

Ceragon Reports Second Quarter 2009 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,	
	2009	2008	2009	2008
Revenues	\$ 86,148	\$ 102,402	\$ 42,246	\$ 55,226
Cost of revenues	<u>57,764</u>	<u>67,019</u>	<u>28,733</u>	<u>36,504</u>
Gross profit	<u>28,384</u>	<u>35,383</u>	<u>13,513</u>	<u>18,722</u>
Operating expenses:				
Research and development	9,657	9,958	4,587	5,139
Selling and marketing	15,146	15,124	7,188	8,098
General and administrative	3,802	3,217	1,902	1,856
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	<u>\$ 28,605</u>	<u>\$ 28,299</u>	<u>\$ 13,677</u>	<u>\$ 15,093</u>
Operating profit (loss)	(221)	7,084	(164)	3,629
Financial income, net	<u>822</u>	<u>1,625</u>	<u>468</u>	<u>807</u>
Income before taxes	601	8,709	304	4,436
Tax benefit (taxes on income)	<u>(153)</u>	<u>11,048</u>	<u>(71)</u>	<u>11,048</u>
Net Income	<u>\$ 448</u>	<u>\$ 19,757</u>	<u>\$ 233</u>	<u>\$ 15,484</u>
Basic net earnings per share	<u>\$ 0.01</u>	<u>\$ 0.53</u>	<u>\$ 0.01</u>	<u>\$ 0.42</u>
Diluted net earnings per share	<u>\$ 0.01</u>	<u>\$ 0.51</u>	<u>\$ 0.01</u>	<u>\$ 0.40</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,523,460</u>	<u>36,959,822</u>	<u>34,247,005</u>	<u>36,976,800</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>35,157,903</u>	<u>38,870,505</u>	<u>34,994,702</u>	<u>38,910,727</u>

(more)

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

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 38,402	\$ 28,224
Short-term bank deposits	33,979	35,044
Marketable securities	4,809	2,187
Trade receivables, net	52,660	70,811
Deferred taxes	2,495	4,082
Other accounts receivable and prepaid expenses	8,052	11,508
Inventories	42,168	40,113
<u>Total current assets</u>	<u>182,565</u>	<u>\$ 191,969</u>
LONG-TERM INVESTMENTS:		
Long-term bank deposits	7,785	8,204
Long-term marketable securities	11,018	24,102
Severance pay funds	4,472	4,065
Deferred taxes	9,594	8,007
<u>Total long-term investments</u>	<u>\$ 32,869</u>	<u>\$ 44,378</u>
PROPERTY AND EQUIPMENT, NET	<u>9,764</u>	<u>8,891</u>
<u>Total assets</u>	<u>\$ 225,198</u>	<u>\$ 245,238</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	27,625	41,748
Deferred revenues	6,051	5,886
Other accounts payable and accrued expenses	7,939	8,041
<u>Total current liabilities</u>	<u>\$ 41,615</u>	<u>\$ 55,675</u>
LONG-TERM LIABILITIES		
Accrued severance pay	<u>\$ 6,733</u>	<u>\$ 6,647</u>
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary shares	91	91
Additional paid-in capital	286,950	285,141
Treasury shares at cost	(15,963)	(7,923)
Other comprehensive income (loss)	(90)	193
Accumulated deficits	(94,138)	(94,586)
<u>Total shareholders' equity</u>	<u>\$ 176,850</u>	<u>\$ 182,916</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 225,198</u>	<u>\$ 245,238</u>

Ceragon Reports Second Quarter 2009 Results

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(U.S. dollars, in thousands)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Cash flow from operating activities:				
Net income	\$ 233	\$ 15,484	\$ 448	\$ 19,757
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation	760	464	1,471	856
Stock-based compensation expense	805	654	1,594	1,298
Decrease (increase) in trade and other receivables, net	7,700	(18,527)	21,237	(17,599)
Increase in inventory	(2,922)	(2,758)	(2,055)	(163)
Increase (decrease) in trade payables and accrued liabilities	(145)	8,162	(12,708)	3,696
Increase (decrease) in deferred revenues	(1,270)	(1,822)	165	(3,896)
Increase in deferred tax asset	-	(11,207)	-	(11,207)
Decrease in long term payable	-	(2,232)	-	(4,650)
Other adjustments	(95)	179	(233)	160
Net cash provided by (used in) operating activities	\$ 5,066	\$ (11,603)	\$ 9,919	\$ (11,748)
Cash flow from investing activities:				
Purchase of property and equipment ,net	(1,287)	(805)	(3,774)	(1,839)
Investment in short and long-term bank deposit	(10,495)	(20,365)	(18,955)	(33,574)
Proceeds from short and long-term bank deposits	3,599	22,957	20,559	39,014
Investment in held-to-maturity marketable securities	-	-	(1,500)	(14,000)
Proceeds from maturities of held-to-maturity marketable securities	1,300	1,950	11,754	4,050
Net cash provided by (used in) investing activities	\$ (6,883)	\$ 3,737	\$ 8,084	\$ (6,349)
Cash flow from financing activities:				
Proceeds from exercise of options	215	66	215	275
Purchase of treasury shares at cost	(1,618)	-	(8,040)	-
Issuance costs	-	-	-	(330)
Net cash provided by (used in) financing activities	\$ (1,403)	\$ 66	\$ (7,825)	\$ (55)
Increase (decrease) in cash and cash equivalents	\$ (3,220)	\$ (7,800)	\$ 10,178	\$ (18,152)
Cash and cash equivalents at the beginning of the period	41,622	48,298	28,224	58,650
Cash and cash equivalents at the end of the period	\$ 38,402	\$ 40,498	\$ 38,402	\$ 40,498

Ceragon Reports Second Quarter 2009 Results

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

	Three months ended June 30,			2008
	2009			
	GAAP (as reported)	Adjustments (*)	Non-GAAP	Non-GAAP
Revenues	\$ 42,246		\$ 42,246	\$ 55,226
Cost of revenues	28,733	61	28,672	36,436
Gross profit	13,513		13,574	18,790
Operating expenses:				
Research and development	4,587	166	4,421	5,015
Selling and marketing	7,188	322	6,866	7,807
General and administrative	1,902	256	1,646	1,685
<u>Total operating expenses</u>	<u>\$ 13,677</u>		<u>\$ 12,933</u>	<u>\$ 14,507</u>
Operating profit (loss)	(164)		641	4,283
Financial income, net	468		468	807
Income before taxes	304		1,109	5,090
Taxes on income	71		71	159
Net income	<u>\$ 233</u>		<u>\$ 1,038</u>	<u>\$ 4,931</u>
Basic net earnings per share	<u>\$ 0.01</u>		<u>\$ 0.03</u>	<u>\$ 0.13</u>
Diluted net earnings per share	<u>\$ 0.01</u>		<u>\$ 0.03</u>	<u>\$ 0.13</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,247,005</u>		<u>34,247,005</u>	<u>36,976,800</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>34,994,702</u>		<u>34,994,702</u>	<u>38,910,727</u>
<u>Total adjustments</u>		<u>805</u>		

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

Ceragon Reports Second Quarter 2009 Results

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

	Six months ended June 30,			2008
	2009		Non-GAAP	
	GAAP (as reported)	Adjustments(*)		
Revenues	\$ 86,148		\$ 86,148	\$102,402
Cost of revenues	57,764	124	57,640	66,882
Gross profit	28,384		28,508	35,520
Operating expenses:				
Research and development	9,657	326	9,331	9,674
Selling and marketing	15,146	628	14,518	14,554
General and administrative	3,802	516	3,286	2,910
<u>Total operating expenses</u>	<u>\$ 28,605</u>		<u>\$ 27,135</u>	<u>\$ 27,138</u>
Operating profit (loss)	(221)		1,373	8,382
Financial income, net	822		822	1,625
Income before taxes	601		2,195	10,007
Taxes on income	153		153	159
Net Income	<u>\$ 448</u>		<u>\$ 2,042</u>	<u>\$ 9,848</u>
Basic net earnings per share	<u>\$ 0.01</u>		<u>\$ 0.06</u>	<u>\$ 0.27</u>
Diluted net earnings per share	<u>\$ 0.01</u>		<u>\$ 0.06</u>	<u>\$ 0.25</u>
Weighted average number of shares used in computing basic net earnings per share	<u>34,523,460</u>		<u>34,523,460</u>	<u>36,959,822</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>35,157,903</u>		<u>35,157,903</u>	<u>38,870,505</u>
<u>Total adjustments</u>		<u>1,594</u>		

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

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Ceragon Reports Second Quarter 2008 Results

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