

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

	<u>June 30,</u> <u>2012</u> <u>Unaudited</u>	<u>December 31,</u> <u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	52,540	56,231
Short-term restricted cash	1,886	7,034
Restricted cash held by trustees	10,133	1,549
Trade receivables, net	58,223	51,654
Inventories	30,946	31,933
Other current assets	32,355	25,767
<b>Total current assets</b>	<u>186,083</u>	<u>174,168</u>
<b>LONG-TERM INVESTMENTS AND RECEIVABLES:</b>		
Long-term restricted cash	1,624	2,025
Severance pay fund	9,236	9,722
Long-term trade receivables, receivables in respect of capital leases and other receivables	19,308	20,219
<b>Total long-term investments and receivables</b>	<u>30,168</u>	<u>31,966</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>97,683</u>	<u>100,926</u>
<b>INTANGIBLE ASSETS AND DEFERRED CHARGES, NET</b>	<u>48,033</u>	<u>49,927</u>
<b>GOODWILL</b>	<u>89,691</u>	<u>89,691</u>
<b><u>TOTAL ASSETS</u></b>	<u><u>451,658</u></u>	<u><u>446,678</u></u>

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**US dollars in thousands**

	<u>June 30,</u> <u>2012</u> <u>Unaudited</u>	<u>December 31,</u> <u>2011</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit	4,172	2,971
Current maturities of long-term loans and convertible notes	22,357	19,092
Trade payables	30,831	25,477
Accrued expenses	19,470	25,609
Short-term advances from customer, held by trustees	6,553	1,551
Other current liabilities	32,592	36,764
<b>Total current liabilities</b>	<u>115,975</u>	<u>111,464</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued severance pay	9,270	9,445
Long-term loans, net	42,541	40,353
Other long-term liabilities	24,176	25,341
<b>Total long-term liabilities</b>	<u>75,987</u>	<u>75,139</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY:</b>		
Share capital - ordinary shares of NIS 0.2 par value	1,894	1,882
Additional paid in capital	868,174	867,098
Accumulated other comprehensive income	1,285	541
Accumulated deficit	(611,657)	(609,446)
<b>Total equity</b>	<u>259,696</u>	<u>260,075</u>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<u><u>451,658</u></u>	<u><u>446,678</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 30 June 2012			Three months ended 30 June 2011		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	85,319	-	85,319	81,708	-	81,708
Cost of revenues	57,890	(1,649)	56,241	52,288	(1,726)	50,562
<b>Gross profit</b>	<b>27,429</b>	<b>1,649</b>	<b>29,078</b>	<b>29,420</b>	<b>1,726</b>	<b>31,146</b>
	<b>32%</b>		<b>34%</b>	<b>36%</b>		<b>38%</b>
<b>Research and development expenses:</b>						
Expenses incurred	8,355	(75)	8,280	8,859	(58)	8,801
Less - grants	1,227	-	1,227	1,264	-	1,264
	<u>7,128</u>	<u>(75)</u>	<u>7,053</u>	<u>7,595</u>	<u>(58)</u>	<u>7,537</u>
Selling and marketing expenses	9,597	(314)	9,283	12,119	(404)	11,715
General and administrative expenses	8,322	(344)	7,978	9,451	(263)	9,188
Costs related to acquisition transactions	-	-	-	100	(100)	-
<b>Operating income</b>	<b>2,382</b>	<b>2,382</b>	<b>4,764</b>	<b>155</b>	<b>2,551</b>	<b>2,706</b>
Financial expenses, net	(1,557)	-	(1,557)	(61)	-	(61)
Other income	-	-	-	877	(877)	-
<b>Income before taxes on income</b>	<b>825</b>	<b>2,382</b>	<b>3,207</b>	<b>971</b>	<b>1,674</b>	<b>2,645</b>
Taxes on income (tax benefit)	(25)	-	(25)	32	-	32
<b>Net income</b>	<b>850</b>	<b>2,382</b>	<b>3,232</b>	<b>939</b>	<b>1,674</b>	<b>2,613</b>
<b>Basic net earnings per share</b>	<u>0.02</u>		<u>0.08</u>	<u>0.02</u>		<u>0.06</u>
<b>Diluted net earnings per share</b>	<u>0.02</u>		<u>0.07</u>	<u>0.02</u>		<u>0.06</u>
<b>Weighted average number of shares used in computing net earnings per share:</b>						
Basic	<u>41,347</u>		<u>41,347</u>	<u>40,869</u>		<u>40,869</u>
Diluted	<u>42,243</u>		<u>43,420</u>	<u>42,091</u>		<u>42,931</u>

(1) Adjustments reflect the effect of non-cash stock options expenses as per SFAS123R, costs related to acquisition transactions, amortization of intangible assets related to acquisition transactions and other income.

	Three months ended 30 June 2012	Three months ended 30 June 2011
	Unaudited	Unaudited
<b>Non-cash stock-based compensation expenses:</b>		
Cost of Revenues	76	74
Research and development	75	58
Selling and marketing	84	150
General and administrative	344	263
	<u>579</u>	<u>545</u>
<b>Amortization of intangible assets related to acquisition transactions:</b>		
Cost of Revenues	1,573	1,652
Selling and marketing	230	254
	<u>1,803</u>	<u>1,906</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)

	Six months ended 30 June 2012			Six months ended 30 June 2011		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	161,926	-	161,926	161,735	-	161,735
Cost of revenues	110,208	(3,287)	106,921	103,255	(3,986)	99,269
<b>Gross profit</b>	<b>51,718</b>	<b>3,287</b>	<b>55,005</b>	<b>58,480</b>	<b>3,986</b>	<b>62,466</b>
	<b>32%</b>		<b>34%</b>	<b>36%</b>		<b>39%</b>
<b>Research and development expenses:</b>						
Expenses incurred	16,575	(129)	16,446	17,726	(113)	17,613
Less - grants	1,684	-	1,684	1,735	-	1,735
	14,891	(129)	14,762	15,991	(113)	15,878
Selling and marketing expenses	20,751	(628)	20,123	23,192	(732)	22,460
General and administrative expenses	16,274	(636)	15,638	18,107	(545)	17,562
Costs related to acquisition transactions	-	-	-	256	(256)	-
<b>Operating income (loss)</b>	<b>(198)</b>	<b>4,680</b>	<b>4,482</b>	<b>934</b>	<b>5,632</b>	<b>6,566</b>
Financial expenses, net	(2,015)	-	(2,015)	(737)	-	(737)
Other income	-	-	-	1,826	(1,826)	-
<b>Income (loss) before taxes on income</b>	<b>(2,213)</b>	<b>4,680</b>	<b>2,467</b>	<b>2,023</b>	<b>3,806</b>	<b>5,829</b>
Taxes on income (tax benefit)	(2)	-	(2)	644	-	644
<b>Net income (loss)</b>	<b>(2,211)</b>	<b>4,680</b>	<b>2,469</b>	<b>1,379</b>	<b>3,806</b>	<b>5,185</b>
<b>Basic net earnings (loss) per share</b>	<b>(0.05)</b>		<b>0.06</b>	<b>0.03</b>		<b>0.13</b>
<b>Diluted net earnings (loss) per share</b>	<b>(0.05)</b>		<b>0.06</b>	<b>0.03</b>		<b>0.12</b>
<b>Weighted average number of shares used in computing net earnings (loss) per share</b>						
<b>Basic</b>	41,288		41,288	40,807		40,807
<b>Diluted</b>	41,288		43,129	42,114		42,972

(1) Adjustments reflect the effect of non-cash stock options expenses as per SFAS123R, costs related to acquisition transactions, amortization of intangible assets related to acquisition transactions and other income.

	Six months ended 30 June 2012	Six months ended 30 June 2011
	Unaudited	Unaudited
<b>Non-cash stock-based compensation expenses:</b>		
Cost of Revenues	142	154
Research and development	129	113
Selling and marketing	169	244
General and administrative	636	545
	<b>1,076</b>	<b>1,056</b>
<b>Amortization of intangible assets related to acquisition transactions:</b>		
Cost of Revenues	3,145	3,832
Selling and marketing	459	488
	<b>3,604</b>	<b>4,320</b>

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	161,926	161,735	85,319	81,708
Cost of revenues	110,208	103,255	57,890	52,288
<b>Gross profit</b>	<b>51,718</b>	<b>58,480</b>	<b>27,429</b>	<b>29,420</b>
<b>Research and development expenses:</b>				
Expenses incurred	16,575	17,726	8,355	8,859
Less - grants	1,684	1,735	1,227	1,264
	14,891	15,991	7,128	7,595
Selling and marketing expenses	20,751	23,192	9,597	12,119
General and administrative expenses	16,274	18,107	8,322	9,451
Costs related to acquisition transactions	-	256	-	100
<b>Operating income (loss)</b>	<b>(198)</b>	<b>934</b>	<b>2,382</b>	<b>155</b>
Financial expenses, net	(2,015)	(737)	(1,557)	(61)
Other income	-	1,826	-	877
<b>Income (loss) before taxes on income</b>	<b>(2,213)</b>	<b>2,023</b>	<b>825</b>	<b>971</b>
Taxes on income (tax benefit)	(2)	644	(25)	32
<b>Net income (loss)</b>	<b>(2,211)</b>	<b>1,379</b>	<b>850</b>	<b>939</b>
<b>Basic net earnings (loss) per share</b>	<b>(0.05)</b>	<b>0.03</b>	<b>0.02</b>	<b>0.02</b>
<b>Diluted net earnings (loss) per share</b>	<b>(0.05)</b>	<b>0.03</b>	<b>0.02</b>	<b>0.02</b>
<b>Weighted average number of shares used in computing net earnings (loss) per share</b>				
Basic	41,288	40,807	41,347	40,869
Diluted	41,288	42,114	42,243	42,091

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<b><u>Cash flows from operating activities:</u></b>				
Net income (loss)	(2,211)	1,379	850	939
<b>Adjustments required to reconcile net income to net cash provided by operating activities:</b>				
Depreciation and amortization	10,698	12,369	5,660	5,797
Stock-based compensation related to employees	1,076	1,056	579	545
Accrued severance pay, net	311	(193)	410	(130)
Accrued interest and exchange rate differences on short and long-term restricted cash, net	(69)	(28)	178	(8)
Exchange rate differences on long-term loans	(124)	522	(284)	120
Capital loss (gain) from disposal of property and equipment	(3)	69	3	44
Deferred income taxes	(330)	370	(152)	(85)
Decrease (increase) in trade receivables, net	(7,114)	19	811	(806)
Increase in other assets (including short-term, long-term and deferred charges)	(5,428)	(18,934)	(5,698)	(6,707)
Decrease (increase) in inventories	(395)	(986)	2,869	183
Increase (decrease) in trade payables	5,409	(424)	7,595	(1,294)
Decrease in accrued expenses	(6,147)	(1,022)	(2,241)	(1,334)
Increase (decrease) in advances from customer, held by trustees, net	5,002	(1,004)	(653)	-
Decrease in other accounts payable and other long term liabilities	(5,719)	(1,562)	(6,681)	(3,903)
<b>Net cash generated from (used in) operating activities</b>	<b><u>(5,044)</u></b>	<b><u>(8,369)</u></b>	<b><u>3,246</u></b>	<b><u>(6,639)</u></b>

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
	<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	(2,166)	(3,892)	(1,131)	(2,016)
Investment in restricted cash held by trustees	(17,620)	-	(4,382)	-
Proceeds from restricted cash held by trustees	9,075	1,016	5,016	-
Investment in restricted cash (including long-term)	(9,114)	(12,142)	(3,365)	(1,066)
Proceeds from restricted cash (including long-term)	14,624	14,091	6,496	7,223
Proceeds from working capital adjustment to subsidiary purchase price	-	1,465	-	1,465
Acquisitions of subsidiaries, net of cash acquired	-	(1,867)	-	(1,867)
Purchase of intangible asset	(72)	(21)	(63)	(8)
<b>Net cash generated from (used in) investing activities</b>	<b><u>(5,273)</u></b>	<b><u>(1,350)</u></b>	<b><u>2,571</u></b>	<b><u>3,731</u></b>
<b><u>Cash flows from financing activities:</u></b>				
Repayment of convertible notes	-	(394)	-	(394)
Issuance of restricted stock units and exercise of stock options	12	14	6	8
Short-term bank credit, net	1,201	(275)	1,618	667
Proceeds from long-term loans	10,000	-	10,000	-
Repayment of long-term loans	(4,423)	(852)	(175)	(578)
<b>Net cash generated from (used in) financing activities</b>	<b><u>6,790</u></b>	<b><u>(1,507)</u></b>	<b><u>11,449</u></b>	<b><u>(297)</u></b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b><u>(164)</u></b>	<b><u>102</u></b>	<b><u>(295)</u></b>	<b><u>70</u></b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b><u>(3,691)</u></b>	<b><u>(11,124)</u></b>	<b><u>16,971</u></b>	<b><u>(3,135)</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b><u>56,231</u></b>	<b><u>57,238</u></b>	<b><u>35,569</u></b>	<b><u>49,249</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>52,540</u></b>	<b><u>46,114</u></b>	<b><u>52,540</u></b>	<b><u>46,114</u></b>

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

	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Operating income (loss)	(198)	934	2,382	155
Add:				
Non-cash stock-based compensation expenses	1,076	1,056	579	545
Costs related to acquisition transactions	-	256	-	100
Depreciation and amortization	10,698	12,369	5,660	5,797
<b>EBITDA</b>	<b>11,576</b>	<b>14,615</b>	<b>8,621</b>	<b>6,597</b>