



May 12, 2011

ClearOne Reports 2011 First Quarter Financial Results

Company Reports Record Q1 Revenue, Gross Profit and Operating Income

SALT LAKE CITY, May 12, 2011 /PRNewswire/ -- ClearOne (NASDAQ: [CLRO](#)) today reported financial results for the first quarter ended March 31, 2011.

For the 2011 first quarter, revenues were a record \$10.7 million, compared to \$8.4 million for the 2010 first quarter. The revenue for 2011 first quarter increased year over year at a record 28%. Revenue increased year over year in all the major geographic regions including North America, Europe, Middle East and Africa (EMEA), China, India, Asia Pacific, and Latin America.

Gross profit increased by 21% to a record \$6.3 million from \$5.2 million for the 2010 first quarter. Operating income increased by a record 165% to a record \$1.2 million from \$457,000 for the prior year period. Net income increased by 274% to \$812,000, or \$0.09 per diluted share, from \$217,000, or \$0.02 per diluted share, for the 2010 first quarter.

Non-GAAP net income increased by 122% to \$1.1 million, or \$0.12 per diluted share, from \$510,000, or \$0.06 per diluted share, for the 2010 first quarter. The reconciliation between GAAP and Non-GAAP net income is available in the tables attached to this release.

The company ended the quarter with cash and cash equivalents of \$13.5 million and no debt.

"ClearOne carried strong momentum from 2010 into the first quarter of 2011," said Zee Hakimoglu, President, Chief Executive Officer and Chairman of ClearOne. "Our record year over year revenue growth in the first quarter was fueled by demand for our technology, products and brand.

"While double digit top line revenue growth gives us reason to feel satisfied with our results, our record gross profit, record operating income and impressive net income gives us further reason to feel encouraged that our execution is aligned with our strategy to balance top line revenue with bottom line profitability growth.

"We achieved several milestone events in the first quarter. In February, Frost & Sullivan recognized ClearOne with the 2010 Global Frost & Sullivan Award for Market Share Leadership in the installed audio conferencing endpoints market. We announced the availability of our new StreamNet® enabled iPod dock for system-wide streaming of audio content and metadata for Apple iPods, iTouches or iPhones. We also showcased our IBM Lotus Sametime-compatible unified communications solutions at IBM Lotusphere 2011. Finally, in the first quarter, ClearOne unveiled and demonstrated the Collaborate™, our groundbreaking all-in-one voice, video and data collaboration console at the Enterprise Connect industry conference.

"ClearOne expects to continue its fast growth in the rapidly transforming unified collaboration market. Our successful business planning and execution has strategically positioned us to capitalize on this vast and evolving market opportunity," Hakimoglu concluded.

Non-GAAP Financial Measures

ClearOne provides non-GAAP financial information in the form of Non-GAAP net income 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 and EPS excludes certain costs and expenses, the details of which are provided in the tables below containing the reconciliation between GAAP and Non-GAAP net income. 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 net income to GAAP net income 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, NetStreams' newly patented StreamNet® solutions are a smart investment, enabling the Power of AV over IP™ today.

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 potential of IPD100, Collaborate™ and other recently launched products and 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.

Contact:

Jeff LeFevre

Investor Relations

801-303-3438

jeff.lefevre@clearone.com

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

	Quarter ended	
	Mar. 31, 2011	Mar. 31, 2010
Revenue	\$ 10,701	\$ 8,356
Cost of goods sold	4,399	3,161
Gross profit	6,302	5,195
Operating expenses:		
Sales and marketing	1,983	1,902
Research and product development	1,637	1,904
General and administrative	1,472	932
Total operating expenses	5,092	4,738
Operating income	1,210	457
Other income (expense), net	11	(132)
Income before income taxes	1,221	325
Provision for income taxes	(409)	(108)
Net income	\$ 812	\$ 217
Basic earnings per common share	\$ 0.09	\$ 0.02
Diluted earnings per common share	\$ 0.09	\$ 0.02

Basic weighted average shares outstanding	8,931,504	8,929,174
Diluted weighted average shares outstanding	9,122,671	9,036,225

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

	Unaudited	Audited
	As of	As of
	Mar. 31, 2011	Dec. 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,476	\$ 11,431
Receivables, net of allowance for doubtful accounts of \$81 and \$206, respectively	8,613	9,951
Inventories	9,800	8,780
Deferred income taxes	3,358	3,389
Prepaid expenses and other assets	500	446
Total current assets	35,747	33,997
Long-term inventory, net	2,190	2,617
Property and equipment, net	2,910	2,965
Intangibles, net	2,657	2,745
Goodwill	726	726
Deferred income taxes	827	913
Other assets	18	18
Total assets	\$ 45,075	\$ 43,981
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	3,444	2,362
Accrued liabilities	3,426	4,573
Deferred product revenue	4,564	4,306
Total current liabilities	11,434	11,241
Deferred rent	560	584
Other long-term liabilities	474	421
Total liabilities	12,468	12,246
Shareholders' equity:		
Common stock, par value \$0.001, 50,000,000 shares authorized, 8,936,426 and 8,929,439 shares issued and outstanding, respectively	9	9
Additional paid-in capital	39,133	39,073
Accumulated deficit	(6,535)	(7,347)
Total shareholders' equity	32,607	31,735
Total liabilities and shareholders' equity	\$ 45,075	\$ 43,981

CLEARONE COMMUNICATIONS, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP NET INCOME
(in thousands of dollars, except per share amounts)

	Three Months ended March 31, 2011			Three Months ended March 31, 2010		
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
Revenue	\$ 10,701	\$ -	\$ 10,701	\$ 8,356	\$ -	\$ 8,356
Cost of goods sold	\$ 4,399	-	4,399	3,161	-	3,161
Gross profit	6,302	-	6,302	5,195	-	5,195

Operating expenses:

Sales and marketing	1,983	(4)	1,979	1,902	(11)	1,891
Research and product development	1,637	(4)	1,633	1,904	(7)	1,897
General and administrative	1,472	(463)	1,009	932	(332)	600
Total operating expenses	<u>5,092</u>	<u>(471)</u>	<u>4,621</u>	<u>4,738</u>	<u>(350)</u>	<u>4,388</u>
Operating income	1,210	471	1,681	457	350	807
Other income (expense), net	11	-	11	(132)	51	(81)
Income before income taxes	1,221	471	1,692	325	401	726
Provision for income taxes	(409)	(152)	(561)	(108)	(108)	(216)
Net income	<u>\$ 812</u>	<u>\$ 319</u>	<u>\$ 1,131</u>	<u>\$ 217</u>	<u>\$ 293</u>	<u>\$ 510</u>
Basic earnings per common share	\$ 0.09		\$ 0.13	\$ 0.02		\$ 0.06
Diluted earnings per common share	\$ 0.09		\$ 0.12	\$ 0.02		\$ 0.06
Basic weighted average shares outstanding	8,931,504		8,931,504	8,929,174		8,929,174
Diluted weighted average shares outstanding	9,122,671		9,122,671	9,036,225		9,036,225

The adjustments consist of the following:

Stock based compensation	39	74
Amortization of purchased intangibles	88	88
Legal expenses for litigation relating to indemnification of former officers, theft of intellectual property and our claims for damages related to illiquid securities	344	188
Interest expense on debt assumed in acquisition of NetStreams	-	51
Total of adjustments before taxes	<u>471</u>	<u>401</u>
Provision for income taxes affected by the above adjustments	<u>(152)</u>	<u>(108)</u>
	<u>319</u>	<u>293</u>

SOURCE ClearOne