

Ceragon Reports Third Quarter 2007 Results

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

	Nine months ended September 30,		Three months ended September 30,	
	2007	2006	2007	2006
Revenues	\$ 115,743	\$ 75,470	\$ 44,470	\$ 30,508
Cost of revenues	73,952	49,314	28,490	20,936
Gross profit	41,791	26,156	15,980	9,572
Operating expenses:				
Research and development	11,084	9,850	4,134	3,288
Less: grants and participations	-	1,543	-	486
Research and development, net	11,084	8,307	4,134	2,802
Selling and marketing	18,124	12,312	6,659	4,252
General and administrative	3,751	3,736	1,617	1,265
Expense in respect of settlement reserve	450	-	-	-
<u>Total operating expenses</u>	33,409	24,355	12,410	8,319
Operating profit	8,382	1,801	3,570	1,253
Financial income, net	326	868	104	293
Net income	<u>\$ 8,708</u>	<u>\$ 2,669</u>	<u>\$ 3,674</u>	<u>\$ 1,546</u>
Basic net earnings per share	<u>\$ 0.31</u>	<u>\$ 0.10</u>	<u>\$ 0.12</u>	<u>\$ 0.06</u>
Diluted net earnings per share	<u>\$ 0.28</u>	<u>\$ 0.09</u>	<u>\$ 0.11</u>	<u>\$ 0.06</u>
Weighted average number of shares used in computing basic net earnings per share	<u>28,526,786</u>	<u>26,602,155</u>	<u>29,470,281</u>	<u>26,721,996</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>30,806,976</u>	<u>28,177,826</u>	<u>32,536,254</u>	<u>28,080,684</u>

(more)

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CONDENSED CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

(Unaudited)

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 24,531	\$ 10,170
Short-term bank deposits	4,435	5,364
Marketable securities	7,128	6,578
Trade receivables, net	34,232	27,433
Other accounts receivable and prepaid expenses	7,231	6,925
Inventories	39,069	27,311
<u>Total current assets</u>	<u>116,626</u>	<u>83,781</u>
LONG-TERM INVESTMENTS:		
Long-term bank deposits	1,012	2,873
Long-term marketable securities	-	4,500
Severance pay funds	2,983	2,537
<u>Total long-term investments</u>	<u>3,995</u>	<u>9,910</u>
PROPERTY AND EQUIPMENT, NET	<u>3,907</u>	<u>2,660</u>
<u>Total assets</u>	<u>\$ 124,528</u>	<u>\$ 96,351</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 29,652	\$ 22,147
Deferred revenues	7,189	3,739
Other accounts payable and accrued expenses	12,186	10,627
<u>Total current liabilities</u>	<u>\$ 49,027</u>	<u>\$ 36,513</u>
LONG-TERM LIABILITIES		
Accrued severance pay	4,811	4,352
Other payables	4,262	7,925
<u>Total long-term liabilities</u>	<u>\$ 9,073</u>	<u>\$ 12,277</u>
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary shares	73	68
Additional paid-in capital	191,249	181,128
Other comprehensive income	97	64
Accumulated deficit	(124,991)	(133,699)
<u>Total shareholders' equity</u>	<u>66,428</u>	<u>47,561</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 124,528</u>	<u>\$ 96,351</u>

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

	Three month ended		Nine month ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Cash flow from operating activities:				
Net income	3,674	1,546	8,708	2,669
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	325	298	960	836
Stock-based compensation expense	456	335	1,278	1,342
Increase in trade and other receivables, net	(8,098)	(7,410)	(7,072)	(13,798)
Increase in inventory	(3,088)	(1,403)	(11,758)	(5,177)
Increase in trade payables and accrued liabilities	6,595	4,082	5,401	7,971
Increase in deferred revenues	2,003	933	3,450	1,489
Other adjustments	150	103	116	360
Net cash provided by (used in) operating activities	2,017	(1,516)	1,083	(4,308)
Cash flow from investing activities:				
Purchase of property and equipment ,net	(1,210)	(293)	(2,183)	(803)
Short-term bank deposits, net	(44)	(303)	968	200
Proceeds from maturities of long-term bank deposits	-	1,020	2,807	2,035
Investment in held-to-maturity marketable securities	700	-	(500)	(3,066)
Proceeds from maturities of held-to-maturity marketable securities	(901)	1,059	3,338	4,947
Net cash provided by (used in) investing activities	(1,455)	1,483	4,430	3,313
Cash flow from financing activities:				
Proceeds from exercise of options	3,530	109	8,848	656
Net cash provided by financing activities	3,530	109	8,848	656
Increase (decrease) in cash and cash equivalents	4,092	76	14,361	(339)
Cash and cash equivalents at the beginning of the period	20,439	9,900	10,170	10,315
Cash and cash equivalents at the end of the period	24,531	9,976	24,531	9,976

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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 September 30,

	2007		2006	
	GAAP (as reported)	Adjustments (*)	Non-GAAP	Non-GAAP
Revenues	\$ 44,470		\$ 44,470	\$ 30,508
Cost of revenues	28,490	29	28,461	20,895
Gross profit	15,980		16,009	9,613
Operating expenses:				
Research and development	4,134	75	4,059	3,227
Less: grants and participations	-		-	486
Research and development, net	4,134		4,059	2,741
Selling and marketing	6,659	221	6,438	4,161
General and administrative	1,617	131	1,486	1,122
<u>Total operating expenses</u>	<u>12,410</u>		<u>11,983</u>	<u>8,024</u>
Operating profit	3,570		4,026	1,589
Financial income, net	104		104	293
Net income	\$ 3,674		\$ 4,130	\$ 1,882
Basic net earnings per share	\$ 0.12		\$ 0.14	\$ 0.07
Diluted net earnings per share	\$ 0.11		\$ 0.13	\$ 0.07
Weighted average number of shares used in computing basic net earnings per share	29,470,281		29,470,281	26,721,996
Weighted average number of shares used in computing diluted net earnings per share	32,536,254		32,536,254	28,080,684
<u>Total adjustments</u>		<u>456</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)

Nine months ended

September 30,

	2007			2006
	GAAP (as reported)	Adjustments	Non-GAAP	Non-GAAP
Revenues	\$ 115,743		\$ 115,743	\$ 75,470
Cost of revenues	73,952	91(*)	73,861	49,181
Gross profit	41,791		41,882	26,289
Operating expenses:				
Research and development	11,084	204 (*)	10,880	9,609
Less: grants and participations	-		-	1,543
Research and development, net	11,084		10,880	8,066
Selling and marketing	18,124	524(*)	17,600	11,971
General and administrative	3,751	459(*)	3,292	3,109
Expense in respect of settlement reserve	450	450	-	-
<u>Total operating expenses</u>	<u>33,409</u>		<u>\$ 31,772</u>	<u>\$ 23,146</u>
Operating profit	8,382		10,110	3,143
Financial income, net	326		326	868
Net income	<u>\$ 8,708</u>		<u>\$ 10,436</u>	<u>\$ 4,011</u>
Basic net earnings per share	<u>\$ 0.31</u>		<u>\$ 0.37</u>	<u>\$ 0.15</u>
Diluted net earnings per share	<u>\$ 0.28</u>		<u>\$ 0.34</u>	<u>\$ 0.14</u>
Weighted average number of shares used in computing basic net earnings per share	<u>28,526,786</u>		<u>28,526,786</u>	<u>26,602,155</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>30,806,976</u>		<u>30,806,976</u>	<u>28,177,826</u>
<u>Total adjustments</u>		<u>1,728</u>		

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

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