

August 6, 2018



CERAGON NETWORKS REPORTS SECOND QUARTER 2018 FINANCIAL RESULTS

Little Falls, New Jersey, August 6, 2018 - [Ceragon Networks Ltd.](#) (NASDAQ: [CRNT](#)), the #1 wireless backhaul specialist today reported results for the second quarter which ended June 30, 2018.

Second Quarter 2018 Highlights:

Revenues - \$88.3 million, down 5.4% from the second quarter of 2017, and up 6.1% from the first quarter of 2018.

Gross margin – 32.5%, compared to 31.3% in the second quarter of 2017 and 33.1% in the first quarter of 2018.

Operating income - \$6.4 million, compared to \$8.0 million in the second quarter of 2017, and \$5.4 million in the first quarter of 2018.

Net income - \$3.2 million, or \$0.04 per diluted share for the second quarter of 2018, compared to 5.0 million, or \$0.06 per diluted share, in the second quarter of 2017. Net income for the first quarter of 2018 was \$2.1 million, or \$0.03 per diluted share.

Non-GAAP results – Gross margin was 32.6%, operating income was \$7.1 million, and net income was \$3.8 million, or \$0.05 per diluted share. For reconciliation of GAAP to non-GAAP results, see the attached tables.

Cash and cash equivalents - \$29.4 million at June 30, 2018, compared to \$26.0 million at March 31, 2018.

“The second quarter contributed to a strong first half and was in line with our expectations, said Ira Palti, president and CEO of Ceragon. “Our bookings in Q2 continue to support our target quarterly revenue run rate of \$80 to \$85 million during the second half, and we continue to target an increase in net income for the year. We are increasingly optimistic about the longer-term outlook as we work with operators to plan and implement projects to upgrade, densify and optimize their networks on the road to full 5G deployments during the next several years.”

Supplemental geographical breakdown of revenue for the second quarter of 2018:

- Europe: 11%
- Africa: 4%
- North America: 10%
- Latin America: 17%
- India: 47%
- APAC: 11%

A conference call to discuss the results will begin at 9:00 a.m. EDT. Investors are invited to join the Company's teleconference by calling USA: (800) 230-1059 or International: +1 (612) 288-0340, from 8:50 a.m. EDT. The call-in lines will be available on a first-come, first-serve basis.

Investors can also listen to the call live via the Internet by accessing Ceragon Networks' website at the investors' page: <http://www.ceragon.com/about-us/ceragon/investor-relations>, 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 +1 (320) 365-3844 Access Code: 451294. A replay of both the call and the webcast will be available through September 6, 2018.

About Ceragon Networks Ltd.

Ceragon Networks Ltd. (NASDAQ: CRNT) is the world's #1 wireless backhaul specialist. We help operators and other service providers worldwide increase operational efficiency and enhance end customers' quality of experience with innovative wireless backhaul solutions. Our customers include wireless service providers, public safety organizations, government agencies and utility companies, which use our solutions to deliver 4G, mission-critical multimedia services and other applications at high reliability and speed. Ceragon's unique multicore technology provides a highly reliable, high-capacity 4G wireless backhaul with minimal use of spectrum, power and other resources. It enables increased productivity, as well as simple and quick network modernization. We deliver a range of professional services that ensure efficient network rollout and optimization to achieve the highest value for our customers. Our solutions are deployed by more than 460 service providers, as well as hundreds of private network owners, in more than 130 countries.

Join the Discussion



Ceragon Networks® and FibeAir® are registered trademarks of Ceragon Networks Ltd. in the United States and other countries. CERAGON® is a trademark of Ceragon Networks Ltd., registered in various countries. Other names mentioned are owned by their respective holders.

This press release contains statements concerning Ceragon's future prospects that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on the current beliefs, expectations and assumptions of Ceragon's management. Examples of forward-looking statements include: projections of revenues, net income, gross margin, capital expenditures and liquidity, competitive pressures, growth prospects, product development, financial resources, cost savings and other financial matters. You may identify these and other forward-looking statements by the use of words such as "may", "plans", "anticipates", "believes", "estimates", "targets", "expects", "intends", "potential" or the negative of such terms, or other comparable terminology. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including risks associated with a decline in revenues due to our focus on a single market segment; risks relating to the concentration of Ceragon's business in certain geographic regions such as India, and in other developing nations; political, economic and regulatory risks from doing business in those developing regions, including potential currency restrictions and fluctuations; risks related to our ability to meet the demand for our products due shortages in raw materials including certain passive components; risks associated with a change in Ceragon's gross margin as a result of changes in the geographic mix of revenues and/or as a result of increase in costs of raw material, including certain passive components; risks associated with the loss of a single customer or customer group, which represents a significant portion of Ceragon's revenues; risks associated with Ceragon's failure to effectively compete with other wireless equipment providers; and other risks and uncertainties detailed from time to time in Ceragon's Annual Report on Form 20-F and Ceragon's other filings with the Securities and Exchange Commission that represent our views only as of the date they are made and should not be relied upon as representing our views as of any subsequent date. We do not assume any obligation to update any forward-looking statements.

Investors:

Doron Arazi or
+972 3 5431 660
dorona@ceragon.com

Claudia Gatlin
+1 212 830-9080
claudiag@ceragon.com

Media:

Tanya Solomon
+972 3 5431163
tanyas@ceragon.com

-tables follow-



Ceragon Reports Second Quarter 2018 Results

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(U.S. dollars in thousands, except share and per share data)
(Unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|------------|------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | \$ 88,328 | \$ 93,334 | \$ 171,603 | \$ 169,355 |
| Cost of revenues | 59,579 | 64,131 | 115,250 | 117,848 |
| Gross profit | 28,749 | 29,203 | 56,353 | 51,507 |
| Operating expenses: | | | | |
| Research and development | 6,821 | 6,128 | 14,035 | 12,235 |
| Selling and marketing | 10,369 | 10,041 | 20,931 | 19,776 |
| General and administrative | 5,190 | 5,065 | 9,649 | 9,570 |
| Total operating expenses | \$ 22,380 | \$ 21,234 | \$ 44,615 | \$ 41,581 |
| Operating income | 6,369 | 7,969 | 11,738 | 9,926 |
| Financial expenses, net | 2,646 | 1,481 | 4,680 | 3,079 |
| Income before taxes | 3,723 | 6,488 | 7,058 | 6,847 |
| Taxes on income | 497 | 1,506 | 1,762 | 1,993 |
| Net income | \$ 3,226 | \$ 4,982 | \$ 5,296 | \$ 4,854 |
| Basic net income per share | \$ 0.04 | \$ 0.06 | \$ 0.07 | \$ 0.06 |
| Diluted net income per share | \$ 0.04 | \$ 0.06 | \$ 0.07 | \$ 0.06 |
| Weighted average number of shares used in computing basic net income per share | 78,231,726 | 77,891,218 | 78,155,810 | 77,845,690 |
| Weighted average number of shares used in computing diluted net income per share | 80,850,353 | 80,202,048 | 80,457,636 | 80,359,375 |



Ceragon Reports Second Quarter 2018 Results

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

| | June 30, 2018 | December 31, 2017 |
|---|--------------------------|------------------------------|
| | <i>Unaudited</i> | <i>Audited</i> |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 29,398 | \$ 25,877 |
| Trade receivables, net | 118,545 | 113,719 |
| Other accounts receivable and prepaid expenses | 10,512 | 17,052 |
| Inventories | 46,040 | 54,164 |
| <u>Total current assets</u> | <u>204,495</u> | <u>210,812</u> |
| NON-CURRENT ASSETS: | | |
| Long-term bank deposits | 996 | 996 |
| Deferred tax assets | 529 | 988 |
| Severance pay and pension fund | 5,115 | 5,459 |
| Property and equipment, net | 30,055 | 29,870 |
| Intangible assets, net | 2,810 | 2,199 |
| Other non-current assets | 3,212 | 3,269 |
| <u>Total non-current assets</u> | <u>42,717</u> | <u>42,781</u> |
| <u>Total assets</u> | <u>\$ 247,212</u> | <u>\$ 253,593</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Trade payables | \$ 63,614 | \$ 75,476 |
| Deferred revenues | 6,357 | 5,193 |
| Other accounts payable and accrued expenses | 25,390 | 24,781 |
| <u>Total current liabilities</u> | <u>95,361</u> | <u>105,450</u> |
| LONG-TERM LIABILITIES: | | |
| Deferred tax liability | 92 | 141 |
| Accrued severance pay and pension | 9,555 | 10,085 |
| Other long term payables | 3,730 | 4,019 |
| <u>Total long-term liabilities</u> | <u>13,377</u> | <u>14,245</u> |
| SHAREHOLDERS' EQUITY: | | |
| Share capital: | | |
| Ordinary shares | 214 | 214 |
| Additional paid-in capital | 412,223 | 410,817 |
| Treasury shares at cost | (20,091) | (20,091) |
| Other comprehensive loss | (9,367) | (7,171) |
| Accumulated deficits | (244,505) | (249,871) |
| <u>Total shareholders' equity</u> | <u>138,474</u> | <u>133,898</u> |
| <u>Total liabilities and shareholders' equity</u> | <u>\$ 247,212</u> | <u>\$ 253,593</u> |



Ceragon Reports Second Quarter 2018 Results

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(U.S. dollars, in thousands)

(Unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|-------------------|------------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Cash flow from operating activities: | | | | |
| Net income | \$ 3,226 | \$ 4,982 | \$ 5,296 | \$ 4,854 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 1,990 | 2,229 | 3,501 | 4,574 |
| Stock-based compensation expense | 679 | 261 | 1,032 | 619 |
| Increase in trade and other receivables, net | (292) | (16,519) | (109) | (9,288) |
| Decrease (increase) in inventory, net of write off | 2,561 | (5,571) | 7,049 | (10,555) |
| Decrease (increase) in deferred tax asset, net | (64) | 155 | 410 | 140 |
| Increase (decrease) in trade payables and accrued liabilities | (4,383) | 14,778 | (10,237) | 18,775 |
| Increase in deferred revenues | 856 | 2,053 | 1,796 | 1,018 |
| Other adjustments | (394) | (100) | (186) | (88) |
| Net cash provided by operating activities | \$ 4,179 | \$ 2,268 | \$ 8,552 | \$ 10,049 |
| Cash flow from investing activities: | | | | |
| Purchase of property and equipment, net | (658) | (1,196) | (3,957) | (3,505) |
| Purchase of intangible assets, net | (250) | - | (1,336) | - |
| Net cash used in investing activities | \$ (908) | \$ (1,196) | \$ (5,293) | \$ (3,505) |
| Cash flow from financing activities: | | | | |
| Proceeds from share options exercise | 274 | 115 | 374 | 189 |
| Repayment of bank loans | - | (3,500) | - | (9,000) |
| Net cash provided by (used in) financing activities | \$ 274 | \$ (3,385) | \$ 374 | \$ (8,811) |
| Translation adjustments on cash and cash equivalents | \$ (103) | \$ (60) | \$ (112) | \$ 16 |
| Increase (decrease) in cash and cash equivalents | \$ 3,442 | \$ (2,373) | \$ 3,521 | \$ (2,251) |
| Cash and cash equivalents at the beginning of the period | 25,956 | 36,460 | 25,877 | 36,338 |
| Cash and cash equivalents at the end of the period | \$ 29,398 | \$ 34,087 | \$ 29,398 | \$ 34,087 |



Ceragon Reports Second Quarter 2018 Results

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL RESULTS

(U.S. dollars in thousands)

(Unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|-----------|------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| GAAP cost of revenues | \$ 59,579 | \$ 64,131 | \$ 115,250 | \$ 117,848 |
| Amortization of intangible assets | - | (306) | - | (609) |
| Stock based compensation expenses | (1) | (12) | (18) | (32) |
| Changes in pre-acquisition indirect tax positions | (12) | (165) | (27) | (327) |
| Non-GAAP cost of revenues | \$ 59,566 | \$ 63,648 | \$ 115,205 | \$ 116,880 |
| | | | | |
| GAAP gross profit | \$ 28,749 | \$ 29,203 | \$ 56,353 | \$ 51,507 |
| Gross profit adjustments | 13 | 483 | 45 | 968 |
| Non-GAAP gross profit | \$ 28,762 | \$ 29,686 | \$ 56,398 | \$ 52,475 |
| | | | | |
| GAAP Research and development expenses | \$ 6,821 | \$ 6,128 | \$ 14,035 | \$ 12,235 |
| Stock based compensation expenses | (67) | (45) | (127) | (123) |
| Non-GAAP Research and development expenses | \$ 6,754 | \$ 6,083 | \$ 13,908 | \$ 12,112 |
| | | | | |
| GAAP Sales and Marketing expenses | \$ 10,369 | \$ 10,041 | \$ 20,931 | \$ 19,776 |
| Amortization of intangible assets | - | (74) | - | (145) |
| Stock based compensation expenses | (142) | (75) | (286) | (153) |
| Non-GAAP Sales and Marketing expenses | \$ 10,227 | \$ 9,892 | \$ 20,645 | \$ 19,478 |
| | | | | |
| GAAP General and Administrative expenses | \$ 5,190 | \$ 5,065 | \$ 9,649 | \$ 9,570 |
| Stock based compensation expenses | (469) | (129) | (601) | (311) |
| Non-GAAP General and Administrative expenses | \$ 4,721 | \$ 4,936 | \$ 9,048 | \$ 9,259 |
| | | | | |
| GAAP Tax expenses | \$ 497 | \$ 1,506 | \$ 1,762 | \$ 1,993 |
| Non cash tax adjustments | 96 | (187) | (468) | (285) |
| Non-GAAP Tax expenses | \$ 593 | \$ 1,319 | \$ 1,294 | \$ 1,708 |



Ceragon Reports Second Quarter 2018 Results

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

| | Three months ended June 30, | | Six months ended, June 30, | |
|---|--|-------------------|---------------------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| GAAP net income | \$ 3,226 | \$ 4,982 | \$ 5,296 | \$ 4,854 |
| Amortization of intangible assets | - | 380 | - | 754 |
| Stock based compensation expenses | 679 | 261 | 1,032 | 619 |
| Changes in pre-acquisition indirect tax positions | 12 | 165 | 27 | 327 |
| Non-cash tax adjustments | (96) | 187 | 468 | 285 |
| Non-GAAP net income | <u>\$ 3,821</u> | <u>\$ 5,975</u> | <u>\$ 6,823</u> | <u>\$ 6,839</u> |
| GAAP basic net income per share | <u>\$ 0.04</u> | <u>\$ 0.06</u> | <u>\$ 0.07</u> | <u>\$ 0.06</u> |
| GAAP diluted net income per share | <u>\$ 0.04</u> | <u>\$ 0.06</u> | <u>\$ 0.07</u> | <u>\$ 0.06</u> |
| Non-GAAP basic and diluted net income per share | <u>\$ 0.05</u> | <u>\$ 0.07</u> | <u>\$ 0.08</u> | <u>\$ 0.08</u> |
| Weighted average number of shares used in computing GAAP basic net income per share | <u>78,231,726</u> | <u>77,891,218</u> | <u>78,155,810</u> | <u>77,845,690</u> |
| Weighted average number of shares used in computing GAAP diluted net income per share | <u>80,850,353</u> | <u>80,202,048</u> | <u>80,457,636</u> | <u>80,359,375</u> |
| Weighted average number of shares used in computing Non-GAAP diluted net income per share | <u>81,156,546</u> | <u>80,404,841</u> | <u>80,767,046</u> | <u>80,580,267</u> |