



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2024 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	979 582 242
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	CERAGON NETWORKS AS
Forretningsadresse:	Espehaugen 37 5258 BLOMSTERDALEN

Regnskapsår

Årsregnskapets periode:	01.01.2024 - 31.12.2024
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Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Ja
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Harald Iversen
Dato for fastsettelse av årsregnskapet:	29.09.2025

Grunnlag for avgivelse

År 2024: Årsregnskapet er elektronisk innlevert
År 2023: Tall er hentet fra elektronisk innlevert årsregnskap fra 2024

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 28.10.2025



Resultatregnskap

Beløp i: NOK	Note	2024	2023
RESULTATREGNSKAP			
Inntekter			
Revenue	13	65 449 000	79 495 000
Sum inntekter		65 449 000	79 495 000
Kostnader			
Cost of goods	13	32 317 000	61 457 000
Personnel expenses	2	23 480 000	21 011 000
Depreciations	3	915 000	823 000
Other operating expenses (income)		7 100 000	-5 783 000
Other expenses			7 487 000
Sum kostnader		63 812 000	84 995 000
Driftsresultat		1 637 000	-5 500 000
Finansinntekter og finanskostnader			
Interest income from group entities		1 619 000	2 205 000
Interest income and financial income		17 210 000	1 210 000
Sum finansinntekter		18 829 000	3 415 000
Financial expenses	5		
Netto finans		18 829 000	3 415 000
Resultat før skattekostnad		20 466 000	-2 085 000
Tax income on ordinary result		345 000	
Årsresultat		20 121 000	-2 085 000
Årsresultat etter minoritetsinteresser		20 121 000	-2 086 000
Overføringer og disponeringer			
Transferred to/(from) other equity		20 121 000	-2 085 000
Sum overføringer og disponeringer		20 121 000	-2 085 000



Balanse

Beløp i: NOK	Note	2024	2023
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Property, plants and equipment	3	2 324 000	3 311 000
Sum varige driftsmidler		2 324 000	3 311 000
Finansielle anleggsmidler			
Investering i datterselskap	8	74 030 000	74 030 000
Lån til tilknyttet selskap og felles kontrollert virksomhet		29 517 000	33 865 000
Sum finansielle anleggsmidler		103 547 000	107 895 000
Sum anleggsmidler		105 871 000	111 206 000
Omløpsmidler			
Varer			
Varer		1 977 000	1 866 000
Sum varer	12	1 977 000	1 866 000
Fordringer			
Account receivables	6	175 443 000	155 090 000
Other short-term receivables	7	371 000	5 550 000
Sum fordringer		175 814 000	160 640 000
Bankinnskudd, kontanter og lignende			
Bank deposit, cash etc.		7 850 000	7 856 000
Sum bankinnskudd, kontanter og lignende		7 850 000	7 856 000
Sum omløpsmidler		185 641 000	170 362 000
SUM EIENDELER		291 512 000	281 568 000

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: NOK	Note	2024	2023
Egenkapital			
Innskutt egenkapital			
Share capital	1, 11	90 000 000	90 000 000
Annen innskutt egenkapital	1	376 772 000	376 772 000
Sum innskutt egenkapital		466 772 000	466 772 000
Opptjent egenkapital			
Udekket tap	1	209 804 000	229 924 000
Sum opptjent egenkapital		-209 804 000	-229 924 000
Sum egenkapital	1	256 968 000	236 848 000
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	9	20 517 000	21 632 000
Sum avsetninger for forpliktelser		20 517 000	21 632 000
Annen langsiktig gjeld			
Sum langsiktig gjeld		20 517 000	21 632 000
Kortsiktig gjeld			
Leverandørgjeld		6 620 000	15 467 000
Other current debt	10	7 406 000	7 622 000
Sum kortsiktig gjeld		14 026 000	23 089 000
Sum gjeld		34 543 000	44 721 000
SUM EGENKAPITAL OG GJELD		291 511 000	281 569 000



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2024 - GENERELL INFORMASJON

Journalnummer: 2025 760960

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Organisasjonsform: Aksjeselskap
Foretaksnavn: CERAGON NETWORKS AS
Forretningsadresse: Espehaugen 37
5258 BLOMSTERDALEN

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årsregnskapet til konsernet: -

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Harald Iversen
Dato for fastsettelse av årsregnskapet: 29.09.2025

Revisjon

Årsregnskapet er utarbeidet av ekstern
autorisert regnskapsfører: Ja
Ekstern autorisert regnskapsfører har i
løpet av regnskapsåret bistått ved den
løpende regnskapsføringen eller utført
andre tjenester for selskapet enn å
utarbeide årsregnskapet: Ja

Grunnlag for avgivelse

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Brønnøysundregistrene, 27.10.2025

Brønnøysundregistrene
Postadresse: Postboks 900, 8910 Brønnøysund
Telefon: 75 00 75 00
E-post: firmapost@brreg.no Internett: www.brreg.no
Organisasjonsnummer: 974 760 673



Organisasjonsnr: 979 582 242
CERAGON NETWORKS AS

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CERAGON NETWORKS AS

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Organisasjonsnr: 979 582 242
CERAGON NETWORKS AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note

1

Antall årsverk i regnskapsåret
25.00

Sum Beløp

Balanseført verdi 31.12. Varige driftsmidler Immaterielle eiend.

Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen

Samlet beløp - tilknyttet selskap Årets Fjorårets

Samlet beløp - foretak i samme konsern Årets Fjorårets

Samlet beløp - foretak i samme konsern Årets Fjorårets

Samlet beløp - felles kontrollert virksomhet Årets Fjorårets

Pantstillelse Beløp

Beholdning av egne aksjer Antall Pålydende Andel av aksjek.



Statsautoriserte revisorer
Ernst & Young AS

Thormøhlens gate 53 D, 5006 Bergen
Postboks 6163, 5892 Bergen

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske Revisorforening

To the General Meeting in Ceragon Networks AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Ceragon Networks AS (the Company), which comprise the balance sheet as at 31 December 2024, the income statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The Company's financial statements have been signed after the legal deadline for signing annual financial statements.

Responsibilities of management for the financial statements

The Board of Directors and general manager (management) are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that



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with confidence**

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bergen, 10 October 2025
ERNST & YOUNG AS

The auditor's report is signed electronically

Truls Nesslin
State Authorised Public Accountant (Norway)



PENNEO

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"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Truls Nesslin

Oppdragsansvarlig partner

På vegne av: Ernst & Young AS

Serienummer: bankid.no_no_bankid:9578-5993-4-2263660

IP: 147.161.xxx.xxx

2025-10-10 20:35:50 UTC



QES



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Skattedirektoratet

Saksbehandler Rune Tystad	Deres dato 03.11.2011	Vår dato 14.11.2011
Telefon 977 59 464	Deres referanse Ina K. Rosenberg	Vår referanse 2011/953083

ERNST & YOUNG AS
Postboks 6163 Beedriftssenter
5892 BERGEN

Dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk for Nera Networks AS, org. nr. 979 582 242

Det vises til deres brev av 3. november 2011 hvor det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Nera Networks AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Nera Networks AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Bakgrunn

Det vises til at selskapet er innvilget fritak for konsernregnskapsplikten. Nera Networks AS er eid 100 % av Ceragon Networks Ltd. Aksjonærstrukturen er således begrenset. Brukerne av regnskapet er hovedsakelig aksjonærer, banker samt interessegrupper tilknyttet driften (kunder, leverandører etc.). Morselskapet er hjemmehørende i Israel og det israelske selskapets konsernregnskap vil bli avlagt på engelsk. De aller fleste av selskapets kunder, leverandører og andre brukere har engelsk som sitt forretningspråk.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Postadresse Postboks 9200 Grønland 0134 Oslo	Besøksadresse Se www.skatteetaten.no Org. nr: 996250318	Sentralbord 800 80 000 Telefaks 22 17 08 60
For elektronisk henvendelse se www.skatteetaten.no		




Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "*informative regnskaper for ulike grupper av regnskapsbrukere*". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

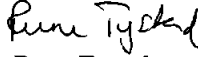
Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at Nera Networks AS er eid 100 % av Ceragon Networks ltd og inngår i et internasjonalt konsern. Videre er det vektlagt at de aller fleste av selskapets kunder, leverandører og andre brukere har engelsk som sitt forretningspråk.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen


Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet


Rune Tystad



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Annual Report 2024 Ceragon Networks AS

Introduction

Ceragon Networks AS previously trading as Nera Networks AS was formed in 2012 after the sale of Nera Networks AS on 19th January 2011 to Ceragon (UK) Limited, a 100% subsidiary of Ceragon Networks Ltd. (Israel).

The Company provides wireless hauling solutions that enable cellular operators and other wireless service providers to deliver voice and data services, enabling smart-phone applications such as internet browsing, music and video applications.

The company's wireless backhaul solutions uses microwave technology to transfer large amounts of telecommunication traffic between base stations and small-cells and the core of the service provider's network. The Company's solutions support all wireless access technologies, including LTE- Advanced, LTE, HSPA, EV-DO, CDMA, W-CDMA and GSM.

The Company's systems also serve evolving network architectures including all-IP long haul networks. The company's headquarters is based in Espehaugen, Bergen. The company is an international company with branches and affiliates in several countries in Europe, North America, Latin America and Africa.

Ceragon Networks AS is part of the Ceragon Networks Ltd Group and therefore consolidated in their financial statements. The Consolidated financial statements for the Ceragon Group can be obtained from Ceragon's webpage www.ceragon.com. The 2024 Ceragon Group accounts were issued on 25th March 2025.

Analysis of the Financial Statements

Total revenues of Ceragon Networks AS for the fiscal year 2024 amounted to 65M NOK compared to 79M NOK in 2023.

Cost of goods was 32M NOK compared to 61M NOK in 2023. Wage expenses were 23M NOK compared to 21M NOK in 2023.

The company's depreciation was 0.9M NOK in 2024 compared to 0.8M NOK in 2023.

Total operating expenses for the fiscal year 2024 were 64M NOK compared to 78M NOK in 2023.

Ordinary operating profit before financial items in 2024 amounted to 1.6M NOK compared to 2.0M NOK in 2023.

Net financial and other income in 2024 amounted to 18.8M NOK compared to 4.1M NOK loss in 2023.

Taxes on income were in 2024 amounted to 0.3M NOK compared to none in 2023.

Net income for 2024 was 20.1M NOK compared to loss of 2.1M NOK in 2023.

Balance sheet

As of December 31, 2024, Receivables amounted to 175M NOK.

Current assets amounted to 176M NOK.



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Risk Factors

As for the financial risks - the liquidity risk, credit risk and interest rate risk are the most prominent.

Ceragon Networks Ltd is ensuring sufficient financing of current expenditures.

The company has a material currency exposure in USD. This exposure in USD is not hedged as USD is the Ceragon Group's functional currency. The company's customers are primarily large public and private telecommunications companies. Credit risk is reduced by internal quality procedures in conjunction with project agreements, advance payment and payment milestones in the projects, back-to-back agreements to subcontractors, as well as tight credit monitoring. Furthermore, the company is to some extent secured by letters of credit. In addition, the group tries to insure its receivables against loss on group level. Yet there will always be an inherent risk of bad debts.

Equity

The share capital towards the Company's sole shareholder is 90,000,000 NOK.

Total assets at the end of the year amounted to 292M NOK. The company's equity as of December 31, 2024 was 257M NOK.

Working environment and personnel

Sick leave was 0.5% in 2024 compared to 0.5% in 2023. In 2024 and 2023 there have not been any incidents of work-related illness.

In connection with repetitive strain injuries and work-related diseases, Ceragon Networks AS has continued the work with early follow-up and adaptation of work premises.

Ceragon Networks AS is committed to ensure equal treatment of employees and applicants for positions at all levels of the company, regardless of gender, ethnicity or otherwise. Similarly, salaries reflect the position and qualifications, regardless of gender or other factors. At the end of 2023 the proportion of women was 40,1%. The average salary for woman was 43.0% of the average salary for men.

The company does not pollute the environment of any significance.

Outlook

Global competition and current market conditions, including those specifically impacting the telecommunications industry, have resulted in downward pressure on the prices for our products, which could result in reduced revenues, gross margins, profitability and demand for our products and services. Currently, we and other manufacturers of telecommunications equipment are experiencing, and are likely to continue to experience, increased downward price pressure, particularly as we increase our customer base to include more Tier 1 customers.

The uncertainties in the world with the war in Ukraine contributed to an upswing in Oil prices. Which means that there is a greater appetite for new investments in the Energy verticals. Which make the outlook for 2025 look promising. Also, we see that the new business model related to Connectivity as a Service has been received well by customer. New agreements in place and this is in favor for the customer for activity with shorter time span.



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We also see an interest and a growing market related to the offshore wind farms. Going forward this will give as an opportunity to deliver our communication equipment into this segment.

Due to mentioned above, and the market trend - we are seeking alternative markets for our solutions, like off-shore mining, defense & aerospace.

As a result, we are likely to continue to experience declining average sales prices for our products. Our future profitability will depend upon our ability to improve manufacturing efficiencies, to reduce costs of materials used in our products, and to continue to introduce new lower cost products and product enhancements.

Our success in handling a possible contraction of our business due to economic turmoil and market conditions will depend on our ability, among other things, to develop efficient forecast methods for evaluating the prospective quantity of products that will be ordered by our customers and to control inventories of components ordered by our contract manufacturers required to meet actual demand, including but not limited to handling the effects of excess inventories accumulated by such manufacturers by reducing the costs of manufacturing our products, collect receivables from our customers in full and in a timely manner, and properly balance the size and capabilities of our workforce.

Going concern assumption

Ceragon Networks AS has been funded by its owner to cover current obligations. Due to cost reduction initiatives and currency exchanges, the company had profits. The equity situation is satisfactory. The Board of Directors and the Managing Director are of the opinion that the submission of the financial statements should be based on the going concern assumption.

True and fair view

The Board believes that the financial statements give a true and fair picture of the company's assets and liabilities, financial position and results.

Allocation of the result

The result of Ceragon Networks AS in 2024 was a income of 20.1M NOK which is proposed allocated as follows:

Transferred from other equity	20.1M NOK
Total allocated	20.1M NOK



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Bergen, 29th September 2025

The Board of Directors, Ceragon Network AS

DocuSigned by:
Doron Arazi
3FAFA315039740B...

Doron Arazi
Chairman of the Board

DocuSigned by:
Harald Iversen
E10BDC43FDCA472...

Harald Iversen
Board Member/General manager



CERAGON NETWORKS LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2024

IN U.S. DOLLARS

INDEX

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Ceragon Networks Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ceragon Networks Ltd. and subsidiaries (the Company) as of December 31, 2024, and 2023, the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 25, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.



Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosure to which it relates.

Inventory Reserve Valuation

Description of the Matter As of December 31, 2024, the Company had \$ 59.7 million of inventory. As disclosed in Note 2 to the consolidated financial statements, the Company states inventories at the lower of cost or net realizable value. In connection with this policy, the Company periodically reviews inventory quantities on hand and records a reserve for obsolescence, excess quantities and slow-moving inventory based on historical and projected sales volume. The Company's evaluation of inventory reserve includes management's analysis of inventory aging, future sales forecasts and market conditions.

Auditing management's estimate of obsolescence, excess quantities and slow-moving inventory reserve was complex and required significant judgment due to estimation uncertainty in the significant assumptions such as the future salability of the inventory, assessment by inventory age and market demand for the Company's products.

How we Addressed the Matter in Our Audit We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls over the Company's process to determine the valuation of the Company's inventory reserve. This included management's assessment of the significant assumptions and data underlying the inventory reserve valuation.

Our substantive audit procedures included, among others, evaluating the significant assumptions used and testing the accuracy and completeness of the underlying data that management used to estimate the inventory reserve value. We performed inquiries of appropriate non-financial personnel including operational employees, regarding the inventory reserve items and other factors to corroborate management's assertions regarding qualitative judgments about obsolescence, excess quantities and slow-moving inventory.



... We compared the cost of on-hand inventories to customer demand forecasts and historical sales and evaluated adjustments to sales forecasts for specific product considerations such as technological changes or alternative uses. We also assessed the historical accuracy of management estimates by comparing the forecasted sales to actual utilization of inventory.

Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of EY Global

We have served as the Company's auditor since 2002.
Tel-Aviv, Israel
March 25, 2025



Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Ceragon Networks Ltd.

Opinion on Internal Control over Financial Report

We have audited Ceragon Networks Ltd. and subsidiaries' internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Ceragon Networks Ltd. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2024, and 2023, the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and our report dated March 25, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.



Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.


KOST FORER GABBAY & KASIERER

A Member of EY Global

Tel-Aviv, Israel
March 25, 2025



Ceragon Networks Ltd. and Subsidiaries

Consolidated Balance Sheets as of December 31

	Note	2024 \$ thousands	2023 \$ thousands
Assets			
Current assets:			
Cash and cash equivalents		35,311	28,237
Trade receivables, net of allowance for credit losses of \$13,796 and \$24,602 at December 31, 2024 and 2023, respectively	11	149,619	104,321
Inventories	5	59,693	68,811
Other accounts receivable and prepaid expenses	4	16,415	16,571
Total current assets		<u>261,038</u>	<u>217,940</u>
Non-current assets:			
Severance pay and pension fund		4,915	4,985
Property and equipment, net	6	36,764	30,659
Operating lease right-of-use assets	14	16,702	18,837
Intangible assets, net	7	16,791	16,401
Goodwill		7,749	7,749
Other non-current assets		1,037	1,954
Total non-current assets		<u>83,958</u>	<u>80,585</u>
Total assets		<u>344,996</u>	<u>298,525</u>

The accompanying notes are an integral part of the consolidated financial statements.



Ceragon Networks Ltd. and Subsidiaries

Consolidated Balance Sheets as of December 31

	Note	2024 \$ thousands	2023 \$ thousands
Liabilities and shareholders' equity			
Current Liabilities:			
Trade payables		91,157	67,032
Deferred revenues	17	2,573	5,507
Short-term loans	9	25,200	32,600
Operating lease liabilities	14	2,971	3,889
Other accounts payable and accrued expenses	8	29,547	23,925
Total current liabilities		151,448	132,953
Non-current liabilities:			
Accrued severance pay and pensions		8,359	9,399
Deferred revenues	17	-	670
Operating lease liabilities	14	12,936	13,716
Other long-term payables		5,928	7,768
Total non-current liabilities		27,223	31,553
Commitments and contingent liabilities	13		
Shareholders' Equity:	15		
Share capital -			
Ordinary shares of NIS 0.01 par value –			
Authorized: 240,000,000 and 120,000,000 shares on			
December 31, 2024 and 2023 respectively; Issued:			
91,874,448 and 88,899,844 shares on December 31, 2024 and			
2023, respectively; Outstanding: 88,392,925 and 85,418,321			
shares on December 31, 2024 and 2023, respectively			
		232	224
Additional paid-in capital		447,369	437,161
Treasury shares at cost – 3,481,523 ordinary shares on		(20,091)	(20,091)
December 31, 2024 and 2023			
Accumulated other comprehensive loss		(10,060)	(8,087)
Accumulated deficit		(251,125)	(275,188)
Total shareholders' equity		166,325	134,019
Total liabilities and shareholders' equity		344,996	298,525

The accompanying notes are an integral part of the consolidated financial statements.



Ceragon Networks Ltd. and Subsidiaries

Consolidated Statements of Operations

		Year ended December 31,		
		2024	2023	2022
		\$ thousands	\$ thousands	\$ thousands
Revenues	18	394,190	347,179	295,173
Cost of revenues		257,339	227,310	202,110
Gross profit		136,851	119,869	93,063
Operating expenses:				
Research and development, net		34,951	32,274	29,690
Sales and marketing		44,717	40,577	35,795
General and administrative		14,220	23,793	34,295
Restructuring and related charges		1,416	897	-
Acquisition and integration-related charges	3b	1,660	1,118	-
Other operating expenses	1c	1,160	-	4,220
Total operating expenses		98,124	98,659	104,000
Operating income (loss)		38,727	21,210	(10,937)
Financial and other expenses, net	19	11,474	8,468	6,306
Income (loss) before taxes on income		27,253	12,742	(17,243)
Taxes on income	16c	3,190	6,522	2,446
Net income (loss)		24,063	6,220	(19,689)
Net income (loss) per share:				
Basic net income (loss) per share		0.28	0.07	(0.23)
Weighted average number of ordinary shares used in computing basic net income (loss) per share		86,191,178	84,617,774	84,132,982
Diluted net income (loss) per share		0.27	0.07	(0.23)
Weighted average number of ordinary shares used in computing diluted net income (loss) per share		88,460,001	85,482,626	84,132,982

The accompanying notes are an integral part of the consolidated financial statements.



Ceragon Networks Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Net income (loss)	24,063	6,220	(19,689)
Other comprehensive income (loss):			
Change in foreign currency translation adjustment	(1,459)	878	353
Change in unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) during the period	6	(1,418)	(4,057)
Losses (gains) reclassified into net income (loss)	(520)	3,609	2,055
Net change	(514)	2,191	(2,002)
Other comprehensive income (loss)	(1,973)	3,069	(1,649)
Comprehensive income (loss)	22,090	9,289	(21,338)

The accompanying notes are an integral part of the consolidated financial statements.



Ceragon Networks Ltd. and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

	Ordinary shares	Share capital \$ thousands	Additional paid-in capital \$ thousands	Treasury shares at cost \$ thousands	Accumulated other comprehensive loss \$ thousands		Total shareholders' equity \$ thousands
					Accumulated deficit \$ thousands	shareholders' equity \$ thousands	
Balance as of January 1, 2022	83,931,596	224	428,244	(20,091)	(9,507)	(261,719)	137,151
Exercise of options and vesting of RSUs	422,085	*)	410	-	-	-	410
Share-based compensation	-	-	3,560	-	-	-	3,560
Other comprehensive loss, net	-	-	-	-	(1,649)	-	(1,649)
Net loss	-	-	-	-	-	(19,689)	(19,689)
Balance as of December 31, 2022	84,353,681	224	432,214	(20,091)	(11,156)	(281,408)	119,783
Exercise of options and vesting of RSUs	559,738	*)	39	-	-	-	39
Share-based compensation	-	-	3,964	-	-	-	3,964
Shares issued as consideration in connection with the acquisition of Siklu Communication Ltd.	504,902	*)	944	-	-	-	944
Other comprehensive income, net	-	-	-	-	3,069	-	3,069
Net income	-	-	-	-	-	6,220	6,220
Balance as of December 31, 2023	85,418,321	224	437,161	(20,091)	(8,087)	(275,188)	134,019
Exercise of options and vesting of RSUs	2,974,604	8	5,910	-	-	-	5,918
Share-based compensation	-	-	4,298	-	-	-	4,298
Other comprehensive loss, net	-	-	-	-	(1,973)	-	(1,973)
Net income	-	-	-	-	-	24,063	24,063
Balance as of December 31, 2024	88,392,925	232	447,369	(20,091)	(10,060)	(251,125)	166,325

*) Represent an amount lower than \$1 thousand
The accompanying notes are an integral part of the consolidated financial statements.



Ceragon Networks Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Cash flows from operating activities:			
Net income (loss)	24,063	6,220	(19,689)
Adjustments required to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	12,112	9,967	11,040
Loss from sale of property and equipment, net	207	61	20
Share-based compensation expense	4,298	3,964	3,560
Decrease in accrued severance pay and pensions, net	(970)	(267)	(445)
Decrease (increase) in trade receivables, net	(46,224)	(2,370)	18,428
Decrease (increase) in other assets (including other accounts receivable, prepaid expenses, other non-current assets, and the effect of exchange rate changes on cash and cash equivalents)	1,344	16,994	(345)
Decrease (increase) in inventories	7,606	6,303	(11,155)
Decrease in operating lease right-of-use assets	4,632	3,781	3,571
Increase (decrease) in trade payables	23,032	(1,847)	(2,018)
Increase (decrease) in deferred revenues	(3,604)	(9,562)	2,229
Decrease in operating lease liability	(4,196)	(4,034)	(5,937)
Increase (decrease) in other accounts payable and accrued expenses (including other long-term liabilities)	3,898	1,677	(4,154)
Net cash provided by (used in) operating activities	26,198	30,887	(4,895)
Cash flows from investing activities:			
Purchase of property and equipment	(14,581)	(9,955)	(10,464)
Software development costs capitalized	(1,883)	(2,944)	(1,957)
Payments made in connection with business acquisitions, net of acquired cash	-	(7,971)	-
Net cash used in investing activities	(16,464)	(20,870)	(12,421)

The accompanying notes are an integral part of the consolidated financial statements.



Ceragon Networks Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
<u>Cash flows from financing activities:</u>			
Proceeds from exercise of stock options	5,878	39	410
Proceeds from (repayments of) bank credits and loans, net	(7,400)	(4,900)	22,700
Net cash provided by (used in) financing activities	(1,522)	(4,861)	23,110
Effect of exchange rate changes on cash and cash equivalents	(1,138)	133	75
Increase in cash and cash equivalents	7,074	5,289	5,869
Cash and cash equivalents at the beginning of the year	28,237	22,948	17,079
Cash and cash equivalents at the end of the year	35,311	28,237	22,948
<u>Supplemental disclosure of non - cash investing activities:</u>			
Fair value of ordinary shares issued and contingent holdback obligations to selling shareholders provided as consideration for business combination	-	2,561	-
<u>Supplemental disclosure of cash flow information:</u>			
Cash paid for income taxes, net	1,127	2,839	1,871
Cash paid for interest on bank loans and factoring fees	4,682	6,040	3,456

The accompanying notes are an integral part of the consolidated financial statements.



Notes to the Consolidated Financial Statements

Note 1 - General

- A. Ceragon Networks Ltd. ("the Company") is a global innovator and leading solutions provider of wireless transport. The Company helps operators and other service providers worldwide increase operational efficiency and enhance end customers' quality of experience with innovative wireless backhaul and fronthaul solutions. The Company's unique multicore technology and disaggregated approach to wireless transport provides highly reliable, fast to deploy, high-capacity wireless transport for 5G and 4G networks with minimal use of spectrum, power, real estate, and labor resources. It enables increased productivity, as well as simple and quick network modernization. The Company delivers a complete portfolio of turnkey end-to-end AI-based managed and professional services that ensure efficient network rollout and optimization to achieve the highest value for its customers.

The Company sells its products through a direct sales force, systems integrators, distributors and original equipment manufacturers.

The Company's wholly owned subsidiaries provide research and development, marketing, manufacturing, distribution, sales and technical support to the Company's customers worldwide.

As to principal markets and major customers, see notes 18b and 18c.

- B. On December 4, 2023, the Company completed a series of definitive agreements with Siklu Communication Ltd. ("Siklu") and Siklu Inc. (the "Seller"), referred to as the "Siklu Acquisition". In the framework of the Siklu Acquisition, the Company acquired all of the outstanding shares of Siklu and the assets and business activities of the Seller. Siklu is a privately held Israeli-based company which is a provider of multi-Gigabit "wireless fiber" connectivity in urban, suburban and rural areas. See also note 3.
- C. 1. In January 2015, the Company was served with a motion to approve a purported class action, naming the Company, its Chief Executive Officer and its directors as defendants. The motion was filed with the District Court of Tel-Aviv. See Note 13D.1. Expenses of \$1,160 thousand related to the provision for the settlement of the class action were presented in 2024 as part of other operating expenses in the Company's consolidated financial statements.
2. During 2022, Aviat Networks Inc a competitor of the Company has launched a hostile takeover attempt against the Company, after purchasing more than 5% of the Company outstanding shares. Total expenses associated with the hostile takeover amounted to \$4,220 thousand for the year ended December 31, 2022, and were presented as part of the other operating expenses in the Company's consolidated financial statements.

Note 2 - Significant Accounting Policies

A. **Basis of presentation**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP").



Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (cont'd)

B. Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. Actual results could differ from those estimates.

On an ongoing basis, the Company's management evaluates estimates, including those related to the fair value of acquired intangible assets and goodwill and the useful life of intangible assets, tax assets and liabilities, fair values of share-based awards, inventory write-offs, warranty provision, incremental borrowing rate (IBR) used for lease liabilities measurement, and allowance for credit loss. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

C. Financial statements in U.S. dollars

A majority of the revenues of the Company and certain of its subsidiaries are generated in U.S. dollars ("dollars"). In addition, a substantial portion of the Company's and certain of its subsidiaries' costs is incurred in dollars. Since management believes that the dollar is the currency of the primary economic environment in which the Company and its subsidiaries operate and considers the non-U.S. subsidiaries to be a direct, integral extension of the parent company's operations, the dollar is its functional and reporting currency.

Accordingly, amounts in currencies other than U.S dollars have been re-measured in accordance with ASC topic 830, "Foreign Currency Matters" ("ASC 830") as follows:

Monetary balances - at the exchange rate in effect on the balance sheet date. Consolidated statements of operations items - average exchange rates prevailing during the year.

All exchange gains and losses from the re-measurement mentioned above are reflected in the statement of operations in financial expenses and others, net (see note 19).

The financial statements of the Company's Brazilian subsidiary, whose functional currency is not the dollar, have been re-measured and translated into dollars. All amounts on the balance sheets have been translated into the dollar using the exchange rates in effect on the relevant balance sheet dates. All amounts in the statements of operations have been translated into the dollar using the average exchange rate for the relevant periods. The resulting translation adjustments are reported as a component of accumulated other comprehensive income (loss) in shareholders' equity.

D. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

E. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term unrestricted, highly liquid investments that are readily convertible to cash and with original maturities of three months or less at acquisition.



Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (cont'd)

F. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-offs are provided to cover risks arising from slow-moving items, technological obsolescence, excess inventories, discontinued products, and for market prices lower than cost, if any.

The Company periodically evaluates the quantities on hand relative to historical and projected sales volume (which is determined based on an assumption of future demand and market conditions) and the age of the inventory. At the point of the loss recognition, a new lower cost basis for that inventory is established. In addition, if required, the Company records a liability for firm non-cancelable and unconditional purchase commitments with contract manufacturers for quantities in excess of the Company's future demands forecast consistent with its valuation of excess and obsolete inventory.

Inventory includes costs of products delivered to customers and not recognized as cost of sales, where revenues in the related arrangements were not recognized.

Cost is determined for all types of inventory using the moving average cost method plus indirect costs.

G. Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%
Computers, manufacturing and peripheral equipment	6 – 33
Office, furniture and equipment	Mainly 15
Leasehold improvements	Over the shorter of the term of the lease or useful life of the asset

The Company capitalizes development costs incurred during the application development stage that are related to internal use technology that supports its cloud services. Under ASC 350-40, internal-use software is included in property and equipment, net in the consolidated balance sheets, under "Computers, manufacturing and peripheral equipment". Capitalization of such costs begins when the preliminary project stage is complete and ceases at the point in which the project is substantially complete and is ready for its intended purpose. Costs incurred in the process of software production are charged to expenses as incurred.

H. Leases

The Company has operating leases for corporate offices and cars. Operating leases are reported separately in the Company's consolidated balance sheets on December 31, 2024 and 2023. The Company has no finance leases as of December 31, 2024 or 2023.

The Company determines if an arrangement is a lease at inception. A contract is determined to contain a lease component if the arrangement provides the Company with a right to control the use of an identified asset. Leases with an initial term of 12 months or less are not recorded on the balance sheet and lease expense for these leases is recognized on a straight-line basis over the lease term. For operating leases, lease expense for minimum fixed lease payments is recognized on a straight-line basis over the lease term.



Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (cont'd)

H. Leases (cont'd)

Lease contracts may contain variable lease costs, such as common area maintenance and utilities, that vary over the term of the contract. Certain lease agreements include rental payments adjusted periodically for the consumer price index ("CPI"). The ROU and lease liability were calculated using the initial CPI and will not be subsequently adjusted unless the liability is reassessed for other reasons. Lease liabilities are measured using the Company's estimated incremental borrowing rate ("IBR"), based on the information available at commencement date in determining the present value of lease payments. The Company's IBR is estimated to approximate the interest rate on similar terms and payments in economic environments where the leased asset is located. Variable lease costs are not included in minimum fixed lease payments and, as a result, are excluded from the measurement of the right-of-use assets and lease liabilities. The Company expenses all variable lease costs as incurred. The Company combines its lease payments and fixed payments for non-lease components and accounts for them together as a single lease component.

I. Intangible assets, net

The Company's intangible assets are comprised of incurred software development costs, core technology, customer relationship, and trademark.

The Company capitalizes certain incurred software development costs. Capitalization of incurred software development costs is in accordance with ASC 985-20, "Software - Costs of Software to be Sold, Leased, or Marketed". Capitalization of software development costs begins upon the determination of technological feasibility and continues up to the time the software is available for general release to customers, at which time capitalized software costs are amortized to cost of revenues on a straight-line basis over the expected life of the related product.

Other purchased intangible assets have been recorded in the Company's financial statements as a result of acquisitions, consisting of core technology, customer relationship, and trademark.

Intangible assets that are considered to have definite useful life are amortized using the straight-line basis over their estimated useful lives.

J. Business Combinations

The Company applies the provisions of ASC 805, "Business Combination" and allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. The allocation of the purchase price requires management to make significant estimates in determining the fair values of assets acquired and liabilities assumed, especially with respect to intangible assets. These estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate weighted-average cost of capital and the cost savings expected to be derived from acquiring an asset. These estimates are inherently uncertain and unpredictable. During the measurement period, which may be up to one year from the acquisition date, adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed may be recorded, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's Consolidated Statements of Operation. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred (see also Note 3).



Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (cont'd)

K. Goodwill

Goodwill is recorded as a result of acquisitions. Goodwill represents the excess of the purchase price in a business combination over the fair value of identifiable net tangible and intangible assets acquired. Goodwill is not amortized but rather is subject to an impairment test.

ASC No. 350, "Intangibles - Goodwill and other" ("ASC No. 350") requires goodwill to be tested for impairment at the reporting unit level at least annually or between annual tests in certain circumstances and written down when impaired.

ASC No. 350 allows an entity to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If the qualitative assessment does not result in a more likely than not indication of impairment, no further impairment testing is required. If it does result in a more likely than not indication of impairment, the quantitative goodwill impairment test is performed. Alternatively, ASC No. 350 permits an entity to bypass the qualitative assessment for any reporting unit and proceed directly to performing the quantitative goodwill impairment test. If the carrying value of a reporting unit exceeds its fair value, the Company recognizes an impairment of goodwill for the amount of this excess, in accordance with the guidance in FASB Accounting Standards Update ("ASU") No. 2017-04, Intangibles - Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment.

The Company operates in one operating segment, and this segment is the only reporting unit. The Company performs an annual goodwill impairment test during the fourth quarter of each fiscal year, or more frequently if impairment indicators are present and compares the fair value of the reporting unit with its carrying value.

During the year 2024 and 2023, no goodwill impairment losses have been identified.

L. Impairment of long-lived assets

The Company's long-lived assets are reviewed for impairment in accordance with ASC topic 360, "Property Plant and Equipment", ("ASC 360"), whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. During the years 2024, 2023 and 2022, no impairment losses have been recognized.

M. Income taxes

The Company accounts for income taxes in accordance with ASC topic 740, "Income Taxes" ("ASC 740"). This Statement prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and for carry-forward losses deferred taxes are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and its subsidiaries provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that some portion or all of the deferred tax asset will not be realized.



Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (cont'd)

M. Income taxes (cont'd)

ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with ASC 740. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes.

The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company elected to classify interest expenses and penalties recognized in the financial statements as income taxes.

N. Revenue recognition

The Company recognizes revenue when (or as) it satisfies performance obligations by transferring promised products or services to its customers in an amount that reflects the consideration the Company expects to receive. The Company applies the following five steps: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

The Company determines that it has a contract with a customer when each of the parties has an identifiable right with regards to the products or services that should be transferred, payment terms, and customer's ability and intention to pay, as long as contract's commercial substance. A master sale agreement under which a customer places purchase orders to obtain goods or services does not itself constitute a contract with a customer, as it usually does not create an enforceable right and obligations for the parties. The Company considers customer purchase orders, which in some cases are governed by master sales agreements, to be the contracts with a customer.

For each contract, the Company considers the promise to transfer tangible products, network roll-out, professional services and customer support, each of which are distinct, to be the identified performance obligations. In determining the transaction price, the Company evaluates whether the price is subject to rebates, amounts collected on behalf of other third parties, indirect taxes or other adjustments, to determine the net consideration that the Company expects to receive. As the Company's standard payment terms are less than one year, the contracts have no significant financing component. The Company allocates the transaction price to each distinct performance obligation based on their relative standalone selling price, which is the price at which the Company would sell a promised good or service separately to a customer. Standalone selling prices for the Company's products and services are generally not observable, and consequently the Company uses the expected cost plus a margin method to determine a standalone selling price. Revenue from tangible products is recognized at a point in time when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied).

Revenues from customer support and extended warranty are recognized ratably over the contract period, and the costs associated with these contracts are recognized as incurred. Revenues from network roll-out and professional services are recognized when the Company's performance obligation is satisfied.

The Company accounts for rebates and stock rotations provided to customers as variable consideration, based on historical analysis of credit memo data, rebate plans and stock rotation arrangements, as a deduction from revenue in the period in which the revenue is recognized.



Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (cont'd)

N. Revenue recognition (cont'd)

The Company elected to use the practical expedient and recognize the incremental costs of obtaining contracts as an expense since the amortization period of the assets that the Company otherwise would have recognized is one year or less. Additionally, the Company has elected to apply the practical expedient such that it does not evaluate payment terms of one year or less for the existence of a significant financing component.

O. Research and development expenses, net

Research and development expenses, net of government grants, are charged to the statement of operations as incurred, except for development expenses, which were capitalized in accordance with ASC 985-20 "Software – Costs of Software to be Sold, Leased, or Marketed" (see I above).

The Company records grants received from the Office of the Innovation Authority of the Israeli Ministry of Economics (the "IIA") and from the European Commission (under the Horizon Europe program) as a reduction to Research and development expenses. Royalties payable to the IIA are recognized pursuant to sales of related products and are included in Cost of revenues.

P. Warranty costs

The Company generally offers a standard limited warranty, including parts and labor for an average period of 1-3 years for its products. The Company estimates the costs that may be incurred under its basic limited warranty and records a liability in the amount of such costs at the time product revenue is recognized. Factors that affect the Company's warranty liability include the number of installed units, historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the amounts as necessary.

The Company recorded income (expenses) from decrease (increase) of warranty provision for the years ended December 31, 2024, 2023 and 2022 in the amounts of \$(631) thousand, \$(293) thousand and \$290 thousand respectively. As of December 31, 2024 and 2023, the warranty provision was \$2,325 thousand and \$1,694 thousand respectively.

Q. Derivative instruments

The Company has instituted a foreign currency cash flow hedging program using foreign currency forward contracts ("derivative instruments") in order to hedge the exposure to variability in expected future cash flows resulting from changes in related foreign currency exchange rates. These transactions are designated as cash flow hedges, as defined under ASC topic 815, "Derivatives and Hedging".

ASC 815 requires companies to recognize all of their derivative instruments as either assets or liabilities in the financial statements at fair value. The Company measured the fair value of the contracts in accordance with ASC topic 820, "Fair value Measurement and Disclosures" at Level 2 (see also note 2w). The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship.

For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge or a cash flow hedge.



Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (cont'd)

Q. Derivative instruments (cont'd)

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For derivative instruments that don't meet the definition of a hedge, the changes in the fair value are included immediately in earnings in "Financial expenses and others, net" in each reporting period.

The Company's cash flow hedging program is to hedge against the risk of overall changes in cash flows resulting from forecasted foreign currency of salary. The Company hedges portions of its forecasted expenses denominated in NIS with forward exchange contracts.

R. Concentrations of credit risk

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist principally of cash and cash equivalents, and trade receivables.

The majority of the Company's cash and cash equivalents are maintained in U.S. dollar. Generally, these cash and cash equivalents may be redeemed upon demand. Management believes that the financial institutions that hold the Company's and its subsidiaries' cash and cash equivalents are institutions with high credit standing, and accordingly, minimal credit risk exists with respect to these assets.

The Company's trade receivables are geographically diversified and derived from sales to customers all over the world. The Company and its subsidiaries generally do not require collateral; however, in certain circumstances, the Company and its subsidiaries may require letters of credit, additional guarantees or advance payments.

The Company and its subsidiaries perform ongoing credit evaluations of their customers and insure certain trade receivables under credit insurance policies.

S. Transfers of financial assets

ASC 860 "Transfers and Servicing", ("ASC 860"), establishes a standard for determining when a transfer of financial assets should be accounted for as a sale. The Company's arrangements are such that the underlying conditions are met for the transfer of financial assets to qualify for accounting as a true sale. The transfers of financial assets are typically performed by the factoring of receivables to four financial institutions.

As of December 31, 2024, and 2023, the Company sold trade receivables to several different financial institutions in a total net amount of \$30,346 thousand and \$30,902 thousand, respectively. Control and risk of those trade receivables were fully transferred in accordance with ASC 860.

During the years ended on December 31, 2024, 2023 and 2022, the Company recorded amounts of \$1,612 thousand, \$2,038 thousand, and \$1,262 thousand, respectively, as financial expense related to its factoring arrangements.



Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (cont'd)

T. Severance pay

The Company's severance pay liability for its Israeli employees is calculated pursuant to Israel's Severance Pay Law based on the most recent salary of the employees multiplied by the number of years of employment, as of the balance sheet date. Employees are entitled to one month's salary for each year of employment or a portion thereof. The Company's liability for all of its employees in Israel is covered

by monthly deposits with pension funds, insurance policies and an accrual. The value of the funds deposited into pension funds and insurance policies is recorded as an asset - Severance pay fund - in the Company's balance sheet.

The severance pay fund includes the deposited funds and accumulated adjustments to the Israeli Consumer Price Index up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to Israel's Severance Pay Law or labor agreements. The value of the deposited funds in insurance policies, is based on the cash surrendered value of these policies and includes profits / losses.

Starting April 2009, the Company's agreements with new employees in Israel are under section 14 of the Severance Pay Law -1963. The Company's contributions for severance pay shall replace its severance obligation, no additional calculations shall be conducted between the parties regarding the matter of severance pay and no additional payments shall be made by the Company to the employee. Further, the related obligation and amounts deposited on behalf of such obligation are not stated on the balance sheet, as the Company is legally released from obligation to employees once the deposit amounts have been paid.

As of December 2024, and 2023, accrued severance pay amounted to \$6,661 thousand and \$7,422 thousand, respectively. Severance expenses for the years ended December 31, 2024, 2023 and 2022, amounted to approximately \$2,074 thousand, \$3,449 thousand, and \$2,859 thousand, respectively.

The Company accounts for its obligations for pension and other postretirement benefits in accordance with ASC 715, "Compensation - Retirement Benefits". For more information refer to note 12.

U. Accounting for Share-based compensation

ASC topic 718, "Compensation - Stock Compensation", ("ASC 718"), requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statements of operations.

The Company estimates the fair value of stock options granted under ASC 718 using the binomial model with the following assumptions for 2024, 2023 and 2022:

	December 31,		
	2024	2023	2022
Dividend yield	0%	0%	0%
Volatility	42% - 61%	41% - 63%	47% - 73%
Risk-free interest	4.3% - 4.4%	4.1% - 5.5%	2.1% - 4.1%
Early exercise multiple	1.70	2.10	2.20



Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (cont'd)

U. Accounting for Share-based compensation (cont'd)

Risk-free interest rates are based on the yield from U.S. Treasury zero-coupon bonds with a term equivalent to the contractual life of the options and the volatility of the price of the Company's shares based upon actual historical stock price movements. The Early exercise factor represents the value of the underlying stock as a multiple of the exercise price of the option, which, if achieved, results in the exercise of the option.

Early exercise multiple is based on actual historical exercise activity. The expected term of the options granted is derived from output of the option valuation model and represents the period of time that options granted are expected to be outstanding.

The Company recognizes compensation expense using the accelerated method for all awards ultimately expected to vest. Estimated forfeitures are based on historical pre-vesting forfeitures and on management's estimates. ASC topic 718 requires forfeitures to be estimated and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

V. Fair value of financial instruments

The Company applies ASC 820, "Fair Value Measurements and Disclosures". Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, for example, the type of investment, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment and the investments are categorized as Level 3.



Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (cont'd)

V. Fair value of financial instruments (cont'd)

The following methods and assumptions were used by the Company and its subsidiaries in estimating their fair value disclosures for financial instruments.

The carrying amounts of cash and cash equivalents, trade receivables, other accounts receivable and prepaid expenses, trade payables, and other accounts payable and accrued expenses approximate their fair values due to the short-term maturities of such instruments.

The derivative instruments are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments.

The liability with respect to the Holdback Consideration regarding the Siklu Acquisition is classified within Level 3, as this liability is valued using valuation models. Some of the inputs to these models are unobservable in the market.

W. Comprehensive income (loss)

The Company accounts for comprehensive income in accordance with ASC topic 220, "Comprehensive Income". This statement establishes standards for the reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income generally represents all changes in shareholders' equity during the period except those resulting from investments by, or distributions to, shareholders.

The components of accumulated other comprehensive income - ("AOCI") were as follows:

	Unrealized Gains (Losses) on Cash Flow Hedges \$ thousands	Foreign Currency Translation Adjustments \$ thousands	Total \$ thousands
Balance as of January 1, 2024	920	(9,007)	(8,087)
Other comprehensive income (loss) before reclassifications	6	(1,459)	(1,453)
Amounts reclassified from AOCI	(520)	-	(520)
Other comprehensive income	(514)	(1,459)	(1,973)
Balance as of December 31, 2024	406	(10,466)	(10,060)

The effects on net loss of amounts reclassified from AOCI for the year ended December 31, 2024 derived from realized losses on cash flow hedges, included in cost of sales and operating expenses.

X. Treasury shares

The Company repurchased its ordinary shares on the open-market and holds such shares as Treasury shares. The Company presents the cost of repurchased treasury shares as a reduction of shareholders' equity.



Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (cont'd)

Y. Basic and diluted net earnings per share

Basic net earnings per share are computed based on the weighted average number of ordinary shares outstanding during each year. Diluted net earnings per share is computed based on the weighted average number of ordinary shares outstanding during each year, plus dilutive potential ordinary shares considered outstanding during the year, in accordance with ASC topic 260, "Earnings Per Share" ("ASC 260").

The total weighted average number of shares related to the outstanding options and RSUs excluded from the calculations of diluted net earnings per share due to their anti-dilutive effect was 2,364,143 5,164,222 and 5,599,666 for the years ended December 31, 2024, 2023 and 2022, respectively.

Z. Recently Adopted Accounting Standards

In November 2023, the Financial Accounting Standard Board ("FASB") issued ASU 2023-07, Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. In addition, it provides new segment disclosure requirements for entities with a single reportable segment. The Company adopted this guidance for its annual period beginning January 1, 2024. See Note 18 "Segments, Customers and Geographic Information" for further information.

AA. Recently Issued But Not Yet Adopted Accounting Standards

1. In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740), Improvements to Income Tax Disclosures, which requires disaggregated information about the effective tax rate reconciliation as well as information on income taxes paid. The guidance will be effective for the Company for annual periods beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating the impact of the ASU on its financial statement disclosures.
2. In November 2024, the FASB issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. This ASU requires an entity to disclose the amounts of purchases of inventory, employee compensation, depreciation, and intangible asset amortization included in each relevant expense caption. It also requires an entity to include certain amounts that are already required to be disclosed under current GAAP in the same disclosure. Additionally, it requires an entity to disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively, and to disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses. The amendments in the ASU are effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027, with early adoption permitted. An entity may apply the amendments prospectively for reporting periods after the effective date or retrospectively to any or all prior periods presented in the financial statements. The Company is currently evaluating the impact of the ASU on its financial statement disclosures.



Notes to the Consolidated Financial Statements

Note 3 – Acquisitions

A. Siklu

On December 4, 2023, the Company completed the Siklu Acquisition. See also note 1B.

As consideration for the Siklu Acquisition, the Company issued to the Seller 504,902 ordinary shares of the Company with a fair value of \$944 thousand (the "Share Consideration") and paid \$8,341 thousand of cash to repay Siklu's outstanding debt, including both principal and interest. In addition, the Company accounted for \$1,617 thousand for additional consideration of up to 735,294 ordinary shares of the Company or cash, in certain circumstances, which will be released from holdback and issued to the Seller in 18 months following the indemnity release date as defined in the Siklu Acquisition agreement (the "Holdback Consideration"). The Holdback Consideration is classified by the Company as a liability that is marked to market each reporting period. As of December 31, 2023, the Company recorded an adjustment to the fair value of its Holdback Consideration of \$110 thousand in Financial and other expenses, net.

The Siklu Acquisition has been accounted for as a business combination, and the financial results of Siklu have been included in the Company's consolidated financial statements for the period subsequent to the Siklu Acquisition.

A summary of the allocation of the purchase consideration for Siklu is as follows (in thousands):

	Amortization Period	Amount
	years	\$ thousands
Repayment of Siklu's outstanding debt obligations		8,341
Share Consideration		944
Holdback Consideration		<u>1,617</u>
Fair value of total consideration		<u>10,902</u>
Fair value of assets acquired and liabilities assumed:		
Current assets (including cash and cash equivalents of \$370 thousand)		5,732
Non-current assets		2,047
Trademark	2	440
Customer Relationships	2-5	1,209
Technology	2-6	3,638
Goodwill		7,749
Other current liabilities		(6,694)
Long-term liabilities		<u>(3,219)</u>
		<u>10,902</u>



Notes to the Consolidated Financial Statements

Note 3 - Acquisitions (cont'd)

A. Siklu (cont'd)

The valuation of the acquired intangible assets is inherently subjective and relies on significant unobservable inputs. The Company used an income approach to value the acquired developed technology, customer relationships and trade mark intangible assets. The valuation for each of these intangible assets was based on estimated projections of expected cash flows to be generated by the assets, discounted to the present value at discount rates commensurate with perceived risk. The valuation assumptions take into consideration the Company's estimates of customer attrition, technology obsolescence and revenue growth projections. The Company is amortizing the identifiable intangible assets arising from the Siklu Acquisition in relation to the expected cash flows from the individual intangible assets over their respective useful lives, which have a useful life range of 2-10 years (see Note 7). Goodwill results from assets that are not separately identifiable as part of the transaction and is not deductible for tax purposes.

B. Acquisition- and Integration-Related Charges

Acquisition-related expenses include those expenses related to acquisitions that would otherwise not have been incurred by the Company, including professional and services fees, such as legal, audit, consulting, paying agent and other fees. Acquisition-related costs are not included as components of consideration transferred but are accounted for as expenses in the period in which the costs are incurred.

Integration-related expenses represent incremental costs related to combining the Company and its business acquisitions, such as third-party consulting and other third-party services related to merging the previously separate companies' systems and processes.

The components of Acquisition- and integration-related expenses incurred in the years ended December 31, 2024, 2023 and 2022 were as follows:

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Acquisition-related professional and services fees	284	720	-
Integration-related expenses	1,376	398	-
Total acquisition- and integration-related expense	<u>1,660</u>	<u>1,118</u>	<u>-</u>

Note 4 - Other Accounts Receivable and Prepaid Expenses

	December 31,	December 31,
	2024	2023
	\$ thousands	\$ thousands
Government authorities	5,355	6,263
Deferred charges and prepaid expenses	4,624	5,158
Deposits receivable	3,436	2,750
Advances to suppliers	1,626	963
Other	1,375	1,437
	<u>16,415</u>	<u>16,571</u>



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 5 - Inventories

	December 31, 2024	December 31, 2023
	\$ thousands	\$ thousands
Raw materials	28,549	33,790
Work in progress	697	486
Finished products	30,447	34,535
	<u>59,693</u>	<u>68,811</u>

During the years ended December 31, 2024, 2023 and 2022, the Company recorded inventory write-offs for excess inventory and slow-moving inventory in a total amount of \$3,939 thousand, \$7,731 thousand and \$1,980 thousand, respectively that have been included in Cost of revenues.

As of December 31, 2024, the Company has an outstanding inventory purchase orders with its suppliers in the amount of \$45,157 thousand. The commitments are due primarily within one year.

Note 6 - Property and Equipment, Net

	December 31, 2024	December 31, 2023
	\$ thousands	\$ thousands
Cost		
Computers, manufacturing, peripheral equipment	172,342	157,528
Office furniture and equipment	3,214	2,754
Leasehold improvements	2,582	1,949
	<u>178,138</u>	<u>162,231</u>
Accumulated depreciation		
Computers, manufacturing, peripheral equipment	137,658	128,206
Office furniture and equipment	2,081	1,942
Leasehold improvements	1,635	1,424
	<u>141,374</u>	<u>131,572</u>
Depreciated cost	<u>36,764</u>	<u>30,659</u>

Depreciation expenses for the years ended December 31, 2024, 2023 and 2022 were \$10,336 thousand, \$9,335 thousand, and \$10,620 thousand respectively.

Changes of property and equipment not resulted in cash outflows as of December 31, 2024, 2023 and 2022 amounted to \$1,819 thousand, \$1,499 thousand, and \$586 thousand, respectively.



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 7 - Intangible Assets, Net

Intangible Assets:

	Useful Life	December 31, 2024	December 31, 2023
		<u>\$ thousands</u>	<u>\$ thousands</u>
Original amounts:			
Software development costs	5 – 10	15,263	13,096
Core technology	2 – 6	3,638	3,638
Customer relationship	2 – 5	1,209	1,209
Trademark	2	<u>440</u>	<u>440</u>
		<u>20,550</u>	<u>18,383</u>
Accumulated amortization:			
Software development costs		2,441	1,889
Core technology		813	57
Customer relationship		268	19
Trademark		<u>237</u>	<u>17</u>
		<u>3,759</u>	<u>1,982</u>
Other Intangible assets, net:			
Software development costs		12,822	11,207
Core technology		2,825	3,581
Customer relationship		941	1,190
Trademark		<u>203</u>	<u>423</u>
Other Intangible assets, net:		<u>16,791</u>	<u>16,401</u>

The following table represents the expected amortization in future periods, as of December 31, 2024:

	<u>\$ thousands</u>
2025	1,726
2026	2,161
2027	2,186
2028	2,046
2029	1,670
2030 and thereafter	<u>7,002</u>
Total expected amortization	<u>16,791</u>

Amortization expenses for the years ended December 31, 2024, 2023 and 2022 amounted to \$1,776 thousand \$632 thousand and \$420 thousand respectively.



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 8 - Other Accounts Payable and Accrued Expenses

	December 31, 2024	December 31, 2023
	<u>\$ thousands</u>	<u>\$ thousands</u>
Employees and payroll accruals	15,810	14,079
Holdback Liability	3,430	-
Government authorities	3,317	2,364
Accrued expenses	2,788	2,491
Provision for warranty costs	2,325	1,694
Advanced payments from customers	1,735	3,282
Other	142	15
	<u>29,547</u>	<u>23,925</u>

Note 9 - Short-term loans

In March 2013, the Company was provided with a revolving Credit Facility by four financial institutions. The Credit Facility was renewed and amended several times during the past years according to Company's needs and financial position.

In December 2023, in connection with the acquisition of Siklu, the Company signed an amendment to the Credit Facility in which it obtained the approval of the syndication of banks to carry out Siklu's acquisition and added additional bank to the syndication agreement.

In June 2024, the Company signed an amendment to the Credit Facility in the frame of which the Credit Facility was extended by an additional 2 years till June 30, 2026. This amendment included a decrease of \$5,000 thousand to the bank guarantees credit lines to \$40,886 thousand.

As of December 31, 2024, the Company has utilized \$25,200 thousand of the \$77,000 thousand available under the Credit Facility for short-term loans. During 2024, the credit lines carried interest rates between 6.12% and 7.95%.

As of December 31, 2024, the total credit facilities for bank guarantees and for loans is \$117,886 thousand.

The Credit Facility is secured by a floating charge over all Company assets as well as several customary fixed charges on specific assets.

Repayment could be accelerated by the financial institutions in certain events of default, including in insolvency events, failure to comply with financial covenants or an event in which a current or future shareholder acquires control (as defined under the Israel Securities Law) of the Company.

The credit agreement contains financial and other covenants requiring that the Company maintains, among other things, minimum shareholders' equity value and financial assets, a certain ratio between its shareholders' equity (excluding total intangible assets and goodwill) and the total value of its assets (excluding total intangible assets and goodwill) on its balance sheet, a certain ratio between its net financial debt to each of its working capital and accounts receivable. As of December 31, 2024 and 2023, the Company met all of its covenants.



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 10 - Derivative Instruments

The Company enters into foreign currency forward contracts with financial institutions to protect against the exposure to changes in exchange rates of several foreign currencies that are associated with forecasted cash flows and existing assets and liabilities. The Company accounts for its derivative instruments as either assets or liabilities and carries them at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation.

Foreign currency derivative contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments.

The fair value of derivative contracts in the consolidated balance sheets on December 31, 2024, and December 31, 2023 were as follows:

	Other accounts receivable and prepaid expenses	Other accounts payable and accrued expenses
	December 31, 2024	
	\$ thousands	\$ thousands
Derivatives designated as hedging instruments:		
Currency forward contracts	508	(76)
Total derivatives	508	(76)
	Other accounts receivable and prepaid expenses	Other accounts payable and accrued expenses
	December 31, 2023	
	\$ thousands	\$ thousands
Derivatives designated as hedging instruments:		
Currency forward contracts	920	-
Total derivatives	920	-



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 10 - Derivative Instruments (cont'd)

The notional amounts for derivatives contracts were as follows:

	December 31, 2024	December 31, 2023
	<u>\$ thousands</u>	<u>\$ thousands</u>
Derivatives designated as hedging instruments:		
Currency forward contracts	21,498	19,482

The maximum length of time over which the Company is hedging its exposure to the variability in future cash flows for forecasted transactions is up to 12 months.

The effect of total income (loss) from derivative contracts designated as cash flow hedges in the consolidated statements of operations for the years ended December 31, 2024, 2023 and 2022 was as follows:

	Year ended December 31,		
	2024	2023	2022
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
Cost of revenues	(123)	(901)	(515)
Research and development, net	(215)	(1,544)	(939)
Sales and marketing	(76)	(443)	(215)
General and administrative	(106)	(721)	(386)
Financial expenses and others, net	-	(498)	(170)

Note 11 - Credit Losses

The Company is exposed to credit losses primarily through sales to customers. The Company's expected loss allowance methodology for trade receivables is developed using historical collection experience, current and future economic and market conditions and a review of the current status.

The estimate of amount of trade receivable that may not be collected is based on the geographic location of the trade receivable balances, aging of the trade receivable balances, the financial condition of customers and the Company's historical experience with customers in similar geographies.

Additionally, specific allowance amounts are established to record the appropriate provision for customers who have a higher probability of default.



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 11 - Credit Losses (cont'd)

The following table provides a roll-forward of the allowance for credit losses that is deducted from the amortized cost basis of trade receivables to present the net amount expected to be collected:

	December 31, 2024	December 31, 2023
	<u>\$ thousands</u>	<u>\$ thousands</u>
Balance, at beginning of period	24,602	22,410
Provision for expected credit losses	621	3,898
Balance added in business combination	-	259
Recoveries collected	(*) (9,613)	(1,084)
Amounts written off charged against the allowance and others	<u>(1,814)</u>	<u>(881)</u>
Balance, at end of period	<u>13,796</u>	<u>24,602</u>

(*) During 2024, the Company collected \$9,064 thousand from South American customer, see Note 13D.3.

Note 12 - Pension Liabilities, Net

The Norwegian subsidiary Ceragon Networks AS (formerly "Nera Networks AS") has defined contribution schemes and four unfunded pension plans.

Under the defined contributions scheme Ceragon Networks AS makes a payment to the insurance company who administer the fund on behalf of the employee. Ceragon Networks AS has no liabilities relating to such schemes after the payment to the insurance company. As of December 31, 2024, all active employees are in this scheme. The contribution and the corresponding social security taxes are recognized as payroll expenses in the period to which the employee's services are rendered. The defined pension contribution schemes meet the requirements of the law on compulsory occupational pension.

Defined benefit scheme was stopped for admission from December 1, 2007, and persons that were employed after that date were automatically entered into the defined contribution scheme. The schemes give right to defined future benefits. These are mainly dependent on the number of qualifying employment years, salary level at pension age, and the amount of benefits from the national insurance scheme. The commitment related to the pension scheme is covered through an insurance company.

AFP-scheme - in force from 1 January 2011, the AFP-scheme is a defined benefit multi-enterprise scheme, but is recognized in the accounts as a defined contribution scheme until reliable and sufficient information is available for the group to recognize its proportional share of pension cost, pension liability and pension funds in the scheme. Ceragon Networks AS's liabilities are therefore not recognized as liability in the balance sheet.

The liabilities in respect of Ceragon Networks AS's unfunded pension plans together represent 100% of the PBO (Projected Benefit Obligation) of the entire group.



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 12 - Pension Liabilities, Net (cont'd)

The following tables provide a reconciliation of the changes in the plans' benefits obligation for the year ended December 31, 2024 and 2023, and the statement of funds status as of December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
	<u>\$ thousands</u>	<u>\$ thousands</u>
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	2,123	2,170
Interest cost	59	61
Expenses paid	(160)	(135)
Exchange rates differences	(187)	(78)
Actuarial (gain) loss	(22)	105
	<u>1,813</u>	<u>2,123</u>
Projected benefit obligation at end of year	<u>1,813</u>	<u>2,123</u>

The assumptions used in the measurement of the Company's benefits obligations as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Weighted-average assumptions		
Discount rate	3.90%	3.10%
Rate of compensation increase	3.75%	3.25%

The amounts reported for net periodic pension costs and the respective benefit obligation amounts are dependent upon the actuarial assumptions used. The Company reviews historical trends, future expectations, current market conditions and external data to determine the assumptions. The discount rate is the covered bond. For purposes of calculating the 2024 net periodic benefit cost and the 2024 benefit obligation, the Company has used a discount rate of 3.90%. The rate of compensation increase is determined by the Company, based upon its long-term plans for such increases.



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 12 - Pension Liabilities, Net (cont'd)

Benefit payments are expected to be paid as follows:

	<u>\$ thousands</u>
2025	114
2026	118
2027	123
2028	127
2029	132
2030 and thereafter	<u>1,199</u>
	<u>1,813</u>

Regarding the policy for amortizing actuarial gains or losses for pension and post-employment plans, the Company has chosen to charge the actuarial gains or losses to statement of operations. Interest cost and actuarial gain or losses are presented in financial expenses and others, net.

For the years ended December 31, 2024, 2023 and 2022, an actuarial gain of \$22 thousand, and loss of \$105 thousand, and \$26 thousand, respectively, was recognized in Finance expenses and others, net.

Note 13 - Commitments and Contingent Liabilities

A. Leases

See Note 14 "Leases" for lease-related commitments as of December 31, 2024.

B. Liabilities for Royalty Payments to the IIA

During 2024, 2023 and 2022, Ceragon received several research and development grants from the Israeli Innovation Authority ("IIA"). The grants require the Company to comply with the requirements of the Research and Development Law, however, Ceragon is not obligated to pay royalties on sales of products based on technology or know-how developed from the grants. In a case involving the transfer of technology or know how developed from the grants outside of Israel, Ceragon may be required to pay royalties related to past sales of products based on the technology or the developed know how. The Company recorded income from IIA grants for the years ended December 31, 2024, 2023 and 2022 in the amount of \$1,264 thousand, \$542 thousand, and \$460 thousand, respectively.

Prior to the Siklu Acquisition, Siklu had received research and development grants from the IIA. The Company assumed Siklu's contract with the IIA, which requires the Company to pay royalties to the IIA on sales of products based on technology or know-how developed from the grants. The royalties were calculated at the rates of 3% to 4% of the aggregated proceeds from the sale of such products. As of December 31, 2024, the Company's maximum possible future royalties commitment, including \$2,721 thousand of unpaid royalties accrued, was \$10,164 thousand, based on grants received from the IIA and not yet repaid.

C. Charges and guarantees

As of December 31, 2024 and 2023, the Company provided guarantees in an aggregate amount of \$18,555 thousand, and \$26,686 thousand respectively, with respect to tender offer guarantees, financial guarantees, warranty guarantees and performance guarantees to its customers.



Notes to the Consolidated Financial Statements

Note 13 - Commitments and Contingent Liabilities (cont'd)

D. Litigations

The Company is currently involved in various claims and legal proceedings. The Company reviews the status of each matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues liability for the estimated loss.

1) Class action claim (District Court of Tel Aviv - Economic Department)

On January 6, 2015, the Company was served with a motion to approve a purported class action, naming the Company, its Chief Executive Officer and its directors as defendants (the "Defendants"). The motion was filed with the District Court of Tel-Aviv (the "Court"). The purported class action alleges breaches of duties by making false and misleading statements in the Company's SEC filings and public statements. The class action claimed amount is approximately \$75,000 thousand.

On May 27, 2021, following a procedure that included filing of various pleadings and affidavits, the Court ruled to certify the motion as a class action, while applying the Israeli Law (the "Ruling").

On September 12, 2021, the company filed a motion for a rehearing on behalf of the Defendants in order to revert the Ruling (the "Rehearing Motion").

On January 3, 2022, a hearing was held in Court in the Rehearing Motion before the Honorable Justices K. Kabub, R. Ronen and T. Avrahami.

On January 27, 2022, a judgment was rendered in the Rehearing Motion. The Court ruled that the Ruling was erroneous as it applied Israeli Law, instead of foreign law, and held accordingly that the law that will apply is U.S. law. The Court further held that the case will be returned to the first judicial instance and will be adjudicated as a class claim under U.S. law. The Court commented that the Company's claims based upon the Statute of Limitations should prima facie also be adjudicated under U.S. law.

On March 20, 2022, following the Court's decision, the Plaintiff filed to the first judicial instance, an amended class action claim, based on provisions of U.S. law. The Plaintiff estimated the amended claim amount at \$52,099 thousand.

On June 28th, 2022, following a joint application filed by the parties in order to approve certain procedural matters, the Court issued a decision suggesting that the parties should consider initiating another mediation procedure. On July 5th, 2022, following the court's decision, the parties filed a notice informing the court that they believe that the time to consider initiating another mediation procedure, will be only after the parties submit their pleadings.

On November 3rd, 2022, the Defendants submitted their Statement of Defense, based on U.S. law. On February 5th, 2023, the plaintiff submitted his response to the Defendants' Statement of Defense.

On June 15th, 2023, the court rejected a motion filed by the Defendants to rule on the issues of Statute of Repose and Limitations as a preliminary matter, and held that those issues will be dealt with as part of the main hearing. Additionally, the parties conducted preliminary procedures, including discovery and questionnaires, and filed related motions.



Notes to the Consolidated Financial Statements

Note 13 - Commitments and Contingent Liabilities (cont'd)

D. Litigations (cont'd)

1) Class action claim (District Court of Tel Aviv - Economic Department) (cont'd)

On September 21st, 2023, a preliminary hearing was held. At the conclusion of the hearing, the court ruled that it would issue written decisions on the discovery issues and then set dates for further proceedings.

On September 28th, 2023, the court approved the defendants' motion for document discovery and determined that the documents in question are indeed relevant. As a result, the court has directed the plaintiff to furnish the requested documents by October 28, 2023. Alternatively, the court has given the plaintiff the option to waive any claims associated with these documents.

On October 1, 2023, the court granted the plaintiff's motion for document discovery and ordered the company to produce all requested documents and to complete some of the answers to the questions included in the plaintiff questionnaire within 45 days. In making this decision, it was determined that, in addition to the documents already provided to the plaintiff, the company is required to disclose thousands of additional documents and document types. These materials, however, were deemed irrelevant and extended beyond the approved grounds for the class action request. The discovery and disclosure of such documents would impose a substantial burden on the company.

As a result, on December 31, 2023, the company sought permission to appeal the district court's decision and requested a delay in its implementation. The Supreme Court granted a stay on the execution of the district court's decision and scheduled a hearing for January 25, 2024.

During the hearing, the Supreme Court, presided over by the Honorable Judge Grosskopf, acknowledged the company's contentions. It clarified that the extensive disclosure mandated by the district court exceeded the necessary requirements in accordance with the law and suggested that the plaintiff negotiate agreements with the company. These agreements are aimed at significantly reducing the scope of disclosure, particularly concerning the period for which documents and correspondence must be provided.

Following discussions both outside the courtroom and before the Honorable Judge, where the parties presented their arguments on each dispute demand, partial agreements were reached. These agreements outline the documents the company will provide to the plaintiff.

Validated by the Supreme Court, these agreements substantially reduced the disclosure requirements outlined in the district court's decision. The plaintiff, in turn, waived certain demands entirely and significantly narrowed others. For the limited remaining requirements, it was established that the company would convey its position on transferring the requested documents to the plaintiff in the reduced format proposed during the hearing. It was also decided that if no agreements are reached concerning these documents, the court will make a decision on the matter.

On March 26, 2024, the Company provided the plaintiff with the required documents, in accordance with the agreements between the parties.

On March 12, 2024, following the submission of pleadings by the parties, the Supreme Court reduced the amount of expenses imposed by the district court against the Company in its decision.



Notes to the Consolidated Financial Statements

Note 13 - Commitments and Contingent Liabilities (cont'd)

D. Litigations (cont'd)

1) Class action claim (District Court of Tel Aviv - Economic Department) (cont'd)

dated October 1, 2023, since the appeal resulted in a reduction in the extent of disclosure initially determined by the district court.

On April 2024, the parties have agreed to refer the dispute to a mediation procedure before the esteemed retired judge, Dr. Avi Zamir. To date, two mediation meetings have been held.

On January 30, 2025, the parties filed an update with the court, indicating that, as part of the mediation process, they have reached preliminary understandings. As a result, the court was requested to grant the parties an additional 60-day period to allow them to finalize a settlement agreement, which will then be submitted to the court's approval. On February 2, 2025, the court approved the parties' request. Given the above, the mediation process is still ongoing.

Although the parties have not yet reached a conclusive and binding settlement agreement, nor has the settlement agreement been submitted for court approval (or approved by the court), the company estimates, based on its external legal counsel and all facts and circumstances, that the probable loss under the settlement agreement will be approximately \$1,160 thousand USD. Accordingly, a provision for this amount was recorded on the balance sheet as of December 31, 2024.

2) Claim against Station Enterprises Ltd. regarding breach of the Lease Agreement

A dispute has arisen between the Company and Station Enterprises Ltd, with respect to the lease agreement signed between the parties on April 11, 2019 (the "Lease Agreement"), under which the Company leases its offices and labs in Rosh Haayin.

The Company, the lessee, claims that Station Enterprises was late in delivering the possession to the lessee and has not fulfilled its maintenance and management obligations. Therefore, the Company claims that Station Enterprises breached its contractual obligations, causing the Company damages and expenses.

Due to such alleged breaches, the Company has set off the rent and management fees against outstanding debts of Station Enterprises towards the Company and provided Station Enterprises with a set-off notice.

A dispute has arisen between the Company and Station Enterprises Ltd, with respect to the lease agreement signed between the parties on April 11, 2019 (the "Lease Agreement"), under which the Company leases its offices and labs in Rosh Haayin.

The Company, the lessee, claims that Station Enterprises was late in delivering the possession to the lessee and has not fulfilled its maintenance and management obligations. Therefore, the Company claims that Station Enterprises breached its contractual obligations, causing the Company damages and expenses.

Due to such alleged breaches, the Company has set off the rent and management fees against outstanding debts of Station Enterprises towards the Company and provided Station Enterprises with a set-off notice.



Notes to the Consolidated Financial Statements

Note 13 - Commitments and Contingent Liabilities (cont'd)

D. Litigations (cont'd)

2) Claim against Station Enterprises Ltd. regarding breach of the Lease Agreement (cont'd)

On February 8, 2022, Station Enterprises provided notice to the Company of the termination of the Lease Agreement, and also on the exercise of the bank guarantees provided to it in connection with the Lease Agreement, in the amount of approximately \$682 thousand. The Company rejected the alleged termination notice, which was provided with no legal grounds, and further required Station Enterprises not to exercise the bank guarantees. This demand was disregarded, and the bank guarantees were exercised in full.

The Company instructed its legal counsel to file a claim against Station Enterprises, in the framework of which the court will be asked to issue a Declarative Order, declaring that the notice of termination was invalid and that Lease Agreement is valid and in force; to order Station Enterprises to reimburse the Company for the amount of the exercised bank guarantees; to order Station Enterprises to uphold and fulfil its contractual obligation and undertakings under the Lease Agreement and the management agreement; and to compensate the Company for the damages caused to it in an amount of approximately \$328 thousand.

The Statement of Claim was filed on May 31, 2022. A Statement of Defense was filed on October 23, 2022, and a Statement of Response was filed on November 23, 2022.

On October 13, 2022, Station Enterprises Ltd. submitted a new claim against the Company, for its eviction from the leased premises. The Statement of Defense was filed on February 12, 2023.

Since both lawsuits deal with the same issues, on December 25, 2022, the Company submitted a request to consolidate the lawsuits.

On January 12, 2023, the judge determined that he would make a final decision on the request when submitting the statement of defense.

On February 12, 2023, the Statement of Defense was filed on behalf of the Company.

On March 27, 2023, the judge ordered the consolidation of the hearings in the two lawsuits.

The parties agreed to refer the dispute in both claims to mediation before attorney Yitzhak Marciano. The first mediation meeting was held on May 8, 2023.

On June 27, 2023, a mediation meeting took place between the parties. After extensive meetings and negotiations between the parties, on September 22, 2024, the mediator announced that the mediation between the parties had failed.

On July 15, 2024, during the first pre-trial, the judge made another attempt to mediate the dispute between the parties, but without success. Consequently, the court scheduled deposition dates and set another pre-trial for March 5, 2024. The date of the pre-trial was rescheduled several times and is now scheduled for September 16, 2025.

On December 1, 2024, the Company submitted its affidavits. following the submission of the affidavits, the parties resumed the mediation process.

Based on its external legal counsel and all facts and circumstances, the amount of loss cannot be reasonably estimated because of the preliminary stage of the lawsuit.



Notes to the Consolidated Financial Statements

Note 13 - Commitments and Contingent Liabilities (cont'd)

D. Litigations (cont'd)

- 3) Arbitration proceeding against Ceragon and one of its subsidiaries

On September 8, 2023, a request for arbitration against the Company and its subsidiary was submitted by a South American customer to an arbitration tribunal in that jurisdiction, alleging that the Company's subsidiary breached a services agreement it entered with such customer and requesting to include the Company too in such arbitration process. This is the same customer of which the Company recorded a \$12,290 thousand credit loss provision in 2022. In its request, the customer stated that its claims amount to \$10,809 thousand, which is less than its outstanding debts to the Company.

On May 28, 2024, the Company announced that it has reached a settlement agreement with the customer to collect a debt of \$12,000 thousand and terminate the arbitration proceeding against the Company and its subsidiary. Said settlement agreement includes a waiver by the customer of all its claims against the Company and its subsidiaries. During 2024, the Company collected \$9,064 thousand from the customer and is actively working to collect the remaining balance of the debt in accordance with the settlement agreement.

We are not a party to any other material legal proceedings.

Note 14 - Leases

The Company's leases include offices and warehouses for its facilities worldwide, as well as car leases, which are all classified as operating leases. Certain leases include renewal options that are under the Company's sole discretion. The renewal options were included in the right of use ("ROU") and liability calculation if it was reasonably certain that the Company would exercise the option.

The components of lease expense and supplemental cash flow information related to leases for the years ended December 31, 2024, 2023 and 2022 were as follows:

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Components of lease expense			
Operating lease cost	4,298	4,014	4,428
Short-term lease cost	60	62	52
Variable lease cost	255	185	99
Total lease expenses	4,613	4,261	4,579



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 14 – Leases (cont'd)

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Supplemental cash flow information			
Cash paid for amounts included in the measurement of lease liabilities	3,950	3,913	4,497
Supplemental non-cash information related to lease liabilities arising from obtaining ROU assets	2,471	3,503	1,300

Supplemental balance sheet information related to leases was as follows:

	Year ended December 31, 2024
Weighted-average remaining operating lease term	6.09
Weighted-average discount rate of operating leases*	4.93%

* The discount rate was determined based on the estimated collateralized borrowing rate of the Company, adjusted to the specific lease term and location of each lease.

Maturities of lease liabilities as of December 31, 2024, were as follows:

	\$ thousands
2025	3,348
2026	3,045
2027	2,779
2028	2,638
2029	2,613
2030 and thereafter	3,924
Total undiscounted lease payments	18,347
Less: imputed interest	2,440
Present value of lease liability	15,907



Notes to the Consolidated Financial Statements

Note 15 - Shareholders' Equity

The ordinary shares of the Company are traded on the Nasdaq Global Select Market, under the symbol "CRNT".

A. General

The ordinary shares entitle their holders to receive notice to participate and vote in general meetings of the Company, the right to share in distributions upon liquidation of the Company, and to receive dividends, if declared.

B. Stock options plans

- In 2003, the Company adopted a share option plan which has been extended or replaced from time to time. At December 2024, the plan that was in effect was the Amended and Restated Share Option and RSU Plan as amended on August 10, 2014 (the "Plan"). Under the Plan, options and RSUs were granted to officers, directors, employees and consultants of the Company or its subsidiaries. The options vest primarily over four years, subject to certain exceptions. The options expire between six to ten years from the date of grant. The Plan was extended to expire on December 31, 2024 and then expired. In 2024, the Company adopted a new share option plan, the 2024 Equity Incentive Plan, to replace the Plan (the "New Plan"). Under the New Plan, options and RSUs may be granted to officers, directors, employees and consultants of the Company or its subsidiaries. The options vest primarily over four years, subject to certain exceptions. The options expire six years from the date of grant.

The Company has reserved sufficient authorized but unissued Shares for purposes of the Plan and the New Plan (together the "Plans") subject to adjustments as provided in the Plans.

- The following table summarizes the activities for the Company's stock options for the year ended December 31, 2024:

	Year ended December 31, 2024			Aggregate intrinsic value \$ thousands
	Number of options	Weighted average exercise price	Weighted average remaining contractual term (in years)	
Outstanding at beginning of year	5,625,482	2.71	3.66	300
Granted	1,047,103	2.72		
Exercised	(2,088,940)	2.83		
Forfeited or expired	(860,359)	3.24		
Outstanding at end of the year	3,723,286	2.52	4.06	8,005
Options exercisable at end of the year	1,532,257	2.57	3.43	3,216
Vested and expected to vest	3,339,251	2.53	3.96	7,143

The weighted average fair value of options granted during 2024, 2023 and 2022 was \$1.18, \$1.02 and \$1.32, respectively.



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 15 - Shareholders' Equity (cont'd)

The intrinsic value of options exercised during the years ended December 31, 2024, 2023 and 2022 was \$2,454 thousand, \$6 thousand, and \$117 thousand, respectively.

B. Stock options plans (cont'd)

The following table summarizes the activities for the Company's RSUs for the year ended December 31, 2024:

	Year ended December 31, 2024	
	Number of RSUs	Weighted average fair value
Unvested at beginning of year	2,622,195	2.42
Granted	1,188,827	2.55
Vested	(885,664)	2.54
Forfeited	(202,316)	2.43
Unvested at end of the year	<u>2,723,042</u>	<u>2.43</u>

As of December 31, 2024, the total unrecognized estimated compensation cost related to non-vested stock options and RSUs granted prior to that date was \$3,893 thousand, which is expected to be recognized over a weighted average period of approximately one year.

The total equity-based compensation expense related to all of the Company's equity-based awards, recognized for the years ended December 31, 2024, 2023 and 2022, was comprised as follows:

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Cost of revenues	495	482	587
Research and development, net	701	828	405
Sales and marketing	1,355	1,416	1,355
General and administrative	1,747	1,238	1,213
Total share-based compensation expenses	<u>4,298</u>	<u>3,964</u>	<u>3,560</u>

C. Dividends

In the event that cash dividends are declared in the future, such dividends will be paid in NIS or in foreign currency subject to any statutory limitations. The Company does not intend to pay cash dividends in the foreseeable future.



Notes to the Consolidated Financial Statements

Note 16 - Taxes on Income

A. Israeli taxation

1. Measurement of taxable income:

The Company has elected to file its tax return under the Israeli Income Tax Regulations 1986 (Principles Regarding the Management of Books of Account of Foreign Invested Companies and Certain Partnerships and the Determination of Their Taxable Income). Accordingly, starting tax year 2003, results of operations in Israel are measured in terms of earnings in U.S. dollars.

2. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (the "Law"):

According to the Law, the Company is entitled to various tax benefits by virtue of the "Approved Enterprise" status granted to part of their enterprises, as implied by this Law. The principal benefits by virtue of the Law are:

According to the provisions of the Law, the Company has chosen to enjoy the "Alternative" track. Under this track, the Company is tax exempt in the first two years of the benefit period and subject to tax at the reduced rate of 10%-25% for the remaining benefit period. The benefit period under Approved Enterprise starts with the first year the benefited enterprise earns taxable income, provided that 14 years have not passed since the approval was granted and 12 years have not passed since the enterprise began operating.

Generally, a company that is Abundant in Foreign Investment is entitled to an extension of the benefits period by an additional five years.

The tax benefits under the Approved Enterprise are conditional upon the fulfillment of the conditions stipulated by the Law, regulations published and the letters of approval for the investments in the approved enterprises. Non-compliance with the conditions may cancel all or part of the benefits and refund of the amount of the benefits, including interest.

The Company has three capital investment programs that have been granted Approved Enterprise status, under the Law.

As of December 31, 2024, the 14 years have passed for the three Approved Enterprise programs.

Income from sources other than the "Approved Enterprise" during the benefit period will be subject to the tax at the regular tax rate.

The Company believes it will continue to enjoy its current tax benefits in accordance with the provisions of the Investment Law prior to the 2005 Amendment.

In December 2016, the Knesset (the Israeli parliament) passed an additional amendment to the Law which provides for additional benefits to Preferred Technological Enterprises by reducing the tax rate on preferred Technological Enterprise income (as such is defined in Amendment 73) to 12% (the "Amendment"). This Amendment came into effect in May 2017 when the Minister of Finance promulgated the regulations for its implementation. The Company has evaluated the effect of the adoption of the Amendment on its financial statements, and as of the date of the approval of the financial statements, the Company did not apply the Amendment. The Company may change its position in the future.



Notes to the Consolidated Financial Statements

Note 16 - Taxes on Income (cont'd)

A. Israeli taxation (cont'd)

3. Tax benefits under the Law for the Encouragement of Industry (Taxes), 1969:

The Encouragement Law provides several tax benefits for industrial companies. An industrial company is defined as a company resident and located in Israel, at least 90% of the income of which in a given tax year, exclusive of income from specified Government loans, capital gains, interest and dividends, is derived from an industrial enterprise owned by it. An industrial enterprise is defined as an enterprise whose major activity in a given tax year is industrial production activity.

Management believes that the Company is currently qualified as an "industrial company" under the Encouragement Law and, as such, enjoys tax benefits, including: (1) deduction of purchase of know-how and patents and/or right to use a patent over an eight-year period; (2) the right to elect, under specified conditions, to file a consolidated tax return with additional related Israeli industrial companies and an industrial holding company; (3) accelerated depreciation rates on equipment and buildings; and (4) expenses related to a public offering on the Tel-Aviv Stock Exchange and on recognized stock markets outside of Israel, are deductible in equal amounts over three years.

Eligibility for benefits under the Encouragement Law is not subject to receipt of prior approval from any Governmental authority. No assurance can be given that the Israeli tax authorities will agree that the Company qualifies, or, if the Company qualifies, that the Company will continue to qualify as an industrial company or that the benefits described above will be available to the Company in the future.

4. Tax rates:

Taxable income of Israeli companies was subject to tax at the rate - of 23% in the years 2024, 2023 and 2022.

The effective tax rate payable by a company that is taxed under the Investment Law may be considerably lower (see also note 16.a2 above). Israeli corporations are generally taxed at the corporate income tax rate on their capital gains.

The Company's tax assessments through the 2018 tax year are considered final.

B. Income taxes for non-Israeli subsidiaries:

Non-Israeli subsidiaries are taxed according to the tax laws in their respective countries of residence.

C. Tax Assessments:

In 2023 and 2024, the Company and two of its subsidiaries received tax assessments from local tax authorities in two territories in which they operate. The Company's management believes it has adequately provided for the reasonably foreseeable outcome related to these assessments and is currently challenging them. However, if these tax assessments are accepted, the Company may be subject to additional tax liabilities, which could have a material adverse effect on its results of operations.



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 16 - Taxes on Income (cont'd)

D. The income tax expense for the years ended December 31, 2024, 2023 and 2022 consisted of the following:

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Current	2,777	3,746	1,140
Deferred	413	2,776	1,306
	<u>3,190</u>	<u>6,522</u>	<u>2,446</u>
Domestic (Israel)	1,270	1,048	664
Foreign	1,920	5,474	1,782
	<u>3,190</u>	<u>6,522</u>	<u>2,446</u>

E. Deferred income taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2024	December 31, 2023
	\$ thousands	\$ thousands
Net operating loss carry forward	74,253	76,348
Temporary differences:		
Allowance for credit loss	14,712	15,990
Research and development	7,335	7,796
Lease liabilities	3,614	3,753
Unrealized foreign exchange gains/losses	6,869	2,414
Vacation	1,103	960
Severance	1,170	1,001
Other	1,558	1,134
Deferred tax assets before valuation allowance	110,614	109,396
Valuation allowance	(104,707)	(103,409)
Deferred tax assets	<u>5,907</u>	<u>5,987</u>
Deferred tax liabilities:		
Right-of-use lease assets	(3,799)	(4,033)
Intangible assets	(913)	(1,258)
Other including property and equipment, net	(1,195)	(696)
Deferred tax asset, net	<u>-</u>	<u>-</u>



Notes to the Consolidated Financial Statements

Note 16 - Taxes on Income (cont'd)

E. Deferred income taxes (cont'd)

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized in each tax jurisdiction. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences are deductible and net operating losses are utilized. Based on consideration of these factors, the Company recorded valuation allowance amounted to \$104,846 thousand and \$103,409 thousand as of December 31, 2024 and 2023 respectively.

F. Net operating loss carry forward and capital loss

As of December 31, 2024, the Company and Siklu have accumulated net operating losses and capital loss for Israeli income tax purposes in the amount of approximately \$234,120 thousand and \$8,248 thousand, respectively. The net operating losses and capital loss may be carried forward and offset against taxable income in the future for an indefinite period.

As of December 31, 2024, the Company's Norwegian subsidiary had a net operating loss carry forward of approximately \$11,336 thousand that can be carried forward. The net operating losses may be carried forward and offset against taxable income in the future for an indefinite period.

As of December 31, 2024, the Company's Brazilian subsidiary had a net operating loss carryforward of approximately \$30,044 thousand that can be carried forward. The net operating losses may be carried forward and offset against taxable income in the future for an indefinite period. The offset is limited to a maximum of 30% of the annual taxable income.

G. Income (Loss) before taxes is comprised as follows:

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Domestic	23,752	10,880	(20,850)
Foreign	3,501	1,862	3,607
	<u>27,253</u>	<u>12,742</u>	<u>(17,243)</u>



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 16 - Taxes on Income (cont'd)

H. Reconciliation of the theoretical tax expense to the actual tax expense

Reconciliation between the theoretical tax expense, assuming all income is taxed at the statutory tax rate applicable to income of the Company and the actual tax expense as reported in the statements of operations is as follows:

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Income (loss) before taxes as reported in the consolidated statements of operations	27,253	12,742	(17,243)
Statutory tax rate	23%	23%	23%
Theoretical tax expenses (income) on the above amount at the Israeli statutory tax rate	6,268	2,931	(3,966)
Non-deductible expenses and other permanent differences	1,328	2,411	265
Non-deductible expenses related to employee stock options	989	946	819
Deferred tax assets on losses and other temporary differences for which valuation allowance was provided, net	(4,459)	(479)	5,378
Other	(936)	713	(50)
Actual tax expense	3,190	6,522	2,446

I. A reconciliation of the beginning and ending balances of unrecognized tax benefits related to uncertain tax positions is as follows:

	Year ended December 31,		
	December 31, 2024	December 31, 2023	December 31, 2022
	\$ thousands	\$ thousands	\$ thousands
Beginning balance	3,187	2,291	2,367
Increases related to tax positions taken during prior years	177	626	283
Increases related to tax positions taken during the current year	607	641	330
Decreases related to statute of limitations	(327)	(371)	(689)
Ending balance	3,644	3,187	2,291

The Company has further accrued \$293 thousand due to interest and penalties related to uncertain tax positions as of December 31, 2024.

As of December 31, 2024, the total amount of gross unrecognized tax benefits was \$3,644 thousand of which if recognized, would favorably affect the Company's effective tax rate.



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 17 - Revenues

Unbilled trade receivable occurs when a right to consideration for the Company's performance under the customer contract occurs before invoicing to the customer. The amount of unbilled accounts receivable included within trade receivable, net on the Consolidated Balance Sheets, was \$10,950 thousand and \$7,253 thousand, as of December 31, 2024, and 2023, respectively.

The Company recognizes contract liabilities, or deferred revenues when it receives advance payments from customers before performance obligations have been performed. The balance of deferred revenues approximates the aggregate amount of the transaction price allocated to the unsatisfied performance obligations at the end of reporting period.

The following table presents the significant changes in the deferred revenue balance during the years ended December 31, 2024 and 2023:

	Year ended December 31, 2024	Year ended December 31, 2023
	\$ thousands	\$ thousands
Balance, beginning of the period	6,177	14,888
New performance obligations	3,117	9,953
Reclassification to other balance sheet item (*)	(740)	(*) (13,800)
Reclassification to revenue as a result of satisfying performance obligations	(5,981)	(4,864)
Balance, end of the period	<u>2,573</u>	<u>6,177</u>
Less: long-term portion of deferred revenue	<u>-</u>	<u>670</u>
Current portion, end of period	<u>2,573</u>	<u>5,507</u>

(*) Deferred revenue in the amount of \$13,800 thousand was reversed against Other non-current assets as a result of a termination of joint development, resulting one-time loss in the amount of \$1,199 thousand recorded in the Company's statement of operation.

The Company elected to apply the optional exemption under ASC 606 paragraph 10-50-14(a) not to disclose the remaining performance obligations that relate to contracts with an original expected duration of one year or less.

Note 18 - Segments, Customers and Geographic Information

- A. The Company applies ASC topic 280, "Segment Reporting", ("ASC 280"). The Company operates in one reportable segment (see Note 1 for a brief description of the Company's business). Reportable segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker ("CODM"). The Company's CODM is its chief executive officer. The Company's CODM manages the business and evaluates operating performance based on consolidated net income (loss). The CODM uses consolidated net income to monitor actual operating results to forecasts and prior periods.



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 18 - Segments, Customers and Geographic Information (cont'd)

The following table summarizes the Company's segment revenue, significant segment expenses, and segment net income (loss):

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Revenues:	394,190	347,179	295,173
Cost of revenues	257,339	227,310	202,110
Gross profit	136,851	119,869	93,063
Less:			
Employee related ⁽¹⁾	65,111	59,729	54,930
Other segment items ⁽²⁾	33,013	38,930	49,070
Financial expenses and others, net	11,474	8,468	6,306
Taxes on income	3,190	6,522	2,446
Net income (loss)	24,063	6,220	(19,689)

⁽¹⁾ Employee related includes employee salaries and commissions, payroll taxes, benefits, and outsourced labor costs.

⁽²⁾ Other segment items include consulting and professional services, depreciation of property and equipment, amortization of intangible assets, share-based compensation expenses, acquisition and integration related charges, marketing expenses, finance and legal expenses, travel expenses, subcontractors costs, software and subscription costs, overhead expenses and restructuring and related charges.

- B. The total revenues are attributed to geographic areas based on the location of the end customer. The following tables present total revenues for the years ended December 31, 2024, 2023 and 2022 and long-lived assets as of December 31, 2024, and 2023:

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Revenues:			
North America (*)	90,533	95,573	67,108
EMEA (**)	62,004	62,023	62,233
Asia-Pacific	34,329	35,033	32,970
India	169,437	107,354	80,957
Latin America	37,887	47,196	51,905
	394,190	347,179	295,173

(*) As of December 31, 2024, 2023 and 2022, 97%, 94% and 87% represent revenues in the United States.

(**) Including Europe, Middle East and Africa. Revenues from sales in Israel for the years ended December 31, 2024, 2023 and 2022, amounted to \$5,182 thousand, \$4,151 thousand, and \$2,896 thousand, respectively.



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 18 - Segments, Customers and Geographic Information (cont'd)

	December 31, 2024	December 31, 2023
	<u>\$ thousands</u>	<u>\$ thousands</u>
Long-lived assets, net:		
Israel	43,679	40,672
Others	<u>9,787</u>	<u>8,824</u>
Total long-lived assets, net (*)	<u>53,466</u>	<u>49,496</u>

(*) Long-lived assets are comprised of property and equipment, net and operating lease right-of-use assets.

C. Major customer data as a percentage of total revenues:

In 2024, the Company had revenues from a customer that represents a group of affiliated companies, equaling 22.6%, a single customer that accounted for 14.6%, and a single customer that accounted for 12.0% of total revenues. In 2023, the Company had revenues from a customer that represents a group of affiliated companies, equaling 28.9%, a single customer that accounted for 18.1%, and a customer that represents a group of affiliated companies equaling 8.5% of total revenues. In 2022, the Company had revenues from a customer that represents a group of affiliated companies, equaling 22.8%, a single customer that accounted for 12.4%, and a customer that represents a group of affiliated companies equaling 12.4% of total revenues.

Note 19 - Selected Statements of Operations Data

A. Restructuring and related charges

During 2023, the Company approved a cost reduction and re-organization plan that included, among other things, downsizing the Company's number of employees in a certain territory (the "2023 Restructuring Plan"). During 2024, the Company approved a cost reduction and re-organization plan that included, among other things, downsizing the Company's number of employees (the "2024 Restructuring Plan"). The Company recorded contractual and termination severance pay and other related costs for the impacted employees.

The liabilities related to the restructuring plans as of December 31, 2024, and 2023 amounted to \$0 thousand, and \$80 thousand, respectively.

The Company does not expect to incur additional costs related to the 2024 and 2023 Restructuring plans.



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 19 - Selected Statements of Operations Data (Cont'd)

B. Financial expenses and others, net

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Financial income:			
Interest on deposits	143	93	107
Foreign currency translation differences and derivatives	566	3,296	3,054
	<u>709</u>	<u>3,389</u>	<u>3,161</u>
Financial expenses:			
Bank charges and interest on loans	(5,974)	(7,538)	(5,016)
Foreign currency translation differences and derivatives	(4,082)	(4,049)	(4,451)
Non-cash revaluation expenses associated with business combination	(1,703)	(110)	
Others	(424)	(160)	-
	<u>(12,183)</u>	<u>(11,857)</u>	<u>(9,467)</u>
	<u>(11,474)</u>	<u>(8,468)</u>	<u>(6,306)</u>

C. Net Income (loss) per share

The following table sets forth the computation of basic and diluted net earnings per share:

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Numerator:			
Numerator for basic and diluted net income (loss) per share – income (loss) available to shareholders of Ordinary shares	24,063	6,220	(19,689)
Denominator:			
Denominator for basic net income (loss) per share – adjusted weighted average number of Ordinary shares	86,191,178	84,617,774	84,132,982
Add – employee stock options and RSU	2,268,824	864,852	-
Denominator for diluted net income (loss) per share – adjusted weighted average number of Ordinary shares	88,460,001	85,482,626	84,132,982



Notes to the Consolidated Financial Statements

Note 20 - Related Party Balances and Transactions

Related party balances and transactions are with related companies and principal shareholders. Yehuda Zisapel, who passed away in March 2024, was a shareholder of the Company. Zohar Zisapel who passed away in May 2023, was the former Chairman of the Board of Directors of the Company and a principal shareholder. Since May 2023, the entities of the RAD-BYNET group are no longer considered related parties to Ceragon. Yehuda and Zohar Zisapel were brothers who did not have a voting agreement between them. Jointly or severally, they were also founders, directors and principal shareholders of several other companies that are known as the RAD-BYNET group.

Members of the RAD-BYNET group provide the Company on an as-needed basis with information systems infrastructure, administrative services, and medical insurance, as well as in connection with logistics services; the Company reimburses each company for its costs in providing these services. The aggregate amount of these expenses was approximately \$0 thousand, \$941 thousand, \$1,662 thousand and in 2024, 2023 and 2022, respectively.

The Company has an OEM arrangement with RADWIN, a member of RAD-BYNET group, according to which the Company purchases RADWIN products that are then resold to the Company's customers. In addition, the Company purchases certain inventory components from other members of the RAD-BYNET group, which are integrated into its products. The aggregate purchase price of these components was approximately \$0 thousand, \$104 thousand, and \$122 thousand for the years ended December 31, 2024, 2023 and 2022, respectively.

The Company purchases certain property and equipment from members of the RAD- BYNET group, the aggregate purchase price of these assets was approximately \$0 thousand, \$37 thousand, and \$180 thousand for the years ended December 31, 2024, 2023 and 2022, respectively.

Transactions with related parties:

	Year ended December 31,		
	2024	2023	2022
	\$ thousands	\$ thousands	\$ thousands
Revenues	-	77	47
Cost of revenues	-	295	345
Research and development expenses	-	3	115
Sales and marketing expenses	-	252	284
General and administrative expenses	-	495	1,040
Purchase of property and equipment	-	37	180



Ceragon Networks Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 21 - Subsequent Events

On January 31, 2025, the Company completed the acquisition of End 2 End Technologies, LLC (“End 2 End”) a U.S. systems integration and software development company that serves Private Networks, primarily in the Energy and Utilities markets. The total consideration paid at closing was approximately \$8.5 million, subject to customary post-closing adjustments. In addition, the transaction includes a contingent consideration (earnout) of up to \$4.3 million, subject to achieving certain financial goals primarily in 2025 and paid mostly in 2026.

The Company is in the process of performing the Purchase Price Allocation (PPA) in accordance with ASC 805, which includes the identification and valuation of acquired assets, liabilities, and any potential goodwill or intangible assets. The final allocation of the purchase price, including the fair value assessment of the contingent consideration, will be disclosed in a future reporting period once the evaluation is complete.



NOTES TO THE FINANCIAL STATEMENTS 2024

Accounting principles

The financial statements have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

Use of estimates

The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a greater extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Revenues

Income from sale of goods and services are recognized at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales are taken to income when the company has delivered its products to the customer and there are no unsatisfied commitments which may influence the customer's acceptance of the product. Delivery is not completed until the products have been sent to the agreed place, and risks relating to loss and obsolescence have been transferred to the customer. Historical data is applied to estimate and recognize provisions for quantity rebates and returns at the sales date. Provisions for expected guarantee work are recognized as expenses and provisions for liabilities. Services are recognized in proportion to the work performed.

Revenues – change in accounting principle

Income from long-term manufacturing contracts has in previous years been recognized in the income statement in accordance with the percentage of completion method. Project income included direct materials, wages and other directly assigned expenses, and indirect expenses and share of project profit that fall under the project. Contracts where delivery of equipment distinctly could be separated from installation, training etc., are split up and recognition of income is calculated individually for each part.

As of 1 January 2013, the percentage of completion method is no longer applied and revenue and cost have been recognized upon delivery of equipment and installation service.

Purchase costs

The purchase cost of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase costs (freight, customs fees, public fees which are non-refundable and any other direct purchase costs). Purchases in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

For fixed assets and intangible assets purchase cost also includes direct expenses to prepare the asset for use, such as expenses for testing of the asset.

Interest expense incurred in connection with the production of fixed assets is expensed.

Intangible assets

From 2011 the company no longer perform R&D activities in its own account, but provide R&D services to its parent company and the IP rights have been sold. R&D activities has come to an end in 2014



Fixed assets

Land is not depreciated. Other fixed assets are reflected in the balance sheet and depreciated to residual value over the asset's expected useful life on a straight-line basis. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or improvements are added to the asset's cost price and depreciated together with the asset. The split between maintenance and additions/improvements is calculated in proportion to the asset's condition at the acquisition date.

Leased assets are reflected in the balances sheet as assets if the leasing contract is considered a financial lease.

Investments in other companies

Except for short term investments in listed shares, the cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividend from other companies are reflected as financial income when it has been approved.

Asset impairments

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cash flows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

Previous impairment charges, except write-down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Inventories

Inventories are valued at the lower of purchase cost (according to the FIFO principle) and fair value. Recoverable amount has been used as approximation to net realizable value for raw materials and work in progress. For finished goods and work in progress purchase cost comprises cost of product design, material consumption, direct payroll expenses and other direct and indirect production expenses (based on normal capacity). Fair value is estimated sales costs less expenses for completion and sale. Only variable expenses are considered necessary to sell finished goods, whilst fixed production expenses are also included as necessary for not finished goods.

Debtors

Trade debtors are recognized in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognized at the lower of nominal and net realizable value. Net realizable value is the present value of estimated future payments. When the effect of a write-down is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade debtors.

Foreign currencies

Receivables and liabilities in foreign currencies which are not secured through forward contracts, are taken to income at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognized as operating income and cost of goods sold.



Liabilities

Liabilities, with the exception of certain liability provisions, are recognized in the balance sheet at nominal amount.

Guarantee commitments/complaints

Guarantee commitments relating to completed sales are valued at the estimated cost of such work. The estimate is made on the basis of historical figures for guarantee work, but adjusted for expected differences due to, for instance, changes in quality assurance routines and changes in product range. The provision is recognized under 'Other short term liabilities' and changes in the provision are recognized in income.

Pensions

The company has various pension schemes. The pension schemes are financed through payments to insurance companies, with the exception of the early retirement pension scheme (AFP). The company has both defined contribution plans and defined benefit plans.

Defined contribution plan

With a defined contribution plan the company pays contributions to an insurance company. After the contribution has been made the company has no further commitment to pay. The contribution is recognized as payroll expenses. Prepaid contributions are reflected as an asset (pension fund) to the degree the contribution can be refunded or will reduce future payments.

Defined benefit plan

A defined benefit plan is a pension scheme which is not a defined contribution plan. A defined benefit plan is a pension scheme which defines a pension payment which an employee will receive at pension age. The pension payments are normally dependent on one or more factors such as age, number of years in the company, and salary. The commitment relating to the defined benefit plan on the balance sheet is the present value of the defined benefits at the balance sheet date less fair value of the pension funds (amount paid to an insurance company), adjusted for estimate differences and expenses relating to former period's pension earnings not recognized in the income statement. The pension commitments are calculated annually by an independent actuary on a straight-line earning profile basis.

Changes to the pension plan are expensed over the expected remaining earning period. The same applies to estimate differences due to new information or changes in the actuarial assumptions, if they exceed 10% of the largest of the pension commitments and pension funds (corridor).

Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carry forward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carry forward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

Tax reduction on group contributions given and tax on group contribution received, booked as a reduction of cost price or taken directly to equity, are booked directly against tax in the balance sheet (offset against payable taxes if the group contribution has affected payable taxes, and offset against deferred taxes if the group contribution has affected deferred taxes).

Deferred tax is reflected at nominal value.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.



Stock options

The Company operates an equity-settled, share-based compensation plan where employees are granted option in Ceragon Networks Ltd. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The Company estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the income statement. The company have selected the binomial option pricing model as the most appropriate fair value method for the share option awards based on the market value of the underlying shares at the date of grant. The company recognize compensation expenses for the value of our awards, which have graded vesting, based on the accelerated attribution method over the requisite service period, net of estimated forfeitures. Estimated forfeitures are based on actual historical preventing forfeitures and on management's estimates.

Consolidated financial statement

Ceragon Networks AS is part of the Ceragon Networks Ltd Group and therefore consolidated in their financial statements. The Consolidated Financial Statements for the Ceragon Group can be obtained from Ceragons's webpage www.ceragon.com.



Note 1 - Equity

Changes in equity for the year:

(Amounts in 1 000 NOK)	Share capital	Share premium	Other Equity	Total equity
Equity as of 01.01.2024	90,000	376,772	-229,924	236,848
Annual result	0	0	20,121	20,121
Equity 31.12.2024	90,000	376,772	-209,804	256,968

Note 2 - Wage costs,

(Amounts in 1 000 NOK)

	2024	2023
Wages and holiday allowance	17,350	15,942
Other remuneration etc.	2,283	1,501
Social costs	2,956	2,318
Pension costs	892	1,250
Total	23,480	21,011

Number of man-years

25.0 26.7

Note 3 - Property, Plant and Equipment

(amounts in 1 000 NOK)	Machinery and plants	Fixtures and fittings	TOTAL
Acquisition cost 01.01.24	26,094	134	26,228
Additions		0	0
Disposal and translation differences 2024	0	0	0
Acquisition cost 31.12.24	26,094	134	26,228
Accumulated depreciations 01.01.24	22,783	134	22,917
Depreciations for the year	915	0	915
Disposal and translation differences 2024	72	0	72
Accumulated depreciations 31.12.2024	23,770	134	23,904
Book value 31.12.2024	2,324	0	2,324

Depreciation period

5 - 15 years 3-10 years

Note 4 - Taxes

(amounts in 1 000 NOK)

Temporary differences:	12/31/2024	12/31/2023	Change
Property, plant and equipment and intangible assets	-8,293	-8,933	-640
Inventories	-285	-267	18
Receivables DD	-477,825	-425,591	52,235
Pensions	-20,517	-21,632	-1,115
Total temporary differences	-506,921	-456,424	50,497
Carry forward loss	-113,819	-184,783	-70,963
Total basis for deferred tax assets	-620,739	-626,549	-20,466
Deferred tax assets	-136,563	-137,841	1,278
Deferred tax asset not recognized in the balance sheet	136,563	137,841	1,278
Deferred tax assets recognized in the balance sheet	0	0	0
Tax rate	22%	22%	

Due to uncertainty related to future use of the tax positions, deferred tax assets are not recognized in the balance sheet.



Note 5 - Finance items

Financial income and financial expenses comprise the following elements:

(amounts in 1 000 NOK)	2024	2023
Gain on exchange	-17,330	-1,036
interest income	-1,793	-2,379
Total financial income	-19,124	-3,415

(amounts in 1 000 NOK)	2024	2023
Interest expenses	294	0
Total financial expenses	294	0

Net financial expense/(income)	-18,830	-3,415
---------------------------------------	----------------	---------------

Note 6 - Accounts receivables

(amounts in 1 000 NOK)	2024	2023
External trade receivables, nominal value	56,138	66,653
Internal trade receivables, nominal value	641,652	558,547
Provision for doubtful debts	-522,347	-470,110
Trade receivables	175,443	155,090

Note 7 - Other receivables

(amounts in 1 000 NOK)	2024	2023
Other receivables per 31.12.:		
Pre-paid external expenses	274	2,970
Vat owing (Norway)	0	1,739
Other short-term receivables	97	841
Value in balance sheet other short-term receivables	371	5,550

Note 8 - Investment in subsidiaries

Shares in subsidiaries per 31.12.2024

Company	Business address	Currency	Share capital (1,000)	Share- holding	Voting share	Book value
Nera Invest AS	Norway	NOK	100	100%	100%	95
Ceragon America Latina Ltda	Brasil	BRL	10718	100%	100%	50,873
Ceragon Networks Srl	Italia	EUR	10	100%	100%	6,805
Ceragon Chile S.A.	Chile	CLP	1	100%	100%	0
NERA Microwave Nigeria Lt	Nigeria	NGN	10000	100%	100%	0
Ceragon telecomunicacione	Uruguay	UYU	1800	98%	100%	0
Ceragon Paraguay S.A	Paraguay	PYG	20000	90%	90%	0
Ceragon Networks (South Af	Sør-Afrika	ZAR	0.1	100%	100%	0
Ceragon Argentina S.A.	Argentina	ARS	608	95%	100%	0
OOO Ceragon Networks (Mc	Russland	RUB	135	100%	100%	0
Ceragon Networks s.r.o	Slovakia	EUR	7	100%	100%	16,257
Ceragon Networks d.o.o	Serbia	EUR	0.5	100%	100%	0
Ceragon Networks LLC	Russia	RUB	88900	100%	100%	0
Total						74,030



Note 9 - Pensions

Each employee participate in a collective pension scheme according to Norwegian Act of mandatory occupational pensions. The majority of employees are in a defined contribution scheme. Former employees and a limited amount of active employees are in a defined benefit scheme which is mainly determined by the number of years of service, salary at retirement and the social security benefit. The obligations related to the collective scheme are covered by an insurance company.

The company also has an early retirement scheme (AFP). The new pension scheme, which applies from 1 January 2011 is regarded as a defined benefit multi-employer plan, but accounted for as a defined contribution plan until there is reliable and sufficient information to enable the Company to account for their proportional share of pension costs, pension liabilities and

(amounts in 1 000 NOK)

Specification of pension cost for the year:

	2024	2023
Interest cost	568	544
Pension costs defined benefit scheme exclusive of payroll tax	568	544
Payroll tax	80	77
Pension costs defined benefit scheme	648	621
Total pension cost	648	621

(amounts in 1 000 NOK)

Liability in the balance sheet 31.12.

(Defined benefit scheme)

	Secured schemes	Unsecured schemes	Unsecured schemes
Calculated pension liability (PBO)	0	17,982	18,959
Net calculated liability	0	17,982	18,959
Total	0	17,982	18,959
Accrued payroll tax	0	2,535	2,674
Net pension liability 31.12	0	20,517	21,632

(amounts in 1 000 NOK)

Liability in the balance sheet 31.12.2024

(Defined benefit scheme)

	Secured schemes	Unsecured schemes	Unsecured schemes
Calculated pension liability (PBO)	0	17,982	18,959
Net calculated liability	0	17,982	18,959
Total	0	17,982	18,959
Accrued payroll tax	0	2,535	2,674
Net pension liability 31.12.2024	0	20,517	21,632

Number of persons comprised by the defined benefit scheme

per 31.12.2024 and 31.12.2023: **26** **26**

Connection between pension liability 31.12.2023 and 31.12.2024 (defined benefit scheme):

(amounts in 1 000 NOK)

Pension liability 31.12.2023	21,632
Pension cost 2024	327
Paid from operations etc.	-1,442
Estimate change recognized in equity	
Pension liability 31.12.2024	20,517

ACTUARIAL ASSUMPTIONS:

	12/31/2024	12/31/2023
Discount rate	3.90%	3.10%
Annual G-regulation	3.75%	3.25%
Annual regulation of pensions in payment	3.75%	3.25%
Inflation	2.25%	2.25%
Average payroll tax factor	14.10%	14.10%



Note 10 - Other short-term liabilities

(amounts in 1 000 NOK)

Other short-term liabilities per 31.12:	2024	2023
Provision for holiday pay, wages etc.	1,787	2,225
Other provisions/accruals	5,619	5,397
Total external, other short-term liabilities	7,406	7,622

Note 11 - Share capital and shareholders

The share capital in Ceragon Networks AS per 31.12.2024 consists of one share class with in total 5 000 000 shares with nominal value NOK 18 per share. Total share capital per 31.12.2024 is NOK 90 000 000. Each share has the same rights. The company is per 31.12.2024 100% owned by Ceragon (UK) Limited, who is 100% owned by Ceragon Networks Ltd. Ceragon Networks Ltd has its main office in Rosh Haayin in Israel.

Note 12 - Inventories

(amounts in 1 000 NOK)

Balance sheet value of inventories per 31.12. :	2024	2023
Manufactured goods	1,977	1,866
Total balance sheet value 31.12.	1,977	1,866

Note 13 - Transactions with related parties

	2024	2023
Sale to Group Companies	16,340	20,778
Purchase from Group Companies (COGS)	10,960	35,562



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Ceragon Networks AS

Financial statements 01.01 - 31.12

	Note	2024	2023
Operating income and operating expenses			
Revenue	13	65 449	79 495
Total operating income		65 449	79 495
Cost of goods			
Cost of goods	13	32 317	61 457
Personnel expenses	2	23 480	21 011
Depreciations	3	915	823
Other operating expenses (income)		7 100	(5 783)
Total operating expenses		63 812	77 508
Operating profit		1 637	1 987
Financial items			
Interest income from group entities		1 619	2 205
Interest income and financial income		17 210	1 210
Net financial income		18 829	3 415
Other expenses		0	7 487
Operating result before tax		20 466	(2 085)
Tax income on ordinary result		-345	0
Ordinary result after tax		20 121	(2 085)
Annual net profit (loss)		20 121	(2 085)
Brought forward			
Transferred to/(from) other equity		20 121	(2 085)
Net brought forward		20 121	(2 085)



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Ceragon Networks AS

Balance sheet pr 31.12

Assets	Note	2024	2023
Fixed assets			
Tangible assets			
Property, plants and equipment	3	2 324	3 311
Total tangible assets		2 324	3 311
Financial fixed assets			
Investments in subsidiaries	8	74 030	74 030
Loan to inter-group company		29 517	33 865
Total financial fixed assets		103 547	107 895
Total fixed assets		105 871	111 206
Current assets			
Inventories			
	12	1 977	1 866
Debtors			
Account receivables	6	175 443	155 090
Other short-term receivables	7	371	5 550
Total receivables		175 814	160 640
Bank deposit, cash etc.		7 850	7 856
Total current assets		185 641	170 362
Total assets		291 512	281 568



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Ceragon Networks AS

Balance sheet pr 31.12

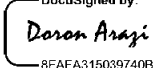
Equity and liabilities	Note	2024	2023
Paid-up equity			
Share capital	1, 11	90 000	90 000
Share premium reserve	1	376 772	376 772
Total paid-up equity		466 772	466 772
Retained earnings			
Uncovered loss	1	-209 804	-229 924
Total retained earnings		-209 804	-229 924
Total equity	1	256 968	236 848
Liabilities			
Provisions for liabilities			
Pension liability	9	20 517	21 632
Total provisions		20 517	21 632
Other non-current liabilities			
Total non-current liabilities		20 517	21 632
Current debt			
Trade creditors		4 078	7 491
Advances from customers/processing contracts		2 540	7 975
Other current debt	10	7 406	7 622
Total current debt		14 027	23 088
Total liabilities		34 544	44 720
Total equity and liabilities		291 512	281 568

Place/ Date: Bergen, Rosh Hayain, 29.09.2025

The board of Ceragon Networks AS

DocuSigned by:

5198DC43F0CA473...
Harald Iversen
general Manager

DocuSigned by:

8FAFA315039740B...
Doron Arazi
member of the board



Ceragon Networks AS

Financial statements 01.01 - 31.12

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Annual net profit (loss)		20 122	(2 085)
Brought forward			
Transferred to/(from) other equity		20 121	(2 085)
Net brought forward		20 121	(2 085)



Ceragon Networks AS

Balance sheet pr 31.12

Assets	Note	2024	2023
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Tangible assets			
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Total tangible assets		<u>2 324</u>	<u>3 311</u>
Financial fixed assets			
Investments in subsidiaries	8	74 030	74 030
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Total fixed assets		<u>105 871</u>	<u>111 206</u>
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Debtors			
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Other short-term receivables	7	371	5 550
Total receivables		<u>175 814</u>	<u>160 640</u>
Bank deposit, cash etc.		<u>7 850</u>	<u>7 856</u>
Total current assets		<u>185 641</u>	<u>170 362</u>
Total assets		<u>291 512</u>	<u>281 568</u>



Ceragon Networks AS

Balance sheet pr 31.12

Equity and liabilities	Note	2024	2023
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Current debt			
Trade creditors		4 078	7 491
Advances from customers/processing contracts		2 542	7 975
Other current debt	10	7 406	7 622
Total current debt		14 025	23 088
Total liabilities		34 543	44 720
Total equity and liabilities		291 511	281 568

Place/ Date: Bergen, Rosh Hayain, 29.09.2025

The board of Ceragon Networks AS

Harald Iversen
general Manager

Doron Arazi
member of the board