CERAGON NETWORKS LTD
Form 20-F/A
February 09, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F/A

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year endedDecember 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 0-30862

CERAGON NETWORKS LTD.
(Exact Name of Registrant as Specified in Its Charter)

Israel
(Jurisdiction of Incorporation or Organization)

24 Raoul Wallenberg Street, Tel Aviv 69719, Israel
(Address of Principal Executive Offices)

Michal Lavee Machlav (+972) 3-543-1284 (tel.), (+972) 3-543-1600 (fax), 24 Raoul Wallenberg Street, Tel Aviv 69719, Israel
(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange of Which Registered
Ordinary Shares, Par Value NIS 0.01	Nasdaq Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 77,636,864 Ordinary Shares, NIS 0.01 par value.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer o Accelerated filer Non-accelerated filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board ¨

Other ¨

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

EXPLANATORY NOTE

This Amendment No. 2 on Form 20-F/A ("Amendment 2") is filed in order to amend the Annual Report on Form 20-F for the fiscal year ended December 31, 2015 (the "Form 20-F") of Ceragon Networks Ltd. (the "Company"), as filed with the Securities and Exchange Commission on March 23, 2016, as well as amend Amendment No. 1 on Form 20-F/A filed with the Securities and Exchange Commission on December 27, 2016 ("Amendment 1").

Amendment 2 further amends and restates "Item 15. Control and Procedures" of Part I of Form 20-F, incorporates the certifications pursuant to section 302 of the Sarbanes – Oxley Act of 2002 (exhibits 12.1 and 12.2 of the Form 20-F), which were inadvertently omitted from Amendment 1, and adds the signature page, which was erroneously not inserted at the end of the Form 20-F, after "Item 19. Exhibits".

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, we have included the entire Form 20-F in this Amendment 2. However, there have been no changes to the text of such item other than the changes stated in the immediately preceding paragraphs. Furthermore, there have been no changes to the XBRL data filed in Exhibit 101 of the Form 20-F.

Except as expressly set forth above, this Amendment 2 does not, and does not purport to, amend, update or restate the information presented in any other item of the Form 20-F or reflect any events that have occurred after the filing of such Form 20-F.

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INTRODUCTION

Definitions

In this annual report, unless the context otherwise requires:

references to “Ceragon,” the “Company,” “us,” “we” and “our” refer to Ceragon Networks Ltd. (the “Registrant”), an Israeli company, and its consolidated subsidiaries;

references to “ordinary shares,” “our shares” and similar expressions refer to the Registrant’s Ordinary Shares, NIS 0.01 nominal (par) value per share;

references to “dollars,” “U.S. dollars” and “$” are to United States Dollars;

references to “shekels” and “NIS” are to New Israeli Shekels, the Israeli currency;

references to the “Companies Law” are to Israel’s Companies Law, 5759-1999;

references to the “SEC” are to the United States Securities and Exchange Commission; and

references to the "Nasdaq Rules" are to rules of the Nasdaq Global Select Market.

Cautionary Statement Regarding Forward-Looking Statements

This annual report includes certain statements that are intended to be, and are hereby identified as, “forward-looking statements” for the purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future events.

Forward-looking statements can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “anticipate,” “estimate,” “continue,” “believe” or other similar expressions, but are not the only way these statements are identified. These statements discuss future expectations, plans and events, contain projections of results of operations or of financial condition or state other “forward-looking” information. When a forward-looking statement includes an underlying assumption, we caution that, while we believe the assumption to be reasonable and make it in good faith, assumed facts almost always vary from actual results, and the difference between a forward-looking statement and actual results can be material. Forward-looking statements may be found in Item 4. “INFORMATION ON THE COMPANY” and Item 5. “OPERATING AND FINANCIAL REVIEW AND PROSPECTS” and in this annual report generally. Our actual results could differ materially from those anticipated in these statements as a result of various factors, including all the risks discussed in “Risk Factors” and other cautionary statements in this annual report. All of our forward-looking statements are qualified by and should be read in conjunction with those disclosures. Except as may be required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties, and assumptions, the forward-looking events discussed in this annual report might not occur.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

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ITEM 3. KEY INFORMATION

Selected Financial Data

The selected financial data set forth in the table below have been derived from our audited historical financial statements for each of the years from 2011 to 2015. The selected consolidated statement of operations data for the years 2013, 2014 and 2015, and the selected consolidated balance sheet data at December 31, 2014 and 2015, have been derived from our audited consolidated financial statements set forth in Item 18. “FINANCIAL STATEMENTS.” The selected consolidated statement of operations data for the years 2011 and 2012 and the selected consolidated balance sheet data at December 31, 2011, 2012 and 2013, have been derived from our previously published audited consolidated financial statements, which are not included in this annual report. This selected financial data should be read in conjunction with our consolidated financial statements and are qualified entirely by reference to such consolidated financial statements. We prepare our consolidated financial statements in U.S. dollars and in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”). You should read the consolidated financial data with the section of this annual report entitled Item 5. “OPERATING AND FINANCIAL REVIEW AND PROSPECTS” and our consolidated financial statements and the notes to those financial statements included elsewhere in this annual report.

	Year ended December 31,				
	2011	2012	2013	2014	2015
	(In thousands, except share and per share data)				
Consolidated Statement of Operations Data:					
Revenues	$445,269	$446,651	$361,772	$371,112	$349,435
Cost of revenues	323,191	308,354	249,543	286,670	246,487
Gross profit	122,078	138,297	112,229	84,442	102,948
Operating expenses:					
Research and development	50,456	47,487	42,962	35,004	22,930
Selling and marketing	81,716	77,326	67,743	56,059	40,816
General and administrative.	26,524	27,519	26,757	23,657	21,235
Restructuring costs	7,834	4,608	9,345	6,816	1,225
Goodwill impairment	--	--	--	14,765	
Other income	--	--	(7,657)	(19,827)	(4,849)
Acquisition related cost	4,919	--	--	--	--
Total operating expenses	171,449	156,940	139,150	116,474	81,357
Operating income (loss)	(49,371)	(18,643)	(26,921)	(32,032)	21,591
Financial expenses, net	(2,024)	(3,547)	(14,018)	(37,946)	(14,738)
Income (loss) before taxes	(51,395)	(22,190)	(40,939)	(69,978)	6,853
Tax on income	(2,259)	(1,201)	(6,539)	(6,501)	(5,842)
Net income (loss)	(53,654)	(23,391)	(47,478)	(76,479)	1,011
Basic net earnings (loss) per share	$(1.49)	$(0.64)	$(1.23)	$(1.22)	$0.01
Diluted net earnings (loss) per share	$(1.49)	$(0.64)	$(1.23)	$(1.22)	$0.01
Weighted average number of shares used in computing basic earnings (loss) per share	35,975,434	36,457,989	38,519,606	62,518,602	77,239,409
Weighted average number of shares used in computing diluted earnings (loss) per share	35,975,434	36,457,989	38,519,606	62,518,602	77,296,681

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	At December 31				
	2011	2012	2013	2014	2015
	(In thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents, short and long term bank deposits, short and long term marketable securities	$49,531	$51,589	$52,337	$42,371	$36,318
Working capital	154,987	129,407	106,765	87,748	84,311
Total assets	411,158	393,596	365,971	341,873	265,332
Total long term liabilities	76,664	69,767	52,498	31,822	19,915
Shareholders' equity	161,051	143,709	135,078	104,552	102,821

Risk Factors

The following risk factors, among others, could affect our business, results of operations or financial condition and cause our actual results to differ materially from those expressed in forward-looking statements made by us. These forward-looking statements are based on current expectations and we assume no obligation to update this information. You should carefully consider the risks described below, in addition to the other information contained elsewhere in this annual report. The following risk factors are not the only risk factors that the Company faces. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. Our business, financial condition and results of operations could be seriously harmed if any of the events underlying any of these risks or uncertainties actually occur. In that event, the market price for our ordinary shares could decline.

Risks Relating to Our Business

In 2015 we experienced a decline in sales and revenues. If this decline continues, our results of operations and cash flow may be significantly adversely impacted.

While our measures, taken at the end of 2014, to improve gross profit, reduce operating expenses and improve our working capital management, were the main drivers for the improved financial results in 2015, we have seen a decrease in our sales and revenue as compared with 2014 and 2013. If this trend continues, our results of operations and cash flow may be significantly adversely impacted. In such a case, we may need to take additional measures such as cut in costs, which may impact our ability to compete in the market.

We face intense competition from other wireless equipment providers. If we failto compete effectively, our business, financial condition and result ofoperations would be materially adversely affected.

The market for wireless equipment is rapidly evolving, highly competitive and subject to rapid change.

Our primary competitors include industry “generalists” such as Fujitsu Limited, Huawei Technologies Co., Ltd., L.M. Ericsson Telephone Company, NEC Corporation, Nokia and ZTE Corporation, each providing a vast wireless solutions portfolio, with a wireless backhaul solution within their portfolio. In addition to these primary competitors, a number of smaller microwave communications equipment suppliers, including Aviat Networks Inc., DragonWave Inc., and SIAE Microelectronica S.p.A., offer or are developing products that compete with our products.

Most of our principal competitors, the industry “generalists”, are substantially larger than we are and have longer operating histories and greater financial, sales, service, marketing, distribution, technical, manufacturing and other resources than we have. Moreover, the market for wireless equipment is going through significant consolidation. For example, five years ago we had five major wireless network equipment manufacturers, while today we have only three such major manufacturers. As these consolidations have increased the size and thus the competitive resources of these providers, which have greater name recognition and a larger customer base than we have, they may be able to respond more quickly to changes in customer requirements and evolving industry standards, as well as greater resources to the development, promotion and sale of their products. Many of these "generalists", also have well-established relationships with our current and potential customers, have extensive knowledge of our target markets, which may give them additional competitive advantage. In addition, as these “generalists” have begun to focus more on selling services and bundle the entire network as a full-package offering, some of our customers, which seek best-of-breed solutions like ours, may be driven to purchase “bundled” solutions from the “generalists”. Moreover, as these “generalists” are usually financially stronger than us, some of these large competitors, especially those from China, may be able to offer customers more significant financing packages and more attractive pricing, which are frequently expected by customers in certain regions, and may increase the attractiveness of their products in comparison to ours.

Additionally, even where these “generalists” resell Ceragon products as a part of their own portfolio – selling through resellers may negatively impact our margins and it means that our business success may depend on these competitors to some extent. For example the consolidation between Nokia and Alcatel-Lucent may negatively impact our sales should Nokia decide to decrease volume of sales of the Ceragon products, since today Nokia resells the Ceragon products in various markets.

Moreover, current and potential competitors, may make strategic moves such as mergers, acquisitions or establishing cooperative relationships among themselves or with third parties that may allow them to increase their market share and competitive position.

We expect to face increasing competitive pressures in the future. If we are unable to compete effectively, our business, financial condition and results of operations would be materially adversely affected.

In previous years we incurred substantial losses and negative cash flows. Although we were profitable and generated cash from our operations in 2015, we cannot assure you that we will be able to maintain this improving trend and profitability or continue to have positive operating cash flows.

From 2011 through 2014, we incurred substantial net losses and a negative cash flow from operations. For example, in 2013 we incurred a net loss of $47.5 million, a net loss of $76.5 million in 2014, and negative cash flow from operations of $(29.5) million and $(32.3) in 2013 and 2014, respectively. Our prior losses were impacted by decreases in revenues, decreased gross margins and the significant expenses, costs and charges associated with prior organizational restructuring activities. In 2015 we incurred a net income of $1.0 million and generated cash from operating activities of $16.1 million. However, there is no assurance we will be able to maintain the improved results and may need to take further measures such as cutting additional costs in order to maintain or further improve our results. This may impact our ability to compete in the market for the short and long term and impair our financial condition.

Fluctuating working capital needs may require additional or alternate cash resources. If we are unable to obtain such resources our ability to fund operations could be impaired.

We have experienced significant fluctuations in liquidity and in our working capital needs. Our working capital needs are primarily impacted by the volume of our business and its profitability, our payment terms with our vendors and customers and the level of inventory we need to maintain in order to meet our contractual obligations.

We believe that our cash resources can support our business plan for at least the next 12 months; nevertheless changes and fluctuations in the above elements may require additional cash. Should our cash needs increase, we may need to raise additional funds through public or private debt or equity offerings. If we are not able to raise other capital or borrow additional funds, we may not be able to fund our working capital and operational needs which would have a material adverse effect on our business, financial condition, results of operations and cash flow.

In addition, as our credit facility period ends at March 31, 2017, we will have to extend the credit facility agreement or replace it with another financing arrangements in order to support the operations beyond March 31, 2017. The inability of the syndicate of banks to extend our credit facility, including by reason of a non-approval by the Controller of Restricting Trade, whose approval is required, and our inability to extend this credit facility under terms applicable to our business plans or to find alternate sources for it, may have material adverse effect on our business, financial condition, results of operations and cash flow.

We could be adversely affected by our failure to comply with the covenants in our credit agreement or by the failure of any bank to provide us with credit under committed credit facilities.

We have a committed credit facility available for our use from a syndicate of four banks. Our credit agreement contains financial and other covenants requiring that we maintain, among other things, minimum shareholders' equity value, a certain ratio between our shareholders' equity and the total value of our assets on our balance sheet, a certain ratio between our net financial debt to each of our working capital and accounts receivable, and a minimum cash covenant. Any failure to comply with the covenants, including due to poor financial performance, may constitute a default under the credit agreement and may require us to seek an amendment or waiver from the banks to avoid termination of their commitments and/or an immediate repayment of all outstanding amounts under the credit facilities which would have a material adverse effect on our financial condition and ability to operate. In addition, the payment may be accelerated and the credit facility may be cancelled upon an event in which a current or future shareholder acquires control (as defined under Israel Securities Law) of us. For more information, See Item 5. "OPERATING AND FINANCIAL REVIEW AND PROSPECTS; B. "Liquidity and Capital Resources," for a more detailed discussion.

In addition, the credit facility is provided by the syndication with each bank agreeing severally (and not jointly) to make its agreed portion of the credit loans to us in accordance with the terms of the credit loan agreement, which includes a framework for joint decision making powers by the banks. If one or more of the banks providing the committed credit facility were to default on its obligation to fund its commitment, the portion of the committed facility provided by such defaulting bank would not be available to us.

Due to the volume of our sales in emerging markets, we aresusceptible to a number of political, economic and regulatory risks that could have amaterial adverse effect on our business, reputation, financial condition and results ofoperations.

A majority of our sales are made in countries in Latin America, India, Asia Pacific and Africa. For each of the years ended December 31, 2014 and 2015, sales in these regions accounted for approximately 73% of our revenues. As a result, the occurrence of any international, political, regulatory or economic events in these regions could adversely affect our business and result in significant revenue shortfalls and collection risk. Any such revenue shortfalls and/or collection risk could have a material adverse effect on our business, financial condition and results of operations. For example, there have been substantial import controls into Argentina, under which we need to obtain tax and customs authorities' approvals for import activities. To date we have been able to obtain all required approvals, and in Argentina, controls are just now being slowly lifted after the recent change in government, but we cannot assure you that more stringent requirements will not be imposed in the future. Due to the continued Venezuelan government policy that limits our customers' ability to pay for imported goods in foreign currency, our revenue from Venezuela has decreased significantly in 2014. In addition we have recorded in 2014 and 2015 a charge of $20.5 million and $1.6 million respectively, to reflect a re-measurement of assets in Venezuela, primarily accounts receivables, which were denominated or linked to the U.S. dollars. During 2015 our equity was adversely impacted at an amount of $4.3 million as a result of the erosion of the Brazilian currency against the U.S. dollar in this year. We have no assurance that current conditions will not further deteriorate or that similar conditions will not occur in other developing countries, which might adversely affect our sales in these countries and/or our ability to collect the proceeds from such sales in the future.

Following are some of the risks and challenges that we face doing business internationally, several of which are more likely in the emerging markets than in other countries:

- unexpected changes in or enforcement of regulatory requirements, including security regulations relating to international terrorism and hacking concerns and regulations related to licensing and allocation processes;

- unexpected changes in or imposition of tax or customs levies;

- fluctuations in foreign currency exchange rates;

- restrictions on currency and cash repatriation;

- imposition of tariffs and other barriers and restrictions;

- burden of complying with a variety of foreign laws including foreign import restrictions which may be applicable to our products;

- difficulties in protecting intellectual property;

- laws and business practices favoring local competitors;

- demand for high-volume purchases with discounted prices;

- collection delays and uncertainties;

- civil unrest, war and acts of terrorism;

- requirements to do business in local currency; and

· requirements to do manufacture or purchase locally;

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In addition, local business practices in jurisdictions in which we operate, and particularly in emerging markets, may be inconsistent with international regulatory requirements, such as anti-corruption and anti-bribery regulations to which we are subject. It is possible that, notwithstanding our policies and in violation of our instructions, some of our employees, subcontractors, agents or partners may violate such legal and regulatory requirements, which may expose us to criminal or civil enforcement actions. If we fail to comply with such legal and regulatory requirements, our business and reputation may be harmed.

Our operating results may vary significantly from quarter to quarter and from our expectations for any specific period.

Our quarterly results are difficult to predict and may vary significantly from quarter to quarter, or from our expectations and guidance for any specific period. Most importantly, delays in product delivery or completion related services, can cause our revenues, net income and operating cash flow to fluctuate significantly from anticipated levels, especially as a large portion of our revenues are traditionally generated towards the end of each quarter. Factors such as geographical mix, delivery terms and timeline, product mix, related services mix and other deal terms may differ significantly from our prediction and impact our revenue recognition timing, gross margins, costs and expenses as well as cash flow from operations. In addition, the decisions of our customers regarding spending throughout the year may also create unpredictable fluctuations in the timing in which we received orders and can recognize revenues, which may impact our quarterly results.

The quarterly variation of our operating results, may, in turn, create volatility in the market price for our shares.

A decrease in industry growth or reduction in our customers' revenue from increased regulation or new mobile services may cause operators' investments in networks to slow, be delayed or stop, harming our business.

We are exposed to changing network models that affect operator spending on infrastructure as well as trends in telecom operators and other service provider's investment cycles. The emergence of over-the-top services, which make use of the operators' network to deliver rich content to users but are not sharing their revenue with the operators, are causing operators to lose a substantial portion of their voice/SMS revenues. In addition, changes in regulatory requirements in certain jurisdictions around the world are allowing smaller operators to enter into, and compete in, the market, which may also reduce our customers' pricing to their end-users further causing them to lose revenues. This is leading operators to spend more carefully on infrastructure upgrades and build-outs. Operators today are revising their old models because adding capacity to meet demand could force them to increase their current capital expense investments over the coming years. As a result, operators are looking for more cost-efficient solutions and network architecture that allow them to break the linearity of cost and capacity through more efficient use of existing infrastructure and assets. If operators fail to monetize new services, fail to introduce new business models or experience a decline in operator revenues or profitability, their willingness to invest further in their network systems may decrease, which will reduce their demand for our products and services and may have an adverse effect on our business, operating results and financial condition.

Global competition and current market conditions, including those specifically impacting the telecommunications industry, have resulted in downward pressure on the prices for our products, whichcould result in reduced revenues, gross margins, profitability and demand for our products and services.

Currently, we and other manufacturers of telecommunications equipment are experiencing, and are likely to continue to experience, increased downward price pressure, particularly as we increase our customer base to include more Tier 1 customers and continue to meet market demand in certain emerging markets and other less profitable countries. As a result, we may experience declining average sales prices for our products. Our future profitability will depend upon our ability to improve manufacturing efficiencies, to reduce costs of materials used in our products, and to continue to design to cost and introduce new lower-cost products and product enhancements. Because customers frequently negotiate supply arrangements far in advance of delivery dates, we may be required to commit to price reductions for our products before we are aware of how, or if, cost reductions can be obtained. Current or future price reduction commitments and any inability on our part to respond to increased price competition, in particular from tier 1 customers with higher volumes and stronger negotiating power, could harm our profitability, business, financial condition and results of operations. Alternatively, if we decide not to pursue some of the deals, our revenues might significantly decrease and harm our business and financial results.

In recent years we have increased our sales in India, a region typically characterized as being price-sensitive, resulting in pressure on our profitability. For the years ended December 31, 2014 and 2015, 24.8% and 30.3% of our revenues were earned in India, respectively. We expect that our revenues from sales of our products in India will continue to constitute a significant portion of our business in the future. In addition, we anticipate continued demand for our sales in Latin America, a geography which is characterized by strong downward pricing pressures. Challenging global economic conditions could also have adverse, wide-ranging effects on demand for our products and services, as well as for the products of our customers. The telecommunications industry has experienced downturns in the past in which operators substantially reduced their capital spending on new equipment. Continued adverse economic conditions, which still exist in certain jurisdictions, including certain countries in Europe, Latin America and Africa, could cause network operators to postpone investments or initiate other cost-cutting initiatives to improve their financial position. Over the past several years, network operators have started to share parts of their network infrastructure through cooperation agreements rather than through legal consolidation, which may adversely affect demand for lower cost network equipment. Moreover, the level of demand by operators and other customers who buy our products and services can change quickly and can vary over short periods, including from month to month.

If the current economic situation deteriorates, or if the uncertainty and variations in the telecommunications industry continues, our business could be negatively impacted, including in such areas as reduced demand for our products and services, slowed customer buying decisions, pricing pressures, possible withdrawal of global operators from some geographies in which they currently operate in and in which we sell, supplier or customer disruptions, or insolvency of certain of our key distributors, resellers, original equipment manufacturers (OEMs) and systems integrators, which could impair our distribution channels, which could reduce our revenues or our ability to collect our accounts receivable and have a material adverse effect on our financial condition and results of operations.

Some of our competitors can benefit from currency fluctuations as their costs and expenses are primarily denominated in currencies other than the U.S. dollar. In case the U.S. dollar strengthens against these currencies these competitors might offer their products and services for a lower price and take market share from us, which might adversely affect our business, result of operation and financial condition.

If we fail to effectively manage deliveries of our products, we may be unable to timely fulfill our customer commitments, which would adversely affect our business and results of operations. Technical problems in our relatively new product line, may adversely affect our business.

We outsource substantially all our manufacturing operations, and purchase ancillary equipment for our products from contract and other independent manufacturers and other third parties. If we fail to effectively manage and synchronize our deliveries from all these sources to the customer in a timely manner, fail to forecast the mix or quantities of our products or underestimate our production requirements, which could interrupt manufacturing, we could incur additional costs, be subject to penalties and suffer from reduction in our business. If one or more of the contract and other independent manufacturers or other third parties do not fully comply with their contractual obligations or experience delays, disruptions or component procurement problems, our ability to deliver complete product orders to our customers, or otherwise fulfill our contractual obligations to our customers, could be delayed or impaired. This could result in higher manufacturing costs, could cause damage to customer relationships or could result in our payment of penalties to our customers, which would adversely affect our business, financial results and customer relationships.

Since we launched our IP-20 platform, we face some technical problems that are typical to an introduction phase of a new product. Such technical problems may cause delays in product delivery, which could result in additional costs and adversely affect customer satisfaction and our result of operation. In addition, in our competitive market, we are expected to launch new versions and as well as new products from time to time, which again, are more prone to technical problems that may delay our deliveries. Any such technical problem may adversely affect our ramping up ability and may cause us to incur additional manufacturing costs or decrease our revenues, and may have a material adverse effect on our business.

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We derive a substantial portion of our revenues from fixed-price projects, including our rollout projects, under which we assume greater financial risk if we fail to accurately estimate the costs of the projects.

We are engaged in supplying rollout projects, involving fixed-price contracts. We assume greater financial risks on fixed-price projects, which routinely involve the provision of installation and other services, versus equipment –only sales, which do not similarly require us to provide services or require customer acceptance certificates in order for us to recognize revenue. If we miscalculate the resources or time we need for these fixed-price projects, the costs of completing these projects may exceed our original estimates, which would negatively impact our financial condition and results of operations.

We have in the past undertaken restructuring activities, most recently in the fourth quarter of 2014, which may adversely impact our operations.

Since 2012, we implemented several restructuring activities in order to reduce operating costs and improve efficiency. The restructuring activities mainly included post termination costs, property and equipment write-offs in relation to activities that were terminated, as well as facilities-related expenses for warehouse and office closings and relocations.

We incurred restructuring charges of $9.3 million and $6.8 million, respectively, in 2013 and 2014. In the first quarter of 2015 we incurred charges of $1.2 million which were related to our 2014 restructuring activity.

We based our restructuring efforts on assumptions and plans regarding the appropriate cost structure of our businesses, taking into consideration, among other factors, our product mix and projected sales. These assumptions may not be correct as we continue to evaluate and transform our business in order to achieve desired cost savings in an increasingly competitive market. If we are required to carry out an additional restructuring plan, we may incur additional restructuring charge, which may have adverse impact on our results of operation as well as our ability to compete in the market for the short and long term. Further, we may have difficulty attracting and retaining personnel as a result of a perceived risk of future workforce reductions.

We face intense competition from other communications solutions thatcompete with our high-capacity point-to-point wireless products, which couldreduce demand for our products and have a material adverse effect on our business and results of operations. In addition, we are dependent upon sales of our single family of products into the high-capacity point-to-point wireless backhaul market. Any reduction in demand for our products in this market would cause our revenues to decrease.

Our products compete with other high-speed communications solutions, including fiber optic lines and other wireless technologies. Some of these technologies utilize existing installed infrastructure and have achieved significantly greater market acceptance and penetration than high-capacity point-to-point wireless technologies. Moreover, as more and more data demands are imposed on existing network frameworks and because of consolidation of fixed and mobile operators, operators may be more motivated to invest in more expensive high-speed fiber optic networks to meet current needs and remain competitive.

Some of the principal disadvantages of high capacity, point-to-point wireless technologies that may make other technologies more appealing include suboptimal operations in extreme weather conditions and limitations in connection with the need to establish line of sight between antennas.

In addition, customers may decide to use transmission frequencies for which we do not offer products.

Moreover, we develop and sell one family of products into the high-capacity point-to-point wireless backhaul market. As a result, we are more likely to be adversely affected by a reduction in demand for point-to-point wireless backhaul products in comparison to companies that also sell multiple and diversified product lines and solutions to customers.

To the extent that these competing communications solutions reduce demand for our high-capacity point-to-point wireless transmission products, there may be a material adverse effect on our business and results of operations.

Consolidation of our potential customer base could harm our business.

The increasing trend toward mergers in the telecommunications industry has resulted in the consolidation of our potential customer base. In situations where an existing customer consolidates with another industry participant, which uses a competitor's products, our sales to that existing customer could be reduced or eliminated completely to the extent that the consolidated entity decides to adopt the competing products. Further, consolidation of our potential customer base could result in purchasing decision delays as consolidating customers integrate their operations and could generally reduce our opportunities to win new customers, to the extent that the number of potential customers decreases. Moreover, some of our potential customers have agreed to share networks, which results in less network equipment and associated services required and a decrease in the overall size of the market. Network operators have started to share parts of their network infrastructure through cooperation agreements rather than legal consolidations, which may adversely affect demand for network equipment and could harm our business and results of operations.

We rely on a limited number of contract manufacturers to manufacture ourproducts and if they experience delays, disruptions, quality control problemsor a loss in capacity, it could materially adversely affect our operatingresults.

We outsource substantially all of our manufacturing processes, management of our logistic hubs and supply of our antennas to a limited number of contract manufacturers and suppliers that are located in Israel, Ukraine, Malaysia, Singapore, the Philippines and Hungary. We do not have long-term contracts with any of these contract manufacturers. From time to time, we have experienced and may in the future experience delays in shipments from these contract manufacturers. As part of our continued effort to reduce costs and the restructuring announcement on December 15, 2014, on March 18, 2015 we signed a contract with a certain contract manufacturer to outsource our production facility in Slovakia. As part of this outsourcing, we transferred the production activity to the new manufacturer during 2015. As a result of this move, we may experience delays in shipment as well as quality issues, until ramp up and knowledge transfer is completed.

Although we believe that our contract manufacturers have sufficient economic incentive to perform our manufacturing, the resources devoted to these activities are not within our control, and we cannot assure you that manufacturing problems will not occur in the future. In addition, the operations of our contract manufacturers are not under our control, and may themselves in the future experience manufacturing problems, including inferior quality and insufficient quantities of components. These delays, disruptions, quality control problems and loss in capacity could result in delays in deliveries of our product to our customers, which could subject us to penalties payable to our customers, increased warranty costs and possible cancellation of orders. If our contract manufacturers experience financial, operational, manufacturing capacity or other difficulties, or shortages in components required for manufacturing, our supply may be disrupted and we may be required to seek alternate manufacturers. We may be unable to secure alternate manufacturers that meet our needs in a timely and cost-effective manner. In addition, some of our contract manufacturers have granted us licenses with respect to certain technology that is used in a number of our products. If we change contract manufacturers, we may be required to renegotiate these licenses or redesign some of our products, either of which could increase our cost of revenues and cause product delivery delays. If we change manufacturers, during the transition period, we may be more likely to face delays, disruptions, quality control problems and loss in capacity, and our sales, profits and customer relationships may suffer.

Our international operations expose us to the risk of fluctuation in currencyexchange rates and restrictions related to foreign currency exchange controls.

Although we derive a significant portion of our revenues in U.S. dollars, a portion of our U.S. dollar revenues are derived from customers operating in local currencies, which are different from the U.S. dollar. Therefore, devaluation in the local currencies of our customers relative to the U.S. dollar could cause our customers to cancel or decrease orders or delay payment. In addition, part of our revenues from customers are in non-U.S. dollar currencies, therefore we are exposed to the risk of devaluation of such currencies relative to the dollar, which could have a negative impact on our revenues and results of operations. We are also subject to other foreign currency risks including repatriation restrictions in certain countries, particularly in Latin America. See also the risk of “Due to the volume of our sales in emerging markets, we are susceptible to a number of political, economic and regulatory risks that could have a material adverse effect on our business, reputation, financial condition and results of operations”

A substantial portion of our operating expenses are denominated in New Israeli Shekels, and to a lesser extent, other non-U.S. dollar currencies. Our NIS-denominated expenses consist principally of salaries and related costs and related personnel expenses. We anticipate that a portion of our expenses will continue to be denominated in NIS. In 2015, the NIS continued to fluctuate in comparison to the U.S. dollar, with the NIS depreciating by 0.3% against the U.S. dollar for that year. If the U.S. dollar weakens against the NIS in the future, there will be a negative impact on our results of operations.

In some cases, we are paid in non-U.S. dollar currencies or maintain monetary assets in non-U.S. dollar currencies, which could affect our reported results of operations. Also our cash balances in certain countries, may be devaluated significantly, especially in cases where conversion to U.S. dollars and repatriation of these cash reserves is restricted or impossible, which could have a material adverse effect on our financial condition. In addition, we have assets and liabilities that are denominated in non-U.S. dollar currencies. Therefore, significant fluctuation in these other currencies could have a significant effect on our results.

We use derivative financial instruments, such as foreign exchange forward contracts, to mitigate the risk of changes in foreign exchange rates on balance sheet accounts and forecast cash flows. We do not use derivative financial instruments or other “hedging” techniques to cover all of our potential exposure and may not purchase derivative instruments adequate to insulate ourselves from foreign currency exchange risks. In some countries, we are unable to use “hedging” techniques to mitigate our risks because hedging options are not available for certain government restricted currencies. During 2015, we incurred losses in the amount of $7.8 million as a result of exchange rate fluctuations that have not been offset in full by our hedging strategy. In addition, during 2015 we also recorded charges of $4.3 million to the other comprehensive loss in our shareholders’ equity as a result of the erosion of the Brazilian currency against the U.S. dollar. The volatility in the foreign currency markets may make it challenging to hedge our foreign currency exposures effectively.

We are engaged in supplying installation or rollout projects forour customers. Such long-term projects have inherent additional risks. Problems in executing these rollout projects, including delays orfailure in acceptance testing procedures and other items beyond our control, would have a material adverse effect on ourresults of operations.

We are engaged in supplying our products as total rollout projects, which include installation and other services for our customers. In this context, we may act as prime contractor and equipment supplier for network build-out projects, providing installation, supervision and commissioning services required for these projects, or we may provide such services and equipment for projects handled by system integrators. As we engage in more rollout projects, we expect to continue to routinely enter into contracts involving significant amounts to be paid by our customers over time and which often require us to deliver products and services representing an important portion of the contract price before receiving any significant payment from the customer. Once a purchase agreement has been executed, the timing and amount of revenue, if applicable, may remain difficult to predict. The completion of the installation and testing of the customer’s networks and the completion of all other suppliers’ network elements are subject to the customer’s timing and efforts, and other factors outside our control, such as site readiness for installation, availability of power and access to sites, which may prevent us from making predictions of revenue with any certainty. This could cause us to experience substantial period-to-period fluctuations in our results of operations and financial condition.

In addition, typically in rollout projects, we are dependent on the customer to issue acceptance certificates to generate and recognize revenue. In such projects, we typically bear the risks of loss and damage to our products until the customer has issued an acceptance certificate upon successful completion of acceptance tests. Moreover, we are not always the prime integrator in these projects and in such cases, the acceptance may be delayed even further since it depends on the acceptance of other network elements, which are not in our control. The early deployment of our products during a long-term project reduces our cash flow, as we generally collect a significant portion of the contract price after successful completion of an acceptance test. If our products are damaged or stolen, or if the network we install does not pass the acceptance tests or if the customer does not or will not issue an acceptance certificate, the end user or the system integrator, as the case may be, could refuse to pay us any balance owed and we would incur substantial costs, including fees owed to our installation subcontractors, increased insurance premiums, transportation costs, and expenses related to repairing or manufacturing the products. Moreover, in such a case, we may not be able to repossess the equipment, thus suffering additional losses.

If any of the above occurs, we may not be able to generate or recognize revenue and we may incur additional costs, any of which could materially adversely impact our results of operation and financial condition.

A single customerand customer grouprepresent a significant portion of our revenues, and if we were to lose this single customer or customer group or experience any material reduction in orders from this single customer or customer group, our revenues and operating results may be adversely affected.

In 2015 we had revenue from a single customer group of affiliated companies equaling 17.7% of our total revenues. In 2014 we had revenue from a single customer that accounted for approximately 16.1% of our total revenues. In 2013 we had revenues from a single customer group of affiliated companies that accounted for approximately 15.4% of our total revenues. Our sales are generally made from standard purchase orders rather than long-term contracts. Accordingly, these large customers are not obligated to purchase a fixed amount of products or services over any period of time from us and may terminate or reduce their purchases from us at any time without notice or penalty. We therefore have difficulty projecting future revenues from these customers. This could have, and has had, an adverse effect on our reported revenues, profitability and cash flow. In addition, the loss of these customers or any material reduction in orders could adversely affect different aspects of our results of operations, including cash flow, and financial condition.

Our failure to establish and maintain effective internal control over financial reporting could result in material misstatements in our financial statements, failure to meet our reporting obligations. This may cause investors to lose confidence in our reported financial information, which could result in the trading price of our common stock to decline.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including the chief executive officer (“CEO”) and the chief financial officer (“CFO”), we carried out an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015, using the criteria established in “Internal Control - Integrated Framework” (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected in a timely manner.

At the end of 2014, based on the Company’s evaluation, our management, including the CEO and CFO, has identified a material weakness related to our legal entity in Brazil, which accounted for approximately 10% of our total revenue for the year ended 2014, approximately 9% of our total assets as of 2014, finding that we did not maintain effective controls over our financial reporting and closing procedures as of December 31, 2014. This material weakness resulted from the fact that our accounting and supervisory personnel in Brazil did not have adequate accounting experience to enforce compliance with all the procedures that had been defined to ensure appropriate financial reporting. This deficiency could result in a material misstatement of the annual or interim consolidated financial statements that may not be prevented or detected on a timely basis.

With the oversight of CEO and CFO, we took steps and plan to take additional measures to remediate the underlying causes of the material weakness and as a result as of December 31, 2015 we had no material weakness in our internal controls over our financial reporting. See also ITEM 15. “CONTROLS AND PROCEDURES.”

If we conclude in future periods that our internal controls over financial reporting are not effective, we may fail to meet our future reporting obligations on a timely basis, our financial statements may contain material misstatements, our operating results may be negatively impacted, and we may be subject to litigation and regulatory actions, causing investor perceptions to be adversely affected and potentially resulting in a decline in the market price of our common stock. Even if we conclude that our internal controls over financial reporting are adequate, any internal control or procedure, no matter how well designed and operated, can only provide reasonable assurance of achieving desired control objectives and cannot prevent all mistakes or intentional misconduct or fraud.

Additional tax liabilities could materially adversely affect our results of operations and financial condition.

As a global corporation, we are subject to income and other taxes both in Israel and various foreign jurisdictions. Our domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Our tax expense includes estimates or additional tax, which may be incurred for tax exposures and reflects various estimates and assumptions, including assessments of our future earnings that could impact the valuation of our deferred tax assets. From time to time, we are subject to income and other tax audits, the timings of which are unpredictable. Our future results of operations could be adversely affected by changes in our effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in our overall profitability, changes in tax legislation and rates, changes in generally accepted accounting principles, changes in the valuation of deferred tax assessments and liabilities, the results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures. While we believe we comply with applicable tax laws, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess us with additional taxes. Should we be assessed additional taxes, there could be a material adverse effect on our results of operations and financial condition.

Our business activities in multiple countries may also expose us to indirect as well as withholding taxes in those countries. Our inability to meet certain tax regulations related to indirect or withholding tax as well as different interpretations applied by the governing tax authorities to those regulations may expose us to additional tax payments and penalties which would have a material adverse impact on our results of operations and financial condition.

Due to inaccurate forecasts, we may be exposed to inventory-related losses on inventories purchased by our contract manufacturers and other suppliers or to increased expenses should unexpected production ramp up be required. In addition, part of our inventory may be written off, which would increase our cost of revenues.

Our contract manufacturers and other suppliers are required to purchase inventory based on manufacturing projections we provide to them. If the actual orders from our customers are lower than projected, or the mix of products ordered changes, or if we decide to change our product line and/or our product support strategy, our contract manufacturers or other suppliers will have excess inventory of raw materials or finished products, which we would be required to purchase, thus incurring additional costs and our gross profit and results of operations could be adversely affected. In addition, our inventory levels may be too high, and inventory may become obsolete or over-stated on our balance sheet. This would require us to write off inventory, which could adversely affect our results of operations.

Alternatively, if we underestimate our requirements and actual orders are significantly larger than our planned forecast, we may be required to accelerate production and purchase of supplies, which may result in additional costs of buying components at less attractive prices, paying expediting fees and express shipment costs, overtime and other manufacturing expenses and our gross margins and results of operations could be adversely affected.

We require our contract manufacturers and other suppliers from time to time to purchase more inventory than is immediately required, and, with respect to our contract manufacturers, to partially assemble components, in order to shorten our delivery time in case of an increase in demand for our products. In the absence of such increase in demand, we may need to make advance payments or compensate our contract manufacturers or other suppliers, as needed. We also may purchase components or raw materials from time to time for use by our contract manufacturers in the manufacturing of our products.

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Inventory of raw materials, work in-process or finished products located either at our warehouse or our customers' sites as part of the network build-up may accumulate in the future, and we may encounter losses due to a variety of factors including:

new generations of products replacing older ones, including changes in products because of technological advances and cost reduction measures; and

the need of our contract manufacturers to order raw materials that have long lead times and our inability to estimate exact amounts and types of items thus needed, especially with regard to the frequencies in which the final products ordered will operate.

Further, our inventory of finished products located either at our warehouse or our customers' sites as part of a network build-up may accumulate if a customer were to cancel an order or refuse to physically accept delivery of our products, or in rollout projects which include acceptance tests, refuse to accept the network. The rate of accumulation may increase in a period of economic downturn.

Our sales cycles in connection with competitive bids or to prospectivecustomers are lengthy.

It typically takes from three to twelve months after we first begin discussions with a prospective customer before we receive an order from that customer, if an order is received at all. In some instances, we participate in competitive bids in tenders issued by our customers or prospective customers. These tender processes can continue for many months before a decision is made by the customer. In addition even after the initial decision is made we may be required for a lengthy and extensive testing and integration phase, as well as a lengthy contract negotiation phase, before a final decision to purchase is made. In some cases, even if we have signed a contract and our products were tested and approved for usage, it could take a significant amount of time until customer places purchase orders, if at all. As a result, we are required to devote a substantial amount of time and resources to secure sales. In addition, the lengthy sales cycle results in greater uncertainty with respect to any particular sale, as events may occur during the sales cycle that impact customers' decisions which, in turn, increases the difficulty of forecasting our results of operations.

Our contract manufacturers obtain some of the components included in ourproducts from a limited group of suppliers and, in some cases, single or solesource suppliers. The loss of or problems in any of these suppliers could cause us toexperience production and shipment delays as well as additional costs, which may result in a substantial cost increase or loss of revenue.

Our contract manufacturers currently obtain key components from a limited number of suppliers. Some of these components are obtained from a single or sole source supplier. Our contract manufacturers' dependence on a single or sole source supplier, or on a limited number of suppliers, subjects us to the following risks:

The component suppliers may experience shortages in components and interrupt or delay their shipments to our contract manufacturers. Consequently, these shortages could delay the manufacture of our products and shipments to our customers, which could result in penalties or cancellation of orders for our products.

The component suppliers could discontinue the manufacture or supply of components used in our systems. In such an event, our contract manufacturers or we may be unable to develop alternative sources for the components necessary to manufacture our products, which could force us to redesign our products, or we may need to buy a large stock of the component into inventory before it is discontinued. Any such redesign of our products would likely interrupt the manufacturing process and could cause delays in our product shipments. Moreover, a significant modification in our product design may increase our manufacturing costs and bring about lower gross margins.

The component suppliers may increase component prices significantly at any time and with immediate effect, particularly if demand for certain components increases dramatically in the global market. These price increases would increase component procurement costs and could significantly reduce our gross margins and profitability.

If we do not succeed in developing and marketing new products that keep pacewith technological developments, changing industry standards and our customers'needs, we may not be able to grow or sustain our business.

The market for our products is characterized by rapid technological advances, changing customer needs and evolving industry standards, as well as increasing pressures to make existing products more cost efficient. Accordingly, our success will depend, among other things, on our ability to develop and market new products or enhance our existing products in a timely manner to keep pace with developments in technology, and customer requirements.

In addition, the wireless equipment industry is subject to rapid change in technological and industry standards. This rapid change, through official standards committees or widespread use by operators, could either render our products obsolete or require us to modify our products resulting in significant investment, both in time and cost, in new technologies, products and solutions. We cannot assure you that we will continue to successfully develop these components and bring them into full production with acceptable reliability, or that any development or production ramp-up will be completed in a timely or cost-effective manner.

We are continuously seeking to develop new products and enhance our existing products. In late 2013 we announced a significant new line of products (IP-20 Platform) which we continue to enhance with newer products and capabilities. Developing new products and product enhancements requires research and development resources. We may not be successful in enhancing our existing products or developing new products in response to technological advances or to satisfy increasingly sophisticated customer needs in a timely and cost-effective manner, which would have a material adverse effect on our ability to grow or maintain our business. Moreover, we cannot assure that new products being developed on the basis of the IP-20 Platform will be accepted in the market or will result in profitable sales or that such products will not require additional quality assurance and defect fixing processes.

Our past acquisition activities expose us to risks and liabilities.

The Nera Acquisition was our first acquisition involving significant international operations. In acquiring Nera we undertook a number of identified contingent liabilities of Nera, such as various known litigations with third parties, and other contingent exposures with customers, suppliers and employees, all of which could accumulate to a substantial amount. In addition, we may be exposed to potential tax liabilities worldwide with governmental authorities, which could result in a substantial cost. We also undertook certain exposures for penalties and other financial risks posed by a few of Nera's customers in the event of a default by us due to commercial or political circumstances, which may not be under our control. We assessed these contingent liabilities in the purchase price allocation.

However, our assessment of such contingent liabilities may not have been accurate and we may be exposed to actual payments, which may be significantly higher than we assessed. If we are required to make any actual payment on such potential tax liabilities, this could result in the Nera Acquisition being substantially more expensive than originally estimated and could materially adversely affect our results of operations and financial condition.

Our acquisition activities expose us to risks and liabilities, which could also result in integration problems and adversely affect our business.

Following the Nera Acquisition and other smaller acquisitions, we have increased the size of our operations and worldwide presence. We intend to continue to explore potential merger or acquisition opportunities. We are unable to predict whether or when any prospective acquisitions will be completed. The process of integrating an acquired business may be prolonged due to unforeseen difficulties and may require a disproportionate amount of our resources and management's attention. The anticipated benefits and cost savings of such mergers and acquisitions or other restructuring may not be realized fully, or at all, or may take longer to realize than expected. Acquisitions involve numerous risks any of which could harm our business, results of operations or the price of our ordinary shares.

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We sell other manufacturers' products as an original equipment manufacturer, or OEM, which subjects us to variousrisks that may cause our revenues to decline.

We sell a limited number of products on an OEM basis through relationships with a number of manufacturers. Some of these OEM products enable us to offer a c