



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

### Enheten

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

### Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

### Konsern

Mørselskap i konsern: Ja  
Konsernregnskap lagt ved: Ja

### Regnskapsregler

Regler for små foretak benyttet: Nei  
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: Thomas Lars Örnevik  
Dato for fastsettelse av årsregnskapet: 27.06.2023

### Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert  
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

*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, 13.02.2025



### Resultatregnskap

Beløp i: NOK	Note	2022	2021
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Revenue	2	62 548 000	33 371 000
Other income	3		
<b>Sum inntekter</b>		<b>62 548 000</b>	<b>33 371 000</b>
<b>Kostnader</b>			
Cost of goods		26 554 000	29 286 000
Personnel expenses	3	23 587 000	22 874 000
Depreciations	4	776 000	419 000
Other operating expenses (income)		10 066 000	-20 041 000
<b>Sum kostnader</b>		<b>60 984 000</b>	<b>32 538 000</b>
<b>Driftsresultat</b>		<b>1 564 000</b>	<b>833 000</b>
<b>Finansinntekter og finanskostnader</b>			
Financial income	9	30 203 000	3 771 000
<b>Sum finansinntekter</b>		<b>30 203 000</b>	<b>3 771 000</b>
Financial expenses	9	119 000	217 000
<b>Sum finanskostnader</b>		<b>119 000</b>	<b>217 000</b>
<b>Netto finans</b>		<b>30 084 000</b>	<b>3 554 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>31 648 000</b>	<b>4 387 000</b>
Tax income on ordinary result	8	46 000	71 000
<b>Ordinært resultat etter skattekostnad</b>		<b>31 602 000</b>	<b>4 316 000</b>
<b>Årsresultat</b>		<b>31 602 000</b>	<b>4 316 000</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>31 602 000</b>	<b>4 314 000</b>
<b>Totalresultat</b>		<b>31 602 000</b>	<b>4 314 000</b>
<b>Overføringer og disponeringer</b>			
Transferred from other equity		31 603 000	4 316 000



## Resultatregnskap

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
Sum overføringer og disponeringer		31 603 000	4 316 000



## Balanse

Beløp i: NOK	Note	2022	2021
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Varige driftsmidler</b>			
Property, plants and equipment	4	2 365 000	1 637 000
<b>Sum varige driftsmidler</b>		<b>2 365 000</b>	<b>1 637 000</b>
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	12	74 893 000	74 893 000
Lån til tilknyttet selskap og felles kontrollert virksomhet		41 076 000	41 996 000
<b>Sum finansielle anleggsmidler</b>		<b>115 969 000</b>	<b>116 889 000</b>
<b>Sum anleggsmidler</b>		<b>118 334 000</b>	<b>118 526 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Sum varer</b>	16	<b>3 816 000</b>	<b>2 358 000</b>
<b>Fordringer</b>			
Account receivables	10	132 471 000	118 921 000
Other short-term receivables	11	6 889 000	6 253 000
<b>Sum fordringer</b>		<b>139 360 000</b>	<b>125 174 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bank deposit, cash etc.	7	13 048 000	7 732 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>13 048 000</b>	<b>7 732 000</b>
<b>Sum omløpsmidler</b>		<b>156 224 000</b>	<b>135 264 000</b>
<b>SUM EIENDELER</b>		<b>274 558 000</b>	<b>253 790 000</b>

## BALANSE - EGENKAPITAL OG GJELD

### Egenkapital



### Balanse

Beløp i: NOK	Note	2022	2021
<b>Innskutt egenkapital</b>			
Share capital	1, 15	90 000 000	90 000 000
Annen innskutt egenkapital	1	376 772 000	376 772 000
<b>Sum innskutt egenkapital</b>		<b>466 772 000</b>	<b>466 772 000</b>
<b>Opptjent egenkapital</b>			
Udekket tap	1	227 839 000	259 442 000
<b>Sum opptjent egenkapital</b>		<b>-227 839 000</b>	<b>-259 442 000</b>
<b>Sum egenkapital</b>		<b>238 933 000</b>	<b>207 330 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Pensjonsforpliktelser	13	21 382 000	20 707 000
<b>Sum avsetninger for forpliktelser</b>		<b>21 382 000</b>	<b>20 707 000</b>
<b>Annen langsiktig gjeld</b>			
Other non-current liabilities			-525 000
<b>Sum annen langsiktig gjeld</b>			<b>-525 000</b>
<b>Sum langsiktig gjeld</b>		<b>21 381 000</b>	<b>20 182 000</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		3 652 000	14 456 000
Advances from customers/processing contracts		3 800 000	3 709 000
Other current debt	14	6 791 000	7 588 000
<b>Sum kortsiktig gjeld</b>		<b>14 242 000</b>	<b>25 753 000</b>
<b>Sum gjeld</b>		<b>35 624 000</b>	<b>46 460 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>274 557 000</b>	<b>253 790 000</b>



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## Annual Report 2022 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 19<sup>th</sup> 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 Espelhaugen, 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](http://www.ceragon.com). The 2022 Ceragon Group accounts were issued on 1<sup>st</sup>, May 2023.

### Analysis of the Financial Statements

Total revenues of Ceragon Networks AS for the fiscal year 2022 amounted to 63M NOK compared to 33M NOK in 2021.

Cost of goods was 27M NOK compared to 29M NOK in 2021. Wage expenses were 24M NOK compared to 23M NOK in 2021.

The company's depreciation was 0.8M NOK in 2022 compared to 0.4M NOK in 2021.

Total operating expenses for the fiscal year 2022 were 61M NOK compared to 33M NOK in 2021.

Ordinary operating profit before financial items in 2022 amounted to 1.6M NOK compared to 0.8M NOK in 2021.

Net financial and other income in 2022 amounted to 30.1M NOK income compared to income of 3.6M NOK in 2021.

Taxes on income was 0.05M NOK in 2022 compared to 0.07M NOK in 2021.

Net profit for 2022 was 31.6M NOK compared to 4M NOK in 2021.

### Balance sheet and cash flow

As of December 31, 2022, Receivables amounted to 139M NOK.

Current assets amounted to 156M NOK.

Net cash flow from operating activities amounted to 6M NOK.

Net cash flow used in investment activities amounted to 1.6M NOK.

Net cash flow from financing activities amounted to 0.9M NOK.

Net change in cash and cash equivalents were 5.3M NOK in 2022. The equity ratio per December 31, 2022 was 87%.



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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 275M NOK. The company's equity as of December 31, 2022 was 239M NOK.

## **Working environment and personnel**

Sick leave was 1.41% in 2022 compared to 0.45% in 2021. In 2022 there have not been any incidents of work-related illness. There was no industrial injury in 2022 compared to 1 reported in 2021.

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 2022 the proportion of women was 40.5%. The average salary for woman was 60.9% 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.

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 2023 is looking promising. Also, the business has made some adjustments and introduced a New business model for Connectivity as a Service to address the renewed interest in exploration campaigns that are normally a shorter time span.

Another vertical that is showing interest in investing in private networks is Mining due to the need of automation. We have seen an uptake in both off-shore mining and also on-shore mining.

As a result, we are optimistic about the growth potential in the adjacent markets.

Our future profitability will depend upon our ability to improve manufacturing efficiencies, to reduce



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costs of materials used in our products, and to continue to introduce new lower cost products and product enhancements. This is a challenge due to the high inflation that the world is currently experiencing across the globe.

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.

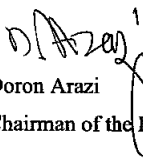
#### Allocation of the result


The result of Ceragon Networks AS in 2022 was a profit of 32M NOK which is proposed allocated as follows:

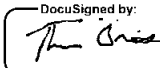
Transferred from other equity	32M NOK
Total allocated	32M NOK

Bergen, 27th June 2023

The Board of Directors, Ceragon Network AS

  
Doron Arazi  
Chairman of the Board

  
Ronen Stein  
Board Member

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Thomas Lars Ornevik  
Board Member/General manager

Yngvil Ellingsen Dahl  
Board Member



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#### 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.

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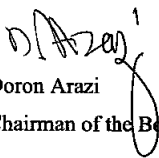
#### Allocation of the result

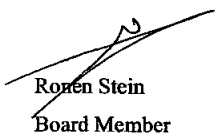
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Transferred from other equity	32M NOK
Total allocated	32M NOK

Bergen, 27th June 2023

The Board of Directors, Ceragon Network AS

  
Doron Arazi  
Chairman of the Board

  
Ronen Stein  
Board Member

Thomas Lars Örnevik  
Board Member/General manager

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Yngvil Ellingsen Dahl  
Board Member



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## Ceragon Networks AS

### Financial statements 01.01 - 31.12

	Note	2022	2021
<b>Operating income and operating expenses</b>			
Revenue	2	62 548	33 371
<b>Total operating income</b>		<b>62 548</b>	<b>33 371</b>
<b>Cost of goods</b>			
Cost of goods		-26 554	-29 286
Personnel expenses	3	-23 587	-22 874
Depreciations	4	-776	-419
Other operating expenses (income)		-10 066	20 041
<b>Total operating expenses</b>		<b>-60 983</b>	<b>-32 538</b>
<b>Operating profit</b>		<b>1 565</b>	<b>833</b>
<b>Financial items</b>			
Financial income	9	-30 203	-3 771
Financial expenses	9	119	217
<b>Net financial income</b>		<b>-30 084</b>	<b>-3 554</b>
<b>Operating result before tax</b>		<b>31 649</b>	<b>4 387</b>
Tax income on ordinary result	8	-46	-71
<b>Ordinary result after tax</b>		<b>31 603</b>	<b>4 316</b>
<b>Annual net profit (loss)</b>		<b>31 603</b>	<b>4 316</b>
<b>Brought forward</b>			
Transferred from other equity		31 603	4 316
<b>Net brought forward</b>		<b>31 603</b>	<b>4 316</b>



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## Ceragon Networks AS

### Balance sheet pr 31.12

Assets	Note	2022	2021
<b>Fixed assets</b>			
<b>Tangible assets</b>			
Property, plants and equipment	4	2 365	1 637
<b>Total tangible assets</b>		<b>2 365</b>	<b>1 637</b>
<b>Financial fixed assets</b>			
Investments in subsidiaries	12	74 893	74 893
Loan to inter-group company		41 076	41 996
<b>Total financial fixed assets</b>		<b>115 969</b>	<b>116 889</b>
<b>Total fixed assets</b>		<b>118 334</b>	<b>118 526</b>
<b>Current assets</b>			
Inventories	16	3 816	2 358
<b>Debtors</b>			
Account receivables	10	132 471	118 921
Other short-term receivables	11	6 889	6 253
<b>Total receivables</b>		<b>139 360</b>	<b>125 174</b>
Bank deposit, cash etc.	7	13 048	7 732
<b>Total current assets</b>		<b>156 224</b>	<b>135 264</b>
<b>Total assets</b>		<b>274 558</b>	<b>253 790</b>



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## Ceragon Networks AS

### Balance sheet pr 31.12

Equity and liabilities	Note	2022	2021
<b>Paid-up equity</b>			
Share capital	1, 15	90 000	90 000
Share premium reserve	1	376 772	376 772
<b>Total paid-up equity</b>		<b>466 772</b>	<b>466 772</b>
<b>Retained earnings</b>			
Uncovered loss	1	-227 839	-259 442
<b>Total retained earnings</b>		<b>-227 839</b>	<b>-259 442</b>
<b>Total equity</b>		<b>238 933</b>	<b>207 330</b>
<b>Liabilities</b>			
<b>Provisions for liabilities</b>			
Pension obligations	13	21 382	20 707
<b>Total provisions</b>		<b>21 382</b>	<b>20 707</b>
<b>Current debt</b>			
Trade creditors		3 652	14 456
Advances from customers/processing contracts		3 800	3 709
Other current debt	14	6 791	7 588
<b>Total current debt</b>		<b>14 243</b>	<b>25 753</b>
<b>Total liabilities</b>		<b>35 625</b>	<b>46 460</b>
<b>Total equity and liabilities</b>		<b>274 558</b>	<b>253 790</b>

Place/ Date: Bergen, Rosh Hayain, 27.06.2023  
The board of Ceragon Networks AS

Yngvil Ellingsen Dahl  
member of the board

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Thomas Lars Ornevik  
member of the board/General Manager

Ronen Stein  
member of the board

Doron Arazi  
chairman of the board




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## Ceragon Networks AS

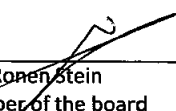
### Balance sheet pr 31.12

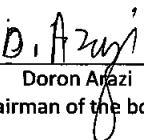
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Place/ Date: Bergen, Rosh Hayain, 27.06.2023  
The board of Ceragon Networks AS

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04E1C07E41484E7  
Yngvil Ellingsen Dahl  
member of the board

Thomas Lars Örnevik  
member of the board/General Manager

  
Ronen Stein  
member of the board

  
Doron Arazi  
chairman of the board



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**Indirect cash flow**

**Ceragon Networks AS**

	Note	2022	2021
<b>Cash flows from operating activities</b>			
Profit/loss before tax		31 649	4 387
Ordinary depreciation		776	419
Change in inventory		-1 458	931
Change in accounts receivable		-13 550	-3 130
Change in accounts payable		-10 724	-8 796
Change in other accrual items		-769	506
<b>Net cash flows from (used) in operating activities</b>		<b>5 924</b>	<b>-5 683</b>
<b>Cash flows from investment activities</b>			
Proceeds (Purchase) of fixed assets		-1 540	-775
<b>Net cash flows used in investment activities</b>		<b>-1 540</b>	<b>-775</b>
<b>Cash flows from financing activities</b>			
Loan to inter-group company		932	5 435
<b>Net cash flow from (used in) financing activities</b>		<b>932</b>	<b>5 435</b>
<b>Net change in cash and cash equivalents</b>		<b>5 316</b>	<b>-1 023</b>
<b>Cash and cash equivalents at the start of the period</b>		<b>7 732</b>	<b>8 755</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>13 048</b>	<b>7 731</b>



## NOTES TO THE FINANCIAL STATEMENTS 2022

### 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](http://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 01.01.2022	90,000	376,772	-259,442	207,330
Annual result	0	0	31,603	31,603
Equity 31.12.2022	90,000	376,772	-227,839	238,933

## Note 2 - Revenues per market area

(Amounts in 1 000 NOK)	2022	2022	2021	2021
Norway	16,509	26.4 %	18,339	55.0 %
Rest of Europe	15,107	24.2 %	7,289	21.8 %
America	11,014	17.6 %	6,976	20.9 %
Africa	3,726	6.0 %	616	1.8 %
Asia/Oceania	16,191	25.9 %	151	0.5 %
<b>Total</b>	<b>62,548</b>	<b>100.0 %</b>	<b>33,371</b>	<b>100.0 %</b>

(Amounts in 1 000 NOK)	2022	2022	2021	2021
External sales	53,200	85.1 %	31,768	95.2 %
Internal sales	9,348	14.9 %	1,602	4.8 %
<b>Total</b>	<b>62,548</b>	<b>100.0 %</b>	<b>33,371</b>	<b>100.0 %</b>

## Note 3 - Wage costs,

(Amounts in 1 000 NOK)	2022	2021
Wages and holiday allowance	17,936	17,041
Other remuneration etc.	1,816	2,475
Social costs	2,865	2,596
Pension costs	970	762
<b>Total</b>	<b>23,587</b>	<b>22,874</b>

Number of man-years

26.5

24.6

## Share options

The Board of Ceragon Networks Ltd has granted stock options in Ceragon Networks Ltd to management and key employees. All stock options are granted at the quoted market price of the stock based on average 30 days prior the date of the grant. The majority of the stock options granted are performance based and earned and have graded vesting over a certain service period. When employees are given stock options they do not gain control over options for a period of time. This period is known as the vesting period and is usually 4 years. During the vesting period the employee cannot sell or transfer the stock or options. 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 has 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

Movement in the number of share options outstanding and their related weighted average exercise prices (in USD) are as follows:

	Average exercise price	No. of options
<b>01.01.2022</b>		<b>58,989</b>
Granted	2.47	3,177
Forfeited	0.00	0
Cancelled	0.00	0
Expired	9.01	-5,000
Exercised	3.37	0
<b>31.12.2022</b>		<b>57,166</b>



Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry	Average exercise price	No. of options
1.6.2023	3.19	9,875
1.9.2024	3.56	7,200
6.10.2025	2.52	12,552
13.9.2026	2.42	8,600
10.8.2027	3.75	18,939
<b>Sum</b>		<b>57,166</b>

Wages, pension premium and other remuneration to managing director and board of directors 2021:

(amounts in 1 000 NOK)	Wages/bonus	Pension premium	Other remuneration
Managing director, Thomas Ornevik	1,628	222	222

No loan/security have been granted to managing director, chairman of the board or other related parties.

Managing director has 27 252 share options outstanding as of 31.12.2022 at an average exercise price of USD 3.04.

#### Note 4 - Property, Plant and Equipment

(amounts in 1 000 NOK)	Machinery and plants	Fixtures and fittings	TOTAL
Acquisition cost 01.01.22	22,847	134	22,981
Additions	1,836	0	1,836
Disposal and translation differences 2022	-332	0	-332
<b>Acquisition cost 31.12.22</b>	<b>24,351</b>	<b>134</b>	<b>24,485</b>
Accumulated depreciations 01.01.22	21,210	134	21,344
Depreciations for the year	776	0	776
Disposal and translation differences 2022		0	0
<b>Accumulated depreciations 31.12.2022</b>	<b>21,986</b>	<b>134</b>	<b>22,120</b>
<b>Book value 31.12.2022</b>	<b>2,365</b>	<b>0</b>	<b>2,365</b>
Depreciation period	5 - 15 years	3-10 years	

#### Note 5 - Leasing

The company has entered into leasing contracts for property, plant and equipment not recognized in the balance sheet, where the following amounts have been recognized as expense in the income statement:

(amounts in 1 000 NOK)	2022	2021
Buildings	911	1,115
<b>Total</b>	<b>911</b>	<b>1,115</b>



## Note 6 - Intangible assets

(amounts in 1 000 NOK)

### Intangible assets per 31.12.2022:

	IT-software	TOTAL
Acquisition cost 01.01.2022	10,534	10,534
Additions 2022	0	0
Disposal 2022	0	0
<b>Acquisition cost 31.12.2022</b>	<b>10,534</b>	<b>10,534</b>
Accumulated depreciations/write-down 01.01.2022	10,534	10,534
Depreciations for the year	0	0
Disposal 2022	0	0
Impairment for the year	0	0
<b>Accumulated depreciations/impairment per 31.12.2022</b>	<b>10,534</b>	<b>10,534</b>
<b>Book value 31.12.2022</b>	<b>0</b>	<b>0</b>

Depreciation period

3 - 10 years

## Note 7 - Cash and cash equivalents

Per 31.12.2022 the company's liquid assets comprise cash and bank deposits, in total TNOK 13,048

The company has no restricted funds relating to bank guarantees to customers or to employees' tax deduction.

Liability for employees' tax deduction owing per 31.12.2022 is secured by a bank guarantee with nominal value TNOK 1.400

(amounts in 1 000 NOK)	2022	2021
Net value bank and cash	13,048	7,732
<b>Value of bank deposit in the balance sheet per 31.12</b>	<b>13,048</b>	<b>7,732</b>



## Note 8 - Taxes

(amounts in 1 000 NOK)

<b>Temporary differences:</b>	<b>12/31/2022</b>	<b>12/31/2021</b>	<b>Change</b>
Property, plant and equipment and intangible assets	-11,026	-12,308	-1,282
Inventories	-494	-1,336	-842
Receivables DD	-480,065	-426,914	53,151
Pensions	-21,382	-22,161	-779
<b>Total temporary differences</b>	<b>-512,969</b>	<b>-462,191</b>	<b>50,248</b>
Carry forward loss	-133,702	-215,595	-81,893
<b>Total basis for deferred tax assets</b>	<b>-646,670</b>	<b>-680,893</b>	<b>-31,646</b>
Deferred tax assets	-142,267	-149,796	7,529
Deferred tax asset not recognized in the balance sheet	142,267	149,796	7,529
<b>Deferred tax assets recognized in the balance sheet</b>	<b>0</b>	<b>0</b>	<b>0</b>
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.

<b>Calculation of tax basis for the year:</b>	<b>2022</b>	<b>2021</b>
Result before tax expense	31,646	4,388
Net permanent differences	0	0
Change in temporary differences	50,248	-41,872
Taxform this year	<b>81,893</b>	<b>-38,014</b>
Application of loss carry forward from previous years	0	0
<b>Tax related result</b>	<b>0</b>	<b>0</b>

<b>Tax expense:</b>	<b>2022</b>	<b>2021</b>
*Payable tax	46	71
<b>Tax expenses</b>	<b>46</b>	<b>71</b>

\* Relates to a tax provision not applicable to Norway.

<b>Reconciliation of tax expense</b>	<b>2022</b>	<b>2021</b>
Operating results before tax	31,646	4,388
Calculated tax	6,962	965
<b>*Booked tax expense</b>	<b>46</b>	<b>71</b>
Change in deferred tax not recognized in the balance sheet	7,529	965
Other provision	-46	-71
<b>Change in tax expense</b>	<b>7,483</b>	<b>894</b>



## Note 9 - Finance items

Financial income and financial expenses comprise the following elements:

(amounts in 1 000 NOK)	<b>2022</b>	<b>2021</b>
Gain on exchange	-28,289	-1,814
interest income	-1,914	-1,957
<b>Total financial income</b>	<b>-30,203</b>	<b>-3,771</b>
(amounts in 1 000 NOK)	<b>2022</b>	<b>2021</b>
Interest expenses	119	217
<b>Total financial expenses</b>	<b>119</b>	<b>217</b>
<b>Net financial expense/(income)</b>	<b>-30,084</b>	<b>-3,554</b>

## Note 10 - Accounts receivables

(amounts in 1 000 NOK)	<b>2022</b>	<b>2021</b>
External trade receivables, nominal value	105,936	92,559
Internal trade receivables, nominal value	551,118	505,471
Provision for doubtful debts	-524,583	-479,110
<b>Trade receivables</b>	<b>132,471</b>	<b>118,921</b>

## Note 11 - Other receivables

(amounts in 1 000 NOK)		
<b>Other receivables per 31.12.:</b>	<b>2022</b>	<b>2021</b>
Pre-paid external expenses	1,279	933
Vat owing (Norway)	4,451	4,221
Other short-term receivables	1,159	1,099
<b>Value in balance sheet other short-term receivables</b>	<b>6,889</b>	<b>6,253</b>

## Note 12 - Investment in subsidiaries

Shares in subsidiaries per 31.12.2022

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 L1	Nigeria	NGN	10000	100%	100%	0
Ceragon telecommunicacione	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%	863
<b>Total</b>						<b>74,893</b>



## Note 13 – 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:

	2022	2021
Interest cost	357	309
<b>Pension costs defined benefit scheme exclusive of payroll tax</b>	<b>357</b>	<b>309</b>
Payroll tax	50	44
<b>Pension costs defined benefit scheme</b>	<b>407</b>	<b>352</b>
<b>Total pension cost</b>	<b>407</b>	<b>352</b>

(amounts in 1 000 NOK)

### Liability in the balance sheet 31.12.2021

(Defined benefit scheme)

	Secured schemes	Unsecured schemes	Unsecured schemes
Calculated pension liability (PBO)	0	18,741	19,424
<b>Net calculated liability</b>	<b>0</b>	<b>18,741</b>	<b>19,424</b>
<b>Total</b>	<b>0</b>	<b>18,741</b>	<b>19,424</b>
Accrued payroll tax	0	2,642	2,739
<b>Net pension liability 31.12.2022</b>	<b>0</b>	<b>21,382</b>	<b>22,161</b>

(amounts in 1 000 NOK)

### Liability in the balance sheet 31.12.2021

(Defined benefit scheme)

	Secured schemes	Unsecured schemes	Unsecured schemes
Calculated pension liability (PBO)	0	18,741	19,424
<b>Net calculated liability</b>	<b>0</b>	<b>18,741</b>	<b>19,424</b>
<b>Total</b>	<b>0</b>	<b>18,741</b>	<b>19,424</b>
Accrued payroll tax	0	2,642	2,739
<b>Net pension liability 31.12.2022</b>	<b>0</b>	<b>21,382</b>	<b>22,161</b>

Number of persons comprised by the defined benefit scheme

per 31.12.2022 and 31.12.2021: 27 27

### Connection between pension liability 31.12.2021 and 31.12.2022 (defined benefit scheme):

(amounts in 1 000 NOK)

Pension liability 31.12.2021	22,161
Pension cost 2022	407
Paid from operations etc.	-1,186
Estimate change recognized in equity	
<b>Pension liability 31.12.2021</b>	<b>21,382</b>

### ACTUARIAL ASSUMPTIONS:

	12/31/2022	12/31/2021
Discount rate	3.00%	1.90%
Future salary increases	3.50%	2.75%
Annual G-regulation	3.25%	2.50%
Annual regulation of pensions in payment	3.25%	2.50%
Inflation	2.00%	1.75%
Average payroll tax factor	14.10%	14.10%



## Note 14 - Other short-term liabilities

(amounts in 1 000 NOK)

<b>Other short-term liabilities per 31.12:</b>	<b>2022</b>	<b>2021</b>
Provision for holiday pay, wages etc.	1,824	1,861
Other provisions/accruals	4,966	5,727
<b>Total external, other short-term liabilities</b>	<b>6,791</b>	<b>7,588</b>

## Note 15 - Share capital and shareholders

The share capital in Ceragon Networks AS per 31.12.2022 consists of one share class with in total 5 000 000 shares with nominal value NOK 18 per share. Total share capital per 31.12.2022 is NOK 90 000 000. Each share has the same rights. The company is per 31.12.2022 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 16 - Inventories

(amounts in 1 000 NOK)

<b>Balance sheet value of inventories per 31.12. :</b>	<b>2022</b>	<b>2021</b>
Manufactured goods	3,816	2,358
<b>Total balance sheet value 31.12.</b>	<b>3,816</b>	<b>2,358</b>

## Note 17 - Transactions with related parties

	<b>2022</b>	<b>2021</b>
Sale to Group Companies	9,348	1,602
Purchase from Group Companies (COGS)	15,280	14,768



## 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 <a href="http://www.skatteetaten.no">www.skatteetaten.no</a> Org. nr: 996250318	Sentralbord 800 80 000 Telefaks 22 17 08 60
For elektronisk henvendelse se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a>		




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.

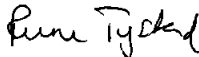
Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

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



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

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Ceragon Networks AS

### Opinion

We have audited the financial statements of Ceragon Networks AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and statement of cash flows 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 legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and cash flows 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)* (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 information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and Chief Executive Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements 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



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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 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, 9 October 2023  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Truls Nesslin  
State Authorized Public Accountant (Norway)

Independent auditor's report - Ceragon Networks AS 2022

A member firm of Ernst & Young Global Limited

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## Truls Nesslin

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**CERAGON NETWORKS LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2022**

**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, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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, 2022, 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 May 1, 2023 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 Matter

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 disclosures to which it relates.

#### Inventory valuation

**Description of the Matter** The Company's inventories totaled \$ 72.0 million as of December 31, 2022. As explained in Note 2 to the consolidated financial statements, the Company assesses the value of all inventories, including raw materials, finished goods and spare parts, in each reporting period. Reserves for potentially obsolete inventory are made based on management's analysis of inventory aging, future sales forecasts, and market conditions.

Auditing the valuation of obsolete inventory reserves involved subjective auditor judgment because management's estimate relies on significant assumptions such as the future salability of the inventory, the assessment by inventory age, future usage 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 obsolete inventory reserve process. This included management's assessment of the assumptions and data underlying the obsolete inventory valuation.

Our substantive audit procedures included, among others, evaluating the significant assumptions stated above and the accuracy and completeness of the underlying data that management used to value obsolete inventory. We performed inquiries of appropriate non-financial personnel including operational employees, regarding obsolete inventory items and other factors to corroborate management's assertions regarding qualitative judgments about obsolete inventories. We also 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 and Kasierer*  
KOST FORER GABBAY & KASIERER  
A Member of EY Global

We have served as the Company's auditor since 2002

Tel-Aviv, Israel

May 1, 2023



**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 Reporting**

We have audited Ceragon Networks Ltd. and subsidiaries' internal control over financial reporting as of December 31, 2022, 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, 2022, 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, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022 and the related notes and our report dated May 1, 2023 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 and Kasierer*  
KOST FORER GABBAY & KASIERER  
A Member of EY Global

Tel-Aviv, Israel

May 1, 2023



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	Note	December 31,	
		2021	2022
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 17,079	\$ 22,948
Trade receivables (net of allowance for credit losses of \$ 7,470 and \$ 22,410 at December 31, 2021 and 2022, respectively)	10	107,826	100,034
Other accounts receivable and prepaid expenses	3	17,179	15,756
Inventories	4	61,398	72,009
<u>Total current assets</u>		<u>203,482</u>	<u>210,747</u>
NON-CURRENT ASSETS:			
Trade receivables (net of allowance for credit losses of \$ 1,117 and \$ 0 at December 31, 2021 and 2022, respectively)	10	10,484	-
Severance pay and pension fund		5,648	4,633
Property and equipment, net	5	29,383	29,456
Intangible assets, net	6	6,274	8,208
Operating lease right-of-use assets	13	20,233	17,962
Other non-current assets		17,059	18,312
<u>Total long-term assets</u>		<u>89,081</u>	<u>78,571</u>
<u>Total assets</u>		<u>\$ 292,563</u>	<u>\$ 289,318</u>

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



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	Note	December 31,	
		2021	2022
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables		\$ 69,436	\$ 67,384
Deferred revenues	16	3,384	3,343
Short-term loans	8	14,800	37,500
Operating lease liabilities	13	4,359	3,745
Other accounts payable and accrued expenses	7	23,704	20,864
<u>Total current liabilities</u>		<u>115,683</u>	<u>132,836</u>
<b>LONG-TERM LIABILITIES:</b>			
Accrued severance pay and pensions		10,799	9,314
Deferred revenues	16	9,275	11,545
Operating lease liabilities	13	17,210	13,187
Other long-term payables		2,445	2,653
<u>Total long-term liabilities</u>		<u>39,729</u>	<u>36,699</u>
COMMITMENTS AND CONTINGENT LIABILITIES	12		
SHAREHOLDERS' EQUITY:	14		
Share capital -			
Ordinary shares of NIS 0.01 par value -			
Authorized: 120,000,000 shares at December 31, 2021 and 2022; Issued: 87,413,119 and 87,834,902 shares at December 31, 2021 and 2022, respectively; Outstanding: 83,931,596 and 84,353,379 shares at December 31, 2021 and 2022, respectively		224	224
Additional paid-in capital		428,244	432,214
Treasury shares at cost – 3,481,523 ordinary shares at December 31, 2021 and 2022		(20,091)	(20,091)
Accumulated other comprehensive loss		(9,507)	(11,156)
Accumulated deficit		(261,719)	(281,408)
<u>Total shareholders' equity</u>		<u>137,151</u>	<u>119,783</u>
<u>Total liabilities and shareholders' equity</u>		<u>\$ 292,563</u>	<u>\$ 289,318</u>

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



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except share and per share data)

	Note	Year ended December 31,		
		2020	2021	2022
Revenues	17	\$ 262,881	\$ 290,766	\$ 295,173
Cost of revenues		187,236	202,389	202,110
Gross profit		75,645	88,377	93,063
Operating expenses:				
Research and development, net		30,997	29,473	29,690
Sales and marketing		33,021	33,509	35,795
General and administrative		19,199	20,589	34,295
Other operating expenses	1b	-	-	4,220
Total operating expenses		83,217	83,571	104,000
Operating income (loss)		(7,572)	4,806	(10,937)
Financial expenses and others, net	18	5,923	8,625	6,306
Loss before taxes on income		(13,495)	(3,819)	(17,243)
Taxes on income	15c	2,618	11,009	2,446
Equity loss in affiliates		979	-	-
Net loss		\$ (17,092)	\$ (14,828)	\$ (19,689)
Net loss per share:				
Basic and diluted net loss per share		\$ (0.21)	\$ (0.18)	\$ (0.23)
Weighted average number of ordinary shares used in computing basic and diluted net loss per share		81,149,687	83,414,831	84,132,982

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



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands

	Year ended December 31,		
	2020	2021	2022
Net loss	\$ (17,092)	\$ (14,828)	\$ (19,689)
Other comprehensive income (loss):			
Change in foreign currency translation adjustment	(929)	(325)	353
Cash flow hedges:			
Change in net unrealized gains	1,752	346	(4,057)
Amounts reclassified into net loss	(225)	(1,460)	2,055
Net change	1,527	(1,114)	(2,002)
Other comprehensive income (loss), net	598	(1,439)	(1,649)
Total of comprehensive loss	<u>\$ (16,494)</u>	<u>\$ (16,267)</u>	<u>\$ (21,338)</u>

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



CERAGON NETWORKS LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands (except share and per share data)

	Ordinary shares	Share capital	Additional paid-in capital	Treasury shares at cost	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance as of January 1, 2020	80,662,805	215	418,062	(20,091)	(8,666)	(229,099)	160,421
Cumulative effect of adoption of ASU Topic 326	-	-	-	-	-	(700)	(700)
Exercise of options and vesting of RSU's	1,040,561	3	1,234	-	-	-	1,237
Share-based compensation expense	-	-	1,662	-	-	-	1,662
Other comprehensive income, net	-	-	-	-	598	-	598
Net loss	-	-	-	-	-	(17,092)	(17,092)
Balance as of December 31, 2020	81,703,366	218	420,958	(20,091)	(8,068)	(246,891)	146,126
Exercise of options and vesting of RSU's	2,228,230	6	4,724	-	-	-	4,730
Share-based compensation expense	-	-	2,562	-	-	-	2,562
Other comprehensive loss, net	-	-	-	-	(1,439)	-	(1,439)
Net loss	-	-	-	-	-	(14,828)	(14,828)
Exercise of options and vesting of RSU's	83,931,596	224	428,244	(20,091)	(9,507)	(261,719)	137,151
Balance as of December 31, 2021	84,353,681	224	432,214	(20,091)	(11,156)	(281,408)	119,783
Exercise of options and vesting of RSU's	422,085	*)	410	-	-	-	410
Share-based compensation expense	-	-	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

\*) Represent an amount lower than \$1

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



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2020	2021	2022
<b>Cash flows from operating activities:</b>			
Net loss	\$ (17,092)	\$ (14,828)	\$ (19,689)
Adjustments required to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	12,861	12,246	11,040
Loss from sale of property and equipment, net	-	82	20
Share-based compensation expense	1,662	2,562	3,560
Increase (decrease) in accrued severance pay and pensions, net	488	(418)	(445)
Decrease (increase) in trade receivables, net	9,345	(11,150)	18,428
Increase in other accounts receivable and prepaid expenses (including other long-term assets)	(6,661)	(6,976)	(345)
Decrease (increase) in inventories	9,919	(11,908)	(11,155)
Decrease in operating lease right-of-use assets	5,121	5,713	3,571
Increase (decrease) in trade payables	1,953	5,883	(2,018)
Increase in deferred revenues	2,988	1,672	2,229
Decrease (increase) in deferred tax assets, net	(173)	8,279	-
Decrease in operating lease liability	(5,112)	(4,620)	(5,937)
Increase (decrease) in other accounts payable and accrued expenses (including other long-term liabilities)	1,946	(1,556)	(4,154)
Net cash provided by (used in) operating activities	17,245	(15,019)	(4,895)
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(6,077)	(9,383)	(10,464)
Proceeds from sale of property and equipment	-	200	-
Purchase of intangible assets	(412)	(212)	(1,957)
Net cash used in investing activities	(6,489)	(9,395)	(12,421)

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



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2020	2021	2022
<u>Cash flows from financing activities:</u>			
Proceeds from (repayment of) bank credits and loans, net	(8,621)	9,800	22,700
Proceeds from exercise of stock options	1,237	4,730	410
Net cash provided by (used in) financing activities	(7,384)	14,530	23,110
Translation adjustments on cash and cash equivalents	(210)	(138)	75
Increase (decrease) in cash and cash equivalents	3,162	(10,022)	5,869
Cash and cash equivalents at the beginning of the year	23,939	27,101	17,079
Cash and cash equivalents at the end of the year	<u>\$ 27,101</u>	<u>\$ 17,079</u>	<u>\$ 22,948</u>
<u>Supplemental disclosure of cash flow information:</u>			
Cash paid for income taxes	<u>\$ 3,003</u>	<u>\$ 1,995</u>	<u>\$ 1,871</u>
Cash paid for interest on bank loans and factoring fees	<u>\$ 1,137</u>	<u>\$ 1,280</u>	<u>\$ 3,456</u>

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



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands (except share data)

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 17b and 17c.

- b. In the summer of 2022, Aviat Networks Inc. ("Aviat"), 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 for the year ended December 31, 2022 and presented as part of the other operating expenses in the Company's consolidated financial statements.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

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").

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 intangible assets, tax assets and liabilities, fair values of share-based awards, inventory write-offs, warranty provision 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.

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.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands (except share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries ("the Group"). Intercompany balances and transactions including profits from intercompany sales not yet realized outside the Group, have been eliminated upon consolidation.

e. Cash equivalents:

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

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. Long-term trade receivables

Long-term trade receivables, with payment terms in excess of one year that are considered collectible, are recorded at their estimated present values.

h. 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:



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

#### NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	%
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
i. Intangible assets, net:	
<p>Intangible assets consist of technology and incurred software development costs capitalized in accordance with ASC 985-20, "Software - Costs of Software to be Sold, Leased, or Marketed".</p> <p>Intangible assets that are considered to have definite useful life are amortized using the straight-line basis over their estimated useful lives.</p>	
j. Impairment of long-lived assets:	
<p>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 2020, 2021 and 2022, no impairment losses have been recognized.</p>	
k. Income taxes:	
<p>The Company account 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.</p> <p>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.</p>	



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

1. 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 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 and adjustments to determine the net consideration to which 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. 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).

The revenues from customer support and extended warranty is 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, usually upon customer acceptance.

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.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. 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).

n. 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, 2020, 2021 and 2022 in the amount of \$ 178, \$ (417) and \$ 290 respectively. As of December 31, 2021 and 2022, the warranty provision was \$ 1,691 and \$ 1,401 respectively.

o. Derivative instruments:

The Company has instituted a foreign currency cash flow hedging program using foreign currency forward and option 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 2t). 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.

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CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 and rent payments during the year. The Company hedges portions of its forecasted expenses denominated in NIS with forward exchange contracts.

p. 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.

q. 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 sale. The transfers of financial assets are typically performed by the factoring of receivables to four financial institutions.



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

#### NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

As of December 31, 2021, and 2022, the Company sold trade receivables to several different financial institutions in a total net amount of \$ 36,047 and \$ 29,070, respectively. Control and risk of those trade receivables were fully transferred in accordance with ASC 860.

During the years ended on December 31, 2020, 2021 and 2022, the Company recorded amounts of \$ 575, \$ 905 and \$ 1,262, respectively, as financial expense related to its factoring arrangements.

r. 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 2021 and 2022, accrued severance pay amounted to \$ 8,453 and \$ 7,284 respectively. Severance expense for the years ended December 31, 2020, 2021 and 2022, amounted to approximately \$ 2,538, \$ 1,906 and \$ 2,859, 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 11.



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

#### NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. Accounting for stock-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 2020, 2021 and 2022:

	December 31,		
	2020	2021	2022
Dividend yield	0%	0%	0%
Volatility	60% - 85%	66% - 87%	47% - 73%
Risk free interest	0.1% - 1.0%	0.1% - 1.3%	2.1% - 4.1%
Early exercise multiple	1.5 - 1.6	1.55	2.20

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; volatility of price of the Company's shares based upon actual historical stock price movements. The Early exercise factor is representing the value of the underlying stock as a multiple of the exercise price of the option which, if achieved, results in 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.

t. 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.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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, 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.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

u. Comprehensive income:

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	Foreign Currency Translation Adjustments	Total
Balance as of January 1, 2022	\$ 731	\$ (10,238)	\$ (9,507)
Other comprehensive income (loss) before reclassifications	(4,057)	353	(3,704)
Amounts reclassified from AOCI	2,055	-	2,055
Other comprehensive income (loss)	(2,002)	353	(1,649)
Balance as of December 31, 2022	\$ (1,271)	\$ (9,885)	\$ (11,156)

The effects on net loss of amounts reclassified from AOCI for the year ended December 31, 2022 derive from realized losses on cash flow hedges, included in cost of sales and operating expenses.

v. 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.

w. 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 RSU's excluded from the calculations of diluted net earnings per share due to their anti-dilutive effect was 4,204,381, 1,695,149 and 5,599,666 for the years ended December 31, 2020, 2021 and 2022, respectively.



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

#### NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. Equity method investment

Investments in companies that are not controlled but over which the Company can exercise significant influence are presented using the equity method of accounting.

y. Impact of recently issued Accounting Standards:

The Company has reviewed recent accounting pronouncements and concluded that they are either not applicable to its business or that no material effect is expected on the consolidated financial statements as a result of their future adoption.

#### NOTE 3:- OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2021	2022
Government authorities	\$ 9,022	\$ 7,867
Deferred charges and prepaid expenses	6,214	6,087
Deposits receivable	279	473
Advances to suppliers	256	405
Hedging asset	852	8
Other	556	916
	<u>\$ 17,179</u>	<u>\$ 15,756</u>

#### NOTE 4:- INVENTORIES

	December 31,	
	2021	2022
Raw materials	\$ 22,581	\$ 35,111
Work in progress	423	143
Finished products	38,394	36,755
	<u>\$ 61,398</u>	<u>\$ 72,009</u>

During the years ended December 31, 2020, 2021 and 2022, the Company recorded inventory write-offs for excess inventory and slow-moving inventory in a total amount of \$ 2,919 \$ 1,907 and \$ 1,980, respectively that have been included in cost of revenues.

As of December 31, 2022, the Company has an outstanding inventory purchase orders with its suppliers in the amount of \$ 18,162. The commitments are due primarily within one year.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 5:- PROPERTY AND EQUIPMENT, NET

	December 31,	
	2021	2022
Cost:		
Computers, manufacturing, peripheral equipment	\$ 133,465	\$ 143,522
Office furniture and equipment	2,341	2,372
Leasehold improvements	1,460	1,694
	<u>137,266</u>	<u>147,588</u>
Accumulated depreciation:		
Computers, manufacturing, peripheral equipment	105,300	115,260
Office furniture and equipment	1,578	1,724
Leasehold improvements	1,005	1,148
	<u>107,883</u>	<u>118,132</u>
Depreciated cost	<u>\$ 29,383</u>	<u>\$ 29,456</u>

Depreciation expenses for the years ended December 31, 2020, 2021 and 2022 were \$ 10,668, \$11,845 and \$10,620 respectively.

Changes of property and equipment not resulted in cash outflows as of December 31, 2020, 2021 and 2022 amounted to \$ 1,562, \$ 1,058 and \$ 586, respectively.

NOTE 6:- INTANGIBLE ASSETS, NET

Intangible assets:

The following table sets forth the components of intangible assets:

	December 31,	
	2021	2022
Original amounts:		
Technology	\$ 4,325	\$ 6,679
Software development costs	2,879	2,879
	<u>7,204</u>	<u>9,558</u>
Accumulated amortization:		
Technology	-	17
Software development costs	930	1,333
	<u>930</u>	<u>1,350</u>
Net amounts:		
Technology	4,325	6,662
Software development costs	1,949	1,546
Intangible assets, net	<u>\$ 6,274</u>	<u>\$ 8,208</u>



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

#### NOTE 6:- INTANGIBLE ASSETS, NET (Cont.)

Technology includes mainly perpetual software licenses to be used in the Company's research and development activities. During 2022, the Company purchased \$ 2,353 technology, out of which \$ 551 was not resulted in cash flow outflows as of December 31, 2022. Some of the software license agreements provide a commitment of the Company for royalties payments upon future sales of the related developed products. Software development costs are amortized over 7 years and Technology costs are amortized over 5 to 10 years. Amortization expenses for the years ended December 31, 2020, 2021 and 2022 amounted to \$ 393, \$ 401 and \$ 420 respectively.

The following table represents the expected amortization in future periods, as of December 31, 2022:

2023	587
2024	617
2025	1,389
2026	1,320
2027	969
2028 and thereafter	3,326
Total expected amortization	<u>8,208</u>

#### NOTE 7:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2021	2022
Employees and payroll accruals	\$ 11,799	\$ 10,047
Provision for warranty costs	1,691	1,401
Government authorities	2,223	1,815
Accrued expenses	2,403	2,376
Advanced payments from customers	5,044	3,604
Hedging Liability	313	1,423
Other	231	198
	<u>\$ 23,704</u>	<u>\$ 20,864</u>



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

#### NOTE 8:- CREDIT LINES

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 June 2022, the Company signed the latest amendment to the agreement in the frame of which the Credit Facility was extended by additional 1 year, till June 30, 2023. This amendment also included an increase of \$ 12,200 to \$ 62,200 to the Credit Facility for loans and a decrease of same amount to the bank guarantees credit lines to \$ 57,800 in a way that the total credit facilities for bank guarantees and for loans remains unchanged. Furthermore, an amendment signed earlier in 2022 updated the definitions of interest in the agreement to reflect changes related to the adoption of the new Secured Overnight Financing Rate ("SOFR") interest.

As of December 31, 2022, the Company has utilized \$ 37,500 of the \$ 62,200 available under the Credit Facility for short term loans. As of December 31, 2022, the Company has not utilized the \$5,000 available credit facility from other financial institution. During 2022, the credit lines carried interest rates in the range of 2.1% and 8.0%.

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 the total value of its assets (excluding total intangible assets) 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, 2021 and 2022, the Company met all of its covenants.

#### NOTE 9:- DERIVATIVE INSTRUMENTS

The Company enters into foreign currency forward and option 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.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 9:- DERIVATIVE INSTRUMENTS (Cont.)

The fair value of derivative contracts in the consolidated balance sheets at December 31, 2021 and December 31, 2022 were as follows:

	<u>Other accounts receivable and prepaid expenses</u>	<u>Other accounts payable and accrued expenses</u>
	<u>December 31, 2021</u>	
Derivatives designated as hedging instruments:		
Currency forward contracts	\$ 743	\$ (12)
Derivatives not designated as hedging instruments:		
Currency forward and option contracts	109	(301)
Total derivatives	<u>\$ 852</u>	<u>\$ (313)</u>
	<u>Other accounts receivable and prepaid expenses</u>	<u>Other accounts payable and accrued expenses</u>
	<u>December 31, 2022</u>	
Derivatives designated as hedging instruments:		
Currency forward contracts	\$ -	\$ (1,271)
Derivatives not designated as hedging instruments:		
Currency forward and option contracts	8	(152)
Total derivatives	<u>\$ 8</u>	<u>\$ (1,423)</u>

The notional amounts for derivatives contracts were as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2022</u>
Derivatives designated as hedging instruments:		
Currency forward contracts	\$ 41,832	\$ 42,848
Derivatives not designated as hedging instruments:		
Currency forward and option contracts	\$ 34,304	\$ 16,082

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 derivative contracts on the consolidated statements of operations for the years ended December 31, 2020, 2021 and 2022 was as follows:

	<u>Year ended December 31,</u>		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
Operating income (expense)	<u>\$ 225</u>	<u>\$ 1,460</u>	<u>\$ (2,055)</u>
Financial income (expenses)	<u>\$ (894)</u>	<u>\$ 304</u>	<u>\$ (170)</u>



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

#### NOTE 10: CREDIT LOSSES

The Company is exposed to credit losses primarily through sales to customers. The Company's expected loss allowance methodology for trade receivable 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 that have a higher probability of default.

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:

	<b>December 31,</b>	
	<b>2021</b>	<b>2022</b>
Balance, at beginning of Period	\$ 6,198	\$ 8,587
Provision for expected credit losses	3,087	14,489
Amounts written off charged against the allowance and others	(698)	(666)
Balance, at end of period	<u>\$ 8,587</u>	<u>\$ 22,410</u>

#### NOTE 11:- 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, 2022, 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.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 11:- PENSION LIABILITIES, NET (Cont.)

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.

The following tables provide a reconciliation of the changes in the plans' benefits obligation for the year ended December 31, 2021 and 2022, and the statement of funds status as of December 31, 2021 and 2022:

	December 31,	
	2021	2022
<b>Change in projected benefit obligation</b>		
Projected benefit obligation at beginning of year	2,510	2,512
Interest cost	38	37
Expenses paid	(170)	(153)
Exchange rates differences	(85)	(252)
Actuarial loss	219	26
Projected benefit obligation at end of year	<u>\$ 2,512</u>	<u>\$ 2,170</u>

The assumptions used in the measurement of the Company' benefits obligations as of December 31, 2021 and 2022 are as follows:

	December 31,	
	2021	2022
<b>Weighted-average assumptions</b>		
Discount rate	1.90%	3.00%
Rate of compensation increase	2.75%	3.50%

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 2022 net periodic benefit cost and the 2022 benefit obligation, the Company has used a discount rate of 3.00%. The rate of compensation increase is determined by the Company, based upon its long-term plans for such increases.

The following table provides the components of net periodic benefits cost for the years ended December 31, 2020, 2021 and 2022:

	December 31,		
	2020	2021	2022
<b>Components of net periodic benefit cost</b>			
Service cost	\$ -	\$ -	\$ -
Interest cost	52	38	37
Net periodic benefit cost	<u>\$ 52</u>	<u>\$ 38</u>	<u>\$ 37</u>



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

#### NOTE 11:- PENSION LIABILITIES, NET (Cont.)

Benefit payments are expected to be paid as follows:

	<u>December 31,</u> <u>2022</u>
2023	140
2024	134
2025	137
2026	147
2027 and thereafter	<u>1,612</u>
	<u>\$ 2,170</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, 2020, 2021 and 2022, an actuarial loss of \$ 241, \$ 219 and \$ 26 respectively, was recognized in "finance expenses and others, net".

#### NOTE 12:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Leases

See Note 13 "Leases" for lease related commitments as of December 31, 2022.

b. During 2020, 2021 and 2022, the Company received several grants from the Israeli Innovation Authority ("IIA"). The grants require the Company to comply with the requirements of the Research and Development Law, however, the Company 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, the Company 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, 2020, 2021 and 2022 in the amount of \$ 996, \$ 691 and \$ 460, respectively.

c. Charges and guarantees:

As of December 31, 2021 and 2022, the Company provided guarantees in an aggregate amount of \$ 37,236 and \$ 28,737 (including bank guarantee disclosed in Note 12d), respectively, with respect to tender offer guarantees, financial guarantees, warranty guarantees and performance guarantees to its customers.

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



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 12:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a 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 \$ 75,000.

On June 21, 2015, the Defendants filed their response to the motion, arguing that the motion should be dismissed.

On May 27, 2021, following a lengthy procedure that included filing of various pleadings and affidavits, evidentiary hearings, and submission of summaries, the Court ruled to certify the Motion as a class action, while applying the Israeli Law ("the Ruling"). According to the Ruling, the class action shall include several causes of action according to the Israeli Securities Act and the Israeli Torts Ordinance, concerning the alleged misleading statements in the Company's SEC filings. According to the Ruling, it is possible that the Company included misleading statements in the Company's SEC filings.

On June 9, 2021 the Court issued a decision suggesting that the parties will refer the case to a mediation procedure.

The Company believes that the Ruling is erroneous and that the Defendants has strong defense arguments, and therefore, on September 12, 2021, filed a motion for a rehearing on behalf of the Defendants in order to revert the Ruling (the "**Rehearing Motion**").

On October 20, 2021, the Plaintiff submitted his response to the Rehearing Motion and the Defendants submitted their reply to the Plaintiff's response on November 23, 2021.

In light of the fact that the Ruling applied and was based upon Israeli Law (instead of the relevant foreign law), the Tel Aviv Stock Exchange filed a motion requesting the Court to allow it to join the proceedings as Amicus Curiae, in order to express its principle opinion that the applicable law, in so far as dual listed companies are concerned, is the foreign law, as well as regarding the negative implications of the Court's application of Israeli law on dual listed companies.

Meanwhile, and without delaying or derogating from the Rehearing Motion, the Company agreed to the Court's suggestion that the parties will refer the case to a mediation procedure, and designated the retired Judge B. Arnon as a mediator. After several mediation meetings were held, the mediation process ended without reaching a settlement.

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. Following the hearing, on



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 12:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

January 25, 2022, the Attorney General joined the proceedings of the Rehearing Motion and submitted his position in collaboration with the Securities Authority. The Attorney General's principle position as outlined, was that the applicable law in so far as dual listed companies are concerned is the foreign law, and in our case - US law.

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 US 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 the US law. The Court commented that the Company's claims based upon the Statute of Limitations should prima facie also be adjudicated under the US 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 US law. The Plaintiff estimated the amended claim amount at \$ 52,099.

On June 28, 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 5, 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 3, 2022, the Defendants submitted their Statement of Defense, based on U.S law.

On February 5, 2023, the Plaintiff submitted his response to the Defendants' Statement of Defense.

A preliminary hearing is scheduled for June 19, 2023.

As was held in the judgement rendered in the Rehearing Motion, U.S law presents a higher bar for Plaintiffs in comparison to Israeli law in proving claims regarding misleading representations to investors. However, given that the class action is being adjudicated under U.S law and that the Court has yet to address the parties' pleadings, the Company's attorneys cannot assess, at this preliminary stage, the chances of the class action to be accepted.

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



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 12:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

contractual obligations, causing the Company damages and expenses.

NOTE 13:- 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 will exercise the option.

The components of lease expense and supplemental cash flow information related to leases for the years ended December 31, 2021 and 2022 were as follows:

	Year ended December 31,		
	2020	2021	2022
<b>Components of lease expense</b>			
Operating lease cost	\$ 5,484	\$ 4,869	\$ 4,428
Short-term lease	\$ 43	\$ 100	\$ 52
Total lease expenses	<u>\$ 5,527</u>	<u>\$ 4,969</u>	<u>\$ 4,480</u>

	Year ended December 31,		
	2020	2021	2022
<b>Supplemental cash flow information</b>			
Cash paid for amounts included in the measurement of lease liabilities	<u>\$ 5,489</u>	<u>\$ 4,843</u>	<u>\$ 4,497</u>
Supplemental non-cash information related to lease liabilities arising from obtaining ROU assets	<u>\$ 1,773</u>	<u>\$ 19,166</u>	<u>\$ 1,300</u>

For the year ended December 31, 2022, the weighted average remaining lease term is approximately seven years, and the weighted average discount rate is 5 percent. 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, 2022 were as follows:

2023	3,799
2024	2,774
2025	2,290
2026	2,101
2027 and thereafter	8,819
Total operating lease payments	<u>19,783</u>
Less: imputed interest	2,851
Present value of lease liability	<u>16,932</u>



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

#### NOTE 14:- 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:

1. In 2003, the Company adopted a share option plan which has been extended or replaced from time to time. To date, the plan that is currently in effect is the Amended and Restated Share Option and RSU Plan as amended August 10, 2014 (the "Plan"). Under the 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 between six to ten years from the date of grant. The Plan expires in December 2023. The Company needs to reserve, and the Board of Directors has reserved, sufficient authorized but unissued Shares for purposes of the Plan subject to adjustments as provided in the Plan. Since the last amendment in 2014, the Company has reserved 14,957,511 units under the Plan. As of December 31, 2022, an aggregate of 1,043,964 ordinary shares were available for future grants under the plan.
2. The following table summarizes the activities for the Company's stock options for the year ended December 31, 2022:

	Year ended December 31, 2022			
	Number of options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at beginning of year	5,186,446	\$ 3.40	4.01	\$ 534
Granted	1,478,696	2.33		
Exercised	(226,116)	1.81		
Forfeited or expired	(1,133,294)	4.42		
Outstanding at end of the year	<u>5,305,732</u>	<u>\$ 2.95</u>	<u>3.83</u>	<u>\$ 19</u>
Options exercisable at end of the year	<u>2,735,334</u>	<u>\$ 2.99</u>	<u>2.86</u>	<u>\$ 3</u>
Vested and expected to vest	<u>4,052,658</u>	<u>\$ 2.96</u>	<u>3.50</u>	<u>\$ 10</u>



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 14:- SHAREHOLDERS' EQUITY (Cont.)

The weighted average fair value of options granted during 2020, 2021 and 2022 was \$1.06, \$2.25 and \$1.32, respectively.

The intrinsic value of options exercised during the years ended December 31, 2020, 2021 and 2022 was \$770, \$5,519 and \$117, respectively.

The following table summarizes the activities for the Company's RSUs for the year ended December 31, 2022:

	Year ended December 31, 2022	
	Number of RSUs	Aggregate intrinsic value
Unvested at beginning of year	699,679	\$ 1,805
Granted	1,805,163	
Vested	(195,969)	
Forfeited	(200,534)	
Unvested at end of the year	<u>2,108,339</u>	<u>\$ 4,027</u>
Vested and expected to vest	<u>1,564,025</u>	<u>\$ 2,987</u>

The weighted average fair value at grant date of RSUs granted during 2020, 2021 and 2022 was \$2.11, \$4.07 and \$2.56, respectively.

As of December 31, 2022, the total unrecognized estimated compensation cost related to non-vested stock options and RSU's granted prior to that date was \$ 5,490, 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, 2020, 2021 and 2022, was comprised as follows:

	Year ended December 31,		
	2020	2021	2022
Cost of revenues	\$ 110	\$ 289	\$ 587
Research and development, net	243	236	405
Sales and marketing	545	700	1,355
General and administrative	764	1,337	1,213
Total share-based compensation expenses	<u>\$ 1,662</u>	<u>\$ 2,562</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.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 15:- 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, 2022, 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.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 15:- TAXES ON INCOME (Cont.)

In December 2016, the Knesset 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.

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 - 23% in the years 2020, 2021 and 2022.

The effective tax rate payable by a company which is taxed under the Investment Law may be considerably lower (see also note 15.a2 above). Israeli corporations are generally taxed at the corporate income tax rate on their capital gains.

The Company's tax assessments through 2016 tax year are considered final.



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

#### NOTE 15:- TAXES ON INCOME (Cont.)

- b. Income taxes for non-Israeli subsidiaries:

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

- c. The income tax expense for the years ended December 31, 2020, 2021 and 2022 consisted of the following:

	Year ended December 31,		
	2020	2021	2022
Current	\$ 2,641	\$ 2,181	\$ 1,140
Deferred	(23)	8,828	1,306
	<u>\$ 2,618</u>	<u>\$ 11,009</u>	<u>\$ 2,446</u>
Domestic (Israel)	\$ 839	\$ 8,844	\$ 664
Foreign	1,779	2,165	1,782
	<u>\$ 2,618</u>	<u>\$ 11,009</u>	<u>\$ 2,446</u>

- d. 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.



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

#### NOTE 15:- TAXES ON INCOME (Cont.)

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

	December 31,	
	2021	2022
Deferred tax assets:		
Net operating loss carry forward	\$ 64,353	\$ 65,148
Temporary differences:		
Allowance for credit loss	13,595	17,087
Research and development	6,003	6,092
Lease liabilities	4,975	3,891
Unrealized foreign exchange gains/losses	1,197	2,285
Vacation	539	591
Severance	1,012	1,090
Other	-	1,652
Deferred tax assets before valuation allowance	91,674	97,836
Valuation allowance	(86,191)	(93,529)
Deferred tax assets	5,483	4,307
Deferred tax liabilities:		
Property and equipment, net	(315)	(145)
Right-of-use lease assets	(4,609)	(4,140)
Unrealized foreign exchange gains/losses	(303)	-
Other	(256)	(22)
Deferred tax asset, net	\$ -	\$ -

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 amounting \$86,191 and \$93,529 as of December 31, 2021 and 2022 respectively.

e. Net operating loss carry forward and capital loss:

As of December 31, 2022, the Company has accumulated net operating losses and capital loss for Israeli income tax purposes in the amount of approximately \$ 195,722 and \$ 8,130, 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, 2022, the Company's Norwegian subsidiary had a net operating loss carry forward of approximately \$ 16,023 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.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 15:- TAXES ON INCOME (Cont.)

As of December 31, 2022, the Company's Brazilian subsidiary had a net operating loss carryforward of approximately \$ 31,775 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 30% of the annual taxable income.

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

	Year ended December 31,		
	2020	2021	2022
Domestic	\$ (24,192)	\$ (5,430)	\$ (20,850)
Foreign	10,697	1,611	3,607
	<u>\$ (13,495)</u>	<u>\$ (3,819)</u>	<u>\$ (17,243)</u>

- g. 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,		
	2020	2021	2022
Income (loss) before taxes as reported in the consolidated statements of operations	<u>\$ (13,495)</u>	<u>\$ (3,819)</u>	<u>\$ (17,243)</u>
Statutory tax rate	<u>23%</u>	<u>23%</u>	<u>23%</u>
Theoretical tax expenses (income) on the above amount at the Israeli statutory tax rate	\$ (3,104)	\$ (878)	\$ (3,966)
Non-deductible expenses and other permanent differences	(111)	(1,602)	265
Non-deductible expenses related to employee stock options	383	590	819
Deferred tax assets on losses and other temporary differences for which valuation allowance was provided, net	5,318	12,326	5,378
Other	132	573	(50)
Actual tax expense (benefit)	<u>\$ 2,618</u>	<u>\$ 11,009</u>	<u>\$ 2,446</u>



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 15:- TAXES ON INCOME (Cont.)

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

	December 31,	
	2021	2022
Beginning balance	\$ 2,421	\$ 2,367
Decreases in tax positions for prior years	(538)	(537)
Increases related to tax positions taken during prior years	59	132
Increase related to tax positions taken during the current year	425	330
Ending balance	<u>\$ 2,367</u>	<u>\$ 2,291</u>

The Company has further accrued \$ 349 due to interest and penalty related to uncertain tax positions as of December 31, 2022.

NOTE 16:- REVENUES

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 year ended December 31, 2022:

	Year ended December 31, 2021	Year ended December 31, 2022
Balance, beginning of the period	\$ 10,987	\$ 12,659
New performance obligations	6,329	6,458
Reclassification to revenue as a result of satisfying performance obligations	(4,657)	(4,229)
Balance, end of the period	<u>12,659</u>	<u>14,888</u>
Less: long-term portion of deferred revenue	9,275	11,545
Current portion, end of period	<u>\$ 3,384</u>	<u>\$ 3,343</u>



## CERAGON NETWORKS LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

#### NOTE 16:- REVENUES (Cont.)

Remaining performance obligations represent contracted revenues that have not yet been recognized, which includes deferred revenues and non-cancelable contracts that will be recognized as revenue in future periods. The following table represents the remaining performance obligations as of December 31, 2022, which are expected to be satisfied and recognized in future periods:

	2024	2025 and thereafter
Unsatisfied performance obligations	670	10,875

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 17:- SEGMENTS, CUSTOMERS AND GEOGRAPHIC INFORMATION

- a. The Company applies ASC topic 280, "Segment Reporting", ("ASC 820"). The Company operates in one reportable segment (see Note 1 for a brief description of the Company's business). The total revenues are attributed to geographic areas based on the location of the end customer.
- b. The following tables present total revenues for the years ended December 31, 2020, 2021 and 2021 and long-lived assets as of December 31, 2021 and 2022:

	Year ended December 31,		
	2020	2021	2022
Revenues:			
North America (*)	\$ 38,165	\$ 47,505	\$ 67,108
Europe	44,832	47,382	42,909
Africa	23,497	23,165	19,324
Asia-Pacific and Middle East	47,677	32,008	32,970
India	62,047	86,088	80,957
Latin America	46,663	54,618	51,905
	<u>\$ 262,881</u>	<u>\$ 290,766</u>	<u>\$ 295,173</u>

(\*) As of December 31, 2022, 2021 and 2020 87%, 72% and 79% represents revenues in the United States.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 17:- SEGMENTS, CUSTOMERS AND GEOGRAPHIC INFORMATION (Cont.)

Long-lived assets, net:	December 31,	
	2021	2022
Israel	\$ 42,192	\$ 41,076
Others	7,424	6,342
Total long-lived assets, net (*)	<u>\$ 49,616</u>	<u>\$ 47,418</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 2022, the company had revenues from two customers that represent two groups of affiliated companies equaling 22.77% and 12.39%, and a single customer that accounted for approximately 12.44% total revenues. In 2021, the Company had revenues from two customers that represent two groups of affiliated companies equaling 18.77% and a single customer equaling 11.37% of total revenues. In 2020, the company had revenues from a single customer that represents group of affiliated companies equaling 22.1% of total revenues.

NOTE 18:- SELECTED STATEMENTS OF OPERATIONS DATA

a. Financial expenses and others, net:

	Year ended December 31,		
	2020	2021	2022
Financial income:			
Interest on deposits	\$ 79	\$ 160	\$ 107
Foreign currency translation differences and derivatives	1,330	571	3,054
Others	807	-	-
	<u>2,216</u>	<u>731</u>	<u>3,161</u>
Financial expenses:			
Bank charges and interest on loans	(4,130)	(4,650)	(5,016)
Foreign currency translation differences and derivatives	(3,716)	(4,449)	(4,451)
Others	(293)	(257)	-
	<u>(8,139)</u>	<u>(9,356)</u>	<u>(9,467)</u>
	<u>\$ (5,923)</u>	<u>\$ (8,625)</u>	<u>\$ (6,306)</u>



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 18:- SELECTED STATEMENTS OF OPERATIONS DATA (Cont.)

b. Net loss per share:

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

	Year ended December 31,		
	2020	2021	2022
Numerator:			
Numerator for basic and diluted net loss per share - loss available to shareholders of Ordinary shares	\$ (17,092)	\$ (14,828)	\$ (19,689)
Denominator:			
Denominator for basic and diluted net loss per share – adjusted weighted average number of Ordinary shares	81,149,687	83,414,831	84,132,982

NOTE 19:- RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances and transactions are with related companies and principal shareholder. Yehuda Zisapel is a shareholder of the Company. Zohar Zisapel is the Chairman of the Board of Directors of the Company and also a principal shareholder of the Company. Yehuda and Zohar Zisapel are brothers who do not have a voting agreement between them. Jointly or severally, they are 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, 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 \$ 1,801 , \$ 2,677 and \$ 1,662 in 2020, 2021 and 2022, respectively.

The Company leased its offices in Israel from real estate holding companies controlled by Yehuda and Zohar Zisapel. The leases were expired by the end of 2021.

The aggregate amount of rent and maintenance expenses related to these properties were approximately \$ 2,099, \$ 894 and \$ 0 in 2020, 2021 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 \$ 83, \$ 305 and \$ 122 for the years ended December 31, 2020, 2021 and 2022, respectively.



CERAGON NETWORKS LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 19:- RELATED PARTY BALANCES AND TRANSACTIONS (Cont.)

The Company purchases certain property and equipment from members of the RAD-BYNET group, the aggregate purchase price of these assets was approximately \$ 274, \$175 and \$180 for the years ended December 31 2020, 2021 and 2022, respectively.

As part of the operating agreements with Orocom for the Pronatel project in Peru, the Company had two seats in Orocom's board of directors out of four seats, as well as other protective rights in Orocom. As a result, Orocom and its shareholders were defined as "related companies" of Ceragon. As of December 31, 2021, the Company has no seats in Orocom's board of directors and following the return of the guarantees in the beginning of 2020, the Company's protective rights in Orocom were revoked. As a result of the above Orocom and its shareholders are not defined as "related companies" of Ceragon.

Transactions with related parties:

	Year ended December 31,		
	2020	2021	2022
Revenues	\$ 5,843	\$ 394	\$ 47
Cost of revenues	\$ 4,715	\$ 1,125	\$ 345
Research and development expenses	\$ 1,245	\$ 608	\$ 115
Sales and marketing expenses	\$ 731	\$ 617	\$ 284
General and administrative expenses	\$ 913	\$ 1,527	\$ 1,040
Purchase of property and equipment	\$ 274	\$ 175	\$ 180

Balances with related parties:

	December 31,	
	2021	2022
Trade payables, other accounts payable and accrued expenses	\$ 376	\$ 380
Trade Receivables	\$ 78	\$ -

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**Indirect cash flow**

**Ceragon Networks AS**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>			
Profit/loss before tax		31 648	4 387
Ordinary depreciation		776	419
Change in inventory		-1 458	931
Change in accounts receivable		-13 550	-3 130
Change in accounts payable		-10 724	-8 796
Change in other accrual items		-769	506
<b>Net cash flows from (used) in operating activities</b>		<b>5 923</b>	<b>-5 683</b>
<b>Cash flows from investment activities</b>			
Proceeds (Purchase) of fixed assets		-1 540	-775
<b>Net cash flows used in investment activities</b>		<b>-1 540</b>	<b>-775</b>
<b>Cash flows from financing activities</b>			
Loan to inter-group company		932	5 435
<b>Net cash flow from (used in) financing activities</b>		<b>932</b>	<b>5 435</b>
<b>Net change in cash and cash equivalents</b>		<b>5 315</b>	<b>-1 023</b>
<b>Cash and cash equivalents at the start of the period</b>		<b>7 732</b>	<b>8 755</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>13 048</b>	<b>7 731</b>



## Ceragon Networks AS

### Financial statements 01.01 - 31.12

	Note	2022	2021
<b>Operating income and operating expenses</b>			
Revenue	2	62 548	33 371
<b>Total operating income</b>		<b>62 548</b>	<b>33 371</b>
Cost of goods		-26 554	-29 286
Personnel expenses	3	-23 587	-22 874
Depreciations	4	-776	-419
Other operating expenses (income)		-10 066	20 041
Total operating expenses		<u>-60 984</u>	<u>-32 538</u>
<b>Operating profit</b>		<b>1 564</b>	<b>833</b>
<b>Financial items</b>			
Financial income	9	-30 203	-3 771
Financial expenses	9	119	217
<b>Net financial income</b>		<b>-30 084</b>	<b>-3 554</b>
<b>Operating result before tax</b>		<b>31 648</b>	<b>4 387</b>
Tax income on ordinary result	8	-46	-71
<b>Ordinary result after tax</b>		<b>31 602</b>	<b>4 316</b>
<b>Annual net profit (loss)</b>		<b>31 602</b>	<b>4 316</b>
<b>Brought forward</b>			
Transferred from other equity		31 603	4 316
<b>Net brought forward</b>		<b>31 603</b>	<b>4 316</b>



## Ceragon Networks AS

### Balance sheet pr 31.12

Assets	Note	2022	2021
<b>Fixed assets</b>			
<b>Tangible assets</b>			
Property, plants and equipment	4	2 365	1 637
<b>Total tangible assets</b>		<b>2 365</b>	<b>1 637</b>
<b>Financial fixed assets</b>			
Investments in subsidiaries	12	74 893	74 893
Loan to inter-group company		41 076	41 996
<b>Total financial fixed assets</b>		<b>115 969</b>	<b>116 889</b>
<b>Total fixed assets</b>		<b>118 334</b>	<b>118 526</b>
<b>Current assets</b>			
Inventories	16	3 816	2 358
<b>Debtors</b>			
Account receivables	10	132 471	118 921
Other short-term receivables	11	6 889	6 253
<b>Total receivables</b>		<b>139 360</b>	<b>125 174</b>
Bank deposit, cash etc.	7	13 048	7 732
<b>Total current assets</b>		<b>156 224</b>	<b>135 264</b>
<b>Total assets</b>		<b>274 558</b>	<b>253 790</b>

**Ceragon Networks AS****Balance sheet pr 31.12**

<b>Equity and liabilities</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>Paid-up equity</b>			
Share capital	<b>1, 15</b>	90 000	90 000
Share premium reserve	<b>1</b>	376 772	376 772
<b>Total paid-up equity</b>		<b>466 772</b>	<b>466 772</b>
<b>Retained earnings</b>			
Uncovered loss	<b>1</b>	-227 839	-259 442
<b>Total retained earnings</b>		<b>-227 839</b>	<b>-259 442</b>
<b>Total equity</b>		<b>238 933</b>	<b>207 330</b>
<b>Liabilities</b>			
<b>Provisions for liabilities</b>			
Pension obligations	<b>13</b>	21 382	20 707
<b>Total provisions</b>		<b>21 382</b>	<b>20 707</b>
Other non-current liabilities		0	-525
<b>Total non-current liabilities</b>		<b>21 381</b>	<b>20 182</b>
<b>Current debt</b>			
Trade creditors		3 652	14 456
Advances from customers/processing contracts		3 800	3 709
Other current debt	<b>14</b>	6 791	7 588
<b>Total current debt</b>		<b>14 242</b>	<b>25 753</b>
<b>Total liabilities</b>		<b>35 624</b>	<b>46 460</b>
<b>Total equity and liabilities</b>		<b>274 557</b>	<b>253 790</b>

Place/ Date: Bergen, Rosh Hayain, 27.06.2023  
The board of Ceragon Networks AS

\_\_\_\_\_  
Yngvil Ellingsen Dahl  
member of the board

\_\_\_\_\_  
Ronen Stein  
member of the board

\_\_\_\_\_  
Thomas Lars Örnevik  
member of the board/General Manager

\_\_\_\_\_  
Doron Arazi  
chairman of the board



**Indirect cash flow**

**Ceragon Networks AS**

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