



## **CERAGON NETWORKS REPORTS SECOND QUARTER 2017 FINANCIAL RESULTS**

*Q2 benefitted from revenue recognized from large orders received in Q1 from a customer in India*

**Little Falls, New Jersey, August 7, 2017** - Ceragon Networks Ltd. (NASDAQ: CRNT), the #1 wireless backhaul specialist today reported results for the second quarter which ended June 30, 2017.

### **Second Quarter 2017 Highlights:**

**Revenues** - \$93.3 million, up 33.3% from the second quarter of 2016, and up 22.8% from the first quarter of 2017.

**Gross margin** – 31.3%, compared to 34.7% in the second quarter of 2016 and 29.3% in the first quarter of 2017.

**Operating income** - \$8.0 million, compared to \$4.0 million in the second quarter of 2016, and \$2.0 million in the first quarter of 2017.

**Net income (loss)** - net income of \$5.0 million, or \$0.06 per diluted share for the second quarter of 2017. Net income for the second quarter of 2016 was \$0.1 million, or \$0.00 per diluted share. Net loss for the first quarter of 2017 was \$(0.1) million or \$(0.00) per diluted share.

**Non-GAAP results** - gross margin was 31.8%, operating profit was \$8.8 million, and net income was \$6.0 million, or \$0.07 per diluted share. For reconciliation of GAAP to non-GAAP results, see the attached tables.

**Cash and cash equivalents** - \$34.1 million at June 30, 2017, compared to \$36.5 million at March 31, 2017.

“We are pleased to report a very strong quarter, with total revenue boosted by the recognition of revenue related to large orders received in Q1 from a customer in India, said Ira Palti, president and CEO of Ceragon. “As a result of the additional gross profit contribution from this extra business, Q2 net income was a record, except in those quarters where we had large non-recurring items with a positive impact on net income. We also generated positive cash flow, paid down additional debt, and increased our net cash to \$26 million. Our bookings in Q2 support our expectation that we will return to a quarterly run rate of \$75 to \$80 million during the second half of the year. We expect

gross margin in the second half to be above 32%, and we remain on track to achieve our goal of substantial growth in net income for 2017 compared to 2016.”

Supplemental geographical breakdown of revenue for the second quarter of 2017:

- Europe: 12%
- Africa: 3%
- North America: 7%
- Latin America: 14%
- India: 53%
- 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) 288-0337, 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: 426481. A replay of both the call and the webcast will be available through September 7, 2017.

## **About Ceragon**

[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.

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*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; the risks relating to the concentration of Ceragon's business in India, Latin America and in developing nations and the political, economic and regulatory risks from doing business in those regions, including potential currency restrictions; the risk associated with a change in Ceragon's gross margin as a result of changes in the geographic mix of revenues; the risk associated with the loss of a single customer or customer group, which represents a significant portion of Ceragon's revenues; the risk 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.*

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-tables follow-



Ceragon Reports Second Quarter 2017 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,	
	2017	2016	2017	2016
Revenues	\$ 93,334	\$ 70,010	\$ 169,355	\$ 129,844
Cost of revenues	64,131	45,720	117,848	84,263
Gross profit	29,203	24,290	51,507	45,581
Operating expenses:				
Research and development	6,128	5,355	12,235	10,638
Selling and marketing	10,041	9,716	19,776	19,573
General and administrative	5,065	5,192	9,570	10,110
Total operating expenses	\$ 21,234	\$ 20,263	\$ 41,581	\$ 40,321
Operating income	7,969	4,027	9,926	5,260
Financial expenses, net	1,481	2,372	3,079	3,290
Income before taxes	6,488	1,655	6,847	1,970
Taxes on income	1,506	1,606	1,993	2,357
Net income (loss)	\$ 4,982	\$ 49	\$ 4,854	\$ (387)
Basic net income (loss) per share	\$ 0.06	\$ 0.00	\$ 0.06	\$ (0.00)
Diluted net income (loss) per share	\$ 0.06	\$ 0.00	\$ 0.06	\$ (0.00)
Weighted average number of shares used in computing basic net income (loss) per share	77,891,218	77,674,747	77,845,690	77,664,815
Weighted average number of shares used in computing diluted net income (loss) per share	80,202,048	77,919,559	80,359,375	77,664,815



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

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 34,087	\$ 36,338
Trade receivables, net	114,077	107,395
Other accounts receivable and prepaid expenses	19,948	17,076
Inventories	56,158	45,647
<u>Total current assets</u>	<u>224,270</u>	<u>206,456</u>
<b>NON-CURRENT ASSETS:</b>		
Deferred taxes, net	1,204	1,344
Severance pay and pension fund	5,210	4,575
Property and equipment, net	28,277	27,560
Intangible assets, net	790	1,544
Other non-current assets	3,931	2,746
<u>Total non-current assets</u>	<u>39,412</u>	<u>37,769</u>
<u>Total assets</u>	<u>\$ 263,682</u>	<u>\$ 244,225</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short term loan	\$ 8,000	\$ 17,000
Trade payables	90,067	68,408
Deferred revenues	3,674	2,673
Other accounts payable and accrued expenses	19,711	22,425
<u>Total current liabilities</u>	<u>121,452</u>	<u>110,506</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued severance pay and pension	9,745	9,198
Other long term payables	8,829	8,357
<u>Total long-term liabilities</u>	<u>18,574</u>	<u>17,555</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital:		
Ordinary shares	214	214
Additional paid-in capital	410,128	409,320
Treasury shares at cost	(20,091)	(20,091)
Other comprehensive loss	(6,018)	(7,848)
Accumulated deficits	(260,577)	(265,431)
<u>Total shareholders' equity</u>	<u>123,656</u>	<u>116,164</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 263,682</u>	<u>\$ 244,225</u>

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**

(U.S. dollars, in thousands)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Cash flow from operating activities:</b>				
Net income (loss)	\$ 4,982	\$ 49	\$ 4,854	\$ (387)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,229	2,668	4,574	4,976
Stock-based compensation expense	261	181	619	592
Decrease (increase) in trade and other receivables, net	(16,519)	(3,875)	(9,288)	30,503
Decrease (increase) in inventory, net of write off	(5,571)	1,171	(10,555)	1,603
Decrease in deferred tax asset, net	155	972	140	1,205
Increase (decrease) in trade payables and accrued liabilities	14,778	1,616	18,775	(18,445)
Increase (decrease) in deferred revenues	2,053	(267)	1,018	(4,934)
Other adjustments	(100)	(218)	(88)	(108)
<b>Net cash provided by operating activities</b>	<b>\$ 2,268</b>	<b>\$ 2,297</b>	<b>\$ 10,049</b>	<b>\$ 15,005</b>
<b>Cash flow from investing activities:</b>				
Purchase of property and equipment	(1,196)	(1,407)	(3,505)	(3,608)
Investment in short-term bank deposits	-	(120)	-	(153)
<b>Net cash used in investing activities</b>	<b>\$ (1,196)</b>	<b>\$ (1,527)</b>	<b>\$ (3,505)</b>	<b>\$ (3,761)</b>
<b>Cash flow from financing activities:</b>				
Proceeds from share options exercise	115	7	189	7
Repayment of bank loans	(3,500)	(8,400)	(9,000)	(13,472)
<b>Net cash used in financing activities</b>	<b>\$ (3,385)</b>	<b>\$ (8,393)</b>	<b>\$ (8,811)</b>	<b>\$ (13,465)</b>
<b>Translation adjustments on cash and cash equivalents</b>	<b>\$ (60)</b>	<b>\$ 155</b>	<b>\$ 16</b>	<b>\$ 280</b>
<b>Decrease in cash and cash equivalents</b>	<b>\$ (2,373)</b>	<b>\$ (7,468)</b>	<b>\$ (2,251)</b>	<b>\$ (1,941)</b>
Cash and cash equivalents at the beginning of the period	36,460	41,845	36,338	36,318
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 34,087</b>	<b>\$ 34,377</b>	<b>\$ 34,087</b>	<b>\$ 34,377</b>

**Ceragon Reports Second Quarter 2017 Results**

**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL RESULTS**

**(U.S. dollars in thousands)**

*(Unaudited)*

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
GAAP cost of revenues	\$ 64,131	\$ 45,720	\$ 117,848	\$ 84,263
Amortization of intangible assets	(306)	(307)	(609)	(613)
Stock based compensation expenses	(12)	(3)	(32)	(21)
Changes in pre-acquisition indirect tax positions	(165)	(269)	(327)	(403)
Non-GAAP cost of revenues	<u>\$ 63,648</u>	<u>\$ 45,141</u>	<u>\$ 116,880</u>	<u>\$ 83,226</u>
GAAP gross profit	\$ 29,203	\$ 24,290	\$ 51,507	\$ 45,581
Gross profit adjustments	483	579	968	1,037
Non-GAAP gross profit	<u>\$ 29,686</u>	<u>\$ 24,869</u>	<u>\$ 52,475</u>	<u>\$ 46,618</u>
GAAP Research and development expenses	\$ 6,128	\$ 5,355	\$ 12,235	\$ 10,638
Stock based compensation expenses	(45)	2	(123)	(126)
Non-GAAP Research and development expenses	<u>\$ 6,083</u>	<u>\$ 5,357</u>	<u>\$ 12,112</u>	<u>\$ 10,512</u>
GAAP Sales and Marketing expenses	\$ 10,041	\$ 9,716	\$ 19,776	\$ 19,573
Amortization of intangible assets	(74)	(106)	(145)	(205)
Stock based compensation expenses	(75)	(88)	(153)	(220)
Non-GAAP Sales and Marketing expenses	<u>\$ 9,892</u>	<u>\$ 9,522</u>	<u>\$ 19,478</u>	<u>\$ 19,148</u>
GAAP General and Administrative expenses	\$ 5,065	\$ 5,192	\$ 9,570	\$ 10,110
Stock based compensation expenses	(129)	(92)	(311)	(225)
Non-GAAP General and Administrative expenses	<u>\$ 4,936</u>	<u>\$ 5,100</u>	<u>\$ 9,259</u>	<u>\$ 9,885</u>
GAAP financial expenses	\$ 1,481	\$ 2,372	\$ 3,079	\$ 3,290
Currency devaluation in Venezuela related expenses	-	-	-	907
Non-GAAP financial expenses	<u>\$ 1,481</u>	<u>\$ 2,372</u>	<u>\$ 3,079</u>	<u>\$ 4,197</u>
GAAP Tax expenses	\$ 1,506	\$ 1,606	\$ 1,993	\$ 2,357
Changes in pre acquisition tax liability	-	(453)	-	(453)
Non cash tax adjustments	(187)	(242)	(285)	(488)
Non-GAAP Tax expenses	<u>\$ 1,319</u>	<u>\$ 911</u>	<u>\$ 1,708</u>	<u>\$ 1,416</u>

Ceragon Reports Second Quarter 2017 Results

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

	<b>Three months ended June 30,</b>		<b>Six months ended, June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
GAAP net income (loss)	\$ 4,982	\$ 49	\$ 4,854	\$ (387)
Amortization of intangible assets	380	413	754	818
Stock based compensation expenses	261	181	619	592
Changes in pre-acquisition indirect tax positions	165	722	327	856
Currency devaluation in Venezuela related expenses	-	-	-	(907)
Non-cash tax adjustments	187	242	285	488
Non-GAAP net income	<u>\$ 5,975</u>	<u>\$ 1,607</u>	<u>\$ 6,839</u>	<u>\$ 1,460</u>
GAAP basic net income (loss) per share	<u>\$ 0.06</u>	<u>\$ 0.00</u>	<u>\$ 0.06</u>	<u>\$ (0.00)</u>
GAAP diluted net income (loss) per share	<u>\$ 0.06</u>	<u>\$ 0.00</u>	<u>\$ 0.06</u>	<u>\$ (0.00)</u>
Non-GAAP basic and diluted net income per share	<u>\$ 0.07</u>	<u>\$ 0.02</u>	<u>\$ 0.08</u>	<u>\$ 0.02</u>
Weighted average number of shares used in computing GAAP basic net income (loss) per share	<u>77,891,218</u>	<u>77,674,747</u>	<u>77,845,690</u>	<u>77,664,815</u>
Weighted average number of shares used in computing GAAP diluted net income (loss) per share	<u>80,202,048</u>	<u>77,919,559</u>	<u>80,359,375</u>	<u>77,664,815</u>
Weighted average number of shares used in computing Non-GAAP diluted net income per share	<u>80,404,841</u>	<u>78,525,583</u>	<u>80,580,267</u>	<u>78,133,900</u>