

Press Release

For Immediate Release

Telrad Successfully Concludes Negotiations with Union *Settlement ends labor contracts and focuses on profitability*

Lod, Israel, August 1, 2006. Telrad Networks Ltd. has successfully concluded negotiations with labor unions, agreeing to end its union contract with approximately 130 workers. The workers will be employed by a sub-contracting firm, providing services to Telrad as needed. A small number of employees will stay on at Telrad, under individual contracts replacing the union contract.

This is a major breakthrough for Telrad's business strategy, freeing the company of its obligations to organized labor, dramatically reducing the company's overhead and allowing Telrad to focus on profitability.

"For both Telrad and the union, this represents a breakthrough," said Yossi Ben-Harosh, President and CEO of Telrad Networks. "Telrad will receive the same operations services as a variable cost, on an outsourced basis, with a much higher level of flexibility. At the same time, the workers will be able to maintain their jobs and provide services to a wider range of customers."

Within the framework of the organizational changes accompanying the agreement with the unions, Telrad Networks now consists of two divisions: Integrated Network Solutions (INS) and OEM/ODM Solutions. The INS division will focus on providing telephony integration solutions to small and medium operators in developing markets. The OEM/ODM division will continue to develop, design and market products for sale through third parties, such as Nortel Networks.

ABOUT TELRAD NETWORKS LTD.: Telrad is an established telecom equipment and services organization that has been providing communications products and services worldwide for more than 50 years. The company combines a high dedication to customer service with expertise in developing products in the areas of IP NGN, gateways, optical, metro, enterprise, wireless, and switching.

Telrad is focused on providing dedicated, trustworthy and robust solutions to its OEM and ODM customers, as well as to operators in emerging markets. Telrad is a privately-owned company founded in 1951.

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