



Ceragon Reports First Quarter 2010 Results

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (U.S. dollars in thousands, except share and per share data)
(Unaudited)

	Three months ended	
	March 31,	
	<u>2010</u>	<u>2009</u>
Revenues	\$ 59,687	\$ 43,902
Cost of revenues	<u>39,311</u>	<u>28,831</u>
Gross profit	<u>20,376</u>	<u>15,071</u>
Operating expenses:		
Research and development	5,273	4,774
Selling and marketing	9,182	7,779
General and administrative	2,780	2,575
	<u> </u>	<u> </u>
<u>Total operating expenses</u>	<u>\$ 17,235</u>	<u>\$ 15,128</u>
Operating income (loss)	3,141	(57)
Financial income, net	<u>234</u>	<u>354</u>
Income before taxes	3,375	297
Taxes on income	<u>352</u>	<u>82</u>
Net Income	<u>\$ 3,023</u>	<u>\$ 215</u>
Basic net earnings per share	<u>\$ 0.09</u>	<u>\$ 0.01</u>
Diluted net earnings per share	<u>\$ 0.08</u>	<u>\$ 0.01</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,489,121</u>	<u>34,802,987</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>36,765,358</u>	<u>35,324,176</u>

(more)

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CONDENSED CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands)
(Unaudited)

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 35,347	\$ 38,339
Short-term bank deposits	24,343	30,183
Marketable securities	15,720	16,724
Trade receivables, net	58,143	68,452
Deferred taxes	4,003	3,462
Other accounts receivable and prepaid expenses	8,660	7,492
Inventories	73,749	65,925
<u>Total</u> current assets	<u>219,965</u>	<u>230,577</u>
LONG-TERM INVESTMENTS:		
Long-term bank deposits	9,661	10,824
Long-term marketable securities	13,867	2,250
Severance pay funds	5,073	4,971
Deferred taxes	8,660	8,942
<u>Total</u> long-term investments	<u>\$ 37,261</u>	<u>\$ 26,987</u>
PROPERTY AND EQUIPMENT, NET	<u>13,416</u>	<u>11,809</u>
<u>Total</u> assets	<u>\$ 270,642</u>	<u>\$ 269,373</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	43,681	52,898
Deferred revenues	19,869	18,548
Other accounts payable and accrued expenses	12,045	9,847
<u>Total</u> current liabilities	<u>\$ 75,595</u>	<u>\$ 81,293</u>
LONG-TERM LIABILITIES		
Accrued severance pay	<u>\$ 7,329</u>	<u>\$ 7,174</u>
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary shares	94	92
Additional paid-in capital	295,291	291,736
Treasury shares at cost	(20,091)	(20,091)
Other comprehensive income	332	100
Accumulated deficits	(87,908)	(90,931)
<u>Total</u> shareholders' equity	<u>\$ 187,718</u>	<u>\$ 180,906</u>
<u>Total</u> liabilities and shareholders' equity	<u>\$ 270,642</u>	<u>\$ 269,373</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(U.S. dollars, in thousands)
(Unaudited)

	Three months ended	
	March 31,	
	2010	2009
Cash flow from operating activities:		
Net income	\$ 3,023	\$ 215
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,040	711
Stock-based compensation expense	971	789
Decrease in trade and other receivables, net	9,445	13,537
Decrease (increase) in inventory	(7,824)	867
Decrease in trade payables and accrued liabilities	(6,772)	(12,563)
Increase in deferred revenues	1,321	1,435
Increase in deferred tax asset	(331)	-
Other adjustments	(21)	(138)
Net cash provided by operating activities	\$ 852	\$ 4,853
 Cash flow from investing activities:		
Purchase of property and equipment, net	(2,894)	(2,487)
Investment in short and long-term bank deposit	-	(8,460)
Proceeds from short and long-term bank deposits	7,073	16,960
Investment in held-to-maturity marketable securities	(15,109)	(1,500)
Proceeds from realized callable held-to-maturity marketable security	-	10,000
Proceeds from maturities of held-to-maturity marketable securities	4,500	454
Net cash provided by (used in) investing activities	\$ (6,430)	\$ 14,967
 Cash flow from financing activities:		
Proceeds from exercise of options	2,586	-
Purchase of treasury shares at cost	-	(6,422)
Net cash provided by (used in) financing activities	\$ 2,586	\$ (6,422)
 Increase (decrease) in cash and cash equivalents	\$ (2,992)	\$ 13,398
 Cash and cash equivalents at the beginning of the period	38,339	28,224
 Cash and cash equivalents at the end of the period	\$ 35,347	\$ 41,622

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RECONCILIATION OF NON-GAAP FINANCIAL RESULTS
(U.S. dollars in thousands, except share and per share data)
(Unaudited)

	Three months ended March 31,			2009
	2010		Non-GAAP	
	GAAP (as reported)	Adjustments (*)		
Revenues	\$ 59,687		\$ 59,687	\$ 43,902
Cost of revenues	39,311	66	39,245	28,768
Gross profit	20,376		20,442	15,134
Operating expenses:				
Research and development	5,273	177	5,096	4,614
Selling and marketing	9,182	262	8,920	7,473
General and administrative	2,780	466	2,314	2,315
<u>Total operating expenses</u>	<u>\$ 17,235</u>		<u>\$ 16,330</u>	<u>\$ 14,402</u>
Operating income	3,141		4,112	732
Financial income, net	234		234	354
Income before taxes	3,375		4,346	1,086
Taxes on income	352		352	82
Net income	<u>\$ 3,023</u>		<u>\$ 3,994</u>	<u>\$ 1,004</u>
Basic net earnings per share	<u>\$ 0.09</u>		<u>\$ 0.12</u>	<u>\$ 0.03</u>
Diluted net earnings per share	<u>\$ 0.08</u>		<u>\$ 0.11</u>	<u>\$ 0.03</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,489,121</u>		<u>34,489,121</u>	<u>34,802,987</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>36,765,358</u>		<u>36,765,358</u>	<u>35,324,176</u>
<u>Total adjustments</u>		<u>971</u>		

(*) Adjustments related to equity based
compensation expenses according to SFAS
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