<u>8,752</u>	<u>11,241</u>
Deferred income taxes	101	-
Deferred rent	494	584
Other long-term liabilities	548	421
Total liabilities	<u>9,895</u>	<u>12,246</u>

Shareholders' equity:

Common stock, par value \$0.001, 50,000,000 shares authorized,

9,098,152 and 8,929,439 shares issued and outstanding, respectively

Additional paid-in capital	40,073	39,073
Accumulated deficit	(418)	(7,347)
Total shareholders' equity	39,664	31,735
Total liabilities and shareholders' equity	\$ 49,559	\$ 43,981

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

	Quarter ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
Revenue	\$ 11,965	\$ 12,632	\$ 46,067	\$ 41,284
Cost of goods sold	4,855	5,101	18,522	16,643
Gross profit	7,110	7,531	27,545	24,641
Operating expenses:				
Sales and marketing	1,846	2,358	8,120	8,685
Research and product development	1,880	1,967	7,128	7,739
General and administrative	1,262	3,167	5,427	6,420
Proceeds from litigation	-	-	(3,702)	-
Total operating expenses	4,988	7,492	16,973	22,844
Operating income	2,122	39	10,572	1,797
Other income (expense), net	10	16	24	(104)
Income before income taxes	2,132	55	10,596	1,693
(Provision for) benefit from income taxes	(711)	762	(3,667)	681
Net income	\$ 1,421	\$ 817	\$ 6,929	\$ 2,374
Basic earnings per common share	\$ 0.16	\$ 0.09	\$ 0.77	\$ 0.27
Diluted earnings per common share	\$ 0.15	\$ 0.09	\$ 0.75	\$ 0.27
Basic weighted average shares outstanding	9,095,333	8,929,421	9,027,934	8,929,305
Diluted weighted average shares outstanding	9,237,214	8,960,103	9,271,811	8,942,929

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

	Quarter ended December 31, 2011			Quarter ended December 31, 2010		
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
Revenue	\$ 11,965	\$ -	\$ 11,965	\$ 12,632	\$ -	\$ 12,632
Cost of goods sold	\$ 4,855	(43)	4,812	5,101	-	5,101
Gross profit	7,110	43	7,153	7,531	-	7,531
Operating expenses:						
Sales and marketing	1,846	(12)	1,834	2,358	(4)	2,354
Research and product development	1,880	(6)	1,874	1,967	(8)	1,959
General and administrative	1,262	(156)	1,106	3,167	(2,551)	616
Total operating expenses	4,988	(174)	4,814	7,492	(2,563)	4,929
Operating income	2,122	217	2,339	39	2,563	2,602
Other income (expense), net	10	-	10	16	-	16
Income before income taxes	2,132	217	2,349	55	2,563	2,618
Provision for (benefit from) income taxes	711	110	821	(762)	1,058	296
Net income	\$ 1,421	\$ 107	\$ 1,528	\$ 817	\$ 1,505	\$ 2,322
Basic earnings per common share	\$ 0.16		\$ 0.17	\$ 0.09		\$ 0.26
Diluted earnings per common share	\$ 0.15		\$ 0.17	\$ 0.09		\$ 0.26

Basic weighted average shares outstanding	9,095,333	9,095,333	8,929,421	8,929,421
Diluted weighted average shares outstanding	9,237,214	9,237,214	8,960,103	8,960,103

The adjustments consist of the following:

Share-based compensation	\$ 56	\$ 39
Amortization of purchased intangibles	130	88
Legal expenses for litigation relating to indemnification of former officers, intellectual property claims and our claim for damages	31	212
Accrual of legal expenses in connection with the indemnification of a former ClearOne officer	-	2,224
Total of adjustments before taxes	217	2,563
Income taxes affected by the above adjustments	110	1,058
Total adjustments	\$ 107	\$ 1,505

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

RECONCILIATION OF GAAP TO NON-GAAP NET INCOME

	Year ended December 31, 2011			Year ended December 31, 2010		
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
Revenue	\$ 46,067	\$ -	\$ 46,067	\$ 41,284	\$ -	\$ 41,284
Cost of goods sold	\$ 18,522	(43)	18,479	16,643	(1)	16,642
Gross profit	27,545	43	27,588	24,641	1	24,642
Operating expenses:						
Sales and marketing	8,120	(25)	8,095	8,685	(35)	8,650
Research and product development	7,128	(18)	7,110	7,739	(30)	7,709
General and administrative	5,427	(1,207)	4,220	6,420	(3,918)	2,502
Proceeds from litigation	(3,702)	3,702	-	-	-	-
Total operating expenses	16,973	2,452	19,425	22,844	(3,983)	18,861
Operating income	10,572	(2,409)	8,163	1,797	3,984	5,781
Other income (expense), net	24	-	24	(104)	51	(53)
Income before income taxes	10,596	(2,409)	8,187	1,693	4,035	5,728
Provision for (benefit from) income taxes	3,667	(805)	2,862	(681)	1,329	648
Net income	\$ 6,929	\$ (1,604)	\$ 5,325	\$ 2,374	\$ 2,706	\$ 5,080
Basic earnings per common share	\$ 0.77		\$ 0.59	\$ 0.27		\$ 0.57
Diluted earnings per common share	\$ 0.75		\$ 0.57	\$ 0.27		\$ 0.57
Basic weighted average shares outstanding	9,027,934		9,027,934	8,929,305		8,929,305
Diluted weighted average shares outstanding	9,271,811		9,271,811	8,942,929		8,942,929

The adjustments consist of the following:

Share-based compensation	\$ 187	\$ 263
Amortization of purchased intangibles	393	351
Legal expenses for litigation relating to indemnification of former officers, intellectual property claims and our claim for damages	872	1,146
Accrual of legal expenses in connection with the indemnification of a former ClearOne officer	-	2,224
Proceeds from litigation	(3,861)	-
Interest expense on NetStreams debt	-	51
Total of adjustments before taxes	(2,409)	4,035
Income taxes affected by the adjustments	(805)	1,329
Total adjustments	\$ (1,604)	\$ 2,706

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

RECONCILIATION OF GAAP NET INCOME TO NON-GAAP ADJUSTED EBITDA

	Quarter ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
GAAP Net Income	\$ 1,421	\$ 817	\$ 6,929	\$ 2,374
Adjustments:				
Provision for (benefit from) for income taxes	711	(762)	3,667	(681)
Depreciation and Amortization	348	301	1,220	1,201
Interest	-	-	-	51
Non-GAAP EBITDA	2,480	356	11,816	2,945
Share-based compensation	56	39	187	263
Legal expenses for (proceeds from) litigation relating to indemnification of former officers, intellectual property claims and our claim for damages, net	31	2,436	(2,989)	3,370
Non-GAAP Adjusted EBITDA	\$ 2,567	\$ 2,831	\$ 9,014	\$ 6,578
Basic weighted average shares outstanding	9,095,333	8,929,421	9,027,934	8,929,305
Diluted weighted average shares outstanding	9,237,214	8,960,103	9,271,811	8,942,929
Basic Adjusted EBITDA per common share	\$ 0.28	\$ 0.32	\$ 1.00	\$ 0.74
Diluted Adjusted EBITDA per common share	\$ 0.28	\$ 0.32	\$ 0.97	\$ 0.74

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