



Aware, Inc. Reports Third Quarter 2007 Financial Results

BEDFORD, Mass., Nov. 1 /PRNewswire-FirstCall/ -- Aware, Inc. (Nasdaq: AWRE), a leading supplier of broadband technology and biometrics software, today reported financial results for its third quarter ended September 30, 2007.

Revenues for the third quarter of 2007 were \$7.5 million, an increase of 12% compared to \$6.7 million in the same quarter last year. For the nine months ended September 30, 2007, revenues increased 12% to \$19.7 million, compared to \$17.6 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 third quarter of 2007 was \$1.0 million, or \$0.04 per diluted share, which included \$0.3 million of stock-based compensation charges in accordance with the provisions of FAS 123[®]. This compared to GAAP net income of \$0.8 million, or \$0.03 per diluted share, for the same period a year ago. GAAP net loss for the nine months ended September 30, 2007 was \$32,000, or \$0.00 per share, compared to net income of \$151,000, or \$0.01 per diluted share, for the same period a year ago.

Non-GAAP net income for the third quarter of 2007, excluding the effect of stock-based compensation, was \$1.3 million, or \$0.05 per diluted share. For the nine months ended September 30, 2007, the company had non-GAAP net income, excluding the effect of stock-based compensation, of \$0.8 million, or \$0.03 per share.

Michael Tzannes, Aware's chief executive officer, said, "The DSL and biometrics markets are exhibiting healthy growth and our exposure to opportunities within these markets has improved. We have been able to leverage strong foundations in core technology and know-how into leadership technology and product positions which are providing us broad market exposure. Revenue and profitability this quarter represent the progress we have made in executing in these markets."

Note: Aware's conference call will be broadcast live over the Internet today, November 1, 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) 325-4833 and referencing the confirmation number 4249041. 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, 2006 and other reports and filings made with the Securities and Exchange Commission.

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Revenue:				
Product sales	\$5,097	\$1,736	\$12,333	\$4,973
Contract revenue	1,851	3,990	5,260	9,924
Royalties	508	956	2,092	2,710
Total Revenue	7,456	6,682	19,685	17,607
Costs and expenses:				
Cost of product sales (1)	901	286	3,087	615
Cost of contract revenue (1)	1,553	1,363	4,315	3,759
Research and development (1)	2,528	2,602	7,735	8,200
Selling and marketing (1)	936	784	2,808	2,518
General and administrative (1)	1,009	967	3,269	3,376
Total costs and expenses	6,927	6,002	21,214	18,468
Net income (loss) from operations	529	680	(1,529)	(861)
Interest income	512	490	1,520	1,342
Net income (loss) before provision for income taxes	1,041	1,170	(9)	481
Provision for income taxes	6	330	23	330
Net income (loss)	\$1,035	\$840	(\$32)	\$151
Net income (loss) per share - basic	\$0.04	\$0.04	(\$0.00)	\$0.01
Net income (loss) per share - diluted	\$0.04	\$0.03	(\$0.00)	\$0.01
Weighted average shares - basic	23,757,485	23,552,397	23,710,456	23,432,642
Weighted average shares - diluted	24,996,069	24,987,373	23,710,456	24,975,648

(1) Effective January 1, 2006 the Company adopted Statement of Financial Accounting Standard No. 123 (Revised), "Share-Based Payment" (FAS 123(R)). The amounts in the tables above include stock-based compensation as follows (in thousands):

Three Months Ended	Nine Months Ended
September 30,	September 30,

	2007	2006	2007	2006
Cost of product sales	\$4	\$4	\$8	\$12
Cost of contract revenue	54	13	133	98
Research and development	127	241	311	786
Sales and marketing	32	88	78	266
General and administrative	88	106	262	532
Total stock-based compensation costs	\$305	\$452	\$792	\$1,694

AWARE, INC.
Non-GAAP Financial Measures and Reconciliation
(In thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
GAAP net income (loss)	\$1,035	\$840	(\$32)	\$151
Stock-based compensation	305	452	792	1,694
Non-GAAP net income	\$1,340	\$1,292	\$760	\$1,845

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
GAAP net income (loss) per share	\$0.04	\$0.03	(\$0.00)	\$0.01
Stock-based compensation per share	0.01	0.02	0.03	0.06
Non-GAAP net income per share	\$0.05	\$0.05	\$0.03	\$0.07

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

	September 30, 2007	December 31, 2006
ASSETS		
Cash and investments	\$38,147	\$39,802
Accounts receivable, net	7,697	4,738
Property and equipment, net	8,022	8,123
Other assets, net	2,299	1,923
Total assets	\$56,165	\$54,586
LIABILITIES AND STOCKHOLDERS' EQUITY		
Total current liabilities	\$3,288	\$2,886
Long-term deferred revenue	330	330
Total stockholders' equity	52,547	51,370
Total liabilities and stockholders' equity	\$56,165	\$54,586

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