

Ceragon Reports Second Quarter 2010 Results

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

	Three months ended June 30		Six months ended June 30,	
	2010	2009	2010	2009
Revenues	\$ 60,889	\$ 42,246	\$ 120,576	\$ 86,148
Cost of revenues	39,420	28,555	78,731	57,386
Gross profit	21,469	13,691	41,845	28,762
Operating expenses:				
Research and development	6,919	4,323	12,192	9,096
Selling and marketing	8,959	7,028	18,141	14,807
General and administrative	2,996	2,504	5,776	5,080
<u>Total operating expenses</u>	<u>\$ 18,874</u>	<u>\$ 13,855</u>	<u>\$ 36,109</u>	<u>\$ 28,983</u>
Operating profit (loss)	2,595	(164)	5,736	(221)
Financial income, net	276	468	510	822
Income before taxes	2,871	304	6,246	601
Taxes on income	273	71	625	153
Net Income	<u>\$ 2,598</u>	<u>\$ 233</u>	<u>\$ 5,621</u>	<u>\$ 448</u>
Basic net earnings per share	<u>\$ 0.07</u>	<u>\$ 0.01</u>	<u>\$ 0.16</u>	<u>\$ 0.01</u>
Diluted net earnings per share	<u>\$ 0.07</u>	<u>\$ 0.01</u>	<u>\$ 0.15</u>	<u>\$ 0.01</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,881,532</u>	<u>34,247,005</u>	<u>34,686,410</u>	<u>34,523,460</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>36,317,945</u>	<u>34,994,702</u>	<u>36,542,735</u>	<u>35,157,903</u>

(more)

Ceragon Reports Second Quarter 2010 Results

CONDENSED CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

(Unaudited)

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 30,231	\$ 38,339
Short-term bank deposits	22,867	30,183
Marketable securities	16,356	16,724
Trade receivables, net	56,690	68,452
Deferred taxes	3,964	3,462
Other accounts receivable and prepaid expenses	7,724	7,492
Inventories	68,577	65,925
<u>Total current assets</u>	<u>206,409</u>	<u>230,577</u>
LONG-TERM INVESTMENTS:		
Long-term bank deposits	9,220	10,824
Long-term marketable securities	16,223	2,250
Severance pay funds	5,049	4,971
Deferred taxes	8,899	8,942
<u>Total long-term investments</u>	<u>\$ 39,391</u>	<u>\$ 26,987</u>
PROPERTY AND EQUIPMENT, NET	<u>14,574</u>	<u>11,809</u>
<u>Total assets</u>	<u>\$ 260,374</u>	<u>\$ 269,373</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	34,358	52,898
Deferred revenues	17,806	18,548
Other accounts payable and accrued expenses	9,874	9,847
<u>Total current liabilities</u>	<u>\$ 62,038</u>	<u>\$ 81,293</u>
LONG-TERM LIABILITIES		
Accrued severance pay	\$ 7,282	\$ 7,174
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary shares	94	92
Additional paid-in capital	296,573	291,736
Treasury shares at cost	(20,091)	(20,091)
Other comprehensive income (loss)	(212)	100
Accumulated deficits	(85,310)	(90,931)
<u>Total shareholders' equity</u>	<u>\$ 191,054</u>	<u>\$ 180,906</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 260,374</u>	<u>\$ 269,373</u>

Ceragon Reports Second Quarter 2010 Results

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(U.S. dollars, in thousands)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Cash flow from operating activities:				
Net income	\$ 2,598	\$ 233	\$ 5,621	\$ 448
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	1,138	760	2,178	1,471
Stock-based compensation expense	852	805	1,823	1,594
Decrease in trade and other receivables, net	1,673	7,700	11,118	21,237
Decrease (increase) in inventory	5,172	(2,922)	(2,652)	(2,055)
Decrease in trade payables and accrued liabilities	(11,213)	(145)	(17,985)	(12,708)
Increase (decrease) in deferred revenues	(2,063)	(1,270)	(742)	165
Increase in deferred tax asset	(28)	-	(359)	-
Other adjustments	557	(95)	536	(233)
Net cash provided by (used in) operating activities	\$ (1,314)	\$ 5,066	\$ (462)	\$ 9,919
Cash flow from investing activities:				
Purchase of property and equipment ,net	(2,577)	(1,287)	(5,471)	(3,774)
Investment in short and long-term bank deposit	(11,032)	(10,495)	(11,032)	(18,955)
Proceeds from short and long-term bank deposits	12,607	3,599	19,680	20,559
Investment in held-to-maturity marketable securities	(3,230)	-	(18,339)	(1,500)
Proceeds from maturities of held-to-maturity marketable securities	-	1,300	4,500	11,754
Net cash provided by (used in) investing activities	\$ (4,232)	\$ (6,883)	\$ (10,662)	\$ 8,084
Cash flow from financing activities:				
Proceeds from exercise of options	430	215	3,016	215
Purchase of treasury shares at cost	-	(1,618)	-	(8,040)
Net cash provided by (used in) financing activities	\$ 430	\$ (1,403)	\$ 3,016	\$ (7,825)
Increase (decrease) in cash and cash equivalents	\$ (5,116)	\$ (3,220)	\$ (8,108)	\$ 10,178
Cash and cash equivalents at the beginning of the period	35,347	41,622	38,339	28,224
Cash and cash equivalents at the end of the period	\$ 30,231	\$ 38,402	\$ 30,231	\$ 38,402

Ceragon Reports Second Quarter 2010 Results

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

	Three months ended June 30,			2009
	2010			
	GAAP (as reported)	Adjustments	Non-GAAP	Non-GAAP
Revenues	\$ 60,889		\$ 60,889	\$ 42,246
Cost of revenues	39,420	(*)72	39,348	28,494
Gross profit	21,469		21,541	13,752
Operating expenses:				
Research and development	6,919	(*)184	5,585	4,157
Selling and marketing	8,959	(**)1,150	8,607	6,706
General and administrative	2,996	(*)244	2,752	2,248
<u>Total operating expenses</u>	<u>\$ 18,874</u>		<u>\$ 16,944</u>	<u>\$ 13,111</u>
Operating profit	2,595		4,597	641
Financial income, net	276		276	468
Income before taxes	2,871		4,873	1,109
Taxes on income	273		273	71
Net income	<u>\$ 2,598</u>		<u>\$ 4,600</u>	<u>\$ 1,038</u>
Basic net earnings per share	<u>\$ 0.07</u>		<u>\$ 0.13</u>	<u>\$ 0.03</u>
Diluted net earnings per share	<u>\$ 0.07</u>		<u>\$ 0.13</u>	<u>\$ 0.03</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,881,532</u>		<u>34,881,532</u>	<u>34,247,005</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>36,317,945</u>		<u>36,317,945</u>	<u>34,994,702</u>
<u>Total adjustments</u>		<u>2,002</u>		

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

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

Ceragon Reports Second Quarter 2010 Results

RECONCILIATION OF NON-GAAP FINANCIAL RESULTS

(U.S. dollars in thousands, except share and per share data)

(Unaudited)

	Six months ended June 30,			
	2010			2009
	GAAP (as reported)	Adjustments(*)	Non-GAAP	Non-GAAP
Revenues	\$ 120,576		\$ 120,576	\$86,148
Cost of revenues	78,731	(*)138	78,593	57,262
Gross profit	41,845		41,983	28,886
Operating expenses:				
Research and development	12,192	(*)361	10,681	8,770
Selling and marketing	18,141	(**)1,150	17,527	14,179
General and administrative	5,776	(*)710	5,066	4,564
<u>Total operating expenses</u>	<u>\$ 36,109</u>		<u>\$ 33,274</u>	<u>\$ 27,513</u>
Operating profit	5,736		8,709	1,373
Financial income, net	510		510	822
Income before taxes	6,246		9,219	2,195
Taxes on income	625		625	153
Net Income	<u>\$ 5,621</u>		<u>\$ 8,594</u>	<u>\$ 2,042</u>
Basic net earnings per share	<u>\$ 0.16</u>		<u>\$ 0.25</u>	<u>\$ 0.06</u>
Diluted net earnings per share	<u>\$ 0.15</u>		<u>\$ 0.24</u>	<u>\$ 0.06</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,686,410</u>		<u>34,686,410</u>	<u>34,523,460</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>36,542,735</u>		<u>36,542,735</u>	<u>35,157,903</u>
<u>Total adjustments</u>		<u>2,973</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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