



Ceragon Reports First Quarter 2011 Results

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

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
Revenues	\$ 100,312	\$ 59,687
Cost of revenues	70,728	39,311
Gross profit	29,584	20,376
Operating expenses:		
Research and development	12,457	5,273
Selling and marketing	19,185	9,182
General and administrative	5,523	2,780
Restructuring costs	7,834	-
Acquisition related costs	4,919	-
<u>Total operating expenses</u>	<u>\$ 49,918</u>	<u>\$ 17,235</u>
Operating profit (loss)	(20,334)	3,141
Financial income (expenses), net	(447)	234
Income (loss) before taxes	(20,781)	3,375
Taxes on income	(595)	(352)
Net Income (loss)	<u>\$ (21,376)</u>	<u>\$ 3,023</u>
Basic net earnings (loss) per share	<u>\$ (0.60)</u>	<u>\$ 0.09</u>
Diluted net earnings (loss) per share	<u>\$ (0.60)</u>	<u>\$ 0.08</u>
Weighted average number of shares used in computing basic net earnings (loss) per share	<u>35,603,764</u>	<u>34,489,121</u>
Weighted average number of shares used in computing diluted net earnings (loss) per share	<u>35,603,764</u>	<u>36,765,358</u>

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

(U.S. dollars in thousands)

*(Unaudited)*

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 45,594	\$ 37,725
Short-term bank deposits	13,809	23,357
Marketable securities	11,946	7,363
Trade receivables, net	125,780	88,074
Deferred taxes	4,380	4,057
Other accounts receivable and prepaid expenses	29,232	15,425
Inventories	114,770	65,921
<b>Total current assets</b>	<u>345,511</u>	<u>241,922</u>
<b>LONG-TERM INVESTMENTS:</b>		
Long-term marketable securities	6,789	13,088
Severance pay funds	6,098	6,039
<b>Total long-term investments</b>	<u>\$ 12,887</u>	<u>\$ 19,127</u>
<b>OTHER ASSETS</b>		
Long term receivables	5,241	-
Deferred taxes	8,474	8,829
Goodwill and Intangible assets, net	51,740	1,093
<b>Total other assets</b>	<u>\$ 65,455</u>	<u>\$ 9,922</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>26,605</u>	<u>16,211</u>
<b>Total assets</b>	<u>\$ 450,458</u>	<u>\$ 287,182</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long term bank loan	2,058	-
Trade payables	72,485	40,537
Deferred revenues	51,078	20,661
Other accounts payable and accrued expenses	66,329	13,215
<b>Total current liabilities</b>	<u>\$ 191,950</u>	<u>\$ 74,413</u>
<b>LONG TERM LIABILITIES:</b>		
Long term bank loan, net of current maturities	32,942	-
Accrued severance pay and pension	12,960	8,600
Other long term payables	33,331	-
<b>Total long term liabilities</b>	<u>\$ 79,233</u>	<u>\$ 8,600</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital:		
Ordinary shares	97	95
Additional paid-in capital	305,588	300,875
Treasury shares at cost	(20,091)	(20,091)
Other comprehensive income (loss)	(8,074)	159
Accumulated deficits	(98,245)	(76,869)
<b>Total shareholders' equity</b>	<u>\$ 179,275</u>	<u>\$ 204,169</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 450,458</u>	<u>\$ 287,182</u>

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

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash flow from operating activities:</b>		
Net income (loss)	\$ (21,376)	\$ 3,023
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,201	1,040
Stock-based compensation expense	1,419	971
Decrease in trade and other receivables, net	22,494	9,445
Decrease (increase) in inventory	9,825	(7,824)
Increase in trade payables and accrued liabilities	(16,937)	(6,772)
Increase (decrease) in deferred revenues	(10)	1,321
Other adjustments	20	(352)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,364)</b>	<b>\$ 852</b>
<b>Cash flow from investing activities:</b>		
Purchase of property and equipment, net	(2,789)	(2,894)
Payment for business acquisition *)	(42,405)	-
Investment in short and long-term bank deposit	(2,254)	-
Proceeds from short and long-term bank deposits	13,796	7,073
Investment in marketable securities	-	(15,109)
Proceeds from maturities of marketable securities	4,235	4,500
<b>Net cash used in investing activities</b>	<b>\$ (29,417)</b>	<b>\$ (6,430)</b>
<b>Cash flow from financing activities:</b>		
Proceeds from exercise of options	3,296	2,586
Long term bank loan raised in connection with business acquisition	35,000	-
<b>Net cash provided by financing activities</b>	<b>\$ 38,296</b>	<b>\$ 2,586</b>
<b>Translation adjustments on cash and cash equivalents</b>	<b>\$ 354</b>	<b>\$ -</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>\$ 7,869</b>	<b>\$ (2,992)</b>
Cash and cash equivalents at the beginning of the period	37,725	38,339
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 45,594</b>	<b>\$ 35,347</b>
*) 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)

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	Three months ended March 31,			2010
	2011			
	GAAP		Non-GAAP	Non-GAAP
	(as reported)	Adjustments		
Revenues	\$ 100,312		\$ 100,312	\$ 59,687
Cost of revenues	70,728	2,895 (a)	67,833	39,245
Gross profit	29,584		32,479	20,442
Operating expenses:				
Research and development	12,457	1,416 (b)	11,041	5,096
Selling and marketing	19,185	2,524 (c)	16,661	8,920
General and administrative	5,523	931 (d)	4,592	2,314
Restructuring costs	7,834	7,834	-	-
Acquisition related costs	4,919	4,919	-	-
Total operating expenses	\$ 49,918		\$ 32,294	\$ 16,330
Operating profit (loss)	(20,334)		185	4,112
Financial income (expenses), net	(447)		(447)	234
Income (loss) before taxes	(20,781)		(262)	4,346
Taxes on income	(595)		(595)	(352)
Net income (loss)	\$ (21,376)		\$ (857)	\$ 3,994
Basic net earnings (loss) per share	\$ (0.60)		\$ (0.02)	\$ 0.12
Diluted net earnings (loss) per share	\$ (0.60)		\$ (0.02)	\$ 0.11
Weighted average number of shares used in computing basic net earnings (loss) per share	35,603,764		35,603,764	34,489,121
Weighted average number of shares used in computing diluted net earnings (loss) per share	35,603,764		35,603,764	36,765,358
Total adjustments		20,519		

(a) Cost of revenues includes \$0.3 million of amortization of purchased intangible assets, \$1.4 million of inventory step-up and \$1.2 million of integration plan related costs in the three months ended March 31, 2011.

(b) Research and development expenses includes \$1.1 million of integration plan related costs and \$0.3 million of stock based compensation expenses in the three months ended March 31, 2011.

(c) Selling and marketing expenses includes \$0.3 million of amortization of purchased intangible assets, \$1.7 million of integration plan related costs and \$0.5 million of stock based compensation expenses in the three months ended March 31, 2011.

(d) General and administration expenses includes, \$0.3 million of integration plan related costs and \$0.6 million of stock based compensation expenses in the three months ended March 31, 2011.

**RECONCILIATION BETWEEN REPORTED AND NON-GAAP  
OPERATING LOSS**

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

*(Unaudited)*

	<b>Three months ended</b> <b>March 31, 2011</b>
<b>Reported GAAP net operating loss</b>	(20,334)
<b>Stock based compensation expenses</b>	1,419
<b>Amortization of purchased intangible assets</b>	557
<b>Inventory step up</b>	1,444
<b>Integration plan related costs</b>	4,346
<b>Restructuring costs</b>	7,834
<b>Acquisition related costs</b>	4,919
<b>Non-GAAP net operating profit</b>	<u>185</u>

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