

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

	<u>December 31,</u> <u>2013</u> <u>Unaudited</u>	<u>December 31,</u> <u>2012</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	58,424	66,968
Restricted cash	18,891	1,880
Restricted cash held by trustees	3,221	1,664
Trade receivables, net	56,466	52,737
Inventories	27,141	23,128
Other current assets	10,143	23,058
Current assets of discontinued operations	-	49,057
Total current assets	<u>174,286</u>	<u>218,492</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	6,279	401
Severance pay fund	9,856	9,703
Long-term trade and other receivables	278	213
Total long-term investments and receivables	<u>16,413</u>	<u>10,317</u>
PROPERTY AND EQUIPMENT, NET	<u>85,369</u>	<u>87,191</u>
INTANGIBLE ASSETS, NET	<u>28,830</u>	<u>34,773</u>
GOODWILL	<u>63,870</u>	<u>63,870</u>
<u>TOTAL ASSETS</u>	<u><u>368,768</u></u>	<u><u>414,643</u></u>

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

	<u>December 31,</u> <u>2013</u> <u>Unaudited</u>	<u>December 31,</u> <u>2012</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	-	3,517
Current maturities of long-term loans	4,665	7,963
Trade payables	20,900	22,160
Accrued expenses	16,748	21,451
Short-term advances from customer, held by trustees	-	4,448
Other current liabilities	54,666	32,340
Liabilities of discontinued operations	-	19,369
Total current liabilities	<u>96,979</u>	<u>111,248</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	9,628	9,513
Long-term loans, net of current maturities	31,251	40,747
Other long-term liabilities	4,877	11,178
Total long-term liabilities	<u>45,756</u>	<u>61,438</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	1,932	1,909
Additional paid in capital	873,045	869,822
Accumulated other comprehensive income	1,591	2,864
Accumulated deficit	(650,535)	(632,638)
Total equity	<u>226,033</u>	<u>241,957</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u><u>368,768</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 31 December 2013			Three months ended 31 December 2012		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	55,728	-	55,728	76,463	-	76,463
Cost of revenues	35,519	(1,256)	34,263	48,703	(1,614)	47,089
Gross profit	20,209	1,256	21,465	27,760	1,614	29,374
	36%		39%	36%		38%
Research and development expenses:						
Expenses incurred	7,627	(129)	7,498	8,022	(111)	7,911
Less - grants	142	-	142	710	-	710
	<u>7,485</u>	<u>(129)</u>	<u>7,356</u>	<u>7,312</u>	<u>(111)</u>	<u>7,201</u>
Selling and marketing expenses	8,535	(344)	8,191	10,523	(339)	10,184
General and administrative expenses	6,341	(312)	6,029	6,628	(263)	6,365
Restructuring Costs	564	(564)	-	315	(315)	-
Impairment of goodwill and Intangible assets	-	-	-	31,879	(31,879)	-
Operating income (loss)	(2,716)	2,605	(111)	(28,897)	34,521	5,624
Financial expenses, net	(1,602)	-	(1,602)	(378)	-	(378)
Other income	-	-	-	2,729	(2,729)	-
Income (loss) before taxes on income	(4,318)	2,605	(1,713)	(26,546)	31,792	5,246
Tax benefit	(708)	-	(708)	(1,312)	-	(1,312)
Net income (loss) from continuing operations	(3,610)	2,605	(1,005)	(25,234)	31,792	6,558
Net income (loss) from discontinued operations	(3,911)	3,911	-	932	(932)	-
Net income (loss)	(7,521)	6,516	(1,005)	(24,302)	30,860	6,558
Basic net loss per share from continuing operations	(0.09)			(0.61)		
Basic net earnings (loss) per share from discontinued operations	(0.09)			0.02		
Basic net earnings (loss) per share	(0.18)		(0.02)	(0.59)		0.16
Diluted net loss per share from continuing operations	(0.09)			(0.61)		
Diluted net earnings (loss) per share from discontinued operations	(0.09)			0.02		
Diluted net earnings (loss) per share	(0.18)		(0.02)	(0.59)		0.15
Weighted average number of shares used in computing net earnings (loss) per share						
Basic	<u>42,098</u>		<u>42,098</u>	<u>41,603</u>		<u>41,603</u>
Diluted	<u>42,098</u>		<u>42,098</u>	<u>41,603</u>		<u>43,556</u>

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

	Three months ended 31 December 2013		Three months ended 31 December 2012	
	Unaudited		Unaudited	
Non-cash stock-based compensation expenses:				
Cost of revenues		58		55
Research and development		129		111
Selling and marketing		131		127
General and administrative		312		263
		<u>630</u>		<u>556</u>
Amortization of intangible assets related to acquisition transactions:				
Cost of revenues		1,198		1,559
Selling and marketing		213		212
		<u>1,411</u>		<u>1,771</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)

	Year ended 31 December 2013			Year ended 31 December 2012		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	234,866	-	234,866	271,566	-	271,566
Cost of revenues	155,210	(4,993)	150,217	173,637	(6,443)	167,194
Gross profit	79,656	4,993	84,649	97,929	6,443	104,372
	34%		36%	36%		38%
Research and development expenses:						
Expenses incurred	29,491	(468)	29,023	32,296	(354)	31,942
Less - grants	1,591	-	1,591	3,055	-	3,055
	27,900	(468)	27,432	29,241	(354)	28,887
Selling and marketing expenses	32,214	(1,297)	30,917	34,988	(1,247)	33,741
General and administrative expenses	23,071	(1,151)	21,920	23,618	(972)	22,646
Restructuring Costs	564	(564)	-	315	(315)	-
Impairment of goodwill and Intangible assets	-	-	-	31,879	(31,879)	-
Operating income (loss)	(4,093)	8,473	4,380	(22,112)	41,210	19,098
Financial expenses, net	(6,239)	-	(6,239)	(3,432)	-	(3,432)
Other income	-	-	-	2,729	(2,729)	-
Income (loss) before taxes on income	(10,332)	8,473	(1,859)	(22,815)	38,481	15,666
Tax benefit	(755)	-	(755)	(1,893)	-	(1,893)
Net income (loss) from continuing operations	(9,577)	8,473	(1,104)	(20,922)	38,481	17,559
Net loss from discontinued operations	(8,320)	8,320	-	(2,270)	2,270	-
Net income (loss)	(17,897)	16,793	(1,104)	(23,192)	40,751	17,559
Basic net loss per share from continuing operations	(0.23)			(0.51)		
Basic net loss per share from discontinued operations	(0.20)			(0.05)		
Basic net earnings (loss) per share	(0.43)		(0.03)	(0.56)		0.42
Diluted net loss per share from continuing operations	(0.23)			(0.51)		
Diluted net loss per share from discontinued operations	(0.20)			(0.05)		
Diluted net earnings (loss) per share	(0.43)		(0.03)	(0.56)		0.40
Weighted average number of shares used in computing net earnings (loss) per share						
Basic	41,961		41,961	41,410		41,410
Diluted	41,961		41,961	41,410		43,406

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

	Year ended 31 December 2013		Year ended 31 December 2012	
	Unaudited		Unaudited	
Non-cash stock-based compensation expenses:				
Cost of revenues		201		207
Research and development		468		354
Selling and marketing		448		401
General and administrative		1,151		972
		2,268		1,934
Amortization of intangible assets related to acquisition transactions:				
Cost of revenues		4,792		6,236
Selling and marketing		849		846
		5,641		7,082

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

	Year ended December 31,		Three months ended December 31,	
	2013	2012	2013	2012
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	234,866	271,566	55,728	76,463
Cost of revenues	155,210	173,637	35,519	48,703
Gross profit	79,656	97,929	20,209	27,760
Research and development expenses:				
Expenses incurred	29,491	32,296	7,627	8,022
Less - grants	1,591	3,055	142	710
	<u>27,900</u>	<u>29,241</u>	<u>7,485</u>	<u>7,312</u>
Selling and marketing expenses	32,214	34,988	8,535	10,523
General and administrative expenses	23,071	23,618	6,341	6,628
Restructuring Costs	564	315	564	315
Impairment of goodwill and Intangible assets	-	31,879	-	31,879
Operating loss	(4,093)	(22,112)	(2,716)	(28,897)
Financial expenses, net	(6,239)	(3,432)	(1,602)	(378)
Other income	-	2,729	-	2,729
Loss before taxes on income	(10,332)	(22,815)	(4,318)	(26,546)
Tax benefit	(755)	(1,893)	(708)	(1,312)
Net loss from continuing operations	(9,577)	(20,922)	(3,610)	(25,234)
Net income (loss) from discontinued operations	(8,320)	(2,270)	(3,911)	932
Net loss	(17,897)	(23,192)	(7,521)	(24,302)
Basic net loss per share from continuing operations	(0.23)	(0.51)	(0.09)	(0.61)
Basic net earnings (loss) per share from discontinued operations	(0.20)	(0.05)	(0.09)	0.02
Basic net loss per share	(0.43)	(0.56)	(0.18)	(0.59)
Diluted net loss per share from continuing operations	(0.23)	(0.51)	(0.09)	(0.61)
Diluted net earnings (loss) per share from discontinued operations	(0.20)	(0.05)	(0.09)	0.02
Diluted net loss per share	(0.43)	(0.56)	(0.18)	(0.59)
Weighted average number of shares used in computing net loss per share				
Basic	41,961	41,410	42,098	41,603
Diluted	41,961	41,410	42,098	41,603

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

	Year ended		Three months ended	
	December 31,		December 31,	
	2013	2012	2013	2012
	<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>				
Net loss from continuing operations	(9,577)	(20,922)	(3,610)	(25,234)
Adjustments required to reconcile net loss to net cash generated from operating activities:				
Depreciation and amortization	17,559	18,672	4,049	5,088
Impairment of goodwill and other intangible assets	-	31,879	-	31,879
Stock-based compensation	2,268	1,934	630	556
Accrued severance pay, net	(38)	88	(37)	(150)
Accrued interest and exchange rate differences on short and long-term restricted cash, net	2,359	(209)	977	(114)
Exchange rate differences on long-term loans	157	90	65	81
Capital loss from disposal of property and equipment	48	43	35	6
Deferred income taxes	(1,571)	(3,614)	(1,862)	(2,571)
Increase in trade receivables, net	(4,228)	(11,735)	(4,894)	(51)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	8,688	(3,293)	7,544	(1,519)
Decrease (increase) in inventories	(6,502)	2,025	1,289	912
Decrease in trade payables	(1,225)	(727)	(4,854)	(1,941)
Increase (decrease) in accrued expenses	(4,703)	250	(464)	1,763
Increase (decrease) in advances from customer, held by trustees, net	(4,448)	2,897	-	(39)
Increase in other accounts payable and other long term liabilities	18,772	2,621	24,360	5,987
Net cash generated from operating activities	<u>17,559</u>	<u>19,999</u>	<u>23,228</u>	<u>14,653</u>

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

	Year ended		Three months ended	
	December 31,		December 31,	
	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	(4,063)	(3,965)	(1,246)	(1,090)
Investment in restricted cash held by trustees	(17,587)	(35,442)	(3,132)	(6,741)
Proceeds from restricted cash held by trustees	13,744	35,447	3,461	12,931
Investment in restricted cash (including long-term)	(25,961)	(903)	(23,480)	(2)
Proceeds from restricted cash (including long-term)	2,975	3,355	418	28
Purchase of intangible assets	(16)	(89)	-	(7)
Net cash generated from (used in) investing activities	<u>(30,908)</u>	<u>(1,597)</u>	<u>(23,979)</u>	<u>5,119</u>
<u>Cash flows from financing activities:</u>				
Repayment of convertible notes	-	(14,322)	-	(14,322)
Issuance of restricted stock units and exercise of stock options	581	254	2	236
Payment of obligation related to the purchase of intangible assets	(500)	-	-	-
Short-term bank credit, net	(3,518)	546	(3,426)	(644)
Proceeds from long-term loans	-	10,000	-	-
Repayment of long-term loans	(12,950)	(6,452)	(146)	(1,017)
Net cash used in financing activities	<u>(16,387)</u>	<u>(9,974)</u>	<u>(3,570)</u>	<u>(15,747)</u>
<u>Cash flows from discontinued operations</u>				
Net cash generated from (used in) operating activities	(7,158)	1,572	(5,850)	3,428
Net cash generated from (used in) investing activities	15,791	999	15,086	(1,482)
Net cash generated from (used in) financing activities	12,884	-	(300)	-
	<u>21,517</u>	<u>2,571</u>	<u>8,936</u>	<u>1,946</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(325)</u>	<u>(262)</u>	<u>(105)</u>	<u>(29)</u>
Increase (decrease) in cash and cash equivalents	<u>(8,544)</u>	<u>10,737</u>	<u>4,510</u>	<u>5,942</u>
Cash and cash equivalents at the beginning of the period	<u>66,968</u>	<u>56,231</u>	<u>53,914</u>	<u>61,026</u>
Cash and cash equivalents at the end of the period	<u>58,424</u>	<u>66,968</u>	<u>58,424</u>	<u>66,968</u>

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

	Year ended		Three months ended	
	December 31,		December 31,	
	2013	2012	2013	2012
	Unaudited	Unaudited	Unaudited	Unaudited
Operating loss	(4,093)	(22,112)	(2,716)	(28,897)
Add:				
Non-cash stock-based compensation expenses	2,268	1,934	630	556
Restructuring costs	564	315	564	315
Impairment of goodwill and Intangible assets	-	31,879	-	31,879
Depreciation and amortization	17,559	18,672	4,049	5,088
EBITDA	16,298	30,688	2,527	8,941