

Ceragon Reports Second Quarter 2007 Results

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

	Six months ended		Three months ended	
	June 30		June 30,	
	2007	2006	2007	2006
Revenues	\$ 71,273	\$ 44,962	\$ 37,337	\$ 23,640
Cost of revenues	45,462	28,378	23,835	14,994
Gross profit	25,811	16,584	13,502	8,646
Operating expenses:				
Research and development	6,950	6,562	3,460	3,321
Less: grants and participations	-	1,057	-	619
Research and development, net	6,950	5,505	3,460	2,702
Selling and marketing	11,465	8,060	6,215	4,141
General and administrative	2,134	2,471	1,015	1,159
<u>Total operating expenses</u>	<u>20,549</u>	<u>16,036</u>	<u>10,690</u>	<u>8,002</u>
Operating profit	5,262	548	2,812	644
Financial income, net	222	575	49	191
Net income	<u>\$ 5,484</u>	<u>1,123</u>	<u>2,861</u>	<u>\$ 835</u>
Basic net earnings per share	<u>\$ 0.20</u>	<u>\$ 0.04</u>	<u>\$ 0.10</u>	<u>\$ 0.03</u>
Diluted net earnings per share	<u>\$ 0.18</u>	<u>\$ 0.04</u>	<u>\$ 0.09</u>	<u>\$ 0.03</u>
Weighted average number of shares used in computing basic net earnings per share	<u>28,047,219</u>	<u>26,542,235</u>	<u>28,488,649</u>	<u>26,625,630</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>29,934,518</u>	<u>28,323,750</u>	<u>30,715,442</u>	<u>28,425,725</u>

(more)

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

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 20,439	\$ 10,170
Short-term bank deposits	4,429	5,364
Marketable securities	6,040	6,578
Trade receivables, net	28,452	27,433
Other accounts receivable and prepaid expenses	4,750	6,925
Inventories	35,981	27,311
<u>Total current assets</u>	<u>100,091</u>	<u>83,781</u>
LONG-TERM INVESTMENTS:		
Long-term bank deposits	-	2,873
Long-term marketable securities	1,935	4,500
Severance pay funds	2,657	2,537
<u>Total long-term investments</u>	<u>4,592</u>	<u>9,910</u>
PROPERTY AND EQUIPMENT, NET	<u>3,021</u>	<u>2,660</u>
<u>Total assets</u>	<u>\$ 107,704</u>	<u>\$ 96,351</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 22,498	\$ 22,147
Deferred revenues	5,186	3,739
Other accounts payable and accrued expenses	10,647	10,627
<u>Total current liabilities</u>	<u>\$ 38,331</u>	<u>\$ 36,513</u>
LONG-TERM LIABILITIES		
Accrued severance pay	4,408	4,352
Other payables	5,910	7,925
<u>Total long-term liabilities</u>	<u>\$ 10,318</u>	<u>\$ 12,277</u>
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary shares	72	68
Additional paid-in capital	187,264	181,128
Other comprehensive income	(66)	64
Accumulated deficits	(128,215)	(133,699)
<u>Total shareholders' equity</u>	<u>59,055</u>	<u>47,561</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 107,704</u>	<u>\$ 96,351</u>

Ceragon Reports Second Quarter 2007 Results

RECONCILIATION OF NON-GAAP FINANCIAL RESULTS

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

(Unaudited)

Three months ended June 30,

	2007		2006	
	GAAP (as reported)	Adjustments (*)	Non-GAAP	Non-GAAP
Revenues	\$ 37,337		\$ 37,337	\$ 23,640
Cost of revenues	<u>23,835</u>	33	<u>23,802</u>	<u>14,971</u>
Gross profit	<u>13,502</u>		<u>13,535</u>	<u>8,669</u>
Operating expenses:				
Research and development	3,460	67	3,393	3,270
Less: grants and participations	<u>-</u>		<u>-</u>	<u>619</u>
Research and development, net	3,460		3,393	2,651
Selling and marketing	6,215	155	6,060	4,068
General and administrative	<u>1,015</u>	177	<u>838</u>	<u>1,046</u>
<u>Total operating expenses</u>	<u>10,690</u>		<u>10,291</u>	<u>7,765</u>
Operating profit	2,812		3,244	904
Financial income, net	<u>49</u>		<u>49</u>	<u>191</u>
Net income	<u>\$ 2,861</u>		<u>\$ 3,293</u>	<u>\$ 1,095</u>
Basic net earnings per share	<u>\$ 0.10</u>		<u>\$ 0.12</u>	<u>\$ 0.04</u>
Diluted net earnings per share	<u>\$ 0.09</u>		<u>\$ 0.11</u>	<u>\$ 0.04</u>
Weighted average number of shares used in computing basic net earnings per share	<u>28,488,649</u>		<u>28,488,649</u>	<u>26,625,630</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>30,715,442</u>		<u>30,715,442</u>	<u>28,425,725</u>
<u>Total adjustments</u>		<u>432</u>		

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

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RECONCILIATION OF NON-GAAP FINANCIAL RESULTS

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

	Six months ended June 30, 2007		Six months ended June 30, 2006	
	GAAP (as reported)	Adjustments (*)	Non-GAAP	Non-GAAP
Revenues	\$ 71,273		\$ 71,273	\$ 44,962
Cost of revenues	45,462	62	45,400	28,286
Gross profit	25,811		25,873	16,676
Operating expenses:				
Research and development	6,950	129	6,821	6,382
Less: grants and participations	-		-	1,057
Research and development, net	6,950		6,821	5,325
Selling and marketing	11,465	303	11,162	7,810
General and administrative	2,134	328	1,806	1,987
<u>Total operating expenses</u>	<u>\$ 20,549</u>		<u>\$ 19,789</u>	<u>\$ 15,122</u>
Operating profit	5,262		6,084	1,554
Financial income, net	222		222	575
Net income	<u>\$ 5,484</u>		<u>\$ 6,306</u>	<u>\$ 2,129</u>
Basic net earnings per share	<u>\$ 0.20</u>		<u>\$ 0.22</u>	<u>\$ 0.08</u>
Diluted net earnings per share	<u>\$ 0.18</u>		<u>\$ 0.21</u>	<u>\$ 0.08</u>
Weighted average number of shares used in computing basic net earnings per share	<u>28,047,219</u>		<u>28,047,219</u>	<u>26,542,235</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>29,934,518</u>		<u>29,934,518</u>	<u>28,323,750</u>
<u>Total adjustments</u>		<u>822</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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