

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

	<u>September 30,</u> <u>2015</u> <u>Unaudited</u>	<u>December 31,</u> <u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	27,723	27,726
Restricted cash	68,405	25,983
Restricted cash held by trustees	1,204	15,441
Trade receivables, net	38,731	57,728
Inventories	28,830	25,112
Other current assets	16,036	14,760
<b>Total current assets</b>	<u>180,929</u>	<u>166,750</u>
<b>LONG-TERM INVESTMENTS AND RECEIVABLES:</b>		
Long-term restricted cash	177	216
Severance pay funds	7,690	8,085
Other long term receivables and deferred charges	7,081	12,124
<b>Total long-term investments and receivables</b>	<u>14,948</u>	<u>20,425</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>85,972</u>	<u>90,893</u>
<b>INTANGIBLE ASSETS, NET</b>	<u>18,597</u>	<u>22,970</u>
<b>GOODWILL</b>	<u>43,468</u>	<u>63,870</u>
<b><u>TOTAL ASSETS</u></b>	<u><u>343,914</u></u>	<u><u>364,908</u></u>

	<u>September 30,</u> <u>2015</u> <u>Unaudited</u>	<u>December 31,</u> <u>2014</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit and loans	9,124	15,857
Current maturities of long-term loans	4,557	4,595
Trade payables	14,661	22,850
Accrued expenses	20,284	22,475
Advances from customers	58,545	2,940
Short-term advances from customers, held by trustees	2,614	12,858
Other current liabilities	17,349	18,587
<b>Total current liabilities</b>	<u>127,134</u>	<u>100,162</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued severance pay	7,489	8,157
Long-term loans, net of current maturities	21,680	26,271
Other long-term liabilities	4,380	5,179
<b>Total long-term liabilities</b>	<u>33,549</u>	<u>39,607</u>
<b>EQUITY:</b>		
Share capital - ordinary shares of NIS 0.2 par value	2,046	1,966
Additional paid-in capital	883,803	876,624
Accumulated other comprehensive loss	(3,502)	(1,420)
Accumulated deficit	(699,116)	(652,031)
<b>Total equity</b>	<u>183,231</u>	<u>225,139</u>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<u><u>343,914</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 September 2015			Three months ended 30 September 2014		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	40,347	-	40,347	57,135	-	57,135
Cost of revenues	30,865	(1,278)	29,587	38,567	(1,258)	37,309
<b>Gross profit</b>	<b>9,482</b>	<b>1,278</b>	<b>10,760</b>	<b>18,568</b>	<b>1,258</b>	<b>19,826</b>
	24%		27%	32%		35%
Research and development expenses:						
Expenses incurred	6,115	(102)	6,013	6,714	(121)	6,593
Less - grants	151	-	151	854	-	854
	5,964	(102)	5,862	5,860	(121)	5,739
Selling and marketing expenses	6,050	(317)	5,733	6,913	(350)	6,563
General and administrative expenses	5,164	(214)	4,950	4,258	(305)	3,953
Restructuring Costs	986	(986)	-	-	-	-
Goodwill Impairment	20,402	(20,402)	-	-	-	-
<b>Operating income (loss)</b>	<b>(29,084)</b>	<b>23,299</b>	<b>(5,785)</b>	<b>1,537</b>	<b>2,034</b>	<b>3,571</b>
Financial expenses, net	(2,940)	-	(2,940)	(349)	-	(349)
<b>Income (loss) before taxes on income</b>	<b>(32,024)</b>	<b>23,299</b>	<b>(8,725)</b>	<b>1,188</b>	<b>2,034</b>	<b>3,222</b>
Taxes on income	173	-	173	259	-	259
<b>Net income (loss) from continuing operations</b>	<b>(32,197)</b>	<b>23,299</b>	<b>(8,898)</b>	<b>929</b>	<b>2,034</b>	<b>2,963</b>
Loss from discontinued operations	(200)	200	-	(752)	752	-
<b>Net income (loss)</b>	<b>(32,397)</b>	<b>23,499</b>	<b>(8,898)</b>	<b>177</b>	<b>2,786</b>	<b>2,963</b>
<b>Basic net income (loss) per share from continuing operations</b>	<b>(0.73)</b>			<b>0.02</b>		
<b>Basic loss per share from discontinued operations</b>	<b>(0.00)</b>			<b>(0.02)</b>		
<b>Basic net income (loss) per share</b>	<b>(0.73)</b>		<b>(0.20)</b>	<b>0.00</b>		<b>0.07</b>
<b>Diluted net income (loss) per share from continuing operations</b>	<b>(0.73)</b>			<b>0.02</b>		
<b>Diluted loss per share from discontinued operations</b>	<b>(0.00)</b>			<b>(0.02)</b>		
<b>Diluted net income (loss) per share</b>	<b>(0.73)</b>		<b>(0.20)</b>	<b>0.00</b>		<b>0.07</b>
<b>Weighted average number of shares used in computing net income (loss) per share</b>						
Basic	<u>44,030,805</u>		<u>44,030,805</u>	<u>42,579,396</u>		<u>42,579,396</u>
Diluted	<u>44,030,805</u>		<u>44,030,805</u>	<u>42,995,059</u>		<u>43,586,395</u>

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

	Three months ended 30 September 2015	Three months ended 30 September 2014
	Unaudited	Unaudited
<b>Non-cash stock-based compensation expenses:</b>		
Cost of revenues	59	61
Research and development	102	121
Selling and marketing	127	136
General and administrative	214	305
	<u>502</u>	<u>623</u>
<b>Amortization of intangible assets related to acquisition transactions:</b>		
Cost of revenues	1,219	1,197
Selling and marketing	190	214
	<u>1,409</u>	<u>1,411</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)

	Nine months ended 30 September 2015			Nine months ended 30 September 2014		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	129,861	-	129,861	162,036	-	162,036
Cost of revenues	96,137	(3,759)	92,378	104,173	(3,773)	100,400
<b>Gross profit</b>	<b>33,724</b>	<b>3,759</b>	<b>37,483</b>	<b>57,863</b>	<b>3,773</b>	<b>61,636</b>
	26%		29%	36%		38%
Research and development expenses:						
Expenses incurred	19,243	(321)	18,922	20,831	(362)	20,469
Less - grants	563	-	563	1,802	-	1,802
	18,680	(321)	18,359	19,029	(362)	18,667
Selling and marketing expenses	18,725	(1,000)	17,725	25,280	(1,042)	24,238
General and administrative expenses	15,226	(794)	14,432	14,011	(898)	13,113
Restructuring Costs	986	(986)	-	-	-	-
Goodwill Impairment	20,402	(20,402)	-	-	-	-
<b>Operating income (loss)</b>	<b>(40,295)</b>	<b>27,262</b>	<b>(13,033)</b>	<b>(457)</b>	<b>6,075</b>	<b>5,618</b>
Financial expenses, net	(5,850)	-	(5,850)	(1,898)	-	(1,898)
<b>Income (loss) before taxes on income</b>	<b>(46,145)</b>	<b>27,262</b>	<b>(18,883)</b>	<b>(2,355)</b>	<b>6,075</b>	<b>3,720</b>
Taxes on income	740	-	740	783	-	783
<b>Net income (loss) from continuing operations</b>	<b>(46,885)</b>	<b>27,262</b>	<b>(19,623)</b>	<b>(3,138)</b>	<b>6,075</b>	<b>2,937</b>
Loss from discontinued operations	(200)	200	-	(795)	795	-
<b>Net income (loss)</b>	<b>(47,085)</b>	<b>27,462</b>	<b>(19,623)</b>	<b>(3,933)</b>	<b>6,870</b>	<b>2,937</b>
<b>Basic loss per share from continuing operations</b>	<b>(1.08)</b>			<b>(0.07)</b>		
<b>Basic loss per share from discontinued operations</b>	<b>(0.00)</b>			<b>(0.02)</b>		
<b>Basic net income (loss) per share</b>	<b>(1.08)</b>		<b>(0.45)</b>	<b>(0.09)</b>		<b>0.07</b>
<b>Diluted loss per share from continuing operations</b>	<b>(1.08)</b>			<b>(0.07)</b>		
<b>Diluted loss per share from discontinued operations</b>	<b>(0.00)</b>			<b>(0.02)</b>		
<b>Diluted net income (loss) per share</b>	<b>(1.08)</b>		<b>(0.45)</b>	<b>(0.09)</b>		<b>0.07</b>
<b>Weighted average number of shares used in computing net income (loss) per share</b>						
Basic	43,436,470		43,436,470	42,371,039		42,371,039
Diluted	43,436,470		43,436,470	42,371,039		43,615,894

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

	Nine months ended 30 September 2015		Nine months ended 30 September 2014	
	Unaudited		Unaudited	
<b>Non-cash stock-based compensation expenses:</b>				
Cost of revenues		165		179
Research and development		321		362
Selling and marketing		385		404
General and administrative		794		898
		<b>1,665</b>		<b>1,843</b>
<b>Amortization of intangible assets related to acquisition transactions:</b>				
Cost of revenues		3,594		3,594
Selling and marketing		615		638
		<b>4,209</b>		<b>4,232</b>

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

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	129,861	162,036	40,347	57,135
Cost of revenues	96,137	104,173	30,865	38,567
<b>Gross profit</b>	<b>33,724</b>	<b>57,863</b>	<b>9,482</b>	<b>18,568</b>
Research and development expenses:				
Expenses incurred	19,243	20,831	6,115	6,714
Less - grants	563	1,802	151	854
	18,680	19,029	5,964	5,860
Selling and marketing expenses	18,725	25,280	6,050	6,913
General and administrative expenses	15,226	14,011	5,164	4,258
Restructuring Costs	986	-	986	-
Goodwill Impairment	20,402	-	20,402	-
<b>Operating income (loss)</b>	<b>(40,295)</b>	<b>(457)</b>	<b>(29,084)</b>	<b>1,537</b>
Financial expenses, net	(5,850)	(1,898)	(2,940)	(349)
<b>Income (loss) before taxes on income</b>	<b>(46,145)</b>	<b>(2,355)</b>	<b>(32,024)</b>	<b>1,188</b>
Taxes on income	740	783	173	259
<b>Income (loss) from continuing operations</b>	<b>(46,885)</b>	<b>(3,138)</b>	<b>(32,197)</b>	<b>929</b>
<b>Loss from discontinued operations</b>	<b>(200)</b>	<b>(795)</b>	<b>(200)</b>	<b>(752)</b>
<b>Net income (loss)</b>	<b>(47,085)</b>	<b>(3,933)</b>	<b>(32,397)</b>	<b>177</b>
<b>Net income (loss) per share from continuing operations (basic and diluted)</b>	(1.08)	(0.07)	(0.73)	0.02
<b>Loss per share from discontinued operations (basic and diluted)</b>	(0.00)	(0.02)	(0.00)	(0.02)
<b>Net Income (loss) per share (basic and diluted)</b>	<b>(1.08)</b>	<b>(0.09)</b>	<b>(0.73)</b>	<b>0.00</b>
<b>Weighted average number of shares used in computing net income (loss) per share</b>				
Basic	<b>43,436,470</b>	<b>42,371,039</b>	<b>44,030,805</b>	<b>42,579,396</b>
Diluted	<b>43,436,470</b>	<b>42,371,039</b>	<b>44,030,805</b>	<b>42,995,059</b>

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

	Nine months ended		Three months ended	
	September 30,		September 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>
<b><u>Cash flows from continuing operations</u></b>				
<b><u>Cash flows from operating activities:</u></b>				
Net income (loss)	(47,085)	(3,933)	(32,397)	177
Loss from discontinued operations	(200)	(795)	(200)	(752)
<b>Net income (loss) from continuing operations</b>	<b>(46,885)</b>	<b>(3,138)</b>	<b>(32,197)</b>	<b>929</b>
<b>Adjustments required to reconcile net income (loss) to net cash generated provided by (used in) operating activities:</b>				
Depreciation and amortization	11,459	11,626	3,760	4,198
Goodwill impairment	20,402	-	20,402	-
Stock-based compensation	1,665	1,843	502	623
Accrued severance pay, net	(274)	42	(4)	145
Accrued interest and exchange rate differences on short and long-term restricted cash, net	207	464	120	496
Exchange rate differences on long-term loans	(221)	(311)	5	(277)
Capital loss from disposal of property and equipment	121	241	73	181
Deferred income taxes	11	(56)	49	(9)
Decrease in trade receivables, net	16,730	1,538	10,395	9,572
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	862	(11,731)	846	804
Increase in inventories	(4,911)	(1,226)	(2,094)	(1,925)
Decrease (increase) in restricted cash directly related to operating activities	(52,736)	-	1,582	-
Decrease in trade payables	(7,647)	(4,704)	(2,346)	(4,652)
Increase (decrease) in accrued expenses	(509)	1,491	1,251	(2,685)
Increase (decrease) in advance from customers	55,616	(12,424)	(1,716)	(7,503)
Decrease in advances from customers, held by trustees	(8,411)	(65)	(4,253)	(3,516)
Decrease in other current liabilities and other long term liabilities	(406)	(7,177)	(2,148)	(6,256)
<b>Net cash used in operating activities</b>	<b>(14,927)</b>	<b>(23,587)</b>	<b>(5,773)</b>	<b>(9,875)</b>

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

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<b><u>Cash flows from investing activities:</u></b>				
Purchase of property and equipment	(3,109)	(12,195)	(1,270)	(1,876)
Investment in restricted cash held by trustees	(6,109)	(5,914)	-	(1,686)
Proceeds from restricted cash held by trustees	18,649	8,625	3,997	2,037
Investment in restricted cash (including long-term)	(22,411)	(10,581)	(1,209)	(3,065)
Proceeds from restricted cash (including long-term)	32,559	232	4,283	56
<b>Net cash provided by (used in) investing activities</b>	<b><u>19,579</u></b>	<b><u>(19,833)</u></b>	<b><u>5,801</u></b>	<b><u>(4,534)</u></b>
<b><u>Cash flows from financing activities:</u></b>				
Capital lease payments	(408)	(86)	(204)	(86)
Issuance of restricted stock units and exercise of stock options	5,595	748	1,890	2
Payment of obligation related to the purchase of intangible assets	(500)	(500)	(500)	(500)
Short term bank credit, net	(3,811)	14,177	1,758	6,961
Repayment of long-term loans	(4,409)	(4,484)	(137)	(154)
<b>Net cash provided by (used in) financing activities</b>	<b><u>(3,533)</u></b>	<b><u>9,855</u></b>	<b><u>2,807</u></b>	<b><u>6,223</u></b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b><u>(1,122)</u></b>	<b><u>(221)</u></b>	<b><u>(708)</u></b>	<b><u>(576)</u></b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(3)</b>	<b>(33,786)</b>	<b>2,127</b>	<b>(8,762)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b><u>27,726</u></b>	<b><u>58,424</u></b>	<b><u>25,596</u></b>	<b><u>33,400</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>27,723</u></b>	<b><u>24,638</u></b>	<b><u>27,723</u></b>	<b><u>24,638</u></b>

**GILAT SATELLITE NETWORKS LTD.**  
**CONDENSED EBITDA**  
**US dollars in thousands**

	<b>Nine months ended</b>		<b>Three months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Operating income (loss)	(40,295)	(457)	(29,084)	1,537
Add:				
Non-cash stock-based compensation expenses	1,665	1,843	502	623
Restructuring costs	986	-	986	-
Goodwill impairment	20,402	-	20,402	-
Depreciation and amortization	11,459	11,626	3,760	4,198
<b>EBITDA</b>	<b>(5,783)</b>	<b>13,012</b>	<b>(3,434)</b>	<b>6,358</b>