



Having Achieved Profitability in the Last Two Quarters While Preparing to Roll-Out their New Super Beam Headset Product in the Late Spring of 2011, has Andrea Electronics Corp. Well Positioned for Future Growth

**Technology
Communication Equipment
(ANDR-OTC: BB)**

Andrea Electronics Corp.

**65 Orville Drive
Bohemia, NY 11716
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**Douglas J. Andrea
Executive Chairman, President and
CEO**

BIO:

Douglas J. Andrea, has been President and Chief Executive Officer since January 2005, Chairman of the Board of Directors since November 2001, a Director of the Company since 1991 and Corporate Secretary since 2003. He was Co-Chairman and Co-Chief Executive Officer of the Company from November 1998 until August 2001. He served as Co-President of the Company from November 1992 to November 1998, as Vice President - Engineering of the Company from December 1991. Mr. Andrea holds multiple patents in the acoustics field and has a Bachelor of Science degree in Industrial Design from Syracuse University.

Company Profile:

Andrea Electronics is a leading developer of hardware and software microphone technologies which optimize the performance of voice user interfaces for automotive telematics systems and auto PCs, personal digital assistants, Internet telephony, desktop dictation and videoconferencing applications.

Andrea Electronics believes that it possesses both the technological and engineering capability to deliver truly innovative audio input solutions at a cost-competitive price, a capability that it believes serves to set the Company apart from its competition. Perhaps most important, Andrea Electronics possesses the unique ability to embed, scale or customize these unique microphone solutions for various environments and/or hardware platforms. In addition to its digital audio software, the Company also offers a complete line of Active Noise Cancellation (ANC) and Noise Canceling (NC) PC headsets for voice applications in which a headset is desired, such as with wearable PCs and in call center environments.

Commitments to research and development and the acquisition of key technologies have enabled Andrea Electronics to carve a niche in a converging communications marketplace. As a result, the Company is building a strong leadership position as a provider of front-end audio input solutions for a new generation of voice recognition applications that are emerging to bring productivity and ease-of-use communication solutions to home, office and mobile environments. Andrea Electronics' techno-

logical capability, coupled with growing relationships with industry leaders, have helped the Company and its technologies to gain acceptance and support from a broad range of speech solutions providers as well as with the end-user community. In addition to providing state-of-the-art audio input products, Andrea Electronics prides itself on its full service e-commerce and fulfillment capabilities, demonstrating its commitment to deliver an unparalleled level of customer service.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Andrea, what was your vision when you took over again as CEO of Andrea Electronics?

Mr. Andrea: The company has been involved in innovating audio products since my grandfather founded the company in 1934. When I became the sole CEO and president of Andrea Electronics, my goal was to preserve the technology, the intellectual property portfolio, preserve existing customers and product line and then rebuild the organization for future growth potential based on our core competencies.

CEOCFO: What does Andrea have and what is the technology?

Mr. Andrea: It is a very exciting time for us. Since 2005 when I took over as the sole president of the company, we started to focus on continuing to enhance the user voice interface for computers and mobile devices. Our technology is a form of digital noise reduction. We have a few different

technologies, one is noise reduction, a second is a stereo microphone that does a directional beam forming for enhancing the sensitivity of the direction pickup of the microphone while canceling noise around the outside of that cone, as well as a full duplex echo cancellation. This product can turn you P.C. into a high-quality speakerphone. Over the past few years we have been revising and refreshing existing product lines, while also slowly investing in new products for the future needs and trends in the electronics industry.

CEOCFO: What is it that makes your products different?

Mr. Andrea: We have two sections or segments of our product line, one is software and noise reduction, which is a digital technology, and the other one is high-end headsets for primarily speech recognition. We have been known in the industry for providing, designing, and manufacturing high quality microphones, where computer applications such as speech recognition for a product like Dragon Naturally Speaking, would rely on a very high-quality microphone to get high accuracy for these software applications. Our high quality and our ability to deliver very good signal, which is voice over any type of background noise, really makes these other products work much more efficiently and accurately.

CEOCFO: Do you have a typical customer?

Mr. Andrea: Over the past few many years we have been prominently an OEM manufacturer and we have made products that will go into other people's boxes. In the past, we were a prime supplier to IBM Via Voice speech recognition software. Up to this current date we have been a supplier to Nuance, which makes the Dragon Naturally Speaking, so we would send product to them to go into their retail boxes. We also sell mostly the aftermarket products, like headsets, to business. These may be large

Fortune 500 companies that are now using headsets for distance learning and collaboration, as well as for the large global companies that want to communicate over the computer; they need a computer headset. So we have had a very good success marketing directly to businesses.

CEOCFO: Do you expect that to continue, or do you expect to branch out and reach individuals that might want some high quality as well?

Mr. Andrea: Yes, we have started to target a new product line, which we call the Super Beam Headset. This product is designed to be very high-quality, but a combination of both our

The company has a nice foundation of our balance sheet and we are currently looking to invest money that we have now into growing the company, but with a brand new product that is quite revolutionary in our space of computer headsets. The Super Beam format is something that no one has ever done before, so it is very unique. It provides a much more convenient product for people that want to use a headset to communicate, and it has removed the boom microphone, so now if you are video conferencing you look more natural, if you are using it to talk over Skype and you want to eat or drink something, you are free to do that. Therefore, the performance and the convenience of the product and the sound quality, I think will make it a winner. We are just continuing to execute on delivering this new product line as our strategy. - Douglas J. Andrea

digital beam forming technology as well as our headset product line. We have combined the beam forming with the headset and now we have a headset that no longer requires a boom microphone, which is the stick part that comes down in front of your mouth and then usually you have a black foam ball, which is a wind cushion. We have removed that, which in the past has been one of the complaints from customers; they don't like speaking into a close-talking microphone. We see the Super Beam Headset having a style and a form factor of what has become very popular today especially with the mobile devices such as iPods and iPhones. It is more of a headphone looking prod-

uct, so if you go to our website today you will see our latest news that we released at the 2011 January Consumer Electronics Show, where we launched our Super Beam Headsets. We have that information on our website and it gives you all the benefits of this new product. It will be a premium product and we feel that the retail market should have fairly good success with it.

CEOCFO: Is the public actively looking for a better product?

Mr. Andrea: The trend in terminal end, accessory or aftermarket products for computers and smart phones is that people are willing to spend more money for a premium product because these devices are now becoming their central mode of information, entertainment and communication. Therefore, if they want the best user experience out of these devices, laptop computers, notebook computers, these mobile devices are also becoming a multi-media entertainment device. It stores your music, but you also do your work on it, you also communicate to it with voice over IP as well as video conferencing. So if you are investing in a pair of headphones like our Super Beam Headset, you are going to be able to enjoy all those applications with the Andrea Electronics technology portfolio that will enhance the user experience and I think that our target price points will be in an acceptable range.

CEOCFO: Is the trend toward more voice and less keypad or keyboarding?

Mr. Andrea: No, I think you are seeing a trend in a more mobile computing environment that definitely with the smart phones, people really like texting.

I believe this will continue to be very popular. There is something about the typing and the instant gratification of the texting that is not going to go away. However, there will also be other applications where voice inter-

face with speech recognition will be beneficial, especially with safety, such as using that in a car, because you don't want to text in the car. If you could just speak to a microphone and that could enable your phone to dial or access email that could be read to you via text-to-speech, then speech recognition I think will also play a part and it is gaining in acceptance. In the communication realm definitely computer communication is just exploding. You are seeing businesses gravitate towards a computer based Voice over IP (VoIP) systems. There is just dramatic savings for Voice over IP telephone systems versus the old traditional telephone lines, as well video conferencing now is very user-friendly. Applications like Skype are just growing in leaps and bounds, so we feel that our products really can span all those mainstream applications. We believe the number of users that would like a quality headset is actually growing with the products and the new types of devices that are also emerging in the marketplace.

CEO CFO: Are you able to work with some of those companies that are working in those various areas to present your products to their customers?

Mr. Andrea: Currently one of the areas that we do have very positive revenue in is we license our noise reduction, beam forming, and echo canceling algorithms to companies that make the little sound chip that go into computers. Therefore, our technology is shipping on millions of Dell notebook computers and millions of HP notebook computers. We do have relationships with some of the large audio chip manufacturers as well as extended relationships with the computer manufacturer OEMs such as Dell and HP. We are able to maintain strategic relationships and business relationships with the large Fortune 500 type companies as well.

CEO CFO: How will you be rolling out the new product?

Mr. Andrea: The new product, which is the Super Beam Headset, we will start rolling the product out in the late spring of this year and we will look at the latest social media avenues of getting our message out there. We

will be sending samples of the product to strategic bloggers, and technical reviewers; people in the crafts. We believe that the product will be very demonstrable as far as its technology and the people will hear the "WOW" effect of the before and after, with or without noise cancellation and the sound quality of the device. Therefore, when we launch the product we are going to have a very targeted public relations program and then build that as the product enters into distribution. We will continue to invest in getting the news out of the products performance. We anticipate from our test marketing, that the product will be well received. We believe that through the word-of-mouth of social media, people will be very excited about it and that word will spread. We think that the product will have legs and it will do well.

CEO CFO: What is the financial picture for Andrea Electronics today?

Mr. Andrea: Currently the company over the past few years has had yearly sales between \$4.5 and \$5 million. We continue on that trend; we have a stable existing business. In the past two quarters we have achieved profitability, so we are very cautiously optimistic that we have a good foundation to invest in the Super Beam products and we hope that will be our new growth engine for the future.

CEO CFO: Do you do much investor outreach?

Mr. Andrea: Currently we have been focused on restructuring the company and getting the company to be cash flow positive and we feel that we have achieved a level of foundation where now we want to build the business. When we feel that the Super Beam product is starting to take a positive sales trend, at that time, we will have a story that is news worthy and that investors can get behind, we will then do more outreach. This is one of the first interviews more in the investor realm. We are excited about what we are working on and we are going to now start to engage with the investor community and get that story out there, but we want the story to be something based on fact. We have tried to be very conservative with our

news because we want to manage people's expectations and only talk about things that we feel confident about.

CEO CFO: In closing, why should investors put Andrea Electronics on their radar screen and what might people miss or not understand about the company that they should know?

Mr. Andrea: If investors look at our new Super Beam products, they are targeted towards an area in the marketplace that has become very popular with the computer generation, which is the younger generation today that has really grown up with digital devices. They are willing to spend money on headphones that are in the \$200 to \$300 range. Our two models that we are coming out with, the Super Beam Buds, which is an earbud version, would be an MSRP of \$129 and then the on-the-ear Super Beam phones, which is more of a head phone will be \$149. We also believe that the price point is in a sweet spot. It is a premiere type product, but we believe that type of pricing will allow us to achieve some nice volumes.

I would also say to the shareholders that we have a very strong patent portfolio. The company has a nice foundation of our balance sheet and we are currently looking to invest money that we have now into growing the company, but with a brand new product that is quite revolutionary in our space of computer headsets. The Super Beam format is something that no one has ever done before, so it is very unique. It provides a much more convenient product for people that want to use a headset to communicate, and it has removed the boom microphone, so now if you are video conferencing you look more natural, if you are using it to talk over Skype and you want to eat or drink something, you are free to do that. Therefore, the performance and the convenience of the product and the sound quality, I think will make it a winner. We are just continuing to execute on delivering this new product line as our strategy.



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