

Ceragon Reports Third Quarter 2008 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,	
	2008	2007	2008	2007
Revenues	\$ 160,499	\$ 115,743	\$ 58,097	\$ 44,470
Cost of revenues	106,805	73,952	39,786	28,490
Gross profit	53,694	41,791	18,311	15,980
Operating expenses:				
Research and development	15,115	11,084	5,157	4,134
Selling and marketing	23,263	18,124	8,139	6,659
General and administrative	4,990	3,751	1,773	1,617
Expense in respect to settlement reserve	-	450	-	-
Total operating expenses	\$ 43,368	\$ 33,409	\$ 15,069	\$ 12,410
Operating profit	10,326	8,382	3,242	3,570
Financial income, net	2,115	326	490	104
Income before taxes	12,441	8,708	3,732	3,674
Tax benefit (taxes on income)	10,798	-	(250)	-
Net Income	\$ 23,239	\$ 8,708	\$ 3,482	\$ 3,674
Basic net earnings per share	\$ 0.63	\$ 0.31	\$ 0.09	\$ 0.12
Diluted net earnings per share	\$ 0.60	\$ 0.28	\$ 0.09	\$ 0.11
Weighted average number of shares used in computing basic net earnings per share	36,980,039	28,526,786	37,020,035	29,470,281
Weighted average number of shares used in computing diluted net earnings per share	38,806,070	30,806,976	38,676,762	32,536,254

(more)

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

	<u>September 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 34,644	\$ 58,650
Short-term bank deposits	34,410	25,997
Marketable securities	7,699	6,399
Trade receivables, net	61,628	40,533
Deferred taxes	6,226	-
Other accounts receivable and prepaid expenses	13,132	10,888
Inventories	39,456	36,763
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<u>Total current assets</u>	<u>\$ 197,195</u>	<u>\$ 179,230</u>
LONG-TERM INVESTMENTS:		
Long-term bank deposits	9,291	12,030
Long-term marketable securities	26,122	18,665
Severance pay funds	4,275	3,268
Deferred taxes	5,697	-
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<u>Total long-term investments</u>	<u>\$ 45,385</u>	<u>\$ 33,963</u>
PROPERTY AND EQUIPMENT, NET	<hr/>	<hr/>
	6,949	4,447
	<hr/>	<hr/>
<u>Total assets</u>	<u><u>\$ 249,529</u></u>	<u><u>\$ 217,640</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	41,751	\$ 25,173
Deferred revenues	5,629	6,702
Other accounts payable and accrued expenses	8,095	14,935
	<hr/>	<hr/>
<u>Total current liabilities</u>	<u>\$ 55,475</u>	<u>\$ 46,810</u>
LONG-TERM LIABILITIES		
Accrued severance pay	6,866	5,286
Other payables	-	4,650
	<hr/>	<hr/>
<u>Total long-term liabilities</u>	<u>\$ 6,866</u>	<u>\$ 9,936</u>
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary shares	91	91
Additional paid-in capital	284,443	281,086
Other comprehensive income (loss)	(22)	280
Accumulated deficits	(97,324)	(120,563)
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<u>Total shareholders' equity</u>	<u>\$ 187,188</u>	<u>\$ 160,894</u>
	<hr/>	<hr/>
<u>Total liabilities and shareholders' equity</u>	<u><u>\$ 249,529</u></u>	<u><u>\$ 217,640</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,	
	2008	2007	2008	2007
Cash flow from operating activities:				
Net income	\$ 3,482	\$ 3,674	\$ 23,239	\$ 8,708
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	529	325	1,385	960
Stock-based compensation expense	665	456	1,963	1,278
Increase in trade and other receivables, net	(6,020)	(8,098)	(23,619)	(7,072)
Increase in inventory	(2,530)	(3,088)	(2,693)	(11,758)
Increase in trade payables and accrued liabilities	5,514	8,243	9,211	9,064
Increase (decrease) in deferred revenues	2,823	2,003	(1,073)	3,450
Decrease (increase) in deferred tax asset	95	-	(11,112)	-
Decrease in long term payable	-	(1,648)	(4,650)	(3,663)
Other adjustments	(15)	150	145	116
Net cash provided by (used in) operating activities	\$ 4,543	\$ 2,017	\$ (7,204)	\$ 1,083
Cash flow from investing activities:				
Purchase of property and equipment ,net	(1,179)	(1,210)	(3,018)	(2,183)
Investment in short and long-term bank deposit	(19,569)	(2,027)	(53,144)	(2,027)
Proceeds from short and long-term bank deposits	8,820	1,991	47,835	5,810
Investment in held-to-maturity marketable securities	(744)	(700)	(14,744)	(1,900)
Proceeds from maturities of held-to-maturity marketable securities	2,000	491	6,050	4,730
Net cash provided by (used in) investing activities	\$ (10,672)	\$ (1,455)	\$ (17,021)	\$ 4,430
Cash flow from financing activities:				
Proceeds from exercise of options	316	3,530	591	8,848
Issuance costs	(41)	-	(372)	-
Net cash provided by financing activities	\$ 275	\$ 3,530	\$ 219	\$ 8,848
Increase (decrease) in cash and cash equivalents	\$ (5,854)	\$ 4,092	\$ (24,006)	\$ 14,361
Cash and cash equivalents at the beginning of the period	40,498	20,439	58,650	10,170
Cash and cash equivalents at the end of the period	\$ 34,644	\$ 24,531	\$ 34,644	\$ 24,531

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

	Three months ended September 30,			
	2008		2007	
	GAAP (as reported)	Adjustments	Non-GAAP	Non-GAAP
Revenues	\$ 58,097		\$ 58,097	\$ 44,470
Cost of revenues	39,786	67 (*)	39,719	28,461
Gross profit	18,311		18,378	16,009
Operating expenses:				
Research and development	5,157	175 (*)	4,982	4,059
Selling and marketing	8,139	201 (*)	7,938	6,438
General and administrative	1,773	222 (*)	1,551	1,486
<u>Total operating expenses</u>	<u>\$ 15,069</u>		<u>\$ 14,471</u>	<u>\$ 11,983</u>
Operating profit	3,242		3,907	4,026
Financial income, net	490		490	104
Income before taxes	3,732		4,397	4,130
Taxes on income	250		250	-
Net income	<u>\$ 3,482</u>		<u>\$ 4,147</u>	<u>\$ 4,130</u>
Basic net earnings per share	<u>\$ 0.09</u>		<u>\$ 0.11</u>	<u>\$ 0.14</u>
Diluted net earnings per share	<u>\$ 0.09</u>		<u>\$ 0.11</u>	<u>\$ 0.13</u>
Weighted average number of shares used in computing basic net earnings per share	<u>37,020,035</u>		<u>37,020,035</u>	<u>29,470,281</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>38,676,762</u>		<u>38,676,762</u>	<u>32,536,254</u>
<u>Total adjustments</u>		<u>665</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
	2008		Non-GAAP	
	GAAP (as reported)	Adjustments		
Revenues	\$ 160,499		\$ 160,499	\$ 115,743
Cost of revenues	106,805	205 (*)	106,600	73,861
Gross profit	53,694		53,899	41,882
Operating expenses:				
Research and development	15,115	459 (*)	14,656	10,880
Selling and marketing	23,263	771 (*)	22,492	17,600
General and administrative	4,990	528 (*)	4,462	3,292
<u>Total operating expenses</u>	\$ 43,368		\$ 41,610	\$ 31,772
Operating profit	10,326		12,289	10,110
Financial income, net	2,115		2,115	326
Income before taxes	12,441		14,404	10,436
Taxes benefit (tax on income)	10,798	11,207 (**)	(409)	-
Net Income	\$ 23,239		\$ 13,995	\$ 10,436
Basic net earnings per share	\$ 0.63		\$ 0.38	\$ 0.37
Diluted net earnings per share	\$ 0.60		\$ 0.36	\$ 0.34
Weighted average number of shares used in computing basic net earnings per share	36,980,039		36,980,039	28,526,786
Weighted average number of shares used in computing diluted net earnings per share	38,806,070		38,806,070	30,806,976
<u>Total adjustments</u>		9,244		

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

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

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