

Ceragon Reports Fourth Quarter and Year-End 2007 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,	
	2007	2006	2007	2006
Revenues	\$ 161,888	\$ 108,415	\$ 46,145	\$ 32,945
Cost of revenues (including one time charge) (*)	103,406	80,776	29,454	31,462
Gross profit	58,482	27,639	16,691	1,483
Operating expenses:				
Research and development	15,457	13,336	4,373	3,486
Less: grants and participations	-	1,543	-	-
Research and development, net	15,457	11,793	4,373	3,486
Selling and marketing	25,344	17,420	7,220	5,108
General and administrative	5,277	5,170	1,526	1,433
Expense in respect of settlement reserve	450	-	-	-
<u>Total operating expenses</u>	46,528	34,383	13,119	10,027
Operating profit (loss)	11,954	(6,744)	3,572	(8,544)
Financial income, net	1,182	1,284	856	415
Net income (loss)	\$ 13,136	\$ (5,460)	\$ 4,428	\$ (8,129)
Basic net earnings (loss) per share	\$ 0.44	\$ (0.20)	\$ 0.13	\$ (0.30)
Diluted net earnings (loss) per share	\$ 0.41	\$ (0.20)	\$ 0.12	\$ (0.30)
Weighted average number of shares used in computing basic net earnings (loss) per share	29,692,670	26,728,053	33,152,306	27,105,749
Weighted average number of shares used in computing diluted net earnings (loss) per share	32,101,394	26,728,053	35,889,636	27,105,749

(*) Includes \$10,444 related to the termination of the agreement with the Chief Scientist grant program in the fourth quarter of 2006.

(more)

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CONDENSED CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands)
(Unaudited)

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 58,650	\$ 10,170
Short-term bank deposits	25,997	5,364
Marketable securities	6,399	6,578
Trade receivables, net	40,533	27,433
Other accounts receivable and prepaid expenses	10,888	6,925
Inventories	<u>36,763</u>	<u>27,311</u>
Total current assets	<u>179,230</u>	<u>83,781</u>
LONG-TERM INVESTMENTS:		
Long-term bank deposits	12,030	2,873
Long-term marketable securities	18,665	4,500
Severance pay funds	<u>3,268</u>	<u>2,537</u>
Total long-term investments	<u>33,963</u>	<u>9,910</u>
PROPERTY AND EQUIPMENT, NET	<u>4,447</u>	<u>2,660</u>
Total assets	<u>\$ 217,640</u>	<u>\$ 96,351</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 25,173	\$ 22,147
Deferred revenues	6,702	3,739
Other accounts payable and accrued expenses	<u>14,935</u>	<u>10,627</u>
Total current liabilities	<u>\$ 46,810</u>	<u>\$ 36,513</u>
LONG-TERM LIABILITIES		
Accrued severance pay	5,286	4,352
Other payables	<u>4,650</u>	<u>7,925</u>
Total long-term liabilities	<u>\$ 9,936</u>	<u>\$ 12,277</u>
SHAREHOLDERS' EQUITY:		
Ordinary shares	91	68
Additional paid-in capital	281,086	181,128
Other comprehensive income	280	64
Accumulated deficit	<u>(120,563)</u>	<u>(133,699)</u>
Total shareholders' equity	<u>160,894</u>	<u>47,561</u>
Total liabilities and shareholders' equity	<u>\$ 217,640</u>	<u>\$ 96,351</u>

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

	Three month ended		Year ended	
	December 31,	December 31,	December 31,	December 31,
	2007	2006	2007	2006
Cash flow from operating activities:				
Net income (loss)	4,428	(8,129)	13,136	(5,460)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	382	358	1,342	1,194
Stock-based compensation granted to employees upon FAS 123R adoption	480	370	1,758	1,712
Increase in trade and other receivables, net	(9,775)	(327)	(16,847)	(14,125)
Decrease (increase) in inventory	2,306	(5,990)	(9,452)	(11,167)
Increase (decrease) in trade payables and accrued liabilities	(2,053)	14,805	3,348	22,776
Increase (decrease) in deferred revenues	(487)	(1,206)	2,963	283
Other adjustments	(692)	76	(576)	436
Net cash used in operating activities	(5,411)	(43)	(4,328)	(4,351)
Cash flow from investing activities:				
Purchase of property and equipment ,net	(647)	(590)	(2,830)	(1,393)
Proceeds from sale of property and equipment	-	48	-	48
Proceeds from (investments in) bank deposits, net	(33,248)	(1,144)	(29,473)	1,091
Investment in held-to-maturity marketable securities	(21,686)	(50)	(22,186)	(3,116)
Proceeds from maturities of held-to-maturity marketable securities	5,300	522	8,638	5,469
Net cash provided by (used in) investing activities	(50,281)	(1,214)	(45,851)	2,099
Cash flow from financing activities:				
Proceeds from issuance of shares, net	88,705	-	88,705	-
Proceeds from exercise of options	1,106	1,451	9,954	2,107
Net cash provided by financing activities	89,811	1,451	98,659	2,107
Increase (decrease) in cash and cash equivalents	34,119	194	48,480	(145)
Cash and cash equivalents at the beginning of the period	24,531	9,976	10,170	10,315
Cash and cash equivalents at the end of the period	58,650	10,170	58,650	10,170

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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 December 31,

	2007		2006	
	GAAP (as reported)	Adjustments (*)	Non-GAAP	Non-GAAP
Revenues	\$ 46,145		\$ 46,145	\$ 32,945
Cost of revenues	29,454	35	29,419	20,987
Gross profit	16,691		16,726	11,958
Operating expenses:				
Research and development	4,373	89	4,284	3,417
Selling and marketing	7,220	224	6,996	4,978
General and administrative	1,526	132	1,394	1,293
Total operating expenses	13,119		12,674	\$ 9,688
Operating profit	3,572		4,052	2,270
Financial income, net	856		856	415
Net income	\$ 4,428		\$ 4,908	\$ 2,685
Basic net earnings per share	\$ 0.13		\$ 0.15	\$ 0.10
Diluted net earnings per share	\$ 0.12		\$ 0.14	\$ 0.09
Weighted average number of shares used in computing basic net earnings per share	33,152,306		33,152,306	27,105,749
Weighted average number of shares used in computing diluted net earnings per share	35,889,636		35,889,636	28,814,291
Total adjustments		480		

(*) 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,			2006
	2007		Non-GAAP	
	GAAP (as reported)	Adjustments		
Revenues	\$ 161,888		\$ 161,888	\$ 108,415
Cost of revenues	103,406	126 (*)	103,280	70,168
Gross profit	58,482		58,608	38,247
Operating expenses:				
Research and development	15,457	293(*)	15,164	13,026
Less: grants and participations	-		-	1,543
Research and development, net	15,457		15,164	11,483
Selling and marketing	25,344	748(*)	24,596	16,949
General and administrative	5,277	591(*)	4,686	4,403
Expense in respect of settlement reserve	450	450	-	-
<u>Total operating expenses</u>	46,528		\$ 44,446	\$ 32,835
Operating profit	11,954		14,162	5,412
Financial income, net	1,182		1,182	1,284
Net income	\$ 13,136		\$ 15,344	\$ 6,696
Basic net earnings per share	\$ 0.44		\$ 0.52	\$ 0.25
Diluted net earnings per share	\$ 0.41		\$ 0.48	\$ 0.24
Weighted average number of shares used in computing basic net earnings per share	29,692,670		29,692,670	26,728,053
Weighted average number of shares used in computing diluted net earnings per share	32,101,394		32,101,394	28,336,942
<u>Total adjustments</u>		2,208		

(*) 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

Three months ended December 31, 2006

	<u>GAAP (as reported)</u>	<u>Adjustments (*)</u>	<u>Non-GAAP</u>
Revenues	\$ 32,945		\$ 32,945
Cost of revenues	31,462	10,444	20,987
		31	
Gross profit	<u>1,483</u>		<u>11,958</u>
Operating expenses:			
Research and development	3,486		3,417
Less: grants and participations	<u>-</u>		<u>-</u>
Research and development, net	3,486	69	3,417
Selling and marketing	5,108	130	4,978
General and administrative	<u>1,433</u>	140	<u>1,293</u>
<u>Total operating expenses</u>	<u>\$ 10,027</u>		<u>\$ 9,688</u>
Operating profit (loss)	(8,544)		2,270
Financial income, net	<u>415</u>		<u>415</u>
Net income (loss)	<u>\$ (8,129)</u>		<u>\$ 2,685</u>
Basic net earnings (loss) per share	<u>\$ (0.30)</u>		<u>\$ 0.10</u>
Diluted net earnings (loss) per share	<u>\$ (0.30)</u>		<u>\$ 0.09</u>
Weighted average number of shares used in computing basic net earnings per share	<u>27,105,749</u>		<u>27,105,749</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>27,105,749</u>		<u>28,814,291</u>
<u>Total adjustments</u>		<u>\$ 10,814</u>	

(*) Adjustments related to equity based compensation expenses according to SFAS 123 (R) and to termination of the participation in the Chief Scientist grant program

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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, 2006

	<u>GAAP (as reported)</u>	<u>Adjustments (*)</u>	<u>Non-GAAP</u>
Revenues	\$ 108,415		\$ 108,415
Cost of revenues	80,776	10,444	70,168
		164	
Gross profit	<u>27,639</u>		<u>38,247</u>
Operating expenses:			
Research and development	13,336		13,026
Less: grants and participations	<u>1,543</u>		<u>1,543</u>
Research and development, net	11,793	310	11,483
Selling and marketing	17,420	471	16,949
General and administrative	<u>5,170</u>	767	<u>4,403</u>
<u>Total operating expenses</u>	<u>\$ 34,383</u>		<u>\$ 32,835</u>
Operating profit (loss)	(6,744)		5,412
Financial income, net	<u>1,284</u>		<u>1,284</u>
Net income (loss)	<u>\$ (5,460)</u>		<u>\$ 6,696</u>
Basic net earnings (loss) per share	<u>\$ (0.20)</u>		<u>\$ 0.25</u>
Diluted net earnings (loss) per share	<u>\$ (0.20)</u>		<u>\$ 0.24</u>
Weighted average number of shares used in computing basic net earnings per share	<u>26,728,053</u>		<u>26,728,053</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>26,728,053</u>		<u>28,336,942</u>
<u>Total adjustments</u>		<u>\$ 12,156</u>	

(*) Adjustments related to equity based compensation expenses according to SFAS 123 (R) and to termination of the participation in the Chief Scientist grant program

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