

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

	<u>September 30,</u> <u>2009</u> <u>Unaudited</u>	<u>December 31,</u> <u>2008</u> <u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	121,695	73,916
Short-term bank deposits and held-to-maturity marketable securities	25,212	63,033
Short-term restricted cash	8,444	8,581
Restricted cash held by trustees	5,411	24,169
Trade receivables, net	46,754	59,038
Inventories	14,959	20,719
Other current assets	19,827	22,036
Total current assets	<u>242,302</u>	<u>271,492</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	4,895	5,692
Severance pay fund	10,874	11,085
Long-term trade receivables, receivables in respect of capital leases and other receivables	2,354	8,937
Total long-term investments and receivables	<u>18,123</u>	<u>25,714</u>
PROPERTY AND EQUIPMENT, NET	<u>102,189</u>	<u>109,369</u>
INTANGIBLE ASSETS AND DEFERRED CHARGES, NET	<u>3,256</u>	<u>4,064</u>
<u>TOTAL ASSETS</u>	<u><u>365,870</u></u>	<u><u>410,639</u></u>

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US dollars in thousands

	<u>September 30,</u> <u>2009</u> <u>Unaudited</u>	<u>December 31,</u> <u>2008</u> <u>Audited</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	6,500	6,500
Current maturities of long-term loans and convertible notes	4,806	4,346
Trade payables	12,293	23,317
Accrued expenses	23,286	25,761
Short-term advances from customer, held by trustees	5,411	24,169
Other current liabilities	25,567	34,593
Total current liabilities	<u>77,863</u>	<u>118,686</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	11,271	12,297
Long-term loans, net	10,028	14,003
Accrued interest related to restructured debt	1,505	1,838
Convertible subordinated notes	15,817	16,315
Other long-term liabilities	17,149	17,276
Total long-term liabilities	<u>55,770</u>	<u>61,729</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	1,829	1,821
Additional paid in capital	863,074	862,390
Accumulated other comprehensive income	1,898	2,106
Accumulated deficit	(634,564)	(636,093)
Total shareholders' equity	<u>232,237</u>	<u>230,224</u>
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u><u>365,870</u></u>	<u><u>410,639</u></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,	
	2009	2008	2009	2008
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	171,469	201,425	54,640	65,295
Cost of revenues	119,840	135,757	37,989	45,917
Gross profit	51,629	65,668	16,651	19,378
Research and development expenses:				
Expenses incurred	12,265	13,293	4,170	4,359
Less - grants	1,720	1,380	535	604
	10,545	11,913	3,635	3,755
Selling, marketing, general and administrative expenses	41,909	48,570	13,399	15,133
Operating income (loss)	(825)	5,185	(383)	490
Financial income, net	659	2,261	886	577
Expenses related to aborted merger transaction	-	(1,972)	-	(1,039)
Other income	2,396	1,182	2,197	-
Income before taxes on income	2,230	6,656	2,700	28
Taxes on income	701	1,322	206	574
Net income (loss)	1,529	5,334	2,494	(546)
Basic net earnings (loss) per share	0.04	0.13	0.06	(0.01)
Diluted net earnings (loss) per share	0.04	0.13	0.06	(0.01)
Weighted average number of shares used in computing net earnings (loss) per share				
Basic	40,131	39,852	40,189	39,989
Diluted	41,410	42,229	41,615	39,989

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		Three months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	Unaudited	Unaudited	Unaudited	Unaudited
GAAP operating income (loss)	(825)	5,185	(383)	490
Non-cash stock-based compensation expenses (1)	674	518	225	138
Non-GAAP operating income (loss)	(151)	5,703	(158)	628
GAAP net income (loss)	1,529	5,334	2,494	(546)
Non-cash stock-based compensation expenses (1)	674	518	225	138
Non-GAAP net income (loss)	2,203	5,852	2,719	(408)
GAAP Earnings (loss) per share (diluted)	0.04	0.13	0.06	(0.01)
Non-cash stock-based compensation expenses (1)	0.01	0.01	0.00	0.00
Non-GAAP Earnings (loss) per share (diluted)	0.05	0.14	0.06	(0.01)
(1)				
Non-cash stock-based compensation expenses:				
Cost of Revenues	120	21	43	7
Research and development	56	1	19	-
Selling, general, marketing and administrative	498	496	163	131
	674	518	225	138

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

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<u>Cash flows from operating activities:</u>				
Net income (loss)	1,529	5,334	2,494	(546)
Adjustments required to reconcile net income (loss)				
to net cash provided by (used in) operating activities:				
Depreciation and amortization	10,864	9,625	3,605	3,333
Gain from redemption of convertible notes	(22)	-	-	-
Gain from the sale of an investment accounted for at cost	(2,597)	-	(2,398)	-
Stock-based compensation related to employees	674	518	225	138
Accrued severance pay, net	(815)	388	(321)	172
Accrued interest and exchange rate differences on short and long-term restricted cash, net	153	(204)	(2)	292
Accrued interest and exchange rate differences on held-to-maturity marketable securities, net	(332)	(1,777)	(55)	(142)
Exchange rate differences on long-term loans	320	(34)	239	(538)
Exchange rate differences on loans to employees	(4)	21	(4)	1
Capital loss from disposal of property and equipment	137	51	73	-
Deferred income taxes	323	(220)	108	6
Decrease (increase) in trade receivables, net	13,088	(11,628)	4,253	2,407
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	7,390	(2,140)	308	2,078
Decrease (increase) in inventories	7,319	(1,092)	1,167	163
Increase (decrease) in trade payables	(11,397)	(7,663)	2,266	(8,847)
Increase (decrease) in accrued expenses	(2,485)	4,004	874	4,600
Increase (decrease) in advances from customer, held by trustees, net	(18,758)	204	(7,795)	(292)
Decrease in other accounts payable and other long term liabilities	(11,439)	(14,995)	(4,524)	(1,453)
Net cash provided by (used in) operating activities	<u>(6,052)</u>	<u>(19,608)</u>	<u>513</u>	<u>1,372</u>

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

	Nine months ended September 30,		Three months ended September 30,	
	2009	2008	2009	2008
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(2,941)	(8,728)	(1,068)	(4,403)
Proceeds from sale of an investment accounted for at cost	2,597	-	2,398	-
Other investments	-	(195)	-	-
Purchase of held to maturity marketable securities and deposits	(99,270)	(100,375)	(25,193)	(19,816)
Proceeds from held to maturity marketable securities and deposits	137,422	118,128	64,210	87,056
Proceeds from sale of property and equipment	-	426	-	-
Loans to employees, net	35	2,792	23	14
Proceeds from restricted cash held by trustees	18,609	-	7,761	-
Investment in restricted cash (including long-term)	(87)	(602)	-	(5)
Proceeds from restricted cash (including long-term)	1,029	171	31	-
Net cash provided by investing activities	<u>57,394</u>	<u>11,617</u>	<u>48,162</u>	<u>62,846</u>
<u>Cash flows from financing activities:</u>				
Early redemption of convertible notes	(45)	-	-	-
Exercise of stock options	9	2,516	3	651
Short-term bank credit, net	-	(322)	-	-
Repayment of long-term loans	(4,259)	(4,278)	(4,092)	(4,086)
Net cash used in financing activities	<u>(4,295)</u>	<u>(2,084)</u>	<u>(4,089)</u>	<u>(3,435)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>732</u>	<u>(434)</u>	<u>229</u>	<u>(1,177)</u>
Increases (decrease) in cash and cash equivalents	<u>47,779</u>	<u>(10,509)</u>	<u>44,815</u>	<u>59,606</u>
Cash and cash equivalents at the beginning of the period	<u>73,916</u>	<u>122,807</u>	<u>76,880</u>	<u>52,692</u>
Cash and cash equivalents at the end of the period	<u>121,695</u>	<u>112,298</u>	<u>121,695</u>	<u>112,298</u>

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	Unaudited	Unaudited	Unaudited	Unaudited
Operating income (loss)	(825)	5,185	(383)	490
Add:				
Non-cash stock-based compensation exepnses	674	518	225	138
Deprecation and amortization	10,864	9,625	3,605	3,333
EBITDA	10,713	15,328	3,447	3,961