

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

	Year ended		Three months ended	
	December 31,		December 31,	
	2015	2014	2015	2014
	Unaudited	Audited	Unaudited	Unaudited
Revenues	197,543	235,133	67,682	73,097
Cost of revenues	143,318	151,498	47,181	47,325
Impairment of long lived assets	10,137	-	10,137	-
Gross profit	44,088	83,635	10,364	25,772
Research and development expenses:				
Expenses incurred	24,952	27,635	5,709	6,804
Less - grants	2,540	2,477	1,977	675
	22,412	25,158	3,732	6,129
Selling and marketing expenses	24,823	32,537	6,098	7,257
General and administrative expenses	18,644	20,903	3,418	6,892
Restructuring costs	1,508	-	522	-
Goodwill impairment	20,402	-	-	-
Total operating expenses	87,789	78,598	13,770	20,278
Operating income (loss)	(43,701)	5,037	(3,406)	5,494
Financial expenses, net	(7,243)	(3,837)	(1,393)	(1,939)
Income (loss) before taxes on income	(50,944)	1,200	(4,799)	3,555
Taxes on income	1,190	1,901	450	1,118
Income (loss) from continuing operations	(52,134)	(701)	(5,249)	2,437
Loss from discontinued operations	(200)	(795)	-	-
Net income (loss)	(52,334)	(1,496)	(5,249)	2,437
Net income (loss) per share from continuing operations (basic and diluted)	(1.19)	(0.02)	(0.12)	0.06
Loss per share from discontinued operations (basic and diluted)	(0.00)	(0.02)	-	-
Net Income (loss) per share (basic and diluted)	(1.19)	(0.04)	(0.12)	0.06
Weighted average number of shares used in computing net income (loss) per share				
Basic	43,655,309	42,444,482	44,311,825	42,664,812
Diluted	43,655,309	42,444,482	44,311,825	43,165,834

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 December 2015			31 December 2014		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Gross profit	10,364	11,387	21,751	25,772	1,251	27,023
Operating expenses	13,770	(896)	12,874	20,278	(741)	19,537
Operating income (loss)	(3,406)	12,283	8,877	5,494	1,992	7,486
Income (loss) before taxes on income	(4,799)	12,283	7,484	3,555	1,992	5,547
Net income (loss)	<u>(5,249)</u>	<u>12,283</u>	<u>7,034</u>	<u>2,437</u>	<u>1,992</u>	<u>4,429</u>
Basic net income (loss) per share	<u>(0.12)</u>	<u>0.28</u>	<u>0.16</u>	<u>0.06</u>	<u>0.04</u>	<u>0.10</u>
Diluted net income (loss) per share	<u>(0.12)</u>	<u>0.28</u>	<u>0.16</u>	<u>0.06</u>	<u>0.04</u>	<u>0.10</u>
Weighted average number of shares used in computing net income (loss) per share						
Basic	<u>44,311,825</u>		<u>44,311,825</u>	<u>42,664,812</u>		<u>42,664,812</u>
Diluted	<u>44,311,825</u>		<u>44,567,776</u>	<u>43,165,834</u>		<u>43,640,235</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, impairments, restructuring costs and net income (loss) from discontinued operations.

	Three months ended	Three months ended
	31 December 2015	31 December 2014
	Unaudited	Unaudited
GAAP net income (loss)	<u>(5,249)</u>	<u>2,437</u>
Gross profit:		
Non-cash stock-based compensation expenses:	52	53
Amortization of intangible assets related to acquisition transactions	1,198	1,198
Impairment of long lived assets	<u>10,137</u>	<u>-</u>
	11,387	1,251
Operating expenses:		
Non-cash stock-based compensation expenses	184	529
Amortization of intangible assets related to acquisition transactions	190	212
Restructuring costs	<u>522</u>	<u>-</u>
	896	741
Non GAAP net income (loss)	<u>7,034</u>	<u>4,429</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)

	Year ended			Year ended		
	31 December 2015			31 December 2014		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
Unaudited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	
Gross profit	44,088	15,146	59,234	83,635	5,024	88,659
Operating expenses	87,789	(24,399)	63,390	78,598	(3,043)	75,555
Operating income (loss)	(43,701)	39,545	(4,156)	5,037	8,067	13,104
Income (loss) before taxes on income	(50,944)	39,545	(11,399)	1,200	8,067	9,267
Income (loss) from continuing operations	(52,134)	39,545	(12,589)	(701)	8,067	7,366
Loss from discontinued operations	(200)	200	-	(795)	795	-
Net income (loss)	<u>(52,334)</u>	<u>39,745</u>	<u>(12,589)</u>	<u>(1,496)</u>	<u>8,862</u>	<u>7,366</u>
Basic loss per share from continuing operations	(1.19)			(0.02)		
Basic loss per share from discontinued operations	(0.00)			(0.02)		
Basic net income (loss) per share	<u>(1.19)</u>	<u>0.90</u>	<u>(0.29)</u>	<u>(0.04)</u>	<u>0.21</u>	<u>0.17</u>
Diluted loss per share from continuing operations	(1.19)			(0.02)		
Diluted loss per share from discontinued operations	(0.00)			(0.02)		
Diluted net income (loss) per share	<u>(1.19)</u>	<u>0.90</u>	<u>(0.29)</u>	<u>(0.04)</u>	<u>0.21</u>	<u>0.17</u>
Weighted average number of shares used in computing net income (loss) per share						
Basic	<u>43,655,309</u>		<u>43,655,309</u>	<u>42,444,482</u>		<u>42,444,482</u>
Diluted	<u>43,655,309</u>		<u>43,655,309</u>	<u>42,444,482</u>		<u>43,621,979</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, impairments, restructuring costs and net income (loss) from discontinued operations.

	Year ended	Year ended
	31 December 2015	31 December 2014
	Unaudited	Unaudited
GAAP net income (loss)	<u>(52,334)</u>	<u>(1,496)</u>
Gross profit:		
Non-cash stock-based compensation expenses:	217	232
Amortization of intangible assets related to acquisition transactions	4,792	4,792
Impairment of long lived assets	10,137	-
	<u>15,146</u>	<u>5,024</u>
Operating expenses:		
Non-cash stock-based compensation expenses	1,684	2,193
Amortization of intangible assets related to acquisition transactions	805	850
Goodwill impairment	20,402	-
Restructuring costs	1,508	-
	<u>24,399</u>	<u>3,043</u>
Loss from discontinued operations	<u>200</u>	<u>795</u>
Non GAAP net income (loss)	<u>(12,589)</u>	<u>7,366</u>

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

	Year ended		Three months ended	
	December 31,		December 31,	
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
Operating income (loss)	(43,701)	5,037	(3,406)	5,494
Add:				
Non-cash stock-based compensation expenses	1,901	2,425	236	582
Restructuring costs	1,508	-	522	-
Impairment of goodwill and long lived assets	30,539	-	10,137	-
Depreciation and amortization	15,072	15,951	3,613	4,325
EBITDA	5,319	23,413	11,102	10,401

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

	<u>December 31,</u> <u>2015</u> <u>Unaudited</u>	<u>December 31,</u> <u>2014</u> <u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	18,435	27,726
Restricted cash	100,779	25,983
Restricted cash held by trustees	8,524	15,441
Trade receivables, net	50,984	57,728
Inventories	25,358	25,112
Other current assets	16,223	14,760
Total current assets	<u>220,303</u>	<u>166,750</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	179	216
Severance pay funds	7,545	8,085
Other long term receivables and deferred charges	221	12,124
Total long-term investments and receivables	<u>7,945</u>	<u>20,425</u>
PROPERTY AND EQUIPMENT, NET	<u>81,963</u>	<u>90,893</u>
INTANGIBLE ASSETS, NET	<u>17,154</u>	<u>22,970</u>
GOODWILL	<u>43,468</u>	<u>63,870</u>
<u>TOTAL ASSETS</u>	<u><u>370,833</u></u>	<u><u>364,908</u></u>

	<u>December 31,</u> <u>2015</u> <u>Unaudited</u>	<u>December 31,</u> <u>2014</u> <u>Audited</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit and loans	7,000	15,857
Current maturities of long-term loans	4,542	4,595
Trade payables	17,210	22,850
Accrued expenses	23,481	22,475
Advances from customers	82,813	2,940
Advances from customers, held by trustees	8,515	12,858
Other current liabilities	16,213	18,587
Total current liabilities	<u>159,774</u>	<u>100,162</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	7,506	8,157
Long-term loans, net of current maturities	21,493	26,271
Other long-term liabilities	3,978	5,179
Total long-term liabilities	<u>32,977</u>	<u>39,607</u>
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	2,048	1,966
Additional paid-in capital	884,126	876,624
Accumulated other comprehensive loss	(3,727)	(1,420)
Accumulated deficit	(704,365)	(652,031)
Total equity	<u>178,082</u>	<u>225,139</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u><u>370,833</u></u>	<u><u>364,908</u></u>

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

	Year ended		Three months ended	
	December 31,		December 31,	
	2015	2014	2015	2014
	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Cash flows from operating activities:				
Net income (loss)	(52,334)	(1,496)	(5,249)	2,437
Loss from discontinued operations	200	795	-	-
Net income (loss) from continuing operations	(52,134)	(701)	(5,249)	2,437
Adjustments required to reconcile net income (loss) to net cash generated provided by (used in) operating activities:				
Depreciation and amortization	15,072	15,951	3,613	4,325
Goodwill impairment	20,402	-	-	-
Impairment of long lived assets	10,137	-	10,137	-
Stock-based compensation	1,901	2,425	236	582
Accrued severance pay, net	(111)	301	163	259
Accrued interest and exchange rate differences on short and long-term restricted cash, net	842	858	635	394
Exchange rate differences on long-term loans	(288)	(416)	(67)	(105)
Capital loss (gain) from disposal of property and equipment	82	430	(39)	189
Deferred income taxes, net	1	7	(10)	63
Decrease (increase) in trade receivables, net	4,553	(2,457)	(12,177)	(3,995)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	998	(20,251)	136	(8,520)
Decrease (increase) in inventories	(2,821)	(445)	2,090	781
Increase in restricted cash directly related to operating activities, net	(87,004)	-	(34,268)	-
Increase (decrease) in trade payables	(5,133)	2,226	2,514	6,930
Increase in accrued expenses	2,935	5,401	3,444	3,910
Increase (decrease) in advance from customers	79,884	(25,935)	24,268	(13,511)
Increase (decrease) in advances from customers, held by trustees	(2,243)	14,068	6,168	14,133
Decrease in other current liabilities and other long term liabilities	(1,860)	(7,624)	(1,454)	(447)
Net cash provided by (used in) operating activities	(14,787)	(16,162)	140	7,425

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

	Year ended		Three months ended	
	December 31,		December 31,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(3,930)	(12,630)	(821)	(435)
Investment in restricted cash held by trustees	(16,634)	(24,869)	(10,525)	(18,955)
Proceeds from restricted cash held by trustees	21,501	12,306	2,852	3,681
Investment in restricted cash (including long-term)	(22,717)	(12,788)	(306)	(2,207)
Proceeds from restricted cash (including long-term)	34,120	11,228	1,561	10,996
Net cash provided by (used in) investing activities	<u>12,340</u>	<u>(26,753)</u>	<u>(7,239)</u>	<u>(6,920)</u>
<u>Cash flows from financing activities:</u>				
Capital lease payments	(609)	(234)	(201)	(148)
Issuance of restricted stock units and exercise of stock options	5,683	1,185	88	437
Payment of obligation related to the purchase of intangible assets	(500)	(500)	-	-
Short term bank credit, net	(5,897)	16,571	(2,086)	2,394
Repayment of long-term loans	(4,544)	(4,633)	(135)	(149)
Net cash provided by (used in) financing activities	<u>(5,867)</u>	<u>12,389</u>	<u>(2,334)</u>	<u>2,534</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(977)</u>	<u>(172)</u>	<u>145</u>	<u>49</u>
Increase (decrease) in cash and cash equivalents	<u>(9,291)</u>	<u>(30,698)</u>	<u>(9,288)</u>	<u>3,088</u>
Cash and cash equivalents at the beginning of the period	<u>27,726</u>	<u>58,424</u>	<u>27,723</u>	<u>24,638</u>
Cash and cash equivalents at the end of the period	<u>18,435</u>	<u>27,726</u>	<u>18,435</u>	<u>27,726</u>