

**Ceragon Reports Second Quarter 2008 Results**

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

	Six months ended June 30		Three months ended June 30,	
	2008	2007	2008	2007
Revenues	\$ 102,402	\$ 71,273	\$ 55,226	\$ 37,337
Cost of revenues	67,019	45,462	36,504	23,835
Gross profit	35,383	25,811	18,722	13,502
Operating expenses:				
Research and development	9,958	6,950	5,139	3,460
Selling and marketing	15,124	11,465	8,098	6,215
General and administrative	3,217	2,134	1,856	1,015
<u>Total operating expenses</u>	<u>\$ 28,299</u>	<u>\$ 20,549</u>	<u>\$ 15,093</u>	<u>\$ 10,690</u>
Operating profit	7,084	5,262	3,629	2,812
Financial income, net	1,625	222	807	49
Income before taxes	8,709	5,484	4,436	2,861
Tax benefit	11,048	-	11,048	-
Net Income	<u>\$ 19,757</u>	<u>\$ 5,484</u>	<u>\$ 15,484</u>	<u>\$ 2,861</u>
Basic net earnings per share	<u>\$ 0.53</u>	<u>\$ 0.20</u>	<u>\$ 0.42</u>	<u>\$ 0.10</u>
Diluted net earnings per share	<u>\$ 0.51</u>	<u>\$ 0.18</u>	<u>\$ 0.40</u>	<u>\$ 0.09</u>
Weighted average number of shares used in computing basic net earnings per share	<u>36,959,822</u>	<u>28,047,219</u>	<u>36,976,800</u>	<u>28,488,649</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>38,870,505</u>	<u>29,934,518</u>	<u>38,910,727</u>	<u>30,715,442</u>

(more)

**Ceragon Reports Second Quarter 2008 Results**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

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

(Unaudited)

	<u>June 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 40,498	\$ 58,650
Short-term bank deposits	23,467	25,997
Marketable securities	9,725	6,399
Trade receivables, net	57,438	40,533
Deferred taxes	6,267	-
Other accounts receivable and prepaid expenses	11,302	10,888
Inventories	36,926	36,763
<u>Total current assets</u>	<u>\$ 185,623</u>	<u>\$ 179,230</u>
<b>LONG-TERM INVESTMENTS:</b>		
Long-term bank deposits	9,199	12,030
Long-term marketable securities	25,389	18,665
Severance pay funds	4,289	3,268
Deferred taxes	5,765	-
<u>Total long-term investments</u>	<u>44,642</u>	<u>33,963</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>6,419</u>	<u>4,447</u>
<u>Total assets</u>	<u>\$ 236,684</u>	<u>\$ 217,640</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 35,830	\$ 25,173
Deferred revenues	2,806	6,702
Other accounts payable and accrued expenses	8,717	14,935
<u>Total current liabilities</u>	<u>\$ 47,353</u>	<u>\$ 46,810</u>
<b>LONG-TERM LIABILITIES</b>		
Accrued severance pay	6,646	5,286
Other payables	-	4,650
<u>Total long-term liabilities</u>	<u>\$ 6,646</u>	<u>\$ 9,936</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital:		
Ordinary shares	91	91
Additional paid-in capital	283,462	281,086
Other comprehensive income (loss)	(62)	280
Accumulated deficits	(100,806)	(120,563)
<u>Total shareholders' equity</u>	<u>182,685</u>	<u>160,894</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 236,684</u>	<u>\$ 217,640</u>

**Ceragon Reports Second Quarter 2008 Results**

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
<b>Cash flow from operating activities:</b>				
Net income	\$ 15,484	\$ 2,861	\$ 19,757	\$ 5,484
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation	464	315	856	635
Stock-based compensation expense	654	432	1,298	822
Decrease (increase) in trade and other receivables, net	(18,527)	1,506	(17,599)	1,026
Increase in inventory	(2,758)	(3,859)	(163)	(8,670)
Increase in trade payables and accrued liabilities	8,162	868	3,696	371
Increase (decrease) in deferred revenues	(1,822)	(2,394)	(3,896)	1,447
Increase in deferred tax asset	(11,207)	-	(11,207)	-
Decrease in long term payable	(2,232)	(38)	(4,650)	(2,015)
Other adjustments	179	3	160	(34)
<b>Net cash used in operating activities</b>	<b>\$ (11,603)</b>	<b>\$ (306)</b>	<b>\$ (11,748)</b>	<b>\$ (934)</b>
<b>Cash flow from investing activities:</b>				
Purchase of property and equipment ,net	(805)	(499)	(1,839)	(973)
Investment in short and long-term bank deposit	(20,365)	-	(33,574)	-
Proceeds from short and long-term bank deposits	22,957	482	39,014	3,819
Investment in held-to-maturity marketable securities	-	-	(14,000)	(1,200)
Proceeds from maturities of held-to-maturity marketable securities	1,950	855	4,050	4,239
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 3,737</b>	<b>\$ 838</b>	<b>\$ (6,349)</b>	<b>\$ 5,885</b>
<b>Cash flow from financing activities:</b>				
Proceeds from exercise of options	66	4,155	275	5,318
Issuance costs	-	-	(330)	-
<b>Net cash provided by (used in) financing activities</b>	<b>\$ 66</b>	<b>\$ 4,155</b>	<b>\$ (55)</b>	<b>\$ 5,318</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>\$ (7,800)</b>	<b>\$ 4,687</b>	<b>\$ (18,152)</b>	<b>\$ 10,269</b>
Cash and cash equivalents at the beginning of the period	48,298	15,752	58,650	10,170
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 40,498</b>	<b>\$ 20,439</b>	<b>\$ 40,498</b>	<b>\$ 20,439</b>

Ceragon Reports Second Quarter 2008 Results

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

	Three months ended June 30,			
	2008		2007	
	GAAP (as reported)	Adjustments	Non-GAAP	Non-GAAP
Revenues	\$ 55,226		\$ 55,226	\$ 37,337
Cost of revenues	36,504	68 (*)	36,436	23,802
Gross profit	18,722		18,790	13,535
Operating expenses:				
Research and development	5,139	124 (*)	5,015	3,393
Selling and marketing	8,098	291 (*)	7,807	6,060
General and administrative	1,856	171 (*)	1,685	838
<u>Total operating expenses</u>	<u>\$ 15,093</u>		<u>\$ 14,507</u>	<u>\$ 10,291</u>
Operating profit	3,629		4,283	3,244
Financial income, net	807		807	49
Income before taxes	4,436		5,090	3,293
Tax benefit (tax on income)	11,048	11,207 (**)	(159)	-
Net income	<u>\$ 15,484</u>		<u>\$ 4,931</u>	<u>\$ 3,293</u>
Basic net earnings per share	<u>\$ 0.42</u>		<u>\$ 0.13</u>	<u>\$ 0.12</u>
Diluted net earnings per share	<u>\$ 0.40</u>		<u>\$ 0.13</u>	<u>\$ 0.11</u>
Weighted average number of shares used in computing basic net earnings per share	<u>36,976,800</u>		<u>36,976,800</u>	<u>28,488,649</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>38,910,727</u>		<u>38,910,727</u>	<u>30,715,442</u>
<u>Total adjustments</u>		<u>10,553</u>		

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

(R)

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

Ceragon Reports Second Quarter 2008 Results

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

	Six months ended June 30,			2007
	2008		Non-GAAP	
	GAAP (as reported)	Adjustments		
Revenues	\$ 102,402		\$ 102,402	\$ 71,273
Cost of revenues	67,019	137 (*)	66,882	45,400
Gross profit	35,383		35,520	25,873
Operating expenses:				
Research and development	9,958	284 (*)	9,674	6,821
Selling and marketing	15,124	570 (*)	14,554	11,162
General and administrative	3,217	307 (*)	2,910	1,806
<u>Total operating expenses</u>	<u>\$ 28,299</u>		<u>\$ 27,138</u>	<u>\$ 19,789</u>
Operating profit	7,084		8,382	6,084
Financial income, net	1,625		1,625	222
Income before taxes	8,709		10,007	6,306
Tax benefit (tax on income)	11,048	11,207 (**)	(159)	-
Net Income	<u>\$ 19,757</u>		<u>\$ 9,848</u>	<u>\$ 6,306</u>
Basic net earnings per share	<u>\$ 0.53</u>		<u>\$ 0.27</u>	<u>\$ 0.22</u>
Diluted net earnings per share	<u>\$ 0.51</u>		<u>\$ 0.25</u>	<u>\$ 0.21</u>
Weighted average number of shares used in computing basic net earnings per share	<u>36,959,822</u>		<u>36,959,822</u>	<u>28,047,219</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>38,870,505</u>		<u>38,870,505</u>	<u>29,934,518</u>
<u>Total adjustments</u>		<u>9,909</u>		

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

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

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