



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

	Three months ended		Year ended	
	December 31,		December 31,	
	2010	2009	2010	2009
Revenues	\$ 66,983	\$ 53,357	\$ 249,852	\$ 184,220
Cost of revenues	42,225	35,007	160,470	122,662
Gross profit	24,758	18,350	89,382	61,558
Operating expenses:				
Research and development	6,732	5,479	25,115	18,954
Selling and marketing	9,641	7,675	37,179	29,251
General and administrative	3,612	3,003	12,328	10,705
Acquisition related costs	775	-	775	-
<u>Total operating expenses</u>	<u>\$ 20,760</u>	<u>\$ 16,157</u>	<u>\$ 75,397</u>	<u>\$ 58,910</u>
Operating profit	3,998	2,193	13,985	2,648
Financial income, net	124	228	1,255	1,496
Income before taxes	4,122	2,421	15,240	4,144
Taxes on income	304	293	1,178	489
Net Income	<u>\$ 3,818</u>	<u>\$ 2,128</u>	<u>\$ 14,062</u>	<u>\$ 3,655</u>
Basic net earnings per share	<u>\$ 0.11</u>	<u>\$ 0.06</u>	<u>\$ 0.40</u>	<u>\$ 0.11</u>
Diluted net earnings per share	<u>\$ 0.10</u>	<u>\$ 0.06</u>	<u>\$ 0.38</u>	<u>\$ 0.10</u>
Weighted average number of shares used in computing basic net earnings per share	<u>35,106,882</u>	<u>34,256,957</u>	<u>34,854,657</u>	<u>34,369,212</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>36,995,821</u>	<u>36,365,610</u>	<u>36,564,830</u>	<u>35,796,878</u>

(more)

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CONDENSED CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

(Unaudited)

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 37,725	\$ 38,339
Short-term bank deposits	23,357	30,183
Marketable securities	7,363	16,724
Trade receivables, net	88,074	68,452
Deferred taxes	4,057	3,462
Other accounts receivable and prepaid expenses	15,425	7,492
Inventories	65,921	65,925
<u>Total current assets</u>	<u>241,922</u>	<u>230,577</u>
LONG-TERM INVESTMENTS:		
Long-term bank deposits	-	10,824
Long-term marketable securities	13,088	2,250
Severance pay funds	6,039	4,971
<u>Total long-term investments</u>	<u>\$ 19,127</u>	<u>\$ 18,045</u>
OTHER ASSETS		
Deferred taxes	8,829	8,942
Goodwill	1,093	-
<u>Total other assets</u>	<u>\$ 9,922</u>	<u>\$ 8,942</u>
PROPERTY AND EQUIPMENT, NET	<u>16,211</u>	<u>11,809</u>
<u>Total assets</u>	<u>\$ 287,182</u>	<u>\$ 269,373</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	40,537	52,898
Deferred revenues	20,661	18,548
Other accounts payable and accrued expenses	13,215	9,847
<u>Total current liabilities</u>	<u>\$ 74,413</u>	<u>\$ 81,293</u>
ACCRUED SEVERANCE PAY	<u>\$ 8,600</u>	<u>\$ 7,174</u>
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary shares	95	92
Additional paid-in capital	300,875	291,736
Treasury shares at cost	(20,091)	(20,091)
Other comprehensive income	159	100
Accumulated deficits	(76,869)	(90,931)
<u>Total shareholders' equity</u>	<u>\$ 204,169</u>	<u>\$ 180,906</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 287,182</u>	<u>\$ 269,373</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(U.S. dollars, in thousands)

(Unaudited)

	Three months ended		Year ended	
	December 31,		December 31,	
	2010	2009	2010	2009
Cash flow from operating activities:				
Net income	\$ 3,818	\$ 2,128	\$ 14,062	\$ 3,655
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	1,321	960	4,712	3,283
Stock-based compensation expense	1,541	1,317	4,207	3,607
Decrease (increase) in trade and other receivables, net	(26,050)	(9,751)	(27,535)	4,724
Decrease (increase) in inventory	(4,071)	(15,755)	4	(25,415)
Increase (decrease) in trade payables and accrued liabilities	20,084	18,932	(8,323)	14,619
Increase in deferred revenues	7,902	4,565	2,113	12,662
Increase in deferred tax asset	(114)	(281)	(469)	(281)
Other adjustments	497	374	532	(42)
Net cash provided by (used in) operating activities	\$ 4,928	\$ 2,489	\$ (10,697)	\$ 16,812
Cash flow from investing activities:				
Purchase of property and equipment ,net	(2,083)	(1,640)	(9,798)	(6,737)
Payment of business acquired *)	-	-	(1,232)	-
Investment in short and long-term bank deposit	(1,972)	(16,214)	(13,754)	(44,009)
Proceeds from short and long-term bank deposits	6,580	19,284	31,680	46,177
Investment in marketable securities	-	(3,203)	(18,339)	(4,703)
Proceeds from maturities of marketable securities	9,091	-	16,591	11,754
Net cash provided by (used in) investing activities	\$ 11,616	\$ (1,773)	\$ 5,148	\$ 2,482
Cash flow from financing activities:				
Proceeds from exercise of options	1,635	2,205	4,935	2,989
Purchase of treasury shares at cost	-	(4,128)	-	(12,168)
Net cash used in financing activities	\$ 1,635	\$ (1,923)	\$ 4,935	\$ (9,179)
Increase (decrease) in cash and cash equivalents	\$ 18,179	\$ (1,207)	\$ (614)	\$ 10,115
Cash and cash equivalents at the beginning of the period	19,546	39,546	38,339	28,224
Cash and cash equivalents at the end of the period	\$ 37,725	\$ 38,339	\$ 37,725	\$ 38,339

*) Excluding cash and cash equivalents

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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 December 31,			2009
	2010			
	GAAP (as reported)	Adjustments	Non-GAAP	Non-GAAP
Revenues	\$ 66,983		\$ 66,983	\$ 53,357
Cost of revenues	42,225	(*) 83	42,142	\$ 34,937
Gross profit	24,758		24,841	18,420
Operating expenses:				
Research and development	6,732	(*) 261	6,471	5,309
Selling and marketing	9,641	(*) 239	9,402	7,359
General and administrative	3,612	(*) 958	2,654	2,242
Acquisition related costs	775	(**) 775	-	-
<u>Total operating expenses</u>	\$ 20,760		\$ 18,527	\$ 14,910
Operating profit	3,998		6,314	3,510
Financial income, net	124		124	228
Income before taxes	4,122		6,438	3,738
Taxes on income	304		304	293
Net income	\$ 3,818		\$ 6,134	\$ 3,445
Basic net earnings per share	\$ 0.11		\$ 0.17	\$ 0.10
Diluted net earnings per share	\$ 0.10		\$ 0.17	\$ 0.09
Weighted average number of shares used in computing basic net earnings per share	35,106,882		35,106,882	34,256,957
Weighted average number of shares used in computing diluted net earnings per share	36,995,821		36,995,821	36,365,610
<u>Total adjustments</u>		2,316		

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

(**) Nera Networks acquisition costs

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

	Year ended December 31,			2009
	GAAP (as reported)	Adjustments	Non-GAAP	Non-GAAP
Revenues	\$ 249,852		\$ 249,852	\$ 184,220
Cost of revenues	160,470	(*) 315	160,155	\$ 122,406
Gross profit	89,382		89,697	61,814
Operating expenses:				
Research and development	25,115	(*) 814 (**) 1,150	23,151	18,311
Selling and marketing	37,179	(*) 1,177	36,002	28,066
General and administrative	12,328	(*) 1,901	10,427	9,182
Acquisition related costs	775	(***) 775	-	-
<u>Total operating expenses</u>	<u>\$ 75,397</u>		<u>\$ 69,580</u>	<u>\$ 55,559</u>
Operating profit	13,985		20,117	6,255
Financial income, net	1,255		1,255	1,496
Income before taxes	15,240		21,372	7,751
Taxes on income	1,178		1,178	489
Net income	<u>\$ 14,062</u>		<u>\$ 20,194</u>	<u>\$ 7,262</u>
Basic net earnings per share	<u>\$ 0.40</u>		<u>\$ 0.58</u>	<u>\$ 0.21</u>
Diluted net earnings per share	<u>\$ 0.38</u>		<u>\$ 0.55</u>	<u>\$ 0.20</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,854,657</u>		<u>34,854,657</u>	<u>34,369,212</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>36,564,830</u>		<u>36,564,830</u>	<u>35,796,878</u>
<u>Total adjustments</u>		<u>6,132</u>		

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

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

(***) Nera Networks acquisition costs

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