

Notice Regarding Non-GAAP Financial Information

Ezenia! provides non-GAAP loss from operations and operating expenses as additional information for investors. These measures are not in accordance with, or an alternative to, generally accepted accounting principles in the United States (GAAP). Such measures are intended to supplement GAAP and may be different from non-GAAP measures used by other companies. Ezenia! believes that the non-GAAP results described in this release are useful for an understanding of its ongoing operations and provide additional detail and an alternative method of assessing its operating results. Management uses these non-GAAP results to compare the company's performance to that of prior periods for analysis of trends and for budget and planning purposes. A reconciliation of non-GAAP adjustments to the Company's GAAP financial results is included in the tables below.

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	(In Thousands)		(In Thousands)	
	2010	2009	2010	2009
Operating expenses	\$ 1,194	\$ 1,510	\$ 2,403	\$ 2,977
Less: stock based compensation				
Research and development	(28)	(8)	(39)	(24)
Sales and marketing	(21)	(29)	(39)	(54)
General and administrative	(109)	(138)	(201)	(272)
Less: depreciation	(34)	(43)	(68)	(85)
Adjusted operating expenses	<u>\$ 1,002</u>	<u>\$ 1,292</u>	<u>\$ 2,056</u>	<u>\$ 2,542</u>

The table below presents a reconciliation of loss from operations to adjusted loss from operations;

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	(In Thousands)		(In Thousands)	
	2010	2009	2010	2009
Loss from operations	\$ (753)	\$ (1,002)	\$ (1,502)	\$ (1,946)
Add: stock based compensation	158	175	279	350
Add: depreciation	34	43	68	85
Adjusted loss from operations	<u>\$ (561)</u>	<u>\$ (784)</u>	<u>\$ (1,155)</u>	<u>\$ (1,511)</u>

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EZENIA! INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except for share and per share related data)
(Unaudited)

	June 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 4,336	\$ 4,203
Marketable securities	164	180
Accounts receivable, less allowances of \$9 at June 30, 2010 and \$28 at December 31, 2009	156	129
Prepaid software licenses	1,605	1,239
Prepaid expenses and other current assets	112	169
Total current assets	6,373	5,920
Deposits	29	15
Capitalized software, net	130	-
Equipment and improvements, net	73	133
Total assets	\$ 6,605	\$ 6,068
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 354	\$ 273
Accrued expenses	1,837	1,627
Accrued restructuring	119	228
Accrued employee compensation and benefits	225	195
Deferred revenue	1,665	876
Total current liabilities	4,200	3,199
Deferred revenue, net of current portion	665	3
Stockholders' equity		
Preferred stock, \$.01 par value, 2,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$.01 par value, 40,000,000 shares authorized, 15,558,070 issued and 14,658,217 outstanding at June 30, 2010 and December 31, 2009	163	154
Capital in excess of par value	66,835	66,459
Accumulated deficit	(62,313)	(60,802)
Treasury stock at cost, 759,537 shares at June 30, 2010 and December 31, 2009	(2,945)	(2,945)
Total stockholders' equity	1,740	2,866
Total liabilities and stockholders' equity	\$ 6,605	\$ 6,068

EZENIA! INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except for share and per share related data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues				
Product revenue	\$ 718	\$ 888	\$ 1,421	\$ 1,862
Product development revenue	-	19	-	34
	<u>718</u>	<u>907</u>	<u>1,421</u>	<u>1,896</u>
Cost of revenues				
Cost of product revenue	277	391	520	851
Cost of product development revenue	-	8	-	14
	<u>277</u>	<u>399</u>	<u>520</u>	<u>865</u>
Gross profit	<u>441</u>	<u>508</u>	<u>901</u>	<u>1,031</u>
Operating expenses				
Research and development	252	462	467	960
Sales and marketing	307	284	572	534
General and administrative	545	654	1,142	1,266
Depreciation	34	43	68	85
Occupancy and other facilities-related expenses	56	67	154	132
Total operating expenses	<u>1,194</u>	<u>1,510</u>	<u>2,403</u>	<u>2,977</u>
Loss from operations	(753)	(1,002)	(1,502)	(1,946)
Interest income	4	14	7	30
Other income (expense)	(20)	24	(16)	14
	<u>(16)</u>	<u>38</u>	<u>(9)</u>	<u>44</u>
Net loss	<u>\$ (769)</u>	<u>\$ (964)</u>	<u>\$ (1,511)</u>	<u>\$ (1,902)</u>
Basic and diluted loss per share:				
Basic	\$ (0.05)	\$ (0.07)	\$ (0.10)	\$ (0.13)
Diluted	\$ (0.05)	\$ (0.07)	\$ (0.10)	\$ (0.13)
Weighted average common shares:				
Basic	15,214,674	14,658,217	14,937,983	14,658,217
Diluted	15,214,674	14,658,217	14,937,983	14,658,217