

Ceragon Reports Third Quarter 2009 Results

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

(Unaudited)

	Three months ended September 30		Nine months ended September 30,	
	2009	2008	2009	2008
Revenues	\$ 44,715	\$ 58,097	\$ 130,863	\$ 160,499
Cost of revenues	30,499	39,786	88,263	106,805
Gross profit	14,216	18,311	42,600	53,694
Operating expenses:				
Research and development	4,720	5,157	14,377	15,115
Selling and marketing	6,973	8,139	22,119	23,263
General and administrative	1,847	1,773	5,649	4,990
Total operating expenses	\$ 13,540	\$ 15,069	\$ 42,145	\$ 43,368
Operating profit	676	3,242	455	10,326
Financial income, net	446	490	1,268	2,115
Income before taxes	1,122	3,732	1,723	12,441
Tax benefit (taxes on income)	(43)	(250)	(196)	10,798
Net Income	\$ 1,079	\$ 3,482	\$ 1,527	\$ 23,239
Basic net earnings per share	\$ 0.03	\$ 0.09	\$ 0.04	\$ 0.63
Diluted net earnings per share	\$ 0.03	\$ 0.09	\$ 0.04	\$ 0.60
Weighted average number of shares used in computing basic net earnings per share	34,178,001	37,020,035	34,407,042	36,980,039
Weighted average number of shares used in computing diluted net earnings per share	35,542,326	38,676,762	35,278,880	38,806,070

(more)

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

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 39,546	\$ 28,224
Short-term bank deposits	36,557	35,044
Marketable securities	7,819	2,187
Trade receivables, net	56,970	70,811
Deferred taxes	3,268	4,082
Other accounts receivable and prepaid expenses	9,368	11,508
Inventories	50,170	40,113
Total current assets	<u>203,698</u>	<u>\$ 191,969</u>
LONG-TERM INVESTMENTS:		
Long-term bank deposits	7,846	8,204
Long-term marketable securities	7,999	24,102
Severance pay funds	4,848	4,065
Deferred taxes	8,821	8,007
Total long-term investments	<u>\$ 29,514</u>	<u>\$ 44,378</u>
PROPERTY AND EQUIPMENT, NET	<u>10,322</u>	<u>8,891</u>
Total assets	<u><u>\$ 243,534</u></u>	<u><u>\$ 245,238</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	34,893	41,748
Deferred revenues	13,983	5,886
Other accounts payable and accrued expenses	8,113	8,041
Total current liabilities	<u>\$ 56,989</u>	<u>\$ 55,675</u>
LONG-TERM LIABILITIES		
Accrued severance pay	<u>\$ 7,050</u>	<u>\$ 6,647</u>
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary shares	91	91
Additional paid-in capital	288,215	285,141
Treasury shares at cost	(15,963)	(7,923)
Other comprehensive income	211	193
Accumulated deficits	(93,059)	(94,586)
Total shareholders' equity	<u>\$ 179,495</u>	<u>\$ 182,916</u>
Total liabilities and shareholders' equity	<u><u>\$ 243,534</u></u>	<u><u>\$ 245,238</u></u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(U.S. dollars, in thousands)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Cash flow from operating activities:				
Net income	\$ 1,079	\$ 3,482	\$ 1,527	\$ 23,239
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation	852	529	2,323	1,385
Stock-based compensation expense	696	665	2,290	1,963
Decrease (increase) in trade and other receivables, net	(5,348)	(6,020)	15,889	(23,619)
Increase in inventory	(8,002)	(2,530)	(10,057)	(2,693)
Increase (decrease) in trade payables and accrued liabilities	7,378	5,514	(5,330)	9,211
Increase (decrease) in deferred revenues	7,932	2,823	8,097	(1,073)
Decrease (increase) in deferred tax asset	-	95	-	(11,112)
Decrease in long term payable	-	-	-	(4,650)
Other adjustments	(183)	(15)	(416)	145
Net cash provided by (used in) operating activities	\$ 4,404	\$ 4,543	\$ 14,323	\$ (7,204)
Cash flow from investing activities:				
Purchase of property and equipment ,net	(1,323)	(1,179)	(5,097)	(3,018)
Investment in short and long-term bank deposit	(8,840)	(19,569)	(27,795)	(53,144)
Proceeds from short and long-term bank deposits	6,334	8,820	26,893	47,835
Investment in held-to-maturity marketable securities	-	(744)	(1,500)	(14,744)
Proceeds from maturities of held-to-maturity marketable securities	-	2,000	11,754	6,050
Net cash provided by (used in) investing activities	\$ (3,829)	\$ (10,672)	\$ 4,255	\$ (17,021)
Cash flow from financing activities:				
Proceeds from exercise of options	569	316	784	591
Purchase of treasury shares at cost	-	-	(8,040)	-
Issuance costs	-	(41)	-	(372)
Net cash provided by (used in) financing activities	\$ 569	\$ 275	\$ (7,256)	\$ 219
Increase (decrease) in cash and cash equivalents	\$ 1,144	\$ (5,854)	\$ 11,322	\$ (24,006)
Cash and cash equivalents at the beginning of the period	38,402	40,498	28,224	58,650
Cash and cash equivalents at the end of the period	\$ 39,546	\$ 34,644	\$ 39,546	\$ 34,644

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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,			2008
	2009			
	GAAP (as reported)	Adjustments (*)	Non-GAAP	Non-GAAP
Revenues	\$ 44,715		\$ 44,715	\$ 58,097
Cost of revenues	<u>30,499</u>	62	<u>30,437</u>	<u>39,719</u>
Gross profit	<u>14,216</u>		<u>14,278</u>	<u>18,378</u>
Operating expenses:				
Research and development	4,720	148	4,572	4,982
Selling and marketing	6,973	241	6,732	7,938
General and administrative	<u>1,847</u>	245	<u>1,602</u>	<u>1,551</u>
<u>Total operating expenses</u>	<u>\$ 13,540</u>		<u>\$ 12,906</u>	<u>\$ 14,471</u>
Operating profit	676		1,372	3,907
Financial income, net	<u>446</u>		<u>446</u>	<u>490</u>
Income before taxes	1,122		1,818	4,397
Taxes on income	<u>43</u>		<u>43</u>	<u>159</u>
Net income	<u>\$ 1,079</u>		<u>\$ 1,775</u>	<u>\$ 4,238</u>
Basic net earnings per share	<u>\$ 0.03</u>		<u>\$ 0.05</u>	<u>\$ 0.11</u>
Diluted net earnings per share	<u>\$ 0.03</u>		<u>\$ 0.05</u>	<u>\$ 0.11</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,178,001</u>		<u>34,178,001</u>	<u>37,020,035</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>35,542,326</u>		<u>35,542,326</u>	<u>38,676,762</u>
<u>Total adjustments</u>		<u>696</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)
(Unaudited)

	Nine months ended September 30,			
	2009		2008	
	GAAP (as reported)	Adjustments(*)	Non-GAAP	Non-GAAP
Revenues	\$ 130,863		\$ 130,863	\$160,499
Cost of revenues	88,263	186	88,077	106,600
Gross profit	42,600		42,786	53,899
Operating expenses:				
Research and development	14,377	473	13,904	14,656
Selling and marketing	22,119	869	21,250	22,492
General and administrative	5,649	762	4,887	4,462
<u>Total operating expenses</u>	<u>\$ 42,145</u>		<u>\$ 40,041</u>	<u>\$ 41,610</u>
Operating profit (loss)	455		2,745	12,289
Financial income, net	1,268		1,268	2,115
Income before taxes	1,723		4,013	14,404
Taxes on income	196		196	409
Net Income	<u>\$ 1,527</u>		<u>\$ 3,817</u>	<u>\$ 13,995</u>
Basic net earnings per share	<u>\$ 0.04</u>		<u>\$ 0.11</u>	<u>\$ 0.38</u>
Diluted net earnings per share	<u>\$ 0.04</u>		<u>\$ 0.11</u>	<u>\$ 0.36</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,407,042</u>		<u>34,407,042</u>	<u>36,980,039</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>35,278,880</u>		<u>35,278,880</u>	<u>38,806,070</u>
<u>Total adjustments</u>		<u>2,290</u>		

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

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Contact: Yoel Knoll
Director of Investor Relations
Ceragon Networks Ltd.
Cell (Int'l): +972 (0) 52 830 6419
Office (Int'l): +972 (0)3 766 6419
yoell@ceragon.com