



CERAGON NETWORKS REPORTS THIRD QUARTER 2015 FINANCIAL RESULTS

Higher profit margins; lower revenues related primarily to strategy focusing on profitability; cash flow used to reduce debt

Little Falls, New Jersey, November 2, 2015 - Ceragon Networks Ltd. (NASDAQ: CRNT), the #1 wireless backhaul specialist, today reported results for the third quarter which ended September 30, 2015.

Third Quarter 2015 Highlights:

Revenues - \$85.4 million, compared to \$99.0 million for the third quarter of 2014, and compared to \$94.8 million in the second quarter of 2015.

Gross margin – 31.9% of revenues, compared to 25.6% of revenues in the third quarter of 2014, and compared to 28.2% of revenues in the second quarter of 2015.

Operating income (loss) – Operating income of \$6.2 million, compared to an operating loss of \$(0.8) million in the third quarter of 2014, and compared to an operating income of \$5.9 million in the second quarter of 2015.

Net income (loss) – Net income of \$1.4 million or \$0.02 per basic share and diluted share for the third quarter of 2015. Net loss for the third quarter of 2014 was \$(5.6) million, or \$(0.08) per basic share and diluted share. Net income for the second quarter of 2015 was \$1.3 million or \$0.02 per basic share and diluted share.

Non-GAAP results – Gross margin was 32.4%, operating profit was \$7.5 million, and net income was \$3.7 million, or \$0.05 per basic share and diluted share. For reconciliation of GAAP to non-GAAP results, see attached table.

Cash and cash equivalents - \$39.2 million at September 30, 2015 compared to \$39.5 million at June 30, 2015.

“We are continuing to make progress with our strategy to capitalize on the strengths of our IP-20 platform by focusing on high-value opportunities where the customer is seeking best-of-breed solutions,” said Ira Palti, president and CEO of Ceragon. In the third quarter, we improved gross margin, continued to tightly control our operating expenses, and achieved an operating profit margin of 7.2%, compared to 6.2% in the second quarter. The lower level of revenue resulted primarily from our ongoing profit improvement initiatives such as more in-depth analysis and a more selective approach to business opportunities.

Ceragon Reports Third Quarter 2015 Results

“We also generated over \$7 million in positive cash flow during the third quarter, which we used to reduce debt,” Palti added.

Supplemental geographical breakdown of revenue for the third quarter of 2015:

- Europe: 12%
- Africa: 12%
- North America: 15%
- Latin America: 20%
- India: 30%
- APAC: 11%

A conference call will follow beginning at 9:00 a.m. EST. Investors are invited to join the Company’s teleconference by calling (USA) (888) 276-0010 or international +1 (612) 332-0630 from 8:50 a.m. EST. 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: Telephone: USA: (800) 475-6701; International: +1 (320) 365-3844; Access Code: 371263. A replay of both the call and the webcast will be available through December 2, 2015.

About Ceragon Networks Ltd.

Ceragon Networks Ltd. (NASDAQ: CRNT) is the #1 wireless backhaul specialist. We provide innovative, flexible and cost-effective wireless backhaul solutions that enable mobile operators and other service providers to deliver 4G/LTE, 3G/2G, and other wireless broadband services to their subscribers with high quality of experience. Our solutions are deployed by public utilities, government and defense organizations for delivering mission critical multimedia and other applications at high reliability and speed. Ceragon’s high-capacity solutions use microwave technology to transfer multimedia, voice and data traffic while maximizing bandwidth efficiency, to deliver more capacity over longer distances under any deployment scenario. Based on our extensive global experience, Ceragon delivers turnkey solutions that support service provider profitability at every stage of the network lifecycle enabling faster time to revenue, cost-effective operation and simple modernization to all-IP networks. As the demand for multimedia services pushes the need for ever-increasing capacity, Ceragon is committed to serve the market with unmatched technology and innovation, ensuring effective solutions for the evolving needs of the marketplace. Our solutions are deployed by more than 430 service providers in over 130 countries.

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Join the Discussion



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This press release contains statements concerning Ceragon's future prospects that are "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include: projections of capital expenditures and liquidity, competitive pressures, revenues, growth prospects, product development, financial resources, restructuring costs, cost savings and other financial matters. You can identify these and other forward-looking statements by the use of words such as "may," "plans," "anticipates," "believes," "estimates," "predicts," "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 the risk that Ceragon will not achieve the benefits it expects from its expense reduction and profit enhancement programs; the risk that Ceragon's expectations regarding future revenues and profitability will not materialize; the risk that Ceragon will not comply with the financial or other covenants in its agreements with its lenders; risks associated with doing business in Latin America, including currency export controls and recent economic concerns; risks relating to the concentration of our business in the Asia Pacific region and in developing nations; the risk of significant expenses in connection with potential contingent tax liability associated with Nera's prior operations or facilities; 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, and 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.

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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, | |
|---|---|-------------------|--|--------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues | \$ 85,367 | \$ 99,013 | \$ 273,792 | \$ 259,948 |
| Cost of revenues | 58,156 | 73,695 | 195,647 | 195,238 |
| Gross profit | 27,211 | 25,318 | 78,145 | 64,710 |
| Operating expenses: | | | | |
| Research and development | 5,493 | 7,999 | 17,662 | 26,892 |
| Selling and marketing | 10,045 | 12,842 | 30,834 | 42,917 |
| General and administrative | 5,501 | 5,267 | 15,762 | 16,893 |
| Restructuring costs | - | - | 1,225 | 936 |
| Other income | - | - | - | 16,800 |
| <u>Total operating expenses</u> | <u>21,039</u> | <u>26,108</u> | <u>65,483</u> | <u>70,838</u> |
| Operating income (loss) | 6,172 | (790) | 12,662 | (6,128) |
| Financial expenses, net | 2,966 | 3,311 | 12,473 | 13,650 |
| Income (loss) before taxes | 3,206 | (4,101) | 189 | (19,778) |
| Taxes on income | 1,763 | 1,457 | 4,410 | 4,745 |
| Net income (loss) | <u>\$ 1,443</u> | <u>\$ (5,558)</u> | <u>\$ (4,221)</u> | <u>\$ (24,523)</u> |
| Basic net income (loss) per share | <u>\$ 0.02</u> | <u>\$ (0.08)</u> | <u>\$ (0.05)</u> | <u>\$ (0.42)</u> |
| Diluted net income (loss) per share | <u>\$ 0.02</u> | <u>\$ (0.08)</u> | <u>\$ (0.05)</u> | <u>\$ (0.42)</u> |
| Weighted average number of shares used in computing basic net income (loss) per share | <u>77,221,170</u> | <u>68,047,913</u> | <u>77,179,760</u> | <u>57,711,192</u> |
| Weighted average number of shares used in computing diluted net income (loss) per share | <u>77,355,761</u> | <u>68,047,913</u> | <u>77,179,760</u> | <u>57,711,192</u> |

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

| | September 30, 2015 | December 31, 2014 |
|--|-------------------------------|------------------------------|
| | <i>Unaudited</i> | <i>Audited</i> |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 39,204 | \$ 41,423 |
| Short-term bank deposits | 368 | 413 |
| Marketable securities | - | 535 |
| Trade receivables, net | 122,245 | 162,626 |
| Deferred taxes | 1,349 | 3,522 |
| Other accounts receivable and prepaid expenses | 20,303 | 22,898 |
| Inventories | 48,634 | 61,830 |
| <u>Total current assets</u> | 232,103 | 293,247 |
| NON-CURRENT ASSETS: | | |
| Deferred taxes | - | 239 |
| Severance pay and pension fund | 4,912 | 5,669 |
| Property and equipment, net | 29,236 | 33,138 |
| Intangible assets, net | 3,650 | 5,070 |
| Other non-current assets | 1,599 | 4,510 |
| <u>Total long-term assets</u> | 39,397 | 48,626 |
| <u>Total assets</u> | \$ 271,500 | \$ 341,873 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short term loan, including current maturities of long term bank loan | 43,930 | 48,832 |
| Trade payables | 68,366 | 101,752 |
| Deferred revenues | 10,063 | 17,667 |
| Other accounts payable and accrued expenses | 29,769 | 37,248 |
| <u>Total current liabilities</u> | 152,128 | 205,499 |
| LONG-TERM LIABILITIES: | | |
| Long term bank loan, net of current maturities | - | 2,072 |
| Accrued severance pay and pension | 9,581 | 11,452 |
| Other long term payables | 13,530 | 18,298 |
| <u>Total long-term liabilities</u> | 23,111 | 31,822 |
| SHAREHOLDERS' EQUITY: | | |
| Share capital: | | |
| Ordinary shares | 212 | 212 |
| Additional paid-in capital | 407,698 | 406,413 |
| Treasury shares at cost | (20,091) | (20,091) |
| Other comprehensive loss | (9,466) | (4,111) |
| Accumulated deficits | (282,092) | (277,871) |
| <u>Total shareholders' equity</u> | 96,261 | 104,552 |
| <u>Total liabilities and shareholders' equity</u> | \$ 271,500 | \$ 341,873 |

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(U.S. dollars, in thousands)
(Unaudited)

| | Three months ended | | Nine months ended | |
|--|---------------------------|-------------------|--------------------------|-------------------|
| | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Cash flow from operating activities: | | | | |
| Net income (loss) | \$ 1,443 | \$ (5,558) | \$ (4,221) | \$(24,523) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | | | |
| Depreciation and amortization | 2,844 | 3,486 | 9,066 | 10,394 |
| Stock-based compensation expense | 600 | 568 | 1,172 | 2,691 |
| Decrease (increase) in trade and other receivables, net | 17,306 | (14,918) | 36,662 | (28,824) |
| Decrease in inventory | 1,563 | 1,046 | 11,211 | 4,075 |
| Increase (decrease) in trade payables and accrued liabilities | (13,140) | 7,131 | (38,471) | (1,788) |
| Increase (decrease) in deferred revenues | (3,176) | (455) | (7,604) | 592 |
| Decrease in deferred tax asset, net | 988 | 1,360 | 2,441 | 4,004 |
| Other adjustments | (595) | (562) | (784) | (291) |
| Net cash provided by (used in) operating activities | \$ 7,833 | \$ (7,902) | \$ 9,472 | \$(33,670) |
| Cash flow from investing activities: | | | | |
| Purchase of property and equipment | (847) | (2,286) | (4,320) | (8,464) |
| Investment in short-term bank deposits | (15) | - | (19) | - |
| Proceeds from short-term bank deposits | - | 11 | 64 | 69 |
| Proceeds from sale of available for sale marketable securities, net | - | - | 122 | 5,161 |
| Net cash used in investing activities | \$ (862) | \$ (2,275) | \$ (4,153) | \$ (3,234) |
| Cash flow from financing activities: | | | | |
| Proceeds from exercise of options | 112 | - | 112 | - |
| Proceeds from issuance of shares, net | - | 45,150 | - | 45,150 |
| Proceeds from bank loans | - | - | 4,200 | 20,190 |
| Repayment of bank loans | (7,058) | (22,838) | (11,174) | (26,954) |
| Net cash provided by (used in) financing activities | \$ (6,946) | \$ 22,312 | \$ (6,862) | \$ 38,386 |
| Translation adjustments on cash and cash equivalents | \$ (356) | \$ (66) | \$ (676) | \$ 55 |
| Increase (decrease) in cash and cash equivalents | \$ (331) | \$ 12,069 | \$ (2,219) | \$ 1,537 |
| Cash and cash equivalents at the beginning of the period | 39,535 | 31,875 | 41,423 | 42,407 |
| Cash and cash equivalents at the end of the period | \$ 39,204 | \$ 43,944 | \$ 39,204 | \$ 43,944 |

Ceragon Reports Third Quarter 2015 Results

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

| | Three months ended September 30, | | | 2014 |
|---|----------------------------------|-------------|------------|------------|
| | GAAP (as reported) | Adjustments | Non-GAAP | Non-GAAP |
| Revenues | \$ 85,367 | | \$ 85,367 | \$ 99,013 |
| Cost of revenues | 58,156 | (a) 473 | 57,683 | 73,579 |
| Gross profit | 27,211 | | 27,684 | 25,434 |
| Operating expenses: | | | | |
| Research and development | 5,493 | (b) 215 | 5,278 | 7,623 |
| Selling and marketing | 10,045 | (c) 453 | 9,592 | 12,623 |
| General and administrative | 5,501 | (d) 178 | 5,323 | 5,124 |
| <u>Total operating expenses</u> | \$ 21,039 | | \$ 20,193 | \$ 25,370 |
| Operating income | 6,172 | | 7,491 | 64 |
| Financial expenses, net | 2,966 | | 2,966 | 3,311 |
| Income (loss) before taxes | 3,206 | | 4,525 | (3,247) |
| Taxes on income | 1,763 | (e) 945 | 818 | 307 |
| Net income (loss) | 1,443 | | \$ 3,707 | \$ (3,554) |
| Basic net income (loss) per share | \$ 0.02 | | \$ 0.05 | \$ (0.05) |
| Diluted net income (loss) per share | \$ 0.02 | | \$ 0.05 | \$ (0.05) |
| Weighted average number of shares used in computing basic net income (loss) per share | 77,221,170 | | 77,221,170 | 68,047,913 |
| Weighted average number of shares used in computing diluted net income (loss) per share | 77,355,761 | | 78,011,917 | 68,047,913 |
| <u>Total adjustments</u> | | 2,264 | | |

- (a) Cost of revenues includes \$0.3 million of amortization of intangible assets, \$30 thousand of stock based compensation expenses and \$0.1 million of changes in pre-acquisition indirect tax positions in the three months ended September 30, 2015.
- (b) Research and development expenses include \$0.2 million of stock based compensation expenses in the three months ended September 30, 2015.
- (c) Selling and marketing expenses include \$0.3 million of amortization of intangible assets and \$0.2 million of stock based compensation expenses in the three months ended September 30, 2015.
- (d) General and administrative expenses include \$0.2 million of stock based compensation expenses in the three months ended September 30, 2015.
- (e) Taxes on income include \$0.9 million of non-cash tax adjustments in the three months ended September 30, 2015.

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

(Unaudited)

| | Nine months ended September 30, | | | |
|---|---------------------------------|--------------|-------------------|--------------------|
| | 2015 | | 2014 | |
| | GAAP (as reported) | Adjustments | Non-GAAP | Non-GAAP |
| Revenues | \$ 273,792 | | \$ 273,792 | \$ 259,948 |
| Cost of revenues | 195,647 | (a) 1,240 | 194,407 | 193,694 |
| Gross profit | <u>78,145</u> | | <u>79,385</u> | <u>66,254</u> |
| Operating expenses: | | | | |
| Research and development | 17,662 | (b) 556 | 17,106 | 23,165 |
| Selling and marketing | 30,834 | (c) 875 | 29,959 | 41,017 |
| General and administrative | 15,762 | (d) 186 | 15,576 | 15,429 |
| Restructuring costs | 1,225 | 1,225 | - | - |
| <u>Total operating expenses</u> | <u>65,483</u> | | <u>62,641</u> | <u>79,611</u> |
| Operating income (loss) | 12,662 | | 16,744 | (13,357) |
| Financial expenses, net | 12,473 | (e) 2,973 | 9,500 | 7,340 |
| Income (loss) before taxes | 189 | | 7,244 | (20,697) |
| Taxes on income | 4,410 | (f) 2,535 | 1,875 | 754 |
| Net income (loss) | <u>\$ (4,221)</u> | | <u>\$ 5,369</u> | <u>\$ (21,451)</u> |
| Basic net income (loss) per share | <u>(0.05)</u> | | <u>0.07</u> | <u>(0.37)</u> |
| Diluted net income (loss) per share | <u>(0.05)</u> | | <u>0.07</u> | <u>(0.37)</u> |
| Weighted average number of shares used in computing basic net income (loss) per share | <u>77,179,760</u> | | <u>77,179,760</u> | <u>57,711,192</u> |
| Weighted average number of shares used in computing diluted net income (loss) per share | <u>77,179,760</u> | | <u>77,868,331</u> | <u>57,711,192</u> |
| <u>Total adjustments</u> | | <u>9,590</u> | | |

- (a) Cost of revenues includes \$0.9 million of amortization of intangible assets, \$40 thousands of stock based compensation expenses, and \$0.3 million of changes in pre-acquisition indirect tax positions in the nine months ended September 30, 2015.
- (b) Research and development expenses include \$0.6 million of stock based compensation expenses in the nine months ended September 30, 2015.
- (c) Selling and marketing expenses include \$0.5 million of amortization of intangible assets, and \$0.4 million of stock based compensation expenses in the nine months ended September 30, 2015.
- (d) General and administrative expenses include \$0.2 million of stock based compensation expenses in the nine months ended September 30, 2015.
- (e) Financial expenses include the effect of re-measurement of certain assets denominated in or linked to the U.S. dollar in Venezuela, due to restrictive government policies on payments in foreign currency in the nine months ended September 30, 2015.
- (f) Taxes on income include non-cash tax adjustments in the nine months ended September 30, 2015.

**RECONCILIATION BETWEEN REPORTED AND NON-GAAP
NET INCOME (LOSS)**
(U.S. dollars in thousands)
(Unaudited)

| | Three months ended September 30, 2015 | Nine months ended September 30, 2015 |
|---|--|---|
| | <u> </u> | <u> </u> |
| Reported GAAP net income (loss) | 1,443 | (4,221) |
| Stock based compensation expenses | 600 | 1,172 |
| Amortization of intangible assets | 590 | 1,408 |
| Restructuring plan related costs | - | 1,225 |
| Changes in pre-acquisition indirect tax positions | 129 | 277 |
| Currency devaluation in Venezuela | - | 2,973 |
| Non-cash tax adjustments | 945 | 2,535 |
| | <u> </u> | <u> </u> |
| Non-GAAP net income | <u>3,707</u> | <u>5,369</u> |

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