

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

	<u>September 30,</u> <u>2012</u> <u>Unaudited</u>	<u>December 31,</u> <u>2011</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	61,026	56,231
Short-term restricted cash	2,453	7,034
Restricted cash held by trustees	7,752	1,549
Trade receivables, net	61,719	51,654
Inventories	27,913	31,933
Other current assets	28,781	25,767
Total current assets	<u>189,644</u>	<u>174,168</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	1,152	2,025
Severance pay fund	9,233	9,722
Long-term trade receivables, receivables in respect of capital leases and other receivables	19,367	20,219
Total long-term investments and receivables	<u>29,752</u>	<u>31,966</u>
PROPERTY AND EQUIPMENT, NET	<u>96,075</u>	<u>100,926</u>
INTANGIBLE ASSETS, NET	<u>46,010</u>	<u>49,927</u>
GOODWILL	<u>89,691</u>	<u>89,691</u>
<u>TOTAL ASSETS</u>	<u><u>451,172</u></u>	<u><u>446,678</u></u>

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	<u>September 30,</u> <u>2012</u> <u>Unaudited</u>	<u>December 31,</u> <u>2011</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	4,161	2,971
Current maturities of long-term loans and convertible notes	22,299	19,092
Trade payables	26,249	25,477
Accrued expenses	22,988	25,609
Short-term advances from customer, held by trustees	4,487	1,551
Other current liabilities	33,756	36,764
Total current liabilities	<u>113,940</u>	<u>111,464</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	9,193	9,445
Long-term loans, net	41,668	40,353
Other long-term liabilities	22,010	25,341
Total long-term liabilities	<u>72,871</u>	<u>75,139</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	1,900	1,882
Additional paid in capital	868,928	867,098
Accumulated other comprehensive income	1,869	541
Accumulated deficit	(608,336)	(609,446)
Total equity	<u>264,361</u>	<u>260,075</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u><u>451,172</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 September 30, 2012			Three months ended September 30, 2011		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	89,009	-	89,009	83,862	-	83,862
Cost of revenues	60,588	(1,661)	58,927	54,376	(1,731)	52,645
Gross profit	28,421	1,661	30,082	29,486	1,731	31,217
	32%		34%	35%		37%
Research and development expenses:						
Expenses incurred	7,699	(114)	7,585	8,387	(61)	8,326
Less - grants	661	-	661	1,005	-	1,005
	7,038	(114)	6,924	7,382	(61)	7,321
Selling and marketing expenses	9,346	(345)	9,001	11,556	(322)	11,234
General and administrative expenses	8,840	(384)	8,456	8,627	(250)	8,377
Operating income	3,197	2,504	5,701	1,921	2,364	4,285
Financial expenses, net	(412)	-	(412)	(1,081)	-	(1,081)
Other income	-	-	-	4,385	(4,385)	-
Income before taxes on income	2,785	2,504	5,289	5,225	(2,021)	3,204
Taxes on income (tax benefit)	(536)	-	(536)	924	-	924
Net income	3,321	2,504	5,825	4,301	(2,021)	2,280
Basic net earnings per share	0.08		0.14	0.10		0.06
Diluted net earnings per share	0.08		0.13	0.10		0.05
Weighted average number of shares used in computing net earnings per share:						
Basic	41,462		41,462	40,990		40,990
Diluted	42,302		43,807	41,949		42,832

(1) Adjustments reflect the effect of non-cash stock options expenses as per ASC 718, amortization of intangible assets related to acquisition transactions and other income.

	Three months ended September 30, 2012	Three months ended September 30, 2011
	Unaudited	Unaudited
Non-cash stock-based compensation expenses:		
Cost of Revenues	88	72
Research and development	114	61
Selling and marketing	116	95
General and administrative	384	250
	702	478
Amortization of intangible assets related to acquisition transactions:		
Cost of Revenues	1,573	1,659
Selling and marketing	229	227
	1,802	1,886

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 September 30, 2012			Nine months ended September 30, 2011		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	250,935	-	250,935	245,597	-	245,597
Cost of revenues	170,796	(4,948)	165,848	157,631	(5,717)	151,914
Gross profit	80,139	4,948	85,087	87,966	5,717	93,683
	32%		34%	36%		38%
Research and development expenses:						
Expenses incurred	24,274	(243)	24,031	26,113	(174)	25,939
Less - grants	2,345	-	2,345	2,740	-	2,740
	21,929	(243)	21,686	23,373	(174)	23,199
Selling and marketing expenses	30,097	(973)	29,124	34,748	(1,054)	33,694
General and administrative expenses	25,114	(1,020)	24,094	26,734	(795)	25,939
Costs related to acquisition transactions	-	-	-	256	(256)	-
Operating income	2,999	7,184	10,183	2,855	7,996	10,851
Financial expenses, net	(2,427)	-	(2,427)	(1,818)	-	(1,818)
Other income	-	-	-	6,211	(6,211)	-
Income before taxes on income	572	7,184	7,756	7,248	1,785	9,033
Taxes on income (tax benefit)	(538)	-	(538)	1,568	-	1,568
Net income	1,110	7,184	8,294	5,680	1,785	7,465
Basic net earnings per share	0.03		0.20	0.14		0.18
Diluted net earnings per share	0.03		0.19	0.14		0.17
Weighted average number of shares used in computing net earnings per share						
Basic	41,346		41,346	40,868		40,868
Diluted	42,224		43,355	42,059		42,925

(1) Adjustments reflect the effect of non-cash stock options expenses as per ASC 718, costs related to acquisition transactions, amortization of intangible assets related to acquisition transactions and other income.

	Nine months ended September 30, 2012		Nine months ended September 30, 2011	
	Unaudited		Unaudited	
Non-cash stock-based compensation expenses:				
Cost of Revenues		230		226
Research and development		243		174
Selling and marketing		285		339
General and administrative		1,020		795
		1,778		1,534
Amortization of intangible assets related to acquisition transactions:				
Cost of Revenues		4,718		5,491
Selling and marketing		688		715
		5,406		6,206

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,	
	2012	2011	2012	2011
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Revenues	250,935	245,597	89,009	83,862
Cost of revenues	170,796	157,631	60,588	54,376
Gross profit	80,139	87,966	28,421	29,486
Research and development expenses:				
Expenses incurred	24,274	26,113	7,699	8,387
Less - grants	2,345	2,740	661	1,005
	<u>21,929</u>	<u>23,373</u>	<u>7,038</u>	<u>7,382</u>
Selling and marketing expenses	30,097	34,748	9,346	11,556
General and administrative expenses	25,114	26,734	8,840	8,627
Costs related to acquisition transactions	-	256	-	-
Operating income	2,999	2,855	3,197	1,921
Financial expenses, net	(2,427)	(1,818)	(412)	(1,081)
Other income	-	6,211	-	4,385
Income before taxes on income	572	7,248	2,785	5,225
Taxes on income (tax benefit)	(538)	1,568	(536)	924
Net income	1,110	5,680	3,321	4,301
Basic net earnings per share	<u>0.03</u>	<u>0.14</u>	<u>0.08</u>	<u>0.10</u>
Diluted net earnings per share	<u>0.03</u>	<u>0.14</u>	<u>0.08</u>	<u>0.10</u>
Weighted average number of shares used in computing net earnings per share				
Basic	<u>41,346</u>	<u>40,868</u>	<u>41,462</u>	<u>40,990</u>
Diluted	<u>42,224</u>	<u>42,059</u>	<u>42,302</u>	<u>41,949</u>

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

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<u>Cash flows from operating activities:</u>				
Net income	1,110	5,680	3,321	4,301
Adjustments required to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	16,591	18,051	5,893	5,682
Gain from the sale of an investment accounted for at cost	-	(3,034)	-	(3,034)
Stock-based compensation related to employees	1,778	1,534	702	478
Accrued severance pay, net	238	(264)	(73)	(71)
Accrued interest and exchange rate differences on short and long-term restricted cash, net	(95)	231	(26)	259
Exchange rate differences on long-term loans	9	150	133	(372)
Capital loss from disposal of property and equipment	47	118	50	49
Deferred income taxes	(1,079)	1,161	(749)	791
Increase in trade receivables, net	(10,624)	(2,907)	(3,510)	(2,926)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	(2,326)	(19,237)	3,102	(303)
Decrease (increase) in inventories	2,447	(3,695)	2,842	(2,709)
Increase (decrease) in trade payables	833	3,154	(4,576)	3,578
Increase (decrease) in accrued expenses	(2,631)	(564)	3,516	458
Increase (decrease) in advances from customer, held by trustees, net	2,936	1,609	(2,066)	2,613
Decrease in other accounts payable and other long term liabilities	(5,744)	(10,379)	(25)	(8,817)
Net cash generated from (used in) operating activities	<u>3,490</u>	<u>(8,392)</u>	<u>8,534</u>	<u>(23)</u>

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

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(3,428)	(6,104)	(1,262)	(2,212)
Proceeds from sale of an investment accounted for at cost	-	3,034	-	3,034
Investment in restricted cash held by trustees	(28,701)	(6,320)	(11,081)	(6,320)
Proceeds from restricted cash held by trustees	22,516	4,447	13,441	3,431
Investment in restricted cash (including long-term)	(15,417)	(14,731)	(6,303)	(2,589)
Proceeds from restricted cash (including long-term)	20,877	16,969	6,253	2,878
Proceeds from working capital adjustment to subsidiary purchase price	-	1,465	-	-
Acquisitions of subsidiaries, net of cash acquired	-	(1,867)	-	-
Purchase of intangible asset	(82)	(26)	(10)	(5)
Net cash generated from (used in) investing activities	<u>(4,235)</u>	<u>(3,133)</u>	<u>1,038</u>	<u>(1,783)</u>
<u>Cash flows from financing activities:</u>				
Repayment of convertible notes	-	(394)	-	-
Issuance of restricted stock units and exercise of stock options	18	20	6	6
Short-term bank credit, net	1,190	642	(11)	917
Proceeds from long-term loans	10,000	-	-	-
Repayment of long-term loans	(5,435)	(1,047)	(1,012)	(195)
Net cash generated from (used in) financing activities	<u>5,773</u>	<u>(779)</u>	<u>(1,017)</u>	<u>728</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(233)</u>	<u>(439)</u>	<u>(69)</u>	<u>(541)</u>
Increase (decrease) in cash and cash equivalents	4,795	(12,743)	8,486	(1,619)
Cash and cash equivalents at the beginning of the period	<u>56,231</u>	<u>57,238</u>	<u>52,540</u>	<u>46,114</u>
Cash and cash equivalents at the end of the period	<u>61,026</u>	<u>44,495</u>	<u>61,026</u>	<u>44,495</u>

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited
Operating income	2,999	2,855	3,197	1,921
Add:				
Non-cash stock-based compensation expenses	1,778	1,534	702	478
Costs related to acquisition transactions	-	256	-	-
Depreciation and amortization	16,591	18,051	5,893	5,682
EBITDA	21,368	22,696	9,792	8,081