

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

	<u>September 30,</u> <u>2013</u> <u>Unaudited</u>	<u>December 31,</u> <u>2012</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	53,914	66,968
Restricted cash	1,869	3,794
Restricted cash held by trustees	4,544	1,664
Trade receivables, net	59,194	60,991
Inventories	31,560	24,973
Other current assets	24,820	29,140
Total current assets	<u>175,901</u>	<u>187,530</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	1,184	1,151
Severance pay funds	9,805	9,703
Long-term trade receivables, receivables in respect of capital leases and other receivables	<u>20,332</u>	<u>19,781</u>
Total long-term investments and receivables	<u>31,321</u>	<u>30,635</u>
PROPERTY AND EQUIPMENT, NET	<u>91,233</u>	<u>94,727</u>
INTANGIBLE ASSETS, NET	<u>30,787</u>	<u>35,991</u>
GOODWILL	<u>65,760</u>	<u>65,760</u>
<u>TOTAL ASSETS</u>	<u><u>395,002</u></u>	<u><u>414,643</u></u>

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

	<u>September 30,</u> <u>2013</u> <u>Unaudited</u>	<u>December 31,</u> <u>2012</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	3,426	3,517
Current maturities of long-term loans	4,621	7,963
Trade payables	28,233	23,240
Accrued expenses	19,775	24,353
Short-term advances from customer, held by trustees	-	4,448
Other current liabilities	41,893	40,336
Total current liabilities	<u>97,948</u>	<u>103,857</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	9,614	9,513
Long-term loans, net of current maturities	31,376	40,747
Other long-term liabilities	23,334	18,569
Total long-term liabilities	<u>64,324</u>	<u>68,829</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	1,929	1,909
Additional paid-in capital	872,244	869,822
Accumulated other comprehensive income	1,571	2,864
Accumulated deficit	(643,014)	(632,638)
Total equity	<u>232,730</u>	<u>241,957</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u><u>395,002</u></u>	<u><u>414,643</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 30 September 2013			Three months ended 30 September 2012		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	71,303	-	71,303	89,009	-	89,009
Cost of revenues	50,904	(1,305)	49,599	60,588	(1,661)	58,927
Gross profit	20,399	1,305	21,704	28,421	1,661	30,082
	29%		30%	32%		34%
Research and development expenses:						
Expenses incurred	7,088	(128)	6,960	7,699	(114)	7,585
Less - grants	585	-	585	661	-	661
	6,503	(128)	6,375	7,038	(114)	6,924
Selling and marketing expenses	9,159	(360)	8,799	9,346	(345)	9,001
General and administrative expenses	8,185	(377)	7,808	8,840	(384)	8,456
Operating income (loss)	(3,448)	2,170	(1,278)	3,197	2,504	5,701
Financial expenses, net	(1,579)	-	(1,579)	(412)	-	(412)
Income (loss) before taxes on income	(5,027)	2,170	(2,857)	2,785	2,504	5,289
Tax benefit	(983)	-	(983)	(536)	-	(536)
Net income (loss)	(4,044)	2,170	(1,874)	3,321	2,504	5,825
Basic net earnings (loss) per share	(0.10)		(0.04)	0.08		0.14
Diluted net earnings (loss) per share	(0.10)		(0.04)	0.08		0.13
Weighted average number of shares used in computing net earnings (loss) per share						
Basic	42,048		42,048	41,462		41,462
Diluted	42,048		42,048	42,302		43,807

(1) Adjustments reflect the effect of non-cash stock based compensation as per ASC 718 and amortization of intangible assets related to acquisition transactions.

	Three months ended 30 September 2013	Three months ended 30 September 2012
	Unaudited	Unaudited
Non-cash stock-based compensation expenses:		
Cost of revenues	57	88
Research and development	128	114
Selling and marketing	129	116
General and administrative	377	384
	691	702
Amortization of intangible assets related to acquisition transactions:		
Cost of revenues	1,248	1,573
Selling and marketing	231	229
	1,479	1,802

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)

	Nine months ended 30 September 2013			Nine months ended 30 September 2012		
	GAAP Unaudited	Adjustments (1) Unaudited	Non-GAAP Unaudited	GAAP Unaudited	Adjustments (1) Unaudited	Non-GAAP Unaudited
Revenues	234,336	-	234,336	250,935	-	250,935
Cost of revenues	164,274	(3,888)	160,386	170,796	(4,948)	165,848
Gross profit	70,062	3,888	73,950	80,139	4,948	85,087
	30%		32%	32%		34%
Research and development expenses:						
Expenses incurred	21,864	(339)	21,525	24,274	(243)	24,031
Less - grants	1,449	-	1,449	2,345	-	2,345
	20,415	(339)	20,076	21,929	(243)	21,686
Selling and marketing expenses	30,181	(1,014)	29,167	30,097	(973)	29,124
General and administrative expenses	24,746	(1,057)	23,689	25,114	(1,020)	24,094
Operating income (loss)	(5,280)	6,298	1,018	2,999	7,184	10,183
Financial expenses, net	(5,028)	-	(5,028)	(2,427)	-	(2,427)
Income (loss) before taxes on income	(10,308)	6,298	(4,010)	572	7,184	7,756
Taxes on income (Tax benefit)	68	-	68	(538)	-	(538)
Net income (loss)	(10,376)	6,298	(4,078)	1,110	7,184	8,294
Basic net earnings (loss) per share	(0.25)		(0.10)	0.03		0.20
Diluted net earnings (loss) per share	(0.25)		(0.10)	0.03		0.19
Weighted average number of shares used in computing net earnings (loss) per share						
Basic	41,915		41,915	41,346		41,346
Diluted	41,915		41,915	42,224		43,355

(1) Adjustments reflect the effect of non-cash stock based compensation as per ASC 718 and amortization of intangible assets related to acquisition transactions.

	Nine months ended 30 September 2013		Nine months ended 30 September 2012	
	Unaudited		Unaudited	
Non-cash stock-based compensation expenses:				
Cost of revenues		143		230
Research and development		339		243
Selling and marketing		325		285
General and administrative		1,057		1,020
		1,864		1,778
Amortization of intangible assets related to acquisition transactions:				
Cost of revenues		3,745		4,718
Selling and marketing		689		688
		4,434		5,406

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

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	234,336	250,935	71,303	89,009
Cost of revenues	164,274	170,796	50,904	60,588
Gross profit	70,062	80,139	20,399	28,421
Research and development expenses:				
Expenses incurred	21,864	24,274	7,088	7,699
Less - grants	1,449	2,345	585	661
	20,415	21,929	6,503	7,038
Selling and marketing expenses	30,181	30,097	9,159	9,346
General and administrative expenses	24,746	25,114	8,185	8,840
Operating income (loss)	(5,280)	2,999	(3,448)	3,197
Financial expenses, net	(5,028)	(2,427)	(1,579)	(412)
Income (loss) before taxes on income	(10,308)	572	(5,027)	2,785
Taxes on income (Tax benefit)	68	(538)	(983)	(536)
Net income (loss)	(10,376)	1,110	(4,044)	3,321
Basic net earnings (loss) per share	(0.25)	0.03	(0.10)	0.08
Diluted net earnings (loss) per share	(0.25)	0.03	(0.10)	0.08
Weighted average number of shares used in computing net earnings (loss) per share				
Basic	41,915	41,346	42,048	41,462
Diluted	41,915	42,224	42,048	42,302

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

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<u>Cash flows from operating activities:</u>				
Net income (loss)	(10,376)	1,110	(4,044)	3,321
Adjustments required to reconcile net income (loss) to net cash generated from (used in) operating activities:				
Depreciation and amortization	16,033	16,591	4,825	5,893
Stock-based compensation	1,864	1,778	691	702
Accrued severance pay, net	(1)	238	(65)	(73)
Accrued interest and exchange rate differences on short and long-term restricted cash, net	1,382	(95)	990	(26)
Exchange rate differences on long-term loans	92	9	138	133
Capital loss from disposal of property and equipment	36	47	23	50
Deferred income taxes	(871)	(1,079)	(826)	(749)
Decrease (increase) in trade receivables, net	1,470	(10,624)	3,695	(3,510)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	678	(2,326)	(3,436)	3,102
Decrease (increase) in inventories	(8,219)	2,447	(2,755)	2,842
Increase (decrease) in trade payables	5,015	833	1,478	(4,576)
Increase (decrease) in accrued expenses	(4,578)	(2,631)	(1,923)	3,516
Increase (decrease) in advances from customer, held by trustees, net	(4,448)	2,936	(525)	(2,066)
Increase (decrease) in other accounts payable and other long term liabilities	(5,054)	(5,744)	629	(25)
Net cash generated from (used in) operating activities	<u>(6,977)</u>	<u>3,490</u>	<u>(1,105)</u>	<u>8,534</u>

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

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(3,719)	(3,428)	(1,488)	(1,262)
Investment in restricted cash held by trustees	(14,455)	(28,701)	(3,219)	(11,081)
Proceeds from restricted cash held by trustees	10,283	22,516	512	13,441
Investment in restricted cash (including long-term)	(30,173)	(15,417)	(12,173)	(6,303)
Proceeds from restricted cash (including long-term)	31,958	20,877	12,619	6,253
Purchase of intangible assets	(118)	(82)	-	(10)
Net cash generated from (used in) investing activities	<u>(6,224)</u>	<u>(4,235)</u>	<u>(3,749)</u>	<u>1,038</u>
<u>Cash flows from financing activities:</u>				
Issuance of restricted stock units and exercise of stock options	579	18	17	6
Payment of obligation related to the purchase of intangible assets	(500)	-	-	-
Proceeds from financing contract	14,472	-	-	-
Short-term bank credit, net	(92)	1,190	366	(11)
Proceeds from long-term loans	-	10,000	-	-
Repayment according to financing contract	(1,288)	-	(634)	-
Repayment of long-term loans	(12,804)	(5,435)	(6,829)	(1,012)
Net cash generated from (used in) financing activities	<u>367</u>	<u>5,773</u>	<u>(7,080)</u>	<u>(1,017)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(220)</u>	<u>(233)</u>	<u>7</u>	<u>(69)</u>
Increase (decrease) in cash and cash equivalents	<u>(13,054)</u>	<u>4,795</u>	<u>(11,927)</u>	<u>8,486</u>
Cash and cash equivalents at the beginning of the period	<u>66,968</u>	<u>56,231</u>	<u>65,841</u>	<u>52,540</u>
Cash and cash equivalents at the end of the period	<u>53,914</u>	<u>61,026</u>	<u>53,914</u>	<u>61,026</u>

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	Unaudited	Unaudited	Unaudited	Unaudited
Operating income (loss)	(5,280)	2,999	(3,448)	3,197
Add:				
Non-cash stock-based compensation expenses	1,864	1,778	691	702
Depreciation and amortization	16,033	16,591	4,825	5,893
EBITDA	12,617	21,368	2,068	9,792