

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

	<u>June 30,</u> <u>2013</u> <u>Unaudited</u>	<u>December 31,</u> <u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	65,841	66,968
Short-term restricted cash	2,316	3,794
Restricted cash held by trustees	2,827	1,664
Trade receivables, net	62,929	60,991
Inventories	29,384	24,973
Other current assets	21,353	29,140
<b>Total current assets</b>	<u>184,650</u>	<u>187,530</u>
<b>LONG-TERM INVESTMENTS AND RECEIVABLES:</b>		
Long-term restricted cash	1,184	1,151
Severance pay fund	9,562	9,703
Long-term trade receivables, receivables in respect of capital leases and other receivables	20,268	19,781
<b>Total long-term investments and receivables</b>	<u>31,014</u>	<u>30,635</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>92,139</u>	<u>94,727</u>
<b>INTANGIBLE ASSETS, NET</b>	<u>32,772</u>	<u>35,991</u>
<b>GOODWILL</b>	<u>65,760</u>	<u>65,760</u>
<b><u>TOTAL ASSETS</u></b>	<u><u>406,335</u></u>	<u><u>414,643</u></u>

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	<u>June 30,</u> <u>2013</u> <u>Unaudited</u>	<u>December 31,</u> <u>2012</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit	3,060	3,517
Current maturities of long-term loans	7,959	7,963
Trade payables	26,758	23,240
Accrued expenses	21,698	24,353
Short-term advances from customer, held by trustees	524	4,448
Other current liabilities	41,408	40,336
<b>Total current liabilities</b>	<u>101,407</u>	<u>103,857</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued severance pay	9,436	9,513
Long-term loans, net	34,728	40,747
Other long-term liabilities	24,676	18,569
<b>Total long-term liabilities</b>	<u>68,840</u>	<u>68,829</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY:</b>		
Share capital - ordinary shares of NIS 0.2 par value	1,926	1,909
Additional paid in capital	871,540	869,822
Accumulated other comprehensive income	1,592	2,864
Accumulated deficit	(638,970)	(632,638)
<b>Total equity</b>	<u>236,088</u>	<u>241,957</u>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<u><u>406,335</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			Three months ended		
	30 June 2013			30 June 2012		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
Revenues	80,206	-	80,206	85,319	-	85,319
Cost of revenues	56,084	(1,295)	54,789	57,890	(1,649)	56,241
<b>Gross profit</b>	<b>24,122</b>	<b>1,295</b>	<b>25,417</b>	<b>27,429</b>	<b>1,649</b>	<b>29,078</b>
	<b>30%</b>		<b>32%</b>	<b>32%</b>		<b>34%</b>
<b>Research and development expenses:</b>						
Expenses incurred	7,145	(112)	7,033	8,355	(75)	8,280
Less - grants	532	-	532	1,227	-	1,227
	6,613	(112)	6,501	7,128	(75)	7,053
Selling and marketing expenses	9,827	(334)	9,493	9,597	(314)	9,283
General and administrative expenses	8,518	(347)	8,171	8,322	(344)	7,978
<b>Operating income (loss)</b>	<b>(836)</b>	<b>2,088</b>	<b>1,252</b>	<b>2,382</b>	<b>2,382</b>	<b>4,764</b>
Financial expenses, net	(2,515)	-	(2,515)	(1,557)	-	(1,557)
<b>Income (loss) before taxes on income</b>	<b>(3,351)</b>	<b>2,088</b>	<b>(1,263)</b>	<b>825</b>	<b>2,382</b>	<b>3,207</b>
Taxes on income (tax benefit)	625	-	625	(25)	-	(25)
<b>Net income (loss)</b>	<b>(3,976)</b>	<b>2,088</b>	<b>(1,888)</b>	<b>850</b>	<b>2,382</b>	<b>3,232</b>
<b>Basic net earnings (loss) per share</b>	<b>(0.09)</b>		<b>(0.05)</b>	<b>0.02</b>		<b>0.08</b>
<b>Diluted net earnings (loss) per share</b>	<b>(0.09)</b>		<b>(0.05)</b>	<b>0.02</b>		<b>0.07</b>
<b>Weighted average number of shares used in computing net earnings (loss) per share</b>						
<b>Basic</b>	41,932		41,932	41,347		41,347
<b>Diluted</b>	41,932		41,932	42,243		43,420

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

	Three months ended		Three months ended	
	30 June 2013		30 June 2012	
	Unaudited		Unaudited	
<b>Non-cash stock-based compensation expenses:</b>				
Cost of revenues		46		76
Research and development		112		75
Selling and marketing		105		84
General and administrative		347		344
		<b>610</b>		<b>579</b>
<b>Amortization of intangible assets related to acquisition transactions:</b>				
Cost of revenues		1,249		1,573
Selling and marketing		229		230
		<b>1,478</b>		<b>1,803</b>

**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 2013			Six months ended 30 June 2012		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	163,033	-	163,033	161,926	-	161,926
Cost of revenues	113,370	(2,583)	110,787	110,208	(3,287)	106,921
<b>Gross profit</b>	<b>49,663</b>	<b>2,583</b>	<b>52,246</b>	<b>51,718</b>	<b>3,287</b>	<b>55,005</b>
	<b>30%</b>		<b>32%</b>	<b>32%</b>		<b>34%</b>
<b>Research and development expenses:</b>						
Expenses incurred	14,776	(211)	14,565	16,575	(129)	16,446
Less - grants	864	-	864	1,684	-	1,684
	13,912	(211)	13,701	14,891	(129)	14,762
Selling and marketing expenses	21,022	(654)	20,368	20,751	(628)	20,123
General and administrative expenses	16,561	(680)	15,881	16,274	(636)	15,638
<b>Operating income (loss)</b>	<b>(1,832)</b>	<b>4,128</b>	<b>2,296</b>	<b>(198)</b>	<b>4,680</b>	<b>4,482</b>
Financial expenses, net	(3,449)	-	(3,449)	(2,015)	-	(2,015)
<b>Income (loss) before taxes on income</b>	<b>(5,281)</b>	<b>4,128</b>	<b>(1,153)</b>	<b>(2,213)</b>	<b>4,680</b>	<b>2,467</b>
Taxes on income (tax benefit)	1,051	-	1,051	(2)	-	(2)
<b>Net income (loss)</b>	<b>(6,332)</b>	<b>4,128</b>	<b>(2,204)</b>	<b>(2,211)</b>	<b>4,680</b>	<b>2,469</b>
<b>Basic net earnings (loss) per share</b>	<b>(0.15)</b>		<b>(0.05)</b>	<b>(0.05)</b>		<b>0.06</b>
<b>Diluted net earnings (loss) per share</b>	<b>(0.15)</b>		<b>(0.05)</b>	<b>(0.05)</b>		<b>0.06</b>
<b>Weighted average number of shares used in computing net earnings (loss) per share</b>						
<b>Basic</b>	41,849		41,849	41,288		41,288
<b>Diluted</b>	41,849		41,849	41,288		43,129

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

	Six months ended 30 June 2013	Six months ended 30 June 2012
	Unaudited	Unaudited
<b>Non-cash stock-based compensation expenses:</b>		
Cost of revenues	86	142
Research and development	211	129
Selling and marketing	196	169
General and administrative	680	636
	<b>1,173</b>	<b>1,076</b>
<b>Amortization of intangible assets related to acquisition transactions:</b>		
Cost of revenues	2,497	3,145
Selling and marketing	458	459
	<b>2,955</b>	<b>3,604</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,	
	2013	2012	2013	2012
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Revenues	163,033	161,926	80,206	85,319
Cost of revenues	113,370	110,208	56,084	57,890
<b>Gross profit</b>	<b>49,663</b>	<b>51,718</b>	<b>24,122</b>	<b>27,429</b>
<b>Research and development expenses:</b>				
Expenses incurred	14,776	16,575	7,145	8,355
Less - grants	864	1,684	532	1,227
	<u>13,912</u>	<u>14,891</u>	<u>6,613</u>	<u>7,128</u>
Selling and marketing expenses	21,022	20,751	9,827	9,597
General and administrative expenses	16,561	16,274	8,518	8,322
<b>Operating income (loss)</b>	<b>(1,832)</b>	<b>(198)</b>	<b>(836)</b>	<b>2,382</b>
Financial expenses, net	(3,449)	(2,015)	(2,515)	(1,557)
<b>Income (loss) before taxes on income</b>	<b>(5,281)</b>	<b>(2,213)</b>	<b>(3,351)</b>	<b>825</b>
Taxes on income (tax benefit)	1,051	(2)	625	(25)
<b>Net income (loss)</b>	<b>(6,332)</b>	<b>(2,211)</b>	<b>(3,976)</b>	<b>850</b>
<b>Basic net earnings (loss) per share</b>	<u>(0.15)</u>	<u>(0.05)</u>	<u>(0.09)</u>	<u>0.02</u>
<b>Diluted net earnings (loss) per share</b>	<u>(0.15)</u>	<u>(0.05)</u>	<u>(0.09)</u>	<u>0.02</u>
<b>Weighted average number of shares used in computing net earnings (loss) per share</b>				
Basic	<u>41,849</u>	<u>41,288</u>	<u>41,932</u>	<u>41,347</u>
Diluted	<u>41,849</u>	<u>41,288</u>	<u>41,932</u>	<u>42,243</u>

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<b><u>Cash flows from operating activities:</u></b>				
Net income (loss)	(6,332)	(2,211)	(3,976)	850
<b>Adjustments required to reconcile net income (loss) to net cash generated from (used in) operating activities:</b>				
Depreciation and amortization	11,208	10,698	5,648	5,660
Stock-based compensation	1,173	1,076	610	579
Accrued severance pay, net	64	311	50	410
Accrued interest and exchange rate differences on short and long-term restricted cash, net	392	(69)	353	178
Exchange rate differences on long-term loans	(46)	(124)	86	(284)
Capital loss from disposal of property and equipment	13	(3)	1	3
Deferred income taxes	(45)	(330)	(29)	(152)
Decrease (increase) in trade receivables, net	(2,225)	(7,114)	(8,224)	811
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	4,114	(5,428)	5,321	(5,698)
Decrease (increase) in inventories	(5,464)	(395)	(1,640)	2,869
Increase in trade payables	3,537	5,409	2,740	7,595
Decrease in accrued expenses	(2,655)	(6,147)	(2,042)	(2,241)
Increase (decrease) in advances from customer, held by trustees, net	(3,923)	5,002	306	(653)
Increase (decrease) in other accounts payable and other long term liabilities	(5,683)	(5,719)	269	(6,681)
<b>Net cash generated from (used in) operating activities</b>	<b><u>(5,872)</u></b>	<b><u>(5,044)</u></b>	<b><u>(527)</u></b>	<b><u>3,246</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,	
	2013	2012	2013	2012
	<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	(2,231)	(2,166)	(1,100)	(1,131)
Investment in restricted cash held by trustees	(11,236)	(17,620)	(9,454)	(4,382)
Proceeds from restricted cash held by trustees	9,771	9,075	6,364	5,016
Investment in restricted cash (including long-term)	(18,000)	(9,114)	(9,297)	(3,365)
Proceeds from restricted cash (including long-term)	19,339	14,624	11,526	6,496
Purchase of intangible assets	(118)	(72)	(102)	(63)
<b>Net cash generated from (used in) investing activities</b>	<b><u>(2,475)</u></b>	<b><u>(5,273)</u></b>	<b><u>(2,063)</u></b>	<b><u>2,571</u></b>
<b><u>Cash flows from financing activities:</u></b>				
Issuance of restricted stock units and exercise of stock options	562	12	9	6
Payment of obligation related to the purchase of intangible assets	(500)	-	(500)	-
Proceeds from financing contract	14,472	-	-	-
Short-term bank credit, net	(458)	1,201	(975)	1,618
Proceeds from long-term loans	-	10,000	-	10,000
Repayment according to financing contract	(654)	-	(442)	-
Repayment of long-term loans	(5,975)	(4,423)	(988)	(175)
<b>Net cash generated from (used in) financing activities</b>	<b><u>7,447</u></b>	<b><u>6,790</u></b>	<b><u>(2,896)</u></b>	<b><u>11,449</u></b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b><u>(227)</u></b>	<b><u>(164)</u></b>	<b><u>(190)</u></b>	<b><u>(295)</u></b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b><u>(1,127)</u></b>	<b><u>(3,691)</u></b>	<b><u>(5,676)</u></b>	<b><u>16,971</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b><u>66,968</u></b>	<b><u>56,231</u></b>	<b><u>71,517</u></b>	<b><u>35,569</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>65,841</u></b>	<b><u>52,540</u></b>	<b><u>65,841</u></b>	<b><u>52,540</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>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Operating income (loss)	(1,832)	(198)	(836)	2,382
Add:				
Non-cash stock-based compensation expenses	1,173	1,076	610	579
Depreciation and amortization	11,208	10,698	5,648	5,660
<b>EBITDA</b>	<b>10,549</b>	<b>11,576</b>	<b>5,422</b>	<b>8,621</b>