



Aware, Inc. Reports Fourth Quarter and 2006 Financial Results

BEDFORD, Mass., Feb. 6 /PRNewswire-FirstCall/ -- Aware, Inc. (Nasdaq: AWRE), a leading supplier of broadband technology and biometrics software, today reported financial results for its fourth quarter ended December 31, 2006.

Revenues for the fourth quarter of 2006 increased 76% to \$6.4 million, from \$3.7 million in the same quarter last year. For the twelve months ended December 31, 2006, revenues increased 54% to \$24.1 million, compared to \$15.7 million in the same period a year ago.

The Company reports its net income and basic and diluted net income per share in accordance with U.S. generally accepted accounting principles (GAAP), and additionally, on a non-GAAP basis. Non-GAAP net income, where applicable, excludes the effect of stock-based compensation expense. The company uses the non-GAAP information internally to evaluate its operating performance and believes these non-GAAP measures are useful to investors as they provide additional insight into the underlying operating results. However, non-GAAP measures are not stated in accordance with, should not be considered in isolation from, and are not a substitute for, GAAP measures. A reconciliation of GAAP to non-GAAP results has been provided in the attached financial tables.

GAAP net income for the fourth quarter of 2006 was \$0.9 million, or \$0.04 per diluted share, which included \$0.2 million of stock-based compensation charges, as this was the Company's fourth quarter subject to the provisions of FAS 123(R). This compared to a GAAP net loss of \$1.2 million, or \$0.05 per share, for the same period a year ago. GAAP net income for the twelve months ended December 31, 2006 was \$1.0 million, or \$0.04 per diluted share, compared to a net loss of \$2.5 million, or \$0.11 per share, for the same period a year ago. GAAP results prior to 2006 do not include a charge for stock-based compensation.

Non-GAAP net income for the fourth quarter of 2006, excluding the effect of stock-based compensation, was \$1.1 million, or \$0.04 per diluted share. For the twelve months ended December 31, 2006, the company had a non-GAAP net income, excluding the effect of stock-based compensation, of \$3.0 million, or \$0.12 per diluted share.

Michael Tzannes, Aware's chief executive officer, said, "During 2006, we were successful on important fronts in all aspects of our business. The future of DSL is ADSL2+ and VDSL2 and we are actively participating in deployments and new product developments. For the DSL test and diagnostics market, we launched new hardware and software products that are gaining traction as phone companies turn their attention to service assurance and test infrastructure. In biometrics, we further improved the value proposition of our software products for criminal justice, border control, and secure credential applications. We are entering 2007 with a strong feeling of optimism about our position in the markets we are addressing."

Note: Aware's conference call will be broadcast live over the Internet today, February 6, 2007 at 5:00 p.m. Eastern Time. To listen to the call, please go to www.aware.com/ir. The conference call may also be heard by calling (719) 457-2633 and referencing the confirmation number 8449736. A replay of the call will be archived on our website after the call.

About Aware

Aware is a leading technology supplier for the telecommunications industries. For more than ten years, Aware has pioneered innovations at telecommunications standards-setting organizations and continues to develop and market DSL silicon intellectual property and test and diagnostics products. Its StratiPHY™ IP product line supports DSL standards, including ADSL2+ and VDSL2, and has been broadly licensed to leading semiconductor companies. Telecom equipment vendors and phone companies use Aware's DSL test and diagnostics modules and Dr. DSL® software to help provision DSL circuits globally. Aware is also a veteran of the biometrics industry, providing biometric and imaging software components used in government systems worldwide since 1992. Aware's interoperable, standard-compliant, field-proven imaging products are used in a number of applications, from border management to criminal justice to medical imaging. Aware is a publicly held company (Nasdaq: AWRE) based in Bedford, Massachusetts. www.aware.com

Safe Harbor Warning

Portions of this release contain forward-looking statements regarding future events and are subject to risks and uncertainties, such as estimates or projections of future revenue and earnings and the growth of the DSL and biometrics markets. Aware wishes to caution you that there are factors that could cause actual results to differ materially from the results indicated by such statements. The DSL factors include, but are not limited to: we have a unique business model, our quarterly results are difficult to predict, we depend on a limited number of licensees, we derive a significant amount of revenue from a small number of customers, we depend on equipment companies to incorporate our technology into their products, we face intense competition from other DSL vendors, DSL technology competes with other technologies for broadband access, and our business is subject to rapid technological change. We refer you to the documents Aware files from time to time with the Securities and Exchange Commission, specifically the section titled Risk Factors in our annual report on Form 10-K for the fiscal year ended December 31, 2005 and other reports and filings made with the Securities and Exchange Commission.

StratiPHY and Dr. DSL are trademarks or registered trademarks of Aware, Inc.

AWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2006	2005	2006	2005
Revenue:				
Product sales	\$2,637	\$1,268	\$7,610	\$5,431
Contract revenue	2,644	1,658	12,569	6,719
Royalties	1,168	747	3,877	3,517
Total Revenue	6,449	3,673	24,056	15,667
Costs and expenses:				
Cost of product sales (1)	303	195	918	474
Cost of contract revenue (1)	1,422	886	5,182	3,270
Research and development (1)	2,585	2,770	11,231	10,170
Selling and marketing (1)	841	673	3,359	2,738
General and administrative (1)	859	693	3,788	2,633
Total costs and expenses	6,010	5,217	24,478	19,285
Net income (loss) from operations	439	(1,544)	(422)	(3,618)
Interest income	498	351	1,840	1,150
Net income (loss) before provision for income taxes	937	(1,193)	1,418	(2,468)
Provision for income taxes	55	-	384	-
Net income (loss)	\$882	(\$1,193)	\$1,034	(\$2,468)
Net income (loss) per share - basic	\$0.04	(\$0.05)	\$0.04	(\$0.11)
Net income (loss) per share - diluted	\$0.04	(\$0.05)	\$0.04	(\$0.11)
Weighted average shares - basic	23,596,832	23,220,231	23,474,048	23,075,592
Weighted average shares - diluted	24,998,093	23,220,231	24,964,958	23,075,592

(1) Effective January 1, 2006 the Company adopted Statement of Financial Accounting Standard No. 123 (Revised), "Share-Based Payment" (FAS 123(R)). Accordingly, for the twelve months ended December 31, 2006, stock-based compensation was accounted for under FAS 123(R) while, for the twelve months ended December 31, 2005, stock-based compensation was accounted for under APB No. 25 "Accounting for Stock Issued to Employees." The amounts in the tables above include stock-based compensation as follows (in thousands):

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2006	2005	2006	2005
Cost of product sales	\$3	\$-	\$15	\$-
Cost of contract revenue	51	-	149	-
Research and development	118	-	904	-
Sales and marketing	23	-	289	-
General and administrative	48	-	580	-
Total stock-based compensation costs	\$243	\$-	\$1,937	\$-

AWARE, INC.
NON-GAAP FINANCIAL MEASURES AND RECONCILIATION
(In thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2006	2005	2006	2005
GAAP net income (loss)	\$882	(\$1,193)	\$1,034	(\$2,468)
Stock-based compensation	243	---	1,937	---
Non-GAAP net income (loss)	\$1,125	(\$1,193)	\$2,971	(\$2,468)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2006	2005	2006	2005
GAAP diluted net income (loss) per share	\$0.04	(\$0.05)	\$0.04	(\$0.11)
Stock-based compensation	0.00	-	0.08	-
Non-GAAP diluted net income (loss) per share	\$0.04	(\$0.05)	\$0.12	(\$0.11)

AWARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31,	December 31,
	2006	2005
ASSETS		
Cash and investments	\$39,802	\$36,763
Accounts receivable, net	4,738	3,749
Property and equipment, net	8,123	8,075
Other assets, net	1,923	1,154
Total assets	\$54,586	\$49,741
LIABILITIES AND STOCKHOLDERS' EQUITY		
Total current liabilities	\$2,886	\$2,238
Long-term deferred revenue	330	-
Total stockholders' equity	51,370	47,503
Total liabilities and stockholders' equity	\$54,586	\$49,741

SOURCE Aware, Inc.

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Company News On-Call: <http://www.prnewswire.com/comp/107679.html>

Web site: <http://www.aware.com/ir>