

**Ceragon Reports Fourth Quarter and Year-End 2008 Results**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

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

*(Unaudited)*

	Year ended December 31		Three months ended December 31,	
	2008	2007	2008	2007
Revenues	\$ 217,278	\$ 161,888	\$ 56,779	\$ 46,145
Cost of revenues	144,607	103,406	37,802	29,454
Gross profit	72,671	58,482	18,977	16,691
Operating expenses:				
Research and development	20,310	15,457	5,195	4,373
Selling and marketing	32,252	25,344	8,989	7,220
General and administrative	7,150	5,277	2,160	1,526
Expense in respect to settlement reserve	-	450	-	-
<u>Total operating expenses</u>	\$ 59,712	\$ 46,528	\$ 16,344	\$ 13,119
Operating profit	12,959	11,954	2,633	3,572
Financial income, net	2,184	1,182	69	856
Income before taxes	15,143	13,136	2,702	4,428
Tax benefit	10,834	-	36	-
Net Income	\$ 25,977	\$ 13,136	\$ 2,738	\$ 4,428
Basic net earnings per share	\$ 0.70	\$ 0.44	\$ 0.07	\$ 0.13
Diluted net earnings per share	\$ 0.68	\$ 0.41	\$ 0.07	\$ 0.12
Weighted average number of shares used in computing basic net earnings per share	36,863,684	29,692,670	36,517,147	33,152,306
Weighted average number of shares used in computing diluted net earnings per share	38,338,584	32,101,393	36,938,654	35,889,636

(more)

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

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

(Unaudited)

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 28,224	\$ 58,650
Short-term bank deposits	35,044	25,997
Marketable securities	2,187	6,399
Trade receivables, net	70,811	40,533
Deferred taxes	4,082	-
Other accounts receivable and prepaid expenses	11,508	10,888
Inventories	40,113	36,763
	<hr/>	<hr/>
<u>Total</u> current assets	\$ 191,969	\$ 179,230
	<hr/>	<hr/>
<b>LONG-TERM INVESTMENTS:</b>		
Long-term bank deposits	8,204	12,030
Long-term marketable securities	24,102	18,665
Severance pay funds	4,065	3,268
Deferred taxes	8,007	-
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<u>Total</u> long-term investments	\$ 44,378	\$ 33,963
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<b>PROPERTY AND EQUIPMENT, NET</b>	8,891	4,447
	<hr/>	<hr/>
<u>Total</u> assets	<u>\$ 245,238</u>	<u>\$ 217,640</u>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	41,998	\$ 25,173
Deferred revenues	5,886	6,702
Other accounts payable and accrued expenses	7,791	14,935
	<hr/>	<hr/>
<u>Total</u> current liabilities	\$ 55,675	\$ 46,810
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<b>LONG-TERM LIABILITIES</b>		
Accrued severance pay	6,647	5,286
Other payables	-	4,650
	<hr/>	<hr/>
<u>Total</u> long-term liabilities	\$ 6,647	\$ 9,936
	<hr/>	<hr/>
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital:		
Ordinary shares	91	91
Additional paid-in capital	285,141	281,086
Treasury shares at cost	(7,923)	-
Other comprehensive income	193	280
Accumulated deficits	(94,586)	(120,563)
	<hr/>	<hr/>
<u>Total</u> shareholders' equity	\$ 182,916	\$ 160,894
	<hr/>	<hr/>
<u>Total</u> liabilities and shareholders' equity	<u>\$ 245,238</u>	<u>\$ 217,640</u>

**Ceragon Reports Fourth Quarter and Year-End 2008 Results**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**

(U.S. dollars, in thousands)

(Unaudited)

	Three months ended		Year ended	
	December 31,		December 31,	
	2008	2007	2008	2007
<b>Cash flow from operating activities:</b>				
Net income	\$ 2,738	\$ 4,428	\$ 25,977	\$ 13,136
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation	685	382	2,070	1,342
Stock-based compensation expense	594	480	2,557	1,758
Increase in trade and other receivables, net	(7,299)	(9,775)	(30,918)	(16,847)
Decrease (increase) in inventory	(657)	2,306	(3,350)	(9,452)
Increase (decrease) in trade payables and accrued liabilities	(687)	(2,441)	8,579	6,623
Increase (decrease) in deferred revenues	257	(487)	(816)	2,963
Increase in deferred tax asset	(241)	-	(11,353)	-
Increase (decrease) in long term payable	-	388	(4,650)	(3,275)
Other adjustments	97	(692)	349	(576)
<b>Net cash used in operating activities</b>	<b>\$ (4,513)</b>	<b>\$ (5,411)</b>	<b>\$ (11,555)</b>	<b>\$ (4,328)</b>
<b>Cash flow from investing activities:</b>				
Purchase of property and equipment ,net	(1,956)	(647)	(5,029)	(2,830)
Investment in short and long-term bank deposit	(13,124)	(33,627)	(66,267)	(35,654)
Proceeds from short and long-term bank deposits	13,542	371	61,376	6,181
Investment in held-to-maturity marketable securities	-	(20,286)	(14,851)	(22,186)
Proceeds from maturities of held-to-maturity marketable securities	7,450	3,908	13,500	8,638
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 5,912</b>	<b>\$ (50,281)</b>	<b>\$ (11,271)</b>	<b>\$ (45,851)</b>
<b>Cash flow from financing activities:</b>				
Proceeds from exercise of options	104	1,111	695	9,959
Proceeds from issuance of shares, net	-	88,700	-	88,700
Issuance costs	-	-	(372)	-
Purchase of treasury shares at cost	(7,923)	-	(7,923)	-
<b>Net cash provided by (used in) financing activities</b>	<b>\$ (7,819)</b>	<b>\$ 89,811</b>	<b>\$ (7,600)</b>	<b>\$ 98,659</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>\$ (6,420)</b>	<b>\$ 34,119</b>	<b>\$ (30,426)</b>	<b>\$ 48,480</b>
Cash and cash equivalents at the beginning of the period	34,644	24,531	58,650	10,170
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 28,224</b>	<b>\$ 58,650</b>	<b>\$ 28,224</b>	<b>\$ 58,650</b>

**Ceragon Reports Fourth Quarter and Year-End 2008 Results**

**RECONCILIATION OF NON-GAAP FINANCIAL RESULTS**

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

	<b>Three months ended December 31,</b>			
	<b>2008</b>		<b>2007</b>	
	<b>GAAP (as reported)</b>	<b>Adjustments (*)</b>	<b>Non-GAAP</b>	<b>Non-GAAP</b>
Revenues	\$ 56,779		\$ 56,779	\$ 46,145
Cost of revenues	<u>37,802</u>	53	<u>37,749</u>	<u>29,419</u>
Gross profit	<u>18,977</u>		<u>19,030</u>	<u>16,726</u>
Operating expenses:				
Research and development	5,195	127	5,068	4,284
Selling and marketing	8,989	237	8,752	6,996
General and administrative	<u>2,160</u>	177	<u>1,983</u>	<u>1,394</u>
<u>Total operating expenses</u>	<u>16,344</u>		<u>\$ 15,803</u>	<u>\$ 12,674</u>
Operating profit	2,633		3,227	4,052
Financial income, net	<u>69</u>		<u>69</u>	<u>856</u>
Income before taxes	2,702		3,296	4,908
Tax benefit on income	<u>36</u>		<u>36</u>	<u>-</u>
Net income	<u>\$ 2,738</u>		<u>\$ 3,332</u>	<u>\$ 4,908</u>
Basic net earnings per share	<u>\$ 0.07</u>		<u>\$ 0.09</u>	<u>\$ 0.15</u>
Diluted net earnings per share	<u>\$ 0.07</u>		<u>\$ 0.09</u>	<u>\$ 0.14</u>
Weighted average number of shares used in computing basic net earnings per share	<u>36,517,147</u>		<u>36,517,147</u>	<u>33,152,306</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>36,938,654</u>		<u>36,938,654</u>	<u>35,889,636</u>
<u>Total adjustments</u>		<u>594</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**

	Year ended December 31,			2007
	2008		Non-GAAP	
	GAAP (as reported)	Adjustments		
Revenues	\$ 217,278		\$ 217,278	\$ 161,888
Cost of revenues	144,607	257 (*)	144,350	103,280
Gross profit	72,671		72,928	58,608
Operating expenses:				
Research and development	20,310	586 (*)	19,724	15,164
Selling and marketing	32,252	1,007 (*)	31,245	24,596
General and administrative	7,150	707 (*)	6,443	4,686
<u>Total operating expenses</u>	<u>\$ 59,712</u>		<u>\$ 57,412</u>	<u>\$ 44,446</u>
Operating profit	12,959		15,516	14,162
Financial income, net	2,184		2,184	1,182
Income before taxes	15,143		17,700	15,344
Tax benefit (taxes on income)	10,834	(11,207)(**)	(373)	-
Net income	<u>\$ 25,977</u>		<u>\$ 17,327</u>	<u>\$ 15,344</u>
Basic net earnings per share	<u>\$ 0.70</u>		<u>\$ 0.47</u>	<u>\$ 0.52</u>
Diluted net earnings per share	<u>\$ 0.68</u>		<u>\$ 0.45</u>	<u>\$ 0.48</u>
Weighted average number of shares used in computing basic net earnings per share	<u>36,863,684</u>		<u>36,863,684</u>	<u>29,692,670</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>38,338,584</u>		<u>38,338,584</u>	<u>32,101,393</u>
<u>Total adjustments</u>		<u>(8,650)</u>		

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

(\*\*) Adjustment related to initial creation of deferred tax asset.

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