

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

	<u>June 30,</u> <u>2015</u> <u>Unaudited</u>	<u>December 31,</u> <u>2014</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	25,596	27,726
Restricted cash	73,156	25,983
Restricted cash held by trustees	6,162	15,441
Trade receivables, net	50,558	57,728
Inventories	26,922	25,112
Other current assets	16,390	14,760
Total current assets	<u>198,784</u>	<u>166,750</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	201	216
Severance pay funds	8,372	8,085
Other long term receivables and deferred charges	9,483	12,124
Total long-term investments and receivables	<u>18,056</u>	<u>20,425</u>
PROPERTY AND EQUIPMENT, NET	<u>88,263</u>	<u>90,893</u>
INTANGIBLE ASSETS, NET	<u>20,040</u>	<u>22,970</u>
GOODWILL	<u>63,870</u>	<u>63,870</u>
<u>TOTAL ASSETS</u>	<u><u>389,013</u></u>	<u><u>364,908</u></u>

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	<u>June 30,</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	9,220	15,857
Current maturities of long-term loans	4,552	4,595
Trade payables	17,310	22,850
Accrued expenses	20,092	22,475
Advances from customers	60,268	2,940
Short-term advances from customers, held by trustees	8,132	12,858
Other current liabilities	19,532	18,587
Total current liabilities	<u>139,106</u>	<u>100,162</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	8,175	8,157
Long-term loans, net of current maturities	21,816	26,271
Other long-term liabilities	4,880	5,179
Total long-term liabilities	<u>34,871</u>	<u>39,607</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	2,019	1,966
Additional paid-in capital	881,439	876,624
Accumulated other comprehensive loss	(1,703)	(1,420)
Accumulated deficit	(666,719)	(652,031)
Total equity	<u>215,036</u>	<u>225,139</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u><u>389,013</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 30 June 2015			Three months ended 30 June 2014		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	44,324	-	44,324	54,050	-	54,050
Cost of revenues	33,274	(1,230)	32,044	34,730	(1,248)	33,482
Gross profit	11,050	1,230	12,280	19,320	1,248	20,568
	25%		28%	36%		38%
Research and development expenses:						
Expenses incurred	6,594	(109)	6,485	6,878	(119)	6,759
Less - grants	222	-	222	594	-	594
	6,372	(109)	6,263	6,284	(119)	6,165
Selling and marketing expenses	6,412	(346)	6,066	8,677	(350)	8,327
General and administrative expenses	5,471	(339)	5,132	4,841	(290)	4,551
Operating income (loss)	(7,205)	2,024	(5,181)	(482)	2,007	1,525
Financial expenses, net	(1,559)	-	(1,559)	(515)	-	(515)
Income (loss) before taxes on income	(8,764)	2,024	(6,740)	(997)	2,007	1,010
Taxes on income	318	-	318	434	-	434
Net income (loss) from continuing operations	(9,082)	2,024	(7,058)	(1,431)	2,007	576
Net income (loss) from discontinued operations	-	-	-	8	(8)	-
Net income (loss)	(9,082)	2,024	(7,058)	(1,423)	1,999	576
Basic net income (loss) per share from continuing operations	(0.21)			(0.03)		
Basic net income (loss) per share from discontinued operations	-			(0.00)		
Basic net income (loss) per share	(0.21)		(0.16)	(0.03)		0.01
Diluted net income (loss) per share from continuing operations	(0.21)			(0.03)		
Diluted net income (loss) per share from discontinued operations	-			(0.00)		
Diluted net income (loss) per share	(0.21)		(0.16)	(0.03)		0.01
Weighted average number of shares used in computing net income (loss) per share						
Basic	42,883,469		42,883,469	42,357,784		42,357,784
Diluted	42,883,469		42,883,469	42,357,784		43,579,048

(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 30 June 2015		Three months ended 30 June 2014	
	Unaudited	Unaudited	Unaudited	Unaudited
Non-cash stock-based compensation expenses:				
Cost of revenues		54		60
Research and development		109		119
Selling and marketing		133		138
General and administrative		339		290
		635		607
Amortization of intangible assets related to acquisition transactions:				
Cost of revenues		1,176		1,188
Selling and marketing		213		212
		1,389		1,400

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)

	Six months ended 30 June 2015			Six months ended 30 June 2014		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	89,514	-	89,514	104,901	-	104,901
Cost of revenues	65,272	(2,481)	62,791	65,606	(2,515)	63,091
Gross profit	24,242	2,481	26,723	39,295	2,515	41,810
	27%		30%	37%		40%
Research and development expenses:						
Expenses incurred	13,128	(219)	12,909	14,117	(241)	13,876
Less - grants	412	-	412	948	-	948
	12,716	(219)	12,497	13,169	(241)	12,928
Selling and marketing expenses	12,675	(683)	11,992	18,367	(692)	17,675
General and administrative expenses	10,062	(580)	9,482	9,753	(593)	9,160
Operating income (loss)	(11,211)	3,963	(7,248)	(1,994)	4,041	2,047
Financial expenses, net	(2,910)	-	(2,910)	(1,549)	-	(1,549)
Income (loss) before taxes on income	(14,121)	3,963	(10,158)	(3,543)	4,041	498
Taxes on income	567	-	567	524	-	524
Loss from continuing operations	(14,688)	3,963	(10,725)	(4,067)	4,041	(26)
Loss from discontinued operations	-	-	-	(43)	43	-
Loss	(14,688)	3,963	(10,725)	(4,110)	4,084	(26)
Basic loss per share from continuing operations	(0.34)			(0.10)		
Basic loss per share from discontinued operations	-			(0.00)		
Basic loss per share	(0.34)		(0.25)	(0.10)		(0.00)
Diluted loss per share from continuing operations	(0.34)			(0.10)		
Diluted loss per share from discontinued operations	-			(0.00)		
Diluted loss per share	(0.34)		(0.25)	(0.10)		(0.00)
Weighted average number of shares used in computing loss per share						
Basic	43,139,303		43,139,303	42,266,861		42,266,861
Diluted	43,139,303		43,139,303	42,266,861		42,266,861

(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.

	Six months ended 30 June 2015	Six months ended 30 June 2014
	Unaudited	Unaudited
Non-cash stock-based compensation expenses:		
Cost of revenues	106	118
Research and development	219	241
Selling and marketing	258	268
General and administrative	580	593
	1,163	1,220
Amortization of intangible assets related to acquisition transactions:		
Cost of revenues	2,375	2,397
Selling and marketing	425	424
	2,800	2,821

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Revenues	89,514	104,901	44,324	54,050
Cost of revenues	65,272	65,606	33,274	34,730
Gross profit	<u>24,242</u>	<u>39,295</u>	<u>11,050</u>	<u>19,320</u>
Research and development expenses:				
Expenses incurred	13,128	14,117	6,594	6,878
Less - grants	412	948	222	594
	<u>12,716</u>	<u>13,169</u>	<u>6,372</u>	<u>6,284</u>
Selling and marketing expenses	12,675	18,367	6,412	8,677
General and administrative expenses	10,062	9,753	5,471	4,841
Operating loss	<u>(11,211)</u>	<u>(1,994)</u>	<u>(7,205)</u>	<u>(482)</u>
Financial expenses, net	(2,910)	(1,549)	(1,559)	(515)
Loss before taxes on income	<u>(14,121)</u>	<u>(3,543)</u>	<u>(8,764)</u>	<u>(997)</u>
Taxes on income	567	524	318	434
Loss from continuing operations	<u>(14,688)</u>	<u>(4,067)</u>	<u>(9,082)</u>	<u>(1,431)</u>
Net income (loss) from discontinued operations	<u>-</u>	<u>(43)</u>	<u>-</u>	<u>8</u>
Loss	<u>(14,688)</u>	<u>(4,110)</u>	<u>(9,082)</u>	<u>(1,423)</u>
Loss per share from continuing operations (basic and diluted)	(0.34)	(0.10)	(0.21)	(0.03)
Net income (loss) per share from discontinued operations (basic and diluted)	-	(0.00)	-	(0.00)
Loss per share (basic and diluted)	<u>(0.34)</u>	<u>(0.10)</u>	<u>(0.21)</u>	<u>(0.03)</u>
Weighted average number of shares used in computing net loss per share				
Basic	<u>43,139,303</u>	<u>42,266,861</u>	<u>42,883,469</u>	<u>42,357,784</u>
Diluted	<u>43,139,303</u>	<u>42,266,861</u>	<u>42,883,469</u>	<u>42,357,784</u>

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<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>				
Loss	(14,688)	(4,110)	(9,082)	(1,423)
Net income (loss) from discontinued operations	-	(43)	-	8
Loss from continuing operations	<u>(14,688)</u>	<u>(4,067)</u>	<u>(9,082)</u>	<u>(1,431)</u>
Adjustments required to reconcile net loss to net cash generated provided by (used in) operating activities:				
Depreciation and amortization	7,699	7,428	4,041	3,744
Stock-based compensation	1,163	1,220	635	607
Accrued severance pay, net	(270)	(103)	(169)	19
Accrued interest and exchange rate differences on short and long-term restricted cash, net	87	(32)	44	(118)
Exchange rate differences on long-term loans	(226)	(34)	103	(40)
Capital loss from disposal of property and equipment	48	60	48	43
Deferred income taxes	(38)	(47)	3	(11)
Decrease (increase) in trade receivables, net	6,335	(8,034)	5,614	(5,994)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	16	(12,535)	(2,918)	(4,752)
Decrease (increase) in inventories	(2,817)	699	1,365	29
Increase in restricted cash directly related to operating activities	(54,318)	-	(54,318)	-
Increase (decrease) in trade payables	(5,301)	(52)	(5,106)	1,998
Increase (decrease) in accrued expenses	(1,760)	4,176	413	2,501
Increase (decrease) in advance from customers	57,332	(4,921)	58,099	(3,726)
Increase (decrease) in advances from customers, held by trustees	(4,158)	3,451	1,020	(777)
Increase (decrease) in other current liabilities and other long term liabilities	1,742	(921)	(3,275)	127
Net cash used in operating activities	<u>(9,154)</u>	<u>(13,712)</u>	<u>(3,483)</u>	<u>(7,781)</u>

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(1,839)	(10,319)	(1,098)	(9,794)
Investment in restricted cash held by trustees	(6,109)	(4,228)	(6,109)	-
Proceeds from restricted cash held by trustees	14,652	6,588	3,730	3,638
Investment in restricted cash (including long-term)	(21,202)	(7,516)	(11,150)	(7,516)
Proceeds from restricted cash (including long-term)	28,276	176	6,159	100
Net cash provided by (used in) investing activities	<u>13,778</u>	<u>(15,299)</u>	<u>(8,468)</u>	<u>(13,572)</u>
<u>Cash flows from financing activities:</u>				
Capital lease payments	(204)	-	(102)	-
Issuance of restricted stock units and exercise of stock options	3,705	746	2,912	453
Short term bank credit, net	(5,569)	7,216	4,438	5,564
Repayment of long-term loans	(4,272)	(4,330)	(137)	(165)
Net cash provided by (used in) financing activities	<u>(6,340)</u>	<u>3,632</u>	<u>7,111</u>	<u>5,852</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(414)</u>	<u>355</u>	<u>71</u>	<u>322</u>
Decrease in cash and cash equivalents	<u>(2,130)</u>	<u>(25,024)</u>	<u>(4,769)</u>	<u>(15,179)</u>
Cash and cash equivalents at the beginning of the period	<u>27,726</u>	<u>58,424</u>	<u>30,365</u>	<u>48,579</u>
Cash and cash equivalents at the end of the period	<u>25,596</u>	<u>33,400</u>	<u>25,596</u>	<u>33,400</u>

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

	Six months ended		Three months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
Operating loss	(11,211)	(1,994)	(7,205)	(482)
Add:				
Non-cash stock-based compensation expenses	1,163	1,220	635	607
Depreciation and amortization	7,699	7,428	4,041	3,744
EBITDA	(2,349)	6,654	(2,529)	3,869