

Ceragon Reports First Quarter 2008 Results

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

	Three months ended	
	March 31,	
	<u>2008</u>	<u>2007</u>
Revenues	\$ 47,176	\$ 33,936
Cost of revenues	<u>30,515</u>	<u>21,627</u>
Gross profit	16,661	12,309
Operating expenses:		
Research and development	4,819	3,490
Selling and marketing	7,026	5,250
General and administrative	1,361	1,119
	<u> </u>	<u> </u>
<u>Total operating expenses</u>	<u>\$ 13,206</u>	<u>\$ 9,859</u>
Operating profit	3,455	2,450
Financial income, net	<u>818</u>	<u>173</u>
Net income	<u>\$ 4,273</u>	<u>\$ 2,623</u>
Basic net earnings per share	<u>\$ 0.12</u>	<u>\$ 0.10</u>
Diluted net earnings per share	<u>\$ 0.11</u>	<u>\$ 0.09</u>
Weighted average number of shares used in computing basic net earnings per share	<u>36,943,142</u>	<u>27,600,884</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>38,830,582</u>	<u>29,148,689</u>

(more)

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CONDENSED CONSOLIDATED BALANCE SHEETS

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

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	48,298	58,650
Short-term bank deposits	23,151	25,997
Marketable securities	8,809	6,399
Trade receivables, net	41,520	40,533
Other accounts receivable and prepaid expenses	8,947	10,888
Inventories	34,168	36,763
<u>Total current assets</u>	<u>\$ 164,893</u>	<u>\$ 179,230</u>
LONG-TERM INVESTMENTS:		
Long-term bank deposits	12,154	12,030
Long-term marketable securities	28,196	18,665
Severance pay funds	3,788	3,268
<u>Total long-term investments</u>	<u>44,138</u>	<u>33,963</u>
PROPERTY AND EQUIPMENT, NET	<u>5,309</u>	<u>4,447</u>
<u>Total assets</u>	<u>\$ 214,340</u>	<u>\$ 217,640</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	22,707	\$ 25,173
Deferred revenues	4,628	6,702
Other accounts payable and accrued expenses	12,825	14,935
<u>Total current liabilities</u>	<u>\$ 40,160</u>	<u>\$ 46,810</u>
LONG-TERM LIABILITIES		
Accrued severance pay	5,954	5,286
Other payables	2,232	4,650
<u>Total long-term liabilities</u>	<u>\$ 8,186</u>	<u>\$ 9,936</u>
SHAREHOLDERS' EQUITY:		
Ordinary shares	91	91
Additional paid-in capital	281,939	281,086
Other comprehensive income	254	280
Accumulated deficit	(116,290)	(120,563)
<u>Total shareholders' equity</u>	<u>165,994</u>	<u>160,894</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 214,340</u>	<u>\$ 217,640</u>

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

	Three month ended	
	March 31,	
	2008	2007
Cash flow from operating activities:		
Net income	4,273	2,623
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	392	320
Stock-based compensation expense	644	390
Decrease (increase) in trade and other receivables, net	928	(489)
Decrease (increase) in inventory	2,595	(4,811)
Decrease in trade payables and accrued liabilities	(6,884)	(2,465)
Increase (decrease) in deferred revenues	(2,074)	3,841
Other adjustments	(19)	(37)
Net cash used in operating activities	(145)	(628)
 Cash flow from investing activities:		
Purchase of property and equipment ,net	(1,034)	(474)
Investment in short and long-term bank deposits	(13,209)	-
Proceeds from short and long-term bank deposits	16,057	3,337
Investment in held-to-maturity marketable securities	(14,000)	(1,200)
Proceeds from maturities of held-to-maturity marketable securities	2,100	3,384
Net cash provided by (used in) investing activities	(10,086)	5,047
 Cash flow from financing activities:		
Proceeds from exercise of options	209	1,163
Issuance costs	(330)	-
Net cash provided by (used in) financing activities	(121)	1,163
 Increase (decrease) in cash and cash equivalents	(10,352)	5,582
 Cash and cash equivalents at the beginning of the period	58,650	10,170
 Cash and cash equivalents at the end of the period	48,298	15,752

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RECONCILIATION OF NON-GAAP FINANCIAL RESULTS
U.S. dollars in thousands, except share and per share data

	Three months ended March 31,			
	2008		2007	
	GAAP (as reported)	Adjustment (*)	Non-GAAP	Non-GAAP
Revenues	\$ 47,176		\$ 47,176	\$ 33,936
Cost of revenues	30,515	70	30,445	21,598
Gross profit	16,661		16,731	12,338
Operating expenses:				
Research and development	4,819	159	4,660	3,428
Selling and marketing	7,026	279	6,747	5,102
General and administrative	1,361	136	1,225	968
<u>Total operating expenses</u>	<u>\$ 13,206</u>		<u>\$ 12,632</u>	<u>9,498</u>
Operating profit	3,455		4,099	2,840
Financial income, net	818		818	173
Net income	<u>\$ 4,273</u>		<u>\$ 4,917</u>	<u>\$ 3,013</u>
Basic net earnings per share	<u>\$ 0.12</u>		<u>\$ 0.13</u>	<u>\$ 0.11</u>
Diluted net earnings per share	<u>\$ 0.11</u>		<u>\$ 0.13</u>	<u>\$ 0.10</u>
Weighted average number of shares used in computing basic net earnings per share	<u>36,943,142</u>		<u>36,943,142</u>	<u>27,600,884</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>38,830,582</u>		<u>38,830,582</u>	<u>29,148,689</u>
<u>Total adjustments</u>		<u>644</u>		

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

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