



## **CERAGON NETWORKS REPORTS THIRD QUARTER 2009 FINANCIAL RESULTS**

**TEL AVIV, Israel, October 26, 2009** - Ceragon Networks Ltd. (NASDAQ and TASE: CRNT), a leading provider of high-capacity Ethernet and TDM wireless backhaul solutions, today reported results for the third quarter which ended September 30, 2009.

Revenues for the third quarter of 2009 were \$44.7 million, down 23% from \$58.1 million for the third quarter of 2008 and up 6% from \$42.2 million in the second quarter of 2009.

Net income in accordance with US Generally Accepted Accounting Principles (GAAP) for the third quarter of 2009 was \$1.1 million or \$0.03 per basic share and diluted share, compared to net income of \$3.5 million or \$0.09 per basic and diluted share in the third quarter of 2008.

On a non-GAAP basis, net income for the third quarter, excluding \$696,000 of equity-based compensation expenses, was \$1.8 million, or \$0.05 per basic and diluted share. Non-GAAP net income for the third quarter of 2008 was \$4.2 million, or \$0.11 per basic and diluted share. (Please refer to the accompanying financial table for reconciliation of GAAP financial information to non-GAAP).

Gross margin on a GAAP basis in the third quarter of 2009 was 31.8% of revenues. Gross margin on a non-GAAP basis in the third quarter of 2009 was 31.9% of revenues.

Cash and cash investments at the end of the quarter were \$99.8 million.

“As expected, Q3 reflected the beginning of a trend toward improving revenues,” said Ira Palti, President and CEO of Ceragon. “Based on strong bookings again in Q3, we expect revenue growth to continue into next year, driven by ongoing demand for high capacity backhaul for cellular networks, particularly in the Asia Pacific region. In addition, our backlog is increasing, as we win more turnkey projects and successfully expand to a wide variety of new customers.”

Supplemental revenue breakouts:

Geographical breakdown:

	<u>Third quarter 2009</u>
Asia Pacific	47%
Europe Middle-East and Africa	39%
North America	10%
Latin America	4%

A conference call discussing Ceragon's results for the third quarter of 2009, business conditions, outlook and guidance, will take place today, October 26, 2009, at 9:00 a.m. (EDT). Investors can join the Company's teleconference by calling (800) 230-1096 or international (612) 332-0107 at 8:50 a.m. EDT.

Investors are also invited to listen to the call live via the Internet by accessing Ceragon Networks' website at the investors' page: [http://www.ceragon.com/ir\\_events.asp](http://www.ceragon.com/ir_events.asp) selecting the webcast link, and following the registration instructions.

If you are unable to join us live, the replay numbers are: USA: (800) 475-6701, or international: (320) 365-3844, Access Code 1167980.

A replay of both the call and the webcast will be available through November 26, 2009.

**About Ceragon Networks Ltd.**

Ceragon Networks Ltd. (NASDAQ and TASE: CRNT) is a leading provider of high capacity wireless backhaul solutions that enable wireless service providers to deliver voice and premium data services, such as Internet browsing, music and video applications. Ceragon's wireless backhaul solutions use microwave technology to transfer large amounts of network traffic between base stations and the infrastructure at the core of the mobile network. Ceragon designs solutions to provide fiber-like connectivity for circuit-switched, or SONET/SDH, networks, next generation Ethernet/Internet Protocol, or IP-based, networks, and hybrid networks that combine circuit-switched and IP-based networks. Ceragon's solutions support all wireless access technologies, including GSM, CDMA, EV-DO and WiMAX. These solutions address wireless service providers' need to cost-effectively build-out and scale their infrastructure to meet the increasing demands placed on their networks by growing numbers of subscribers and the increasing demand for premium data services. Ceragon also provides its solutions to businesses and public institutions that operate their own private communications networks. Ceragon's solutions are deployed by more than 150 service

providers of all sizes, as well as in hundreds of private networks, in nearly 100 countries. More information is available at [www.ceragon.com](http://www.ceragon.com)

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This press release may contain statements concerning Ceragon's future prospects that are "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and projections that involve a number of risks and uncertainties. There can be no assurance that future results will be achieved, and actual results could differ materially from forecasts and estimates. These are important factors that could cause actual results to differ materially from forecasts and estimates. These risks and uncertainties, as well as others, are discussed in greater detail in Ceragon's Annual Report on Form 20-F and *Ceragon's* other filings with the Securities and Exchange Commission. Forward-looking statements speak only as of the date on which they are made and Ceragon undertakes no commitment to revise or update any forward-looking statement in order to reflect events or circumstances after the date any such statement is made.

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**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

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**Ceragon Reports Third Quarter 2009 Results**

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

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
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
<u>Total current assets</u>	<u>203,698</u>	<u>\$ 191,969</u>
<b>LONG-TERM INVESTMENTS:</b>		
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
<u>Total long-term investments</u>	<u>\$ 29,514</u>	<u>\$ 44,378</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>10,322</u>	<u>8,891</u>
<u>Total assets</u>	<u>\$ 243,534</u>	<u>\$ 245,238</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	34,893	41,748
Deferred revenues	13,983	5,886
Other accounts payable and accrued expenses	8,113	8,041
<u>Total current liabilities</u>	<u>\$ 56,989</u>	<u>\$ 55,675</u>
<b>LONG-TERM LIABILITIES</b>		
Accrued severance pay	<u>\$ 7,050</u>	<u>\$ 6,647</u>
<b>SHAREHOLDERS' EQUITY:</b>		
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)
<u>Total shareholders' equity</u>	<u>\$ 179,495</u>	<u>\$ 182,916</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 243,534</u>	<u>\$ 245,238</u>

**Ceragon Reports Third Quarter 2009 Results**

**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
<b>Cash flow from operating activities:</b>				
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
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 4,404</b>	<b>\$ 4,543</b>	<b>\$ 14,323</b>	<b>\$ (7,204)</b>
<b>Cash flow from investing activities:</b>				
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
<b>Net cash provided by (used in) investing activities</b>	<b>\$ (3,829)</b>	<b>\$ (10,672)</b>	<b>\$ 4,255</b>	<b>\$ (17,021)</b>
<b>Cash flow from financing activities:</b>				
Proceeds from exercise of options	569	316	784	591
Purchase of treasury shares at cost	-	-	(8,040)	-
Issuance costs	-	(41)	-	(372)
<b>Net cash provided by (used in) financing activities</b>	<b>\$ 569</b>	<b>\$ 275</b>	<b>\$ (7,256)</b>	<b>\$ 219</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>\$ 1,144</b>	<b>\$ (5,854)</b>	<b>\$ 11,322</b>	<b>\$ (24,006)</b>
Cash and cash equivalents at the beginning of the period	38,402	40,498	28,224	58,650
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 39,546</b>	<b>\$ 34,644</b>	<b>\$ 39,546</b>	<b>\$ 34,644</b>

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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		Non-GAAP	
	GAAP (as reported)	Adjustments (*)		
Revenues	\$ 44,715		\$ 44,715	\$ 58,097
Cost of revenues	30,499	62	30,437	39,719
Gross profit	14,216		14,278	18,378
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	1,847	245	1,602	1,551
<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	446		446	490
Income before taxes	1,122		1,818	4,397
Taxes on income	43		43	159
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,			2008
	2009		Non-GAAP	
	GAAP (as reported)	Adjustments(*)		
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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