

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

	<u>March 31,</u> <u>2014</u> <u>Unaudited</u>	<u>December 31,</u> <u>2013</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	48,579	58,424
Restricted cash	24,813	18,891
Restricted cash held by trustees	4,385	3,221
Trade receivables, net	58,676	56,466
Inventories	26,377	27,141
Other current assets	18,282	10,143
Total current assets	<u>181,112</u>	<u>174,286</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	296	6,279
Severance pay funds	9,646	9,856
Other long term receivables	217	278
Total long-term investments and receivables	<u>10,159</u>	<u>16,413</u>
PROPERTY AND EQUIPMENT, NET	<u>83,779</u>	<u>85,369</u>
INTANGIBLE ASSETS, NET	<u>27,365</u>	<u>28,830</u>
GOODWILL	<u>63,870</u>	<u>63,870</u>
<u>TOTAL ASSETS</u>	<u>366,285</u>	<u>368,768</u>

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	<u>March 31,</u> <u>2014</u> <u>Unaudited</u>	<u>December 31,</u> <u>2013</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	1,652	-
Current maturities of long-term loans	4,669	4,665
Trade payables	18,881	20,900
Accrued expenses	18,410	16,748
Short-term advances from customers, held by trustees	4,228	-
Other current liabilities	48,459	54,666
Total current liabilities	<u>96,299</u>	<u>96,979</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	9,296	9,628
Long-term loans, net of current maturities	27,088	31,251
Other long-term liabilities	9,397	4,877
Total long-term liabilities	<u>45,781</u>	<u>45,756</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	1,939	1,932
Additional paid in capital	873,944	873,045
Accumulated other comprehensive income	1,544	1,591
Accumulated deficit	(653,222)	(650,535)
Total equity	<u>224,205</u>	<u>226,033</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u><u>366,285</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 per share data)

	Three months ended 31 March 2014			Three months ended 31 March 2013		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	50,851	-	50,851	65,420	-	65,420
Cost of revenues	30,876	(1,267)	29,609	42,639	(1,238)	41,401
Gross profit	19,975	1,267	21,242	22,781	1,238	24,019
	39%		42%	35%		37%
Research and development expenses:						
Expenses incurred	7,239	(122)	7,117	7,631	(99)	7,532
Less - grants	354	-	354	332	-	332
	6,885	(122)	6,763	7,299	(99)	7,200
Selling and marketing expenses	9,690	(342)	9,348	8,986	(301)	8,685
General and administrative expenses	4,912	(303)	4,609	5,445	(262)	5,183
Operating income (loss)	(1,512)	2,034	522	1,051	1,900	2,951
Financial expenses, net	(1,034)	-	(1,034)	(751)	-	(751)
Income (loss) before taxes on income	(2,546)	2,034	(512)	300	1,900	2,200
Taxes on income	90	-	90	376	-	376
Net income (loss) from continuing operations	(2,636)	2,034	(602)	(76)	1,900	1,824
Net income (loss) from discontinued operations	(51)	51	-	(2,280)	2,280	-
Net income (loss)	(2,687)	2,085	(602)	(2,356)	4,180	1,824
Basic net earnings (loss) per share from continuing operations	(0.06)			(0.00)		
Basic net earnings (loss) per share from discontinued operations	(0.00)			(0.05)		
Basic net earnings (loss) per share	(0.06)		(0.01)	(0.05)		0.04
Diluted net earnings (loss) per share from continuing operations	(0.06)			(0.00)		
Diluted net earnings (loss) per share from discontinued operations	(0.00)			(0.05)		
Diluted net earnings (loss) per share	(0.06)		(0.01)	(0.05)		0.04
Weighted average number of shares used in computing net earnings (loss) per share						
Basic	42,176		42,176	41,766		41,766
Diluted	42,176		42,176	41,766		43,860

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

	Three months ended 31 March 2014	Three months ended 31 March 2013
	Unaudited	Unaudited
Non-cash stock-based compensation expenses:		
Cost of revenues	59	40
Research and development	122	99
Selling and marketing	129	89
General and administrative	303	262
	613	490
Amortization of intangible assets related to acquisition transactions:		
Cost of revenues	1,208	1,198
Selling and marketing	213	212
	1,421	1,410

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

	Three months ended	
	March 31,	
	2014	2013
	Unaudited	Unaudited
Revenues	50,851	65,420
Cost of revenues	30,876	42,639
Gross profit	19,975	22,781
Research and development expenses:		
Expenses incurred	7,239	7,631
Less - grants	354	332
	<u>6,885</u>	<u>7,299</u>
Selling and marketing expenses	9,690	8,986
General and administrative expenses	4,912	5,445
Operating income (loss)	(1,512)	1,051
Financial expenses, net	(1,034)	(751)
Income (loss) before taxes on income	(2,546)	300
Taxes on income	90	376
Net loss from continuing operations	(2,636)	(76)
Net loss from discontinued operations	(51)	(2,280)
Net loss	(2,687)	(2,356)
Net loss per share from continuing operations (basic and diluted)	(0.06)	(0.00)
Net loss per share from discontinued operations (basic and diluted)	(0.00)	(0.05)
Net loss per share (basic and diluted)	<u>(0.06)</u>	<u>(0.05)</u>
Weighted average number of shares used in computing net loss per share		
Basic and diluted	<u>42,176</u>	<u>41,766</u>

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

	Three months ended	
	March 31,	
	2014	2013
	Unaudited	Unaudited
<u>Cash flows from continuing operations</u>		
<u>Cash flows from operating activities:</u>		
Net loss from continuing operations	(2,636)	(76)
Adjustments required to reconcile net loss to net cash generated used in operating activities:		
Depreciation and amortization	3,684	4,697
Stock-based compensation	613	490
Accrued severance pay, net	(122)	14
Accrued interest and exchange rate differences on short and long-term restricted cash, net	86	39
Exchange rate differences on long-term loans	6	(132)
Capital loss from disposal of property and equipment	17	12
Deferred income taxes	(36)	(16)
Decrease (increase) in trade receivables, net	(2,040)	4,180
Increase in other assets (including short-term, long-term and deferred charges)	(7,783)	(620)
Decrease (increase) in inventories	670	(3,912)
Increase (decrease) in trade payables	(2,050)	257
Increase (decrease) in accrued expenses	1,675	(832)
Increase (decrease) in advances from customers, held by trustees, net	4,228	(4,229)
Decrease in other accounts payable and other long term liabilities	(2,243)	(5,135)
Net cash used in operating activities	(5,931)	(5,263)

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

	Three months ended	
	March 31,	
	2014	2013
	Unaudited	Unaudited
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(525)	(933)
Investment in restricted cash held by trustees	(4,228)	(1,782)
Proceeds from restricted cash held by trustees	2,950	3,407
Investment in restricted cash (including long-term)	-	(2,163)
Proceeds from restricted cash (including long-term)	76	65
Purchase of intangible assets	-	(16)
Net cash used in investing activities	(1,727)	(1,422)
<u>Cash flows from financing activities:</u>		
Issuance of restricted stock units and exercise of stock options	293	553
Short-term bank credit, net	1,652	517
Repayment of long-term loans	(4,165)	(4,987)
Net cash used in financing activities	(2,220)	(3,917)
<u>Cash flows from discontinued operations</u>		
Net cash used in operating activities	-	(82)
Net cash provided by investing activities	-	1,010
Net cash provided by financing activities	-	14,260
	-	15,188
Effect of exchange rate changes on cash and cash equivalents	33	(37)
Increase (decrease) in cash and cash equivalents	(9,845)	4,549
Cash and cash equivalents at the beginning of the period	58,424	66,968
Cash and cash equivalents at the end of the period	48,579	71,517

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

	Three months ended	
	March 31,	
	2014	2013
	Unaudited	Unaudited
Operating income (loss)	(1,512)	1,051
Add:		
Non-cash stock-based compensation expenses	613	490
Depreciation and amortization	3,684	4,697
EBITDA	2,785	6,238