

Ceragon Reports First Quarter 2007 Results

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

	Three months ended	
	March 31,	
	2007	2006
Revenues	\$ 33,936	\$ 21,322
Cost of revenues	<u>21,627</u>	<u>13,391</u>
Gross profit	<u>12,309</u>	<u>7,931</u>
Operating expenses:		
Research and development	3,490	3,241
Less: grants and participations	<u>-</u>	<u>438</u>
Research and development, net	3,490	2,803
Selling and marketing	5,250	3,919
General and administrative	<u>1,119</u>	<u>1,305</u>
<u>Total operating expenses</u>	<u>9,859</u>	<u>8,027</u>
Operating profit (loss)	2,450	(96)
Financial income, net	<u>173</u>	<u>384</u>
Net income	<u>\$ 2,623</u>	<u>\$ 288</u>
Basic net earnings per share	<u>\$ 0.10</u>	<u>\$ 0.01</u>
Diluted net earnings per share	<u>\$ 0.09</u>	<u>\$ 0.01</u>
Weighted average number of shares used in computing basic net earnings per share	<u>27,600,884</u>	<u>26,458,840</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>29,148,689</u>	<u>28,027,069</u>

(more)

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CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands, except share and per share data
(Unaudited)

	<u>March 31,</u> <u>2007</u>	<u>De</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 15,752	\$
Short-term bank deposits	2,086	
Marketable securities	6,421	
Trade receivables, net	29,546	
Other accounts receivable and prepaid expenses	5,282	
Inventories	<u>32,122</u>	
<u>Total</u> current assets	<u>91,209</u>	
LONG-TERM INVESTMENTS:		
Long-term bank deposits	2,903	
Long-term marketable securities	2,385	
Severance pay funds	<u>2,610</u>	
<u>Total</u> long-term investments	<u>7,898</u>	
PROPERTY AND EQUIPMENT, NET	<u>2,814</u>	
<u>Total</u> assets	<u>\$ 101,921</u>	<u>\$</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 21,880	\$
Deferred revenues	7,580	
Other accounts payable and accrued expenses	<u>10,406</u>	
<u>Total</u> current liabilities	<u>\$ 39,866</u>	<u>\$</u>
LONG-TERM LIABILITIES		
Accrued severance pay	4,389	
Other payables	<u>5,948</u>	
<u>Total</u> long-term liabilities	<u>\$ 10,337</u>	<u>\$</u>
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary shares	69	
Additional paid-in capital	182,680	
Other comprehensive income	54	
Accumulated deficits	<u>(131,085)</u>	<u>(</u>
<u>Total</u> shareholders' equity	<u>51,718</u>	
<u>Total</u> liabilities and shareholders' equity	<u>\$ 101,921</u>	<u>\$</u>

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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 March 31,

	2007			
	GAAP (as reported)	Adjustment (*)	Non-GAAP	
Revenues	\$ 33,936		\$ 33,936	€
Cost of revenues	21,627	29	21,598	
Gross profit	12,309	29	12,338	
Operating expenses:				
Research and development	3,490	62	3,428	
Less: grants and participations	-		-	
Research and development, net	3,490	62	3,428	
Selling and marketing	5,250	148	5,102	
General and administrative	1,119	151	968	
<u>Total operating expenses</u>	<u>9,859</u>	<u>361</u>	<u>9,498</u>	
Operating profit	2,450		2,840	
Financial income, net	173		173	
Net income	<u>\$ 2,623</u>		<u>\$ 3,013</u>	€
Basic net earnings per share	<u>\$ 0.10</u>		<u>\$ 0.11</u>	€
Diluted net earnings per share	<u>\$ 0.09</u>		<u>\$ 0.10</u>	€
Weighted average number of shares used in computing basic net earnings per share	<u>27,600,884</u>		<u>27,600,884</u>	€
Weighted average number of shares used in computing diluted net earnings per share	<u>29,148,689</u>		<u>29,148,689</u>	€
<u>Total adjustments</u>		<u>390</u>		

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

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This press release may contain statements concerning Ceragon's future prospects that are "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and projections that involve a number of risks and uncertainties. There can be no assurance that future results will be achieved, and actual results could differ materially from forecasts and estimates. Important factors that could cause actual results to differ materially from forecasts and estimates include: Ceragon's limited operating history and history of losses; Ceragon's dependence on a limited number of key customers, independent manufacturers and suppliers; and the demand for Ceragon's products and technology. These risks and uncertainties, as well as others, are discussed in greater detail in Ceragon's Annual Report on Form 20-F and Ceragon's other filings with the Securities and Exchange Commission. Forward-looking statements speak only as of the date on which they are made, and Ceragon undertakes no commitment to revise or update any forward-looking statement in order to reflect events or circumstances after the date any such statement is made.

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