

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

	<u>September 30,</u> <u>2007</u> <u>Unaudited</u>	<u>December 31,</u> <u>2006</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	108,257	149,545
Short-term bank deposits and Held to maturity marketable securities	44,174	-
Short-term restricted cash	6,139	5,137
Restricted cash held by trustees	7,223	7,113
Trade receivables (net of allowance for doubtful accounts)	43,484	29,612
Inventories	20,630	26,368
Other current assets	33,302	40,428
Total current assets	<u>263,209</u>	<u>258,203</u>
<b>LONG-TERM INVESTMENTS AND RECEIVABLES:</b>		
Long term Held to maturity marketable securities	5,145	-
Long-term restricted cash	7,467	6,337
Long-term restricted cash held by trustees	16,544	15,646
Severance pay fund	11,177	10,534
Long-term trade receivables, receivables in respect of capital leases and other receivables, net	12,996	19,241
	<u>53,329</u>	<u>51,758</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>114,297</u>	<u>121,366</u>
<b>INTANGIBLE ASSETS AND DEFERRED CHARGES, NET</b>	<u>7,118</u>	<u>8,887</u>
<b><u>TOTAL ASSETS</u></b>	<u><u>437,953</u></u>	<u><u>440,214</u></u>

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	<u>September 30,</u> <u>2007</u> <u>Unaudited</u>	<u>December 31,</u> <u>2006</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit	5,823	1,200
Current maturities of long-term loans	4,865	6,537
Trade payables	18,679	21,258
Accrued expenses	19,342	21,400
Short-term advances from customer held by trustees	15,437	15,045
Other accounts payable	66,609	72,129
<b><u>Total current liabilities</u></b>	<u>130,755</u>	<u>137,569</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued severance pay	11,264	10,640
Long-term advances from customer held by trustees	8,330	16,863
Long-term loans, net	19,545	22,318
Accrued interest related to restructured debt	2,819	3,147
Convertible subordinated notes	16,315	16,333
Other long-term liabilities	16,817	21,285
<b><u>Total long-term liabilities</u></b>	<u>75,090</u>	<u>90,586</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital - Ordinary shares of NIS 0.2 par value	1,783	1,757
Additional paid in capital	857,542	853,350
Accumulated other comprehensive income	1,537	702
Accumulated deficit	(628,754)	(643,750)
<b><u>Total shareholders' equity</u></b>	<u>232,108</u>	<u>212,059</u>
<b><u>Total liabilities and shareholders' equity</u></b>	<u>437,953</u>	<u>440,214</u>

**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,	
	2007	2006	2007	2006
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	209,915	183,354	71,548	63,786
Cost of Revenues	134,279	117,118	45,750	41,281
<b>Gross profit</b>	<b>75,636</b>	<b>66,236</b>	<b>25,798</b>	<b>22,505</b>
<b>Research and development expenses:</b>				
Expenses incurred	12,846	11,282	4,109	3,938
Less - grants	1,756	1,327	481	704
	11,090	9,955	3,628	3,234
Selling and marketing, general and administrative expenses	51,554	47,103	17,372	15,614
<b>Operating income</b>	<b>12,992</b>	<b>9,178</b>	<b>4,798</b>	<b>3,657</b>
Financial income (expenses), net and other	3,858	(1,549)	1,136	57
<b>Income before taxes on income</b>	<b>16,850</b>	<b>7,629</b>	<b>5,934</b>	<b>3,714</b>
Taxes on income	545	1,622	81	1,006
<b>Net income</b>	<b>16,305</b>	<b>6,007</b>	<b>5,853</b>	<b>2,708</b>
<b>Basic net earnings per share</b>	0.42	0.26	0.15	0.12
<b>Diluted net earnings per share</b>	0.39	0.25	0.14	0.11
<b>Shares used in net earnings per share computation</b>				
Basic	39,026	22,940	39,228	23,417
Diluted	41,398	24,441	41,672	25,382

**GILAT SATELLITE NETWORKS LTD.**  
**RECONCILIATION BETWEEN GAAP AND NON-GAAP STATEMENT OF INCOME**  
**FOR COMPARATIVE PURPOSES**

U.S. dollars in thousands (except per share data)

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
GAAP operating income	12,992	9,178	4,798	3,657
Non-cash stock options expenses (1)	1,064	3,183	288	747
Non-GAAP operating income	<b>14,056</b>	<b>12,361</b>	<b>5,086</b>	<b>4,404</b>
GAAP net income	16,305	6,007	5,853	2,708
Non-cash stock options expenses (1)	1,064	3,183	288	747
Non-GAAP net income	<b>17,369</b>	<b>9,190</b>	<b>6,141</b>	<b>3,455</b>
GAAP Earnings per share (diluted)	0.39	0.25	0.14	0.11
Non-cash stock options expenses (1)	0.03	0.12	0.01	0.02
Non-GAAP Earnings per share (diluted)	<b>0.42</b>	<b>0.37</b>	<b>0.15</b>	<b>0.13</b>

(1) **Non-cash stock options expenses:**

Cost of Revenues	8	135	4	28
Research and development	6	118	1	25
Selling, general, marketing and administrative	1,050	2,930	283	694
	<b>1,064</b>	<b>3,183</b>	<b>288</b>	<b>747</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,	
	2007	2006	2007	2006
	Unaudited	Unaudited	Unaudited	Unaudited
<b><u>Cash flows from operating activities:</u></b>				
<b>Net income</b>	16,305	6,007	5,853	2,708
<b>Adjustments required to reconcile net income to net cash provided by (used in) operating activities:</b>				
Depreciation and amortization	14,963	15,791	4,786	5,579
Gain from disposal of a subsidiary	-	(60)	-	-
Stock compensation relating options	1,064	3,183	288	747
Accretion of discount	-	504	-	164
Accrued severance pay, net	(20)	467	(161)	(49)
Interest accrued on short and long-term restricted cash	(1,099)	(586)	(363)	(443)
Interest on Held to maturity marketable securities	(1,608)	-	(671)	-
Exchange rate differences on long-term loans	503	507	363	30
Exchange rate differences on loans to employees	(128)	(240)	(169)	(112)
Capital loss from disposal of property and equipment	153	52	78	4
Deferred tax liabilities	(595)	(535)	(247)	(18)
Decrease (increase) in trade receivables, net	(13,795)	(1,128)	(6,531)	4,344
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	15,151	(1,979)	10,783	1,997
Decrease (increase) in inventories	4,503	(15,228)	454	(4,266)
Increase (decrease) in trade payables	(2,640)	2,080	(2,765)	(1,833)
Decrease in accrued expenses	(2,088)	(1,648)	(138)	(1,016)
Decrease in advances from customer held by trustees, net (including long-term)	(8,141)	(7,669)	(619)	(2,080)
Increase (decrease) in other accounts payable and other long term liabilities mainly deferred revenue	(12,502)	36,125	(11,019)	14,115
<b>Net cash provided by (used in) operating activities</b>	<b>10,026</b>	<b>35,643</b>	<b>(78)</b>	<b>19,871</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,	
	2007	2006	2007	2006
	Unaudited	Unaudited	Unaudited	Unaudited
<b><u>Cash flows from investing activities:</u></b>				
Purchase of property and equipment	(5,714)	(4,491)	(2,760)	(1,993)
Investment in held to maturity marketable securities	(67,645)	-	(4,285)	-
Proceeds from held to maturity marketable securities	19,934	-	14,459	-
Proceeds from short-term bank deposits	-	3,300	-	-
Loans to employees - Net	845	272	398	18
Investment in restricted cash held by trustees	-	(3,520)	-	(1,682)
Proceeds from restricted cash held by trustees	92	1,479	-	251
Investment in restricted cash (including long-term)	(5,952)	(3,291)	(1,483)	(38)
Proceeds from restricted cash (including long-term)	3,824	14,596	3	2,708
Investment in other assets	-	(6)	-	-
<b>Net cash provided by (used in) investing activities</b>	<b>(54,616)</b>	<b>8,339</b>	<b>6,332</b>	<b>(736)</b>
<b><u>Cash flows from financing activities:</u></b>				
Exercise of options, net	3,092	3,348	1,467	1,096
Issuance expenses of ordinary shares	(262)	-	(3)	-
Short-term bank credit, net	4,623	(8,172)	(5)	(332)
Proceeds from long-term loans	1,000	-	1,000	-
Repayment of long-term loans	(5,949)	(7,936)	(4,556)	(4,801)
<b>Net cash provided by (used in) financing activities</b>	<b>2,504</b>	<b>(12,760)</b>	<b>(2,097)</b>	<b>(4,037)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>798</b>	<b>252</b>	<b>259</b>	<b>(16)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(41,288)</b>	<b>31,474</b>	<b>4,416</b>	<b>15,082</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>149,545</b>	<b>74,929</b>	<b>103,841</b>	<b>91,321</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>108,257</b>	<b>106,403</b>	<b>108,257</b>	<b>106,403</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>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Operating income	12,992	9,178	4,798	3,657
Add:				
Non-cash stock option expenses	1,064	3,183	288	747
Depreciation and amortization	14,963	15,791	4,786	5,579
<b>EBITDA</b>	<b>29,019</b>	<b>28,152</b>	<b>9,872</b>	<b>9,983</b>