



# Clearfield, Inc. Reports Fiscal 2011 2nd Quarter Results

## Year-over-Year Revenue Growth Expands; Demand and Backlog Increase

Revenues: \$7.1 million, up 51% from second quarter fiscal 2010  
Gross profit: \$2.9 million, up 67% from second quarter fiscal 2010  
Net income: \$532,000  
Net income per share: \$.04 per share diluted

MINNEAPOLIS, April 28, 2011 -- Clearfield, Inc. (Nasdaq:[CLFD](#) - [News](#)), the specialist in fiber management and connectivity solutions, today announced results for the second quarter of fiscal 2011, which ended March 31, 2011.

Revenue for the second quarter of fiscal 2011 was \$7,120,000 in comparison to \$4,725,000 for the comparable second quarter of fiscal 2010, an increase of 51%. Gross profit was \$2,894,000 for the second quarter of fiscal year 2011 in comparison to \$1,733,000 for the prior year second quarter, an increase of 67%. Gross margin for the second quarter of fiscal year 2011 was 40.6%, up 4.0% for the comparable quarter of fiscal 2010. Net income was \$532,000 for the quarter ended March 31, 2011, compared to a net loss of \$108,000 for the quarter ended March 31, 2010.

Operating expenses were \$2,368,000 for the second quarter of fiscal year 2011, an increase of 27% from \$1,865,000 in the same quarter of fiscal year 2010. The Company continues to invest in revenue growth and gross profit enhancement.

### Year to Date Performance

Revenue for the six month period ending March 31, 2011 was \$14,366,000 in comparison to \$9,667,000 for the comparable period in fiscal 2010, an increase of 49%. Gross profit was \$5,860,000 for the six month period ending March 31, 2011, in comparison to \$3,435,000 for the comparable period in fiscal 2010, an increase of 71%. Gross margin for the period was 40.8%, up from 35.5% in the previous year. Net income was \$1,034,000 for the six month period ended March 31, 2011, compared to a net loss of \$268,000 in the 2010 equivalent time frame.

Orders in backlog as of March 31, 2011 totaled \$3,679,000, an increase of \$1,291,000 over the backlog for the previous quarter ending December 31, 2010 and an increase of \$1,917,00 over the backlog for the quarter ending March 31, 2010.

## **Comments on Operations**

"We are in an exciting period of opportunity for Clearfield," commented Cheri Beranek, president and CEO of Clearfield. "We remain focused on growth within the broadband service provider community, while expanding our product mix and customer base.

"With our year-to-date revenue growth 51% ahead of last year, and with bookings outpacing revenue by nearly a million dollars for the six month period, we are appreciative of the market's approval of Clearfield's product.

"Market attention remains focused on the broadband stimulus funds associated with the American Recovery and Reinvestment Act (ARRA). As RenderVanderslice, an industry market research firm has published, slightly more than one third of the stimulus award winners are in the beginning stages of their build process and an equal amount are about to commence. The remaining are in the planning and engineering stages. The study illustrates how our industry is just now beginning to benefit from this initiative. There has been some market concern regarding the Federal government's long-standing broadband-funding program within the Rural Utilities Service (RUS). While we are pleased that the RUS program has been re-instated and that the ARRA is underway, these programs -- while an important element of our customers' growth plans -- are just one facet of the dynamics within our market and our marketing initiatives. In addition to our product developments within Fiber to the Premises (FTTp markets), our recent product announcements into distributed fiber, such as cell backhaul and fiber-fed mobile broadband, provide multiple growth opportunities now and into the future.

"During the last quarter, we continued our momentum in extending our reach into national account customers and to private label suppliers that service a broad range of client communities. Looking ahead, we remain focused on continual cost reductions within our product offerings, an expansion of our sales and marketing resources in order to reach a broader client community, and the development of an ever expanding suite of innovative product and service offerings."

## ***About Clearfield, Inc***

*Clearfield, Inc. sets the standard for fiber performance with FiberDeep while lowering the cost of broadband deployment with the FieldSmart fiber management platform and the CraftSmart OSP enclosure system. FieldSmart is the only fiber management platform to be designed around a single architecture – the Clearview Cassette and xPAK—for the inside plant, outside plant and access network. Scaling from 1 to 1728 ports, FieldSmart supports a wide range of panel and cabinet configurations, densities, connectors and adapter options, and are offered alongside an assortment of passive optical components. CraftSmart is the industry's only field enclosure system optimized for fiber deployment. FiberDeep is a new class of fiber patch cords that guarantees performance at .2dB insertion loss — fully half that of the industry standard. Clearfield provides a complete line of fiber and copper assemblies for inside plant, outside plant and access networks. "FiberDeep," "FieldSmart," "CraftSmart OSP," "Clearview Cassette" and "xPAK" are proprietary or registered trademarks and trade names of Clearfield, Inc. Clearfield is a public company traded on NASDAQ: CLFD.*

## ***Forward-Looking Statements***

*Forward-looking statements contained herein are made pursuant to the safe harbor provisions of the Private Litigation Reform Act of 1995. These statements are based upon the Company's current expectations and judgments about future developments in the Company's business. Certain important factors could have a material impact on the Company's performance, including, without limitation the effect of the significant downturn in the U.S. economy on Clearfield's customers; the impact of the American Recovery and Reinvestment Act or any other legislation on customer demand and purchasing patterns; cyclical selling cycles; need to introduce new products and effectively compete against competitive products; dependence on third-party manufacturers; limited experience in manufacturing; reliance on key customers; rapid changes in technology; the negative effect of product defects; the need to protect its intellectual property; the impact on its financial results or stock price of its ability to use its deferred tax asset, consisting primarily of net operating loss carryforwards, to offset future taxable income; the valuation of its goodwill and the effect of its stock price, among other factors, on the evaluation of goodwill; and other factors set forth in Clearfield's Annual Report on Form 10-K for the year ended September 30, 2010 as well as other filings with the Securities and Exchange Commission. The Company undertakes no obligation to update these statements to reflect actual events.*

**CLEARFIELD, INC.**  
**CONDENSED STATEMENTS OF OPERATIONS**  
UNAUDITED

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Revenues	\$ 7,119,564	\$ 4,724,766	\$ 14,366,233	\$ 9,667,433
Cost of sales	4,225,825	2,991,390	8,506,541	6,232,349
Gross profit	2,893,739	1,733,376	5,859,692	3,435,084
Operating expenses				
Selling, general and administrative	2,368,299	1,864,722	4,827,618	3,754,337
Income (loss) from operations	525,440	(131,346)	1,032,074	(319,253)
Other income (expense)				
Interest income	26,953	37,578	56,461	75,634
Interest expense	-	(236)	-	(820)
Other income	15,000	9,837	15,500	24,352
	41,953	47,179	71,961	99,166
Income before income taxes	567,393	(84,167)	1,104,035	(220,087)
Income tax expense	34,906	24,203	70,390	47,964
Net income (loss)	\$ 532,487	\$ (108,370)	\$ 1,033,645	\$ (268,051)
Net income (loss)per share:				
Basic	\$0.04	(\$0.01)	\$0.09	(\$0.02)
Diluted	\$0.04	(\$0.01)	\$0.08	(\$0.02)
Weighted average shares outstanding:				
Basic	12,047,962	11,991,544	12,033,468	11,984,238
Diluted	12,757,259	11,991,544	12,693,443	11,984,238

**CLEARFIELD, INC.**  
**BALANCE SHEETS**  
UNAUDITED

	March 31, 2010	September 30, 2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,399,767	\$ 5,285,719
Short-term investments	2,550,000	1,764,868
Accounts receivable, net	2,982,733	3,244,379
Inventories	1,813,708	1,512,306
Assets held for sale	639,160	-
Other current assets	259,626	129,079
Total current assets	<u>15,644,994</u>	<u>11,936,351</u>
Property, plant and equipment, net	611,380	1,273,107
Other Assets		
Long-term investments	1,984,163	3,236,163
Goodwill	2,570,511	2,570,511
Deferred taxes –long term	2,103,151	2,145,362
Other	199,467	199,467
Total other assets	<u>6,857,292</u>	<u>8,151,503</u>
Total Assets	<u>\$ 23,113,666</u>	<u>\$ 21,360,961</u>
Liabilities and Shareholders' Equity		
Total current liabilities	2,583,618	2,036,309
Deferred rent	71,119	78,585
Total Liabilities	<u>2,654,737</u>	<u>2,114,894</u>
Shareholders' Equity		
Common stock	120,532	120,153
Additional paid-in capital	52,767,872	52,589,034
Accumulated deficit	(32,429,475)	(33,463,120)
Total shareholders' equity	<u>20,458,929</u>	<u>19,246,067</u>
Total Liabilities and Shareholders' Equity	<u>\$ 23,113,666</u>	<u>\$ 21,360,961</u>

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