CERAGON NETWORKS LTD
Form 424B5
July 31, 2014

Prospectus Supplement
(to Prospectus dated September 19, 2012)

Filed Pursuant to Rule 424(b)(5)
Registration Statement No. 333-183316

21,250,000 Shares

Ordinary Shares

This is a public offering of ordinary shares of Ceragon Networks Ltd. We are offering 21,250,000 ordinary shares in this offering.

Our ordinary shares are listed on the Nasdaq Global Select Market and on the Tel Aviv Stock Exchange in Israel under the symbol "CRNT." On July 30, 2014, the last reported sale price of our ordinary shares on the Nasdaq Global Select Market was $2.06 per share and on July 30, 2014, the last reported sale price of our ordinary shares on the Tel Aviv Stock Exchange was NIS 7.04 (approximately $2.05) per share.

You should carefully read this prospectus supplement and the accompanying prospectus (including all of the information incorporated by reference therein) before you invest. Investing in our ordinary shares involves a high degree of risk. Before buying any ordinary shares, you should read the discussion of material risks of investing in our ordinary shares in the section entitled "Risk Factors" beginning on page S-7 of this prospectus supplement, beginning on page 2 of the accompanying prospectus and in the documents incorporated by reference.

None of the U.S. Securities and Exchange Commission, the Israeli Securities Authority or any state securities commission have approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense under the laws of the United States and the laws of the State of Israel.

	Per Ordinary Share	Total
Public offering price	$2.000	$42,500,000
Underwriting discounts and commissions(1)	$0.110	$2,337,500
Proceeds to us (before expenses)	$1.890	$40,162,500

(1) See "Underwriting"

We estimate the total expenses of this offering, excluding the underwriting discounts and commissions, will be approximately $400,000. We have also granted the underwriters an option for a period of 30 days from the date of this prospectus supplement to purchase up to 3,187,500 ordinary shares at the public offering price per share, less the underwriting discounts and commissions, to cover over-allotments, if any.

Delivery of the shares is expected to be made on or about August 5, 2014, by electronic delivery via the Depository Trust Company, subject to customary closing conditions. The underwriters are offering the ordinary shares as set forth under "Underwriting."

Lead Book-Running Manager	Co-Book Runner
Needham & Company	Oppenheimer & Co.

The date of this prospectus supplement is July 30, 2014.

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

PROSPECTUS

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is part of a registration statement (No. 333-183316) that we filed with the Securities and Exchange Commission, or the SEC, using a “shelf” registration process. Under the registration statement, we registered the offering by us of up to $150,000,000 of ordinary shares, rights, warrants, debt securities and units for sale from time to time in one or more offerings. This prospectus supplement provides specific information about the offering by us of 21,250,000 of our ordinary shares under the shelf registration statement, in addition to information concerning the over-allotment option granted by us. This document comprises two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. If the description of the offering varies between this prospectus supplement and the accompanying prospectus or the documents incorporated herein by reference, you should rely on the information contained in this prospectus supplement. However, if any statement in one of these documents is inconsistent with a statement in another document having a later date — for example, a document incorporated by reference in the accompanying prospectus — the statement in the document having the later date modifies or supersedes the earlier statement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus, or contained in any free writing prospectus prepared by us or on our behalf. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus supplement and the accompanying prospectus in any jurisdiction where it is unlawful to make such offer or solicitation. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus, or any document incorporated by reference in this prospectus supplement or the accompanying prospectus, is accurate as of any date other than the date on the front cover of the applicable document. Neither the delivery of this prospectus supplement nor any distribution of securities pursuant to this prospectus supplement shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated by reference into this prospectus supplement or in our affairs since the date of this prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since that date.

Before purchasing any securities, you should carefully read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the heading, “Where You Can Find More Information; Incorporation of Certain Documents by Reference,” on page S-43 of this prospectus supplement.

PROSPECTUS SUPPLEMENT SUMMARY

This section summarizes material information that appears later or is incorporated by reference in this prospectus supplement and is qualified in its entirety by the more detailed information and financial statements included elsewhere or incorporated by reference in this prospectus supplement. This summary may not contain all of the information that you should consider before investing in our securities. You should read this summary together with the entire prospectus supplement and the accompanying prospectus, including our financial statements, the notes to those financial statements and the other documents that are incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. See “Risk Factors” beginning on page S-7 of this prospectus supplement, beginning on page 2 of the accompanying prospectus and in the documents incorporated by reference, for a discussion of the risks involved in investing in our securities.

Unless the context requires otherwise, when used in this prospectus supplement, references to the terms “Ceragon,” “the Company,” “we,” “us,” “our” and similar terms, refer to Ceragon Networks Ltd. and its wholly owned subsidiaries on a consolidated basis, unless we state or the context implies otherwise.

Unless otherwise indicated, all references to “dollars” and “$” in this prospectus are to, and amounts are presented in, U.S. Dollars. Except where we or the context otherwise indicate, the information presented in this prospectus assumes that the underwriters will not exercise their over-allotment option.

Overview

We are the #1 high-capacity wireless hauling specialist, in terms of unit shipments and global distribution of our business. We provide 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, social networking applications, image sharing, music and video applications. Our wireless backhaul solutions use microwave technology to transfer large amounts of telecommunication traffic between base stations and small-cells and the core of the service provider’s network. We also provide fronthaul solutions that use microwave technology for ultra-high speed, ultra-low latency communication between LTE/LTE-Advanced base stations and remote radio heads. The term fronthaul refers to new technologies that allow transport between a remote radio unit and a baseband unit in front of the base station, with a controlling macro base station. We are also a member of industry consortiums of companies which attempt to better define future technologies in the market, such as Open Networking Foundation (ONF), Next Generation Mobile Network Alliance (NGMN), Metro Ethernet Forum (MEF), European Telecommunications Standards Institute (ETSI) and others.In 2013, we released a broad range of products built around our new hardware and software platform, which forms the basis for our next-generation products. The new, ultra-high capacity hauling platform, which we call IP-20, is based on our in-house modem and radio frequency (RF) chipsets and is combined with our proprietary internetworking operating system, which we call CeraOS.

In addition to providing our solutions, we also offer our customers a comprehensive set of turn-key services including: advanced network and radio planning, site survey, solutions development, installation, maintenance, training and more. Our services include utilization of powerful project management tools in order to streamline deployments of complex wireless networks, thereby reducing time and costs associated with network set-up, and allowing faster time to revenue. Our experienced teams can deploy hundreds of “links” every week, and our turn-key project track record includes hundreds of thousands of links already installed and in operation with a variety of industry leading operators.

Designed for all Internet Protocol (IP) network configurations, including risk-free migration from legacy to next-generation backhaul and fronthaul networks, our solutions provide fiber-like connectivity for next generation Ethernet/Internet Protocol, or IP-based, networks; for legacy circuit-switched, or SONET/SDH, networks and for hybrid networks that combine IP and circuit-switching. Our solutions support all wireless access technologies, including LTE-Advanced, LTE, HSPA, EV-DO, CDMA, W-CDMA and GSM. These solutions allow wireless service providers to cost-effectively and seamlessly evolve their networks from circuit-switched and hybrid concepts to all-IP. In addition, our solutions allow for the proliferation of small-cell heterogeneous networks (HetNets) thereby meeting the increasing demands by the growing numbers of subscribers and the increasing needs for mobile data services. Our systems also serve evolving network architectures including all-IP long haul networks.

We also provide our solutions to other non-carrier vertical markets such as oil and gas companies, public safety network operators, businesses and public institutions, broadcasters, energy utilities and others that operate their own private communications networks. Our solutions are deployed by more than 430 service providers of all sizes, as well as in hundreds of private networks, in more than 130 countries.

Corporate Information

Ceragon was incorporated under the laws of the State of Israel on July 23, 1996 as Giganet Ltd. and it changed its name to Ceragon Networks Ltd. on September 6, 2000. Ceragon's registered office is located at 24 Raoul Wallenberg Street, Tel Aviv 69719, Israel and the telephone number is 011-972-3-543-1000. Ceragon's U.S. subsidiary and North American headquarters, Ceragon Networks, Inc., is located at 10 Forest Avenue, Suite 120, Paramus, New Jersey 07652 and the telephone number is (201) 845-6955. Ceragon's Internet address is www.ceragon.com. The information available on or accessible through our website does not constitute a part of this prospectus supplement or the accompanying prospectus.

On July 6, 2014, at an extraordinary general meeting, our shareholders adopted resolutions to revoke the Company's Memorandum of Association, which provided a supermajority vote regarding any increase in our authorized capital and, subject to court approval of the revocation, to authorize an increase of the Company's registered share capital from 60,000,000 ordinary shares to 120,000,000 ordinary shares. On July 15, 2014, the Israeli district court of Tel-Aviv-Jaffa approved the revocation of the Memorandum of Association and the increase in share capital became effective.

The Offering

Ordinary Shares offered by us in the offering	21,250,000 ordinary shares, par value NIS 0.01 per share (24,437,500 ordinary shares if the underwriters exercise their over-allotment option in full).
Total ordinary shares outstanding immediately after this offering	73,732,168 ordinary shares (76,919,668 ordinary shares if the underwriters exercise their over-allotment option in full).
Dividend policy	Our board of directors is authorized to declare dividends, although we anticipate that, for the foreseeable future, we will retain any earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends for at least the next several years.
Over-allotment option	3,187,500 ordinary shares.
Timing and settlement of ordinary shares	The ordinary shares are expected to be delivered against payment on or about August 5, 2014.
The Nasdaq Global Select Market and Tel Aviv Stock Exchange symbol	"CRNT"
Use of proceeds	We intend to use the net proceeds we receive from this offering for general corporate purposes. See "Use of Proceeds" for additional information.
Lock-up	Subject to certain exceptions, we and the members of our board of directors, our executive officers and one of our affiliated shareholders have agreed with the underwriters not to sell, transfer or dispose of any ordinary shares for a period of 90 days (subject to certain exceptions) after the date of this

	prospectus supplement. See "Underwriting."
Risk factors	See "Risk Factors" beginning on page S-7 of this prospectus supplement and beginning on page 2 of the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in our ordinary shares.

As of June 30, 2014, 52,482,168 ordinary shares are outstanding, excluding:

- 7,236,314 ordinary shares issuable upon the exercise of outstanding options to purchase 5,921,818 ordinary shares at a weighted average exercise price of $7.94 per share, and vesting of 1,314,496 restricted share units outstanding;
- 292,480 ordinary shares available for grant under our Amended and Restated Share Option and RSU Plan; and
- 3,481,523 treasury shares held by us.

Except as otherwise indicated, all information in this prospectus supplement assumes no exercise by the underwriters of their option to purchase an additional 3,187,500 ordinary shares to cover over-allotments.

Summary Consolidated Financial and Other Data

The following summary consolidated financial and other data summarize our historical financial and other information as of and for the years ended December 31, 2011, 2012 and 2013, which is derived from our audited consolidated financial statements included in our Annual Report on Form 20-F for the year ended December 31, 2013, and as of and for the six months ended June 30, 2013 and 2014, which is derived from our unaudited consolidated financial information included in our Report on Form 6-K furnished to the SEC on July 28, 2014. This information should be read in conjunction with other information presented in or incorporated by reference into this prospectus supplement, including in conjunction with “ITEM 3: Key Information — Selected Financial Data,” “ITEM 5: Operating and Financial Review and Prospects” and our consolidated financial statements and the related notes found in our Annual Report on Form 20-F for the year ended December 31, 2013, and the other financial information incorporated by reference in this prospectus supplement and the accompanying prospectus.

Consolidated Statement of Operations Data:	Year ended December 31, 2011	2012	2013	Six months ended June 30, 2013	2014
	(In thousands, except share and per share data)				
	(audited)			(unaudited)	
Revenues	$445,269	$446,651	$361,772	$180,181	$160,935
Cost of revenues	323,191	308,354	249,543	124,182	121,543
Gross profit	122,078	138,297	112,229	55,999	39,392
Operating expenses:					
Research and development	50,456	47,487	42,962	22,488	18,893
Selling and marketing	81,716	77,326	67,743	34,341	30,075
General and administrative	26,524	27,519	26,757	12,479	11,626
Restructuring costs	7,834	4,608	9,345	--	936
Acquisition related cost	4,919	--	--	--	--
Other income	--	--	7,657	--	16,800
Total operating expenses	171,449	156,940	139,150	69,308	44,730
Operating loss	49,371	18,643	26,921	13,309	5,338
Financial expense, net	2,024	3,547	14,018	6,876	10,339
Loss before taxes	51,395	22,190	40,939	20,185	15,677
Taxes on income	2,259	1,201	6,539	1,476	3,288
Net loss	53,654	23,391	47,478	21,661	18,965
Basic net loss per share	$1.49	$0.64	$1.23	$0.59	$0.36
Diluted net loss per share	$1.49	$0.64	$1.23	$0.59	$0.36
Weighted average number of shares used in computing basic loss per share	35,975,434	36,457,989	38,519,606	36,673,228	52,457,168

Weighted average number of shares used in computing diluted loss per share	35,975,434	36,457,989	38,519,606	36,673,228	52,457,168

Consolidated Balance Sheet Data:	Year ended December 31, 2011	2012	2013	Six months ended June 30, 2014 Actual	As Adjusted
		(audited)		(unaudited)	
			(In thousands)		
Cash and cash equivalents, short and long term bank deposits, short and long term marketable securities	$49,531	$51,589	$52,337	$36,384	$76,147
Working Capital	154,987	129,407	106,765	88,831	128,594
Total assets	411,158	393,596	365,971	359,816	399,579
Total long term liabilities	76,664	69,767	52,498	49,661	49,661
Shareholders' equity	161,051	143,709	135,078	119,126	158,889

The as adjusted balance sheet data above reflects the application of the net proceeds from the sale of 21,250,000 ordinary shares offered by us, after deducting estimated underwriting discounts and commissions and estimated offering expenses.

Risk Factors

Investing in our ordinary shares involves substantial risk. You should carefully consider all the information in this prospectus supplement and the accompanying prospectus prior to investing in our ordinary shares. In particular, we urge you to consider carefully the factors set forth in the section of this prospectus supplement entitled "Risk Factors" beginning on page S-7 and under "Risk Factors" under Item 3 of our annual report on Form 20-F for the fiscal year ended December 31, 2013.

RISK FACTORS

Investing in our ordinary shares involves a high degree of risk. You should consider carefully the following risk factors and the risk factors discussed under the section captioned “ITEM 3: Key Information — Risk Factors” in our Annual Report on Form 20-F for the year ended December 31, 2013, in addition to all of the other information included in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, and any free writing prospectus that we have authorized for use in connection with this offering, before investing in our ordinary shares. Please also refer to the section in this prospectus supplement entitled “Cautionary Note Regarding Forward-Looking Statements.” Each of these risk factors could harm our business, financial condition or operating results, as well as decrease the value of an investment in our ordinary shares.

Risks Relating to Our Business

We have incurred substantial losses and negative cash flows over the past three years.

We incurred substantial losses over the past three years and in the first six months of 2014. Our losses were $53.7 million, $23.4 million and $47.5 million for the years ended December 31, 2011, 2012 and 2013, respectively, and $19.0 million during the first six months of 2014. The Company has had and continues to experience, significant fluctuations in its working capital needs and generated net operating cash flow of $(20.1) million, $7.2 million, $(29.5) million and $(25.8) million for the years ended December 31, 2011, 2012, 2013 and the first six months of 2014, respectively. Our profitability has been negatively impacted by the decrease in sales revenues, as well as significant expenses, costs and charges associated with our organizational restructuring activities in 2011, 2012, 2013 and the first six months of 2014.

We are focusing on our newly released IP-20 platform to increase our revenues while making efforts to increase efficiency and control costs in order to enhance our profitability. However, we cannot be certain that our newly released IP-20 platform and these actions or others that we may take in the future will result in growth in revenue, operating profitability or net income or improved operating cash flow in subsequent periods.

We could be adversely affected by our failure to comply with the covenants in our credit agreement or 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, for which we pay commitment fees. 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.

In addition, the credit agreement contains financial and other covenants requiring that we maintain, among other things, 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, a minimum cash covenant and, during the second and third quarters of 2014, an EBITDA 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 will 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.

We obtained the bank syndicate's consent for temporary less restrictive financial covenants to be in effect until October 1, 2014, except for certain less restrictive financial covenants which shall remain in effect until March 31, 2015. After each date, the respective original covenants again apply. Although we were in compliance with our bank covenants in October 2013, April 2014 and as of June 30, 2014, there is no assurance that we will be able to meet either the less restrictive financial covenants or the original covenants.

Fluctuating working capital needs could impair our ability to fund operations and jeopardize our business, financial condition, results of operations and cash flow.

We experienced significant fluctuations in liquidity. Our working capital needs and generated net operating cash flow of $(20.1) million, $7.2 million, $(29.5) million and $(25.8) million in 2011, 2012, 2013 and in the first six months of 2014, respectively.

Our bookings for the first six months of 2014 exceeded our bookings for the first six months of 2013 by 21.8%, mainly due to bookings in India. We expect the level of bookings in the last six months of 2014 to be consistent with the level of bookings for the first six months of 2014. Such level of bookings will require additional working capital to meet the growth in demand. We may not be able to address the increase in our bookings without defaulting on its current financial covenants due to working capital constraints and operational considerations.

Should our cash flow requirements continue to increase, we will 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 flows. Upon completion of this offering, we believe we will have sufficient liquidity resources for at least 12 months, but if we are not able to begin generating positive cash flow, we may need to again seek additional financing to meet our requirements.

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

The market for wireless equipment is rapidly evolving, fragmented, highly competitive and subject to rapid technological change. Increased competition, which may differ from region to region, in the wireless equipment market could result in requirements to provide financing packages to our customers, reduced demand for our products, price reductions or reduced gross margins, any of which could seriously harm our business and results of operations. Our primary competitors include industry “generalists” such as Alcatel-Lucent, Fujitsu Limited, Huawei Technologies Co., Ltd., L.M. Ericsson Telephone Company, NEC Corporation, Nokia Solutions and Networks B.V. (NSN) and ZTE Corporation. In addition to these primary competitors, a number of smaller “specialist” microwave communications equipment suppliers, including Aviat Networks, DragonWave Inc., and SIAE Microelectronica S.p.A., offer or are developing products that compete with our products. Some of our competitors are original equipment manufacturers through whom we market and sell our products, which means our business success may depend on these competitors to some extent.

Most of our principal competitors 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. They also have greater name recognition and a larger customer base than we have. Many of these competitors have well-established relationships with our current and potential customers, have extensive knowledge of our target markets, and have begun to focus more on selling services and bundling the entire network as a full-package offering. As a result, our competitors may be able to respond more quickly to changes in customer requirements and evolving industry standards and to devote greater resources to the development, promotion and sale of their products than we can. In addition, our competitors, especially those from China, may be able to offer customers financing that would increase the attractiveness of their products in comparison to ours.

Additionally, the telecommunications equipment industry has experienced significant consolidation among its participants, and we expect this trend to continue. Examples include our acquisition of Nera Networks AS (“Nera”) in January 2011 (the “Nera Acquisition”) and the 2012 acquisition by DragonWave of the microwave division of NSN, which itself was formed as a joint venture between Nokia and Siemens. Other examples include the mergers of Alcatel and Lucent and the wireless divisions of Harris and Stratex Networks, and the acquisition by Ericsson of Marconi. These consolidations have increased the size and thus the competitive resources of these companies. In the future, current and potential competitors may make additional strategic acquisitions or establish 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.

We recently announced a new product platform. Any technical or other problems with the new platform may cause our revenues to decrease and may have a material adverse effect on our business.

On November 5, 2013, we announced the release of a broad range of products built around our new hardware and software platform, which will form the basis for all of our next-generation products. The new, ultra-high capacity hauling platform, which we call IP-20, is combined with our proprietary internetworking operating system, which we call CeraOS. We are already shipping, our new set of products based on the new platform and have been required to increase substantially our manufacturing and supply chain capabilities to deliver our new set of products. We cannot assure that we will not experience further delays in production or that our newly-announced products will be free from material defects or will result in profitable sales.

We have in the past undertaken restructuring activities, most recently announced further restructuring activities in the fourth quarter of 2013, which may adversely impact our operations. We may not realize all of the anticipated benefits of these activities.

We continue to evaluate our business to determine the potential need to realign our resources as we continue to transform our business to achieve desired cost savings in an increasingly competitive market. In prior years, we have undertaken a series of restructurings of our operations. We incurred restructuring charges of $7.8 million, $4.6 million, $9.3 million and $0.9 million for the years ended December 31, 2011, 2012, 2013 and the six months ended June 30, 2014, respectively.

We have based our restructuring efforts on assumptions and plans regarding the appropriate cost structure of our businesses based on our product mix and projected sales among other factors. These assumptions may not be correct and we may not be able to operate in accordance with our plans. If our assumptions are not accurate, we may decide that we must incur additional restructuring charges in the future. Moreover, we cannot assure you that we will realize all or any of the anticipated benefits of any restructuring or that we will not further reduce or otherwise adjust our workforce or exit, or dispose of, certain businesses and product lines. Any decision to further limit investment or exit or dispose of businesses may result in the recording of additional restructuring charges. As a result, the costs actually incurred in connection with the restructuring efforts may be higher than originally planned and may not lead to the anticipated cost savings or improved results. Further, we may have difficulty attracting and retaining personnel as a result of a perceived risk of future workforce reductions.

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

Our quarterly results are difficult to predict and may vary significantly from quarter to quarter or from our expectations and guidance for any specific quarter. Most importantly, delays in completing product order delivery or completion of a sale or 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, and as our bookings are usually lower than the amount of sales during a quarter. We therefore rely in our quarterly and yearly guidance on orders that we expect to generate during these periods. Furthermore, we may reduce prices in specific instances in response to competition or increase spending in order to pursue new market opportunities.

The quarterly variation of our operating results, may, in turn, create volatility in the market price for our shares. In addition, our revenues are typically affected by our customers' capital expense, cash flow and acceptance criteria considerations which are subject to fluctuation on a quarterly and yearly basis.

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 or stop, harming our business.

We are exposed to changing network models that affect operator spending on infrastructure. This resulted in shrinkage of over 13.8% in the market for our products for 2013 compared to 2012. 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 quadruple 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 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, which could result in reduced revenues, gross margins, profitability and demand for our products and services.

Currently, we and other manufacturers of telecommunications equipment are experiencing, and are likely to continue to experience, increased downward price pressure, particularly as we increase our customer base to include more Tier 1 customers and increase our sales volumes in India. As a result, we are likely to continue to experience declining average sales prices for our products. Our future profitability will depend upon our ability to improve manufacturing efficiencies, to reduce costs of materials used in our products, and to continue to 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.

Also, following the Nera Acquisition, as a percentage from our total sales we have increased sales of our products in Latin America, a region typically characterized, as having strong downward pricing pressures, in response to the rapid build-out of cellular networks in those geographies. For the years ended December 31, 2012, 2013 and for the first six months of 2014, 28%, 34% and 26%, respectively, of our revenues were earned in Latin America. We expect that our revenues from sales of our products in Latin America will continue to constitute a significant portion of our business in the future. In addition, we currently anticipate an increase in the volume of our sales in India, a country which is historically characterized as having strong downward pricing pressures. Challenging global economic conditions could also have adverse, wide-ranging effects on demand for our products and services and 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, could cause network operators to postpone investments or initiate other cost-cutting initiatives to improve their financial position. Recently, network operators have started to share parts of their network infrastructure through cooperation agreements rather than legal considerations, 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, 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.

We face intense competition from other communications solutions that compete with our high-capacity point-to-point wireless products, which could reduce demand for our products and have a material adverse effect on our business and results of operations.

Our products compete with other high-speed communications solutions, including fiber optic lines, leased copper 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.

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. Recently, 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 revenues and gross margins.

Our international operations expose us to the risk of fluctuation in currency exchange 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. We are also subject to other foreign currency risks including repatriation restrictions in certain countries, particularly in Latin America.

In February 2014, the Government of Venezuela announced a complementary currency system identified as "SICAD II", which in addition to those currency systems already in existence, are to be regulated by the Central Bank of Venezuela. The most recent transactions executed through SICAD auctions have been at an exchange rate of 51.3 bolivars per U.S. dollar. Depending on the transparency and liquidity of the SICAD market, we re-measure our net monetary assets at the SICAD rate. To the extent that the SICAD rate is higher than the official exchange rate at that time, this could result in an additional devaluation charge. For the year ended December 31, 2013 and for the six month period ended June 30, 2014, our subsidiary in Venezuela represented approximately 4% and 3%, respectively of the Company's consolidated total assets and approximately 3% and 1%, respectively of the Company's consolidated revenues and approximately 2% and 31%, respectively of the Company's consolidated net loss.

The imposition of price controls, restrictions on the conversion of foreign currencies or a devaluation of foreign currencies could have a material adverse effect on our financial results. In 2013 and the six months ended June 30, 2014, we incurred financial losses in the amounts of $5.7 million and $4.9 million, respectively, as a result of the devaluation of the local currencies in Argentina and Venezuela.

In 2012, 2013 and in the six month period ended June 30, 2014, we incurred consolidated losses in the amount of $0.3 million, $7.9 million and $5.8 million, respectively as a result of exchange rate fluctuations.

A substantial portion of our 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 2013, the NIS continued to fluctuate in comparison to the U.S. dollar, as NIS appreciated by 7%. In the six months ended June 30, 2014, the NIS appreciated by 1% against the U.S. dollar. 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. 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 significant effect on our results.