

GILAT SATELLITE NETWORKS LTD.
CONDENSED CONSOLIDATED BALANCE SHEET
US dollars in thousands

	<u>December 31,</u> <u>2014</u> <u>Unaudited</u>	<u>December 31,</u> <u>2013</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	27,726	58,424
Restricted cash	25,983	18,891
Restricted cash held by trustees	15,441	3,221
Trade receivables, net	57,728	56,466
Inventories	25,112	27,141
Other current assets	14,760	10,143
Total current assets	<u>166,750</u>	<u>174,286</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	216	6,279
Severance pay funds	8,085	9,856
Other long term receivables and deferred charges	12,124	278
Total long-term investments and receivables	<u>20,425</u>	<u>16,413</u>
PROPERTY AND EQUIPMENT, NET	<u>90,893</u>	<u>85,369</u>
INTANGIBLE ASSETS, NET	<u>22,970</u>	<u>28,830</u>
GOODWILL	<u>63,870</u>	<u>63,870</u>
<u>TOTAL ASSETS</u>	<u>364,908</u>	<u>368,768</u>

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	<u>December 31,</u> <u>2014</u> <u>Unaudited</u>	<u>December 31,</u> <u>2013</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit and loans	15,857	-
Current maturities of long-term loans	4,595	4,665
Trade payables	22,850	20,900
Accrued expenses	22,475	16,748
Short-term advances from customers, held by trustees	12,858	-
Other current liabilities	21,527	54,666
Total current liabilities	<u>100,162</u>	<u>96,979</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	8,157	9,628
Long-term loans, net of current maturities	26,271	31,251
Other long-term liabilities	5,179	4,877
Total long-term liabilities	<u>39,607</u>	<u>45,756</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	1,966	1,932
Additional paid-in capital	876,624	873,045
Accumulated other comprehensive income	(1,420)	1,591
Accumulated deficit	(652,031)	(650,535)
Total equity	<u>225,139</u>	<u>226,033</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u><u>364,908</u></u>	<u><u>368,768</u></u>

GILAT SATELLITE NETWORKS LTD.
RECONCILIATION BETWEEN GAAP AND NON-GAAP STATEMENTS OF OPERATIONS
FOR COMPARATIVE PURPOSES

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

	Three months ended 31 December 2014			Three months ended 31 December 2013		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	73,097	-	73,097	55,728	-	55,728
Cost of revenues	47,325	(1,251)	46,074	35,519	(1,256)	34,263
Gross profit	25,772	1,251	27,023	20,209	1,256	21,465
	35%		37%	36%		39%
Research and development expenses:						
Expenses incurred	6,804	(112)	6,692	7,627	(129)	7,498
Less - grants	675	-	675	142	-	142
	6,129	(112)	6,017	7,485	(129)	7,356
Selling and marketing expenses	7,257	(346)	6,911	8,535	(344)	8,191
General and administrative expenses	6,892	(283)	6,609	6,341	(312)	6,029
Restructuring Costs	-	-	-	564	(564)	-
Operating income (loss)	5,494	1,992	7,486	(2,716)	2,605	(111)
Financial income (expenses), net	(1,939)	-	(1,939)	(1,602)	-	(1,602)
Income (loss) before taxes on income	3,555	1,992	5,547	(4,318)	2,605	(1,713)
Taxes on income	1,118	-	1,118	(708)	-	(708)
Net income (loss) from continuing operations	2,437	1,992	4,429	(3,610)	2,605	(1,005)
Net income (loss) from discontinued operations	-	-	-	(3,911)	3,911	-
Net income (loss)	2,437	1,992	4,429	(7,521)	6,516	(1,005)
Basic net earnings (loss) per share from continuing operations	0.06			(0.09)		
Basic net earnings (loss) per share from discontinued operations	-			(0.09)		
Basic net earnings (loss) per share	0.06		0.10	(0.18)		(0.02)
Diluted net earnings (loss) per share from continuing operations	0.06			(0.09)		
Diluted net earnings (loss) per share from discontinued operations	-			(0.09)		
Diluted net earnings (loss) per share	0.06		0.10	(0.18)		(0.02)
Weighted average number of shares used in computing net earnings (loss) per share						
Basic	42,664,812		42,664,812	42,098,075		42,098,075
Diluted	43,165,834		43,640,235	42,098,075		42,098,075

(1) Adjustments reflect the effect of non-cash stock based compensation as per ASC 718, amortization of intangible assets related to Shares acquisition transactions, and net income (loss) from discontinued operations.

	Three months ended 31 December 2014		Three months ended 31 December 2013	
	Unaudited		Unaudited	
Non-cash stock-based compensation expenses:				
Cost of revenues		53		58
Research and development		112		129
Selling and marketing		134		131
General and administrative		283		312
		582		630
Amortization of intangible assets related to acquisition transactions:				
Cost of revenues		1,198		1,198
Selling and marketing		212		213
		1,410		1,411

GILAT SATELLITE NETWORKS LTD.
RECONCILIATION BETWEEN GAAP AND NON-GAAP STATEMENTS OF OPERATIONS
FOR COMPARATIVE PURPOSES

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

	Year ended			Year ended		
	31 December 2014			31 December 2013		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
Revenues	235,133	-	235,133	234,866	-	234,866
Cost of revenues	151,498	(5,024)	146,474	155,210	(4,993)	150,217
Gross profit	83,635	5,024	88,659	79,656	4,993	84,649
	36%		38%	34%		36%
Research and development expenses:						
Expenses incurred	27,635	(474)	27,161	29,491	(468)	29,023
Less - grants	2,477	-	2,477	1,591	-	1,591
	25,158	(474)	24,684	27,900	(468)	27,432
Selling and marketing expenses	32,537	(1,388)	31,149	32,214	(1,297)	30,917
General and administrative expenses	20,903	(1,181)	19,722	23,071	(1,151)	21,920
Restructuring Costs	-	-	-	564	(564)	-
Operating income (loss)	5,037	8,067	13,104	(4,093)	8,473	4,380
Financial income (expenses), net	(3,837)	-	(3,837)	(6,239)	-	(6,239)
Income (loss) before taxes on income	1,200	8,067	9,267	(10,332)	8,473	(1,859)
Taxes on income	1,901	-	1,901	(755)	-	(755)
Net income (loss) from continuing operations	(701)	8,067	7,366	(9,577)	8,473	(1,104)
Net income (loss) from discontinued operations	(795)	795	-	(8,320)	8,320	-
Net income (loss)	(1,496)	8,862	7,366	(17,897)	16,793	(1,104)
Basic net earnings (loss) per share from continuing operations	(0.02)			(0.23)		
Basic net loss per share from discontinued operations	(0.02)			(0.20)		
Basic net earnings (loss) per share	(0.04)		0.17	(0.43)		(0.03)
Diluted net earnings (loss) per share from continuing operations	(0.02)			(0.23)		
Diluted net loss per share from discontinued operations	(0.02)			(0.20)		
Diluted net earnings (loss) per share	(0.04)		0.17	(0.43)		(0.03)
Weighted average number of shares used in computing net earnings (loss) per share						
Basic	42,444,482		42,444,482	41,960,925		41,960,925
Diluted	42,444,482		43,621,979	41,960,925		41,960,925

(1) Adjustments reflect the effect of non-cash stock based compensation as per ASC 718, amortization of intangible assets related to Shares acquisition transactions, and net income (loss) from discontinued operations.

	Year ended		Year ended	
	31 December 2014		31 December 2013	
	Unaudited		Unaudited	
Non-cash stock-based compensation expenses:				
Cost of revenues		232		201
Research and development		474		468
Selling and marketing		538		448
General and administrative		1,181		1,151
		2,425		2,268
Amortization of intangible assets related to acquisition transactions:				
Cost of revenues		4,792		4,792
Selling and marketing		850		849
		5,642		5,641

GILAT SATELLITE NETWORKS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
U.S. dollars in thousands (except share and per share data)

	Year ended		Three months ended	
	December 31,		December 31,	
	2014	2013	2014	2013
	Unaudited		Unaudited	Unaudited
Revenues	235,133	234,866	73,097	55,728
Cost of revenues	151,498	155,210	47,325	35,519
Gross profit	83,635	79,656	25,772	20,209
Research and development expenses:				
Expenses incurred	27,635	29,491	6,804	7,627
Less - grants	2,477	1,591	675	142
	25,158	27,900	6,129	7,485
Selling and marketing expenses	32,537	32,214	7,257	8,535
General and administrative expenses	20,903	23,071	6,892	6,341
Restructuring Costs	-	564	-	564
Operating income (loss)	5,037	(4,093)	5,494	(2,716)
Financial expenses, net	(3,837)	(6,239)	(1,939)	(1,602)
Income (loss) before taxes on income	1,200	(10,332)	3,555	(4,318)
Taxes on income (tax benefit)	1,901	(755)	1,118	(708)
Net income (loss) from continuing operations	(701)	(9,577)	2,437	(3,610)
Net loss from discontinued operations	(795)	(8,320)	-	(3,911)
Net income (loss)	(1,496)	(17,897)	2,437	(7,521)
Net income (loss) per share from continuing operations (basic and diluted)	(0.02)	(0.23)	0.06	(0.09)
Net loss per share from discontinued operations (basic and diluted)	(0.02)	(0.20)	-	(0.09)
Net income (loss) per share (basic and diluted)	(0.04)	(0.43)	0.06	(0.18)
Weighted average number of shares used in computing net earnings (loss) per share				
Basic	42,444,482	41,960,925	42,664,812	42,098,075
Diluted	42,444,482	41,960,925	43,165,834	42,098,075

GILAT SATELLITE NETWORKS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
US dollars in thousands

	Year ended		Three months ended	
	December 31,		December 31,	
	2014	2013	2014	2013
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<u>Cash flows from continuing operations</u>				
<u>Cash flows from operating activities:</u>				
Net income (loss)	(1,496)	(17,897)	2,437	(7,521)
Net loss from discontinued operations	(795)	(8,320)	-	(3,911)
Net income (loss) from continuing operations	(701)	(9,577)	2,437	(3,610)
Adjustments required to reconcile net income (loss) to net cash generated provided by (used in) operating activities:				
Depreciation and amortization	15,951	17,559	4,325	4,049
Stock-based compensation	2,425	2,268	582	630
Accrued severance pay, net	301	(38)	259	(37)
Accrued interest and exchange rate differences on short and long-term restricted cash, net	858	307	394	(1,075)
Exchange rate differences on long-term loans	(416)	157	(105)	65
Capital loss from disposal of property and equipment	430	48	189	35
Deferred income taxes	7	(2,733)	63	(3,024)
Increase in trade receivables, net	(2,457)	(4,228)	(3,995)	(4,894)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	(20,251)	10,740	(8,520)	9,596
Decrease (increase) in inventories	(445)	(6,502)	781	1,289
Increase (decrease) in trade payables	2,226	(1,225)	6,930	(4,854)
Increase (decrease) in accrued expenses	5,401	(4,703)	3,910	(464)
Increase (decrease) in advances from customers, held by trustees	14,068	(4,448)	14,133	-
Increase (decrease) in other current liabilities and other long term liabilities	(33,559)	18,772	(13,958)	24,360
Net cash provided by (used in) operating activities	(16,162)	16,397	7,425	22,066

GILAT SATELLITE NETWORKS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
US dollars in thousands

	Year ended		Three months ended	
	December 31,		December 31,	
	2014	2013	2014	2013
	Unaudited	Unaudited	Unaudited	Unaudited
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(12,630)	(4,063)	(435)	(1,246)
Investment in restricted cash held by trustees	(24,869)	(17,587)	(18,955)	(3,132)
Proceeds from restricted cash held by trustees	12,306	13,744	3,681	3,461
Investment in restricted cash (including long-term)	(12,788)	(25,961)	(2,207)	(23,480)
Proceeds from restricted cash (including long-term)	11,228	2,975	10,996	418
Purchase of intangible assets	-	(16)	-	-
Net cash used in investing activities	(26,753)	(30,908)	(6,920)	(23,979)
<u>Cash flows from financing activities:</u>				
Capital lease payments	(234)	-	(148)	-
Issuance of restricted stock units and exercise of stock options	1,185	581	437	2
Payment of obligation related to the purchase of intangible assets	(500)	(500)	-	-
Short term bank credit, net	16,571	(3,518)	2,394	(3,426)
Repayment of long-term loans	(4,633)	(12,950)	(149)	(146)
Net cash provided by (used in) financing activities	12,389	(16,387)	2,534	(3,570)
<u>Cash flows from discontinued operations</u>				
Net cash used in operating activities	-	(5,996)	-	(4,688)
Net cash provided by investing activities	-	15,791	-	15,086
Net cash provided by (used in) financing activities	-	12,884	-	(300)
	-	22,679	-	10,098
Effect of exchange rate changes on cash and cash equivalents	(172)	(325)	49	(105)
Decrease in cash and cash equivalents	(30,698)	(8,544)	3,088	4,510
Cash and cash equivalents at the beginning of the period	58,424	66,968	24,638	53,914
Cash and cash equivalents at the end of the period	27,726	58,424	27,726	58,424

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

	Year ended		Three months ended	
	December 31,		December 31,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Operating income (loss)	5,037	(4,093)	5,494	(2,716)
Add:				
Non-cash stock-based compensation expenses	2,425	2,268	582	630
Restructuring costs	-	564	-	564
Depreciation and amortization	15,951	17,559	4,325	4,049
EBITDA	<u>23,413</u>	<u>16,298</u>	<u>10,401</u>	<u>2,527</u>