



**Ceragon Reports Third Quarter 2010 Results**

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

	Three months ended September 30		Nine months ended September 30,	
	2010	2009	2010	2009
Revenues	\$ 62,293	\$ 44,715	\$ 182,869	\$ 130,863
Cost of revenues	39,514	30,269	118,245	87,655
Gross profit	22,779	14,446	64,624	43,208
Operating expenses:				
Research and development	6,191	4,378	18,383	13,475
Selling and marketing	9,397	6,767	27,538	21,576
General and administrative	2,940	2,625	8,716	7,702
<u>Total operating expenses</u>	<u>\$ 18,528</u>	<u>\$ 13,770</u>	<u>\$ 54,637</u>	<u>\$ 42,753</u>
Operating profit	4,251	676	9,987	455
Financial income, net	621	446	1,131	1,268
Income before taxes	4,872	1,122	11,118	1,723
Taxes on income	249	43	874	196
Net income	<u>\$ 4,623</u>	<u>\$ 1,079</u>	<u>\$ 10,244</u>	<u>\$ 1,527</u>
Basic net earnings per share	<u>\$ 0.13</u>	<u>\$ 0.03</u>	<u>\$ 0.29</u>	<u>\$ 0.04</u>
Diluted net earnings per share	<u>\$ 0.13</u>	<u>\$ 0.03</u>	<u>\$ 0.28</u>	<u>\$ 0.04</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,933,437</u>	<u>34,178,001</u>	<u>34,769,657</u>	<u>34,407,042</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>36,233,612</u>	<u>35,542,326</u>	<u>36,440,599</u>	<u>35,278,880</u>

(more)

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(U.S. dollars in thousands)**  
(Unaudited)

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 19,546	\$ 38,339
Short-term bank deposits	18,652	30,183
Marketable securities	13,701	16,724
Trade receivables, net	69,417	68,452
Deferred taxes	2,836	3,462
Other accounts receivable and prepaid expenses	8,282	7,492
Inventories	61,850	65,925
<b>Total current assets</b>	<b>194,284</b>	<b>230,577</b>
<b>LONG-TERM INVESTMENTS:</b>		
Long-term bank deposits	9,269	10,824
Long-term marketable securities	16,118	2,250
Severance pay funds	5,598	4,971
<b>Total long-term investments</b>	<b>30,985</b>	<b>18,045</b>
<b>OTHER ASSETS</b>		
Deferred taxes	9,896	8,942
Goodwill	1,093	-
<b>Total other assets</b>	<b>10,989</b>	<b>\$ 8,942</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>15,255</b>	<b>11,809</b>
<b>Total assets</b>	<b>\$ 251,513</b>	<b>\$ 269,373</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 22,499	\$ 52,898
Deferred revenues	12,759	18,548
Other accounts payable and accrued expenses	10,975	9,847
<b>Total current liabilities</b>	<b>46,233</b>	<b>81,293</b>
<b>ACCRUED SEVERANCE PAY</b>	<b>8,074</b>	<b>7,174</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital:		
Ordinary shares	94	92
Additional paid-in capital	297,700	291,736
Treasury shares at cost	(20,091)	(20,091)
Other comprehensive income	190	100
Accumulated deficits	(80,687)	(90,931)
<b>Total shareholders' equity</b>	<b>197,206</b>	<b>180,906</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 251,513</b>	<b>\$ 269,373</b>

Ceragon Reports Third Quarter 2010 Results

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(U.S. dollars, in thousands)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
<b>Cash flow from operating activities:</b>				
Net income	\$ 4,623	\$ 1,079	\$ 10,244	\$ 1,527
Adjustments to reconcile net income to net cash provided (used in) operating activities:				
Depreciation	1,213	852	3,391	2,323
Stock-based compensation expense	843	696	2,666	2,290
Decrease (increase) in trade and other receivables, net	(12,603)	(5,348)	(1,485)	15,889
Decrease (increase) in inventory	6,727	(8,002)	4,075	(10,057)
Increase (decrease) in trade payables and accrued liabilities	(10,422)	7,378	(28,407)	(5,330)
Increase (decrease) in deferred revenues	(5,047)	7,932	(5,789)	8,097
Decrease (increase) in deferred tax asset	4	-	(355)	-
Other adjustments	(501)	(183)	35	(416)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (15,163)</b>	<b>\$ 4,404</b>	<b>\$ (15,625)</b>	<b>\$ 14,323</b>
<b>Cash flow from investing activities:</b>				
Purchase of property and equipment ,net	(2,244)	(1,323)	(7,715)	(5,097)
Payment for acquisition of Elxys *)	(1,232)		(1,232)	
Investment in short and long-term bank deposit	(750)	(8,840)	(11,782)	(27,795)
Proceeds from short and long-term bank deposits	5,420	6,334	25,100	26,893
Investment in held-to-maturity marketable securities	-	-	(18,339)	(1,500)
Proceeds from maturities of held-to-maturity marketable securities	3,000	-	7,500	11,754
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 4,194</b>	<b>\$ (3,829)</b>	<b>\$ (6,468)</b>	<b>\$ 4,255</b>
<b>Cash flow from financing activities:</b>				
Proceeds from exercise of options	284	569	3,300	784
Purchase of treasury shares at cost	-	-	-	(8,040)
<b>Net cash provided by (used in) financing activities</b>	<b>\$ 284</b>	<b>\$ 569</b>	<b>\$ 3,300</b>	<b>\$ (7,256)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>\$ (10,685)</b>	<b>\$ 1,144</b>	<b>\$ (18,793)</b>	<b>\$ 11,322</b>
Cash and cash equivalents at the beginning of the period	30,231	38,402	38,339	28,224
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 19,546</b>	<b>\$ 39,546</b>	<b>\$ 19,546</b>	<b>\$ 39,546</b>

\*) Excluding cash and cash equivalents

**Ceragon Reports Third Quarter 2010 Results**

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

	Three months ended September 30,			
	2010			2009
	GAAP (as reported)	Adjustments (*)	Non-GAAP	Non-GAAP
Revenues	\$ 62,293		\$ 62,293	\$ 44,715
Cost of revenues	<u>39,514</u>	94	<u>39,420</u>	<u>30,207</u>
Gross profit	<u>22,779</u>		<u>22,873</u>	<u>14,508</u>
Operating expenses:				
Research and development	6,191	193	5,998	4,230
Selling and marketing	9,397	324	9,073	6,526
General and administrative	<u>2,940</u>	232	<u>2,708</u>	<u>2,380</u>
<u>Total operating expenses</u>	<u>18,528</u>		<u>17,779</u>	<u>13,136</u>
Operating profit	4,251		5,094	1,372
Financial income, net	<u>621</u>		<u>621</u>	<u>446</u>
Income before taxes	4,872		5,715	1,818
Taxes on income	<u>249</u>		<u>249</u>	<u>43</u>
Net income	<u>\$ 4,623</u>		<u>\$ 5,466</u>	<u>\$ 1,775</u>
Basic net earnings per share	<u>\$ 0.13</u>		<u>\$ 0.16</u>	<u>\$ 0.05</u>
Diluted net earnings per share	<u>\$ 0.13</u>		<u>\$ 0.15</u>	<u>\$ 0.05</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,933,437</u>		<u>34,933,437</u>	<u>34,178,001</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>36,233,612</u>		<u>36,233,612</u>	<u>35,542,326</u>
<u>Total adjustments</u>		<u>843</u>		

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

**Ceragon Reports Third Quarter 2010 Results**

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

	Nine months ended September 30,			2009
	2010			
	<u>GAAP (as reported)</u>	<u>Adjustments(*)</u>	<u>Non-GAAP</u>	<u>Non-GAAP</u>
Revenues	\$ 182,869		\$ 182,869	\$ 130,863
Cost of revenues	118,245	(*)232	118,013	87,469
Gross profit	<u>64,624</u>		<u>64,856</u>	<u>43,394</u>
Operating expenses:				
Research and development	18,383	(*)553 (**)1,150	16,680	13,002
Selling and marketing	27,538	(*)938	26,600	20,707
General and administrative	8,716	(*)943	7,773	6,940
<u>Total operating expenses</u>	<u>54,637</u>		<u>51,053</u>	<u>40,649</u>
Operating profit	9,987		13,803	2,745
Financial income, net	1,131		1,131	1,268
Income before taxes	11,118		14,934	4,013
Taxes on income	874		874	196
Net Income	<u>\$ 10,244</u>		<u>\$ 14,060</u>	<u>\$ 3,817</u>
Basic net earnings per share	<u>\$ 0.29</u>		<u>\$ 0.40</u>	<u>\$ 0.11</u>
Diluted net earnings per share	<u>\$ 0.28</u>		<u>\$ 0.39</u>	<u>\$ 0.11</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,769,657</u>		<u>34,769,657</u>	<u>34,407,042</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>36,440,599</u>		<u>36,440,599</u>	<u>35,278,880</u>
<u>Total adjustments</u>		<u>3,816</u>		

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

(\*\*) Adjustment related to purchase of  
 technology for further development

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## **Ceragon Reports Third Quarter 2010 Results**

**Contact:** Yoel Knoll  
Director of Investor Relations  
Ceragon Networks Ltd.  
Cell (Int'l): +972 (0) 52 830 6419  
Office (Int'l): +972 (0)3 766 6419  
yoell@ceragon.com