

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

	<u>March 31,</u> <u>2015</u> <u>Unaudited</u>	<u>December 31,</u> <u>2014</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	30,365	27,726
Restricted cash	13,900	25,983
Restricted cash held by trustees	3,680	15,441
Trade receivables, net	55,900	57,728
Inventories	29,003	25,112
Other current assets	12,324	14,760
Total current assets	<u>145,172</u>	<u>166,750</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	191	216
Severance pay funds	7,900	8,085
Other long term receivables	10,450	12,124
Total long-term investments and receivables	<u>18,541</u>	<u>20,425</u>
PROPERTY AND EQUIPMENT, NET	<u>89,046</u>	<u>90,893</u>
INTANGIBLE ASSETS, NET	<u>21,505</u>	<u>22,970</u>
GOODWILL	<u>63,870</u>	<u>63,870</u>
<u>TOTAL ASSETS</u>	<u>338,134</u>	<u>364,908</u>

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	<u>March 31,</u> <u>2015</u> <u>Unaudited</u>	<u>December 31,</u> <u>2014</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit and loans	4,720	15,857
Current maturities of long-term loans	4,528	4,595
Trade payables	22,321	22,850
Accrued expenses	19,816	22,475
Short-term advances from customers, held by trustees	6,989	12,858
Other current liabilities	25,410	21,527
Total current liabilities	<u>83,784</u>	<u>100,162</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	7,872	8,157
Long-term loans, net of current maturities	21,875	26,271
Other long-term liabilities	4,937	5,179
Total long-term liabilities	<u>34,684</u>	<u>39,607</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	1,982	1,966
Additional paid-in capital	877,932	876,624
Accumulated other comprehensive loss	(2,611)	(1,420)
Accumulated deficit	(657,637)	(652,031)
Total equity	<u>219,666</u>	<u>225,139</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u><u>338,134</u></u>	<u><u>364,908</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			Three months ended		
	31 March 2015			31 March 2014		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
Revenues	45,190	-	45,190	50,851	-	50,851
Cost of revenues	31,998	(1,251)	30,747	30,876	(1,267)	29,609
Gross profit	13,192	1,251	14,443	19,975	1,267	21,242
	29%		32%	39%		42%
Research and development expenses:						
Expenses incurred	6,534	(110)	6,424	7,239	(122)	7,117
Less - grants	190	-	190	354	-	354
	6,344	(110)	6,234	6,885	(122)	6,763
Selling and marketing expenses	6,263	(337)	5,926	9,690	(342)	9,348
General and administrative expenses	4,591	(241)	4,350	4,912	(303)	4,609
Operating income (loss)	(4,006)	1,939	(2,067)	(1,512)	2,034	522
Financial expenses, net	(1,351)	-	(1,351)	(1,034)	-	(1,034)
Loss before taxes on income	(5,357)	1,939	(3,418)	(2,546)	2,034	(512)
Taxes on income	249	-	249	90	-	90
Net loss from continuing operations	(5,606)	1,939	(3,667)	(2,636)	2,034	(602)
Net loss from discontinued operations	-	-	-	(51)	51	-
Net loss	(5,606)	1,939	(3,667)	(2,687)	2,085	(602)
Basic net loss per share from continuing operations	(0.13)			(0.06)		
Basic net loss per share from discontinued operations	-			(0.00)		
Basic net loss per share	(0.13)		(0.09)	(0.06)		(0.01)
Diluted net loss per share from continuing operations	(0.13)			(0.06)		
Diluted net loss per share from discontinued operations	-			(0.00)		
Diluted net loss per share	(0.13)		(0.09)	(0.06)		(0.01)
Weighted average number of shares used in computing net loss per share						
Basic	42,883,469		42,883,469	42,175,937		42,175,937
Diluted	42,883,469		42,883,469	42,175,937		42,175,937

(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		Three months ended	
	31 March 2015		31 March 2014	
	Unaudited		Unaudited	
Non-cash stock-based compensation expenses:				
Cost of revenues		52		58
Research and development		110		122
Selling and marketing		125		130
General and administrative		241		303
		528		613
Amortization of intangible assets related to acquisition transactions:				
Cost of revenues		1,199		1,209
Selling and marketing		212		212
		1,411		1,421

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

	Three months ended March 31,	
	2015	2014
	<u>Unaudited</u>	<u>Unaudited</u>
Revenues	45,190	50,851
Cost of revenues	31,998	30,876
Gross profit	<u>13,192</u>	<u>19,975</u>
Research and development expenses:		
Expenses incurred	6,534	7,239
Less - grants	190	354
	<u>6,344</u>	<u>6,885</u>
Selling and marketing expenses	6,263	9,690
General and administrative expenses	4,591	4,912
Operating loss	<u>(4,006)</u>	<u>(1,512)</u>
Financial expenses, net	(1,351)	(1,034)
Loss before taxes on income	<u>(5,357)</u>	<u>(2,546)</u>
Taxes on income	249	90
Net loss from continuing operations	<u>(5,606)</u>	<u>(2,636)</u>
Net loss from discontinued operations	<u>-</u>	<u>(51)</u>
Net loss	<u>(5,606)</u>	<u>(2,687)</u>
Net loss per share from continuing operations (basic and diluted)	(0.13)	(0.06)
Net loss per share from discontinued operations (basic and diluted)	-	(0.00)
Net loss per share (basic and diluted)	<u>(0.13)</u>	<u>(0.06)</u>
Weighted average number of shares used in computing net loss per share		
Basic	<u>42,883,469</u>	<u>42,175,937</u>
Diluted	<u>42,883,469</u>	<u>42,175,937</u>

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

	Three months ended	
	March 31,	
	2015	2014
	Unaudited	Unaudited
<u>Cash flows from continuing operations</u>		
<u>Cash flows from operating activities:</u>		
Net loss	(5,606)	(2,687)
Net loss from discontinued operations	-	(51)
Net loss from continuing operations	<u>(5,606)</u>	<u>(2,636)</u>
Adjustments required to reconcile net loss to net cash generated provided by (used in) operating activities:		
Depreciation and amortization	3,658	3,684
Stock-based compensation	528	613
Accrued severance pay, net	(101)	(122)
Accrued interest and exchange rate differences on short and long-term restricted cash, net	43	86
Exchange rate differences on long-term loans	(329)	6
Capital loss from disposal of property and equipment	-	17
Deferred income taxes	(41)	(36)
Decrease (increase) in trade receivables, net	721	(2,040)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	2,934	(7,783)
Decrease (increase) in inventories	(4,182)	670
Decrease in trade payables	(195)	(2,050)
Increase (decrease) in accrued expenses	(2,173)	1,675
Increase (decrease) in advances from customers, held by trustees	(5,178)	4,228
Increase (decrease) in other current liabilities and other long term liabilities	<u>4,250</u>	<u>(2,243)</u>
Net cash used in operating activities	<u>(5,671)</u>	<u>(5,931)</u>

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

	Three months ended	
	March 31,	
	2015	2014
	Unaudited	Unaudited
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(741)	(525)
Investment in restricted cash held by trustees	-	(4,228)
Proceeds from restricted cash held by trustees	10,922	2,950
Investment in restricted cash (including long-term)	(10,052)	-
Proceeds from restricted cash (including long-term)	22,117	76
Net cash Provided by (used in) investing activities	<u>22,246</u>	<u>(1,727)</u>
<u>Cash flows from financing activities:</u>		
Capital lease payments	(102)	-
Issuance of restricted stock units and exercise of stock options	793	293
Short term bank credit, net	(10,007)	1,652
Repayment of long-term loans	(4,135)	(4,165)
Net cash used in financing activities	<u>(13,451)</u>	<u>(2,220)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(485)</u>	<u>33</u>
Increase (decrease) in cash and cash equivalents	2,639	(9,845)
Cash and cash equivalents at the beginning of the period	<u>27,726</u>	<u>58,424</u>
Cash and cash equivalents at the end of the period	<u><u>30,365</u></u>	<u><u>48,579</u></u>

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

	Three months ended	
	March 31,	
	2015	2014
	Unaudited	Unaudited
Operating loss	(4,006)	(1,512)
Add:		
Non-cash stock-based compensation expenses	528	613
Depreciation and amortization	3,658	3,684
EBITDA	180	2,785