

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

	<u>December 31,</u> <u>2011</u> <u>Unaudited</u>	<u>December 31,</u> <u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	56,231	57,238
Short-term restricted cash	7,034	3,839
Restricted cash held by trustees	1,549	1,004
Trade receivables, net	51,654	51,994
Inventories	31,933	29,612
Other current assets	25,767	22,973
<b>Total current assets</b>	<u>174,168</u>	<u>166,660</u>
<b>LONG-TERM INVESTMENTS AND RECEIVABLES:</b>		
Long-term restricted cash	2,025	4,583
Severance pay fund	9,722	10,572
Long-term trade receivables, receivables in respect of capital leases and other receivables	20,219	6,538
<b>Total long-term investments and receivables</b>	<u>31,966</u>	<u>21,693</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>100,926</u>	<u>103,490</u>
<b>INTANGIBLE ASSETS AND DEFERRED CHARGES, NET</b>	<u>49,927</u>	<u>57,453</u>
<b>GOODWILL</b>	<u>89,691</u>	<u>106,082</u>
<b><u>TOTAL ASSETS</u></b>	<u><u>446,678</u></u>	<u><u>455,378</u></u>

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	<u>December 31,</u> <u>2011</u> <u>Unaudited</u>	<u>December 31,</u> <u>2010</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit	2,971	2,129
Current maturities of long-term loans and convertible notes	19,092	2,186
Trade payables	25,477	18,267
Accrued expenses	25,609	24,591
Short-term advances from customer, held by trustees	1,551	1,004
Other current liabilities	36,764	39,675
<b>Total current liabilities</b>	<u>111,464</u>	<u>87,852</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued severance pay	9,445	10,579
Long-term loans, net	40,353	45,202
Accrued interest related to restructured debt	-	575
Convertible subordinated notes	-	14,379
Other long-term liabilities	25,341	32,678
<b>Total long-term liabilities</b>	<u>75,139</u>	<u>103,413</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY:</b>		
Share capital - ordinary shares of NIS 0.2 par value	1,882	1,855
Additional paid in capital	867,100	865,080
Accumulated other comprehensive income	539	774
Accumulated deficit	(609,446)	(603,596)
<b>Total equity</b>	<u>260,075</u>	<u>264,113</u>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<u><u>446,678</u></u>	<u><u>455,378</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 31 December 2011			Three months ended 31 December 2010		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	93,604	-	93,604	66,059	-	66,059
Cost of revenues	59,943	(1,699)	58,244	42,645	(1,512)	41,133
<b>Gross profit</b>	<b>33,661</b>	<b>1,699</b>	<b>35,360</b>	<b>23,414</b>	<b>1,512</b>	<b>24,926</b>
	36%		38%	35%		38%
<b>Research and development expenses:</b>						
Expenses incurred	8,963	(48)	8,915	7,342	(48)	7,294
Less - grants	635	-	635	878	-	878
	8,328	(48)	8,280	6,464	(48)	6,416
Selling, marketing, general and administrative expenses	21,046	(588)	20,458	18,480	(466)	18,014
Costs related to acquisition transactions	-	-	-	2,612	(2,612)	-
Impairment of goodwill and restructuring costs	19,478	(19,478)	-	-	-	-
<b>Operating income (loss)</b>	<b>(15,191)</b>	<b>21,813</b>	<b>6,622</b>	<b>(4,142)</b>	<b>4,638</b>	<b>496</b>
Financial expenses, net	(113)	-	(113)	(243)	-	(243)
Other income	1,863	(1,863)	-	75	(75)	-
<b>Income (loss) before taxes on income</b>	<b>(13,441)</b>	<b>19,950</b>	<b>6,509</b>	<b>(4,310)</b>	<b>4,563</b>	<b>253</b>
Taxes on income (tax benefit)	(1,911)	-	(1,911)	589	-	589
<b>Net income (loss)</b>	<b>(11,530)</b>	<b>19,950</b>	<b>8,420</b>	<b>(4,899)</b>	<b>4,563</b>	<b>(336)</b>
<b>Basic net earnings (loss) per share</b>	<b>(0.28)</b>		<b>0.20</b>	<b>(0.12)</b>		<b>(0.01)</b>
<b>Diluted net earnings (loss) per share</b>	<b>(0.28)</b>		<b>0.20</b>	<b>(0.12)</b>		<b>(0.01)</b>
<b>Weighted average number of shares used in computing net earnings (loss) per share</b>						
<b>Basic</b>	41,111		41,111	40,639		40,639
<b>Diluted</b>	41,111		42,782	40,639		40,639

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

	Three months ended 31 December 2011	Three months ended 31 December 2010
<b>Non-cash stock-based compensation expenses:</b>		
Cost of Revenues	69	77
Research and development	48	48
Selling, general, marketing and administrative	358	307
	<b>475</b>	<b>432</b>
<b>Amortization of intangible assets related to acquisition transactions:</b>		
Cost of Revenues	1,630	1,435
Selling, general, marketing and administrative	230	159
	<b>1,860</b>	<b>1,594</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)**

	Year ended			Year ended		
	31 December 2011			31 December 2010		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
Revenues	339,201	-	339,201	232,985	-	232,985
Cost of revenues	217,574	(7,416)	210,158	153,131	(1,939)	151,192
<b>Gross profit</b>	<b>121,627</b>	<b>7,416</b>	<b>129,043</b>	<b>79,854</b>	<b>1,939</b>	<b>81,793</b>
	36%		38%	34%		35%
<b>Research and development expenses:</b>						
Expenses incurred	35,076	(222)	34,854	22,194	(172)	22,022
Less - grants	3,375	-	3,375	3,249	-	3,249
	31,701	(222)	31,479	18,945	(172)	18,773
Selling, marketing, general and administrative expenses	82,528	(2,437)	80,091	63,240	(1,523)	61,717
Costs related to acquisition transactions	256	(256)	-	3,842	(3,842)	-
Impairment of goodwill and restructuring costs	19,478	(19,478)	-	-	-	-
<b>Operating income (loss)</b>	<b>(12,336)</b>	<b>29,809</b>	<b>17,473</b>	<b>(6,173)</b>	<b>7,476</b>	<b>1,303</b>
Financial expenses, net	(1,931)	-	(1,931)	(557)	-	(557)
Other income	8,074	(8,074)	-	37,360	(37,360)	-
<b>Income (loss) before taxes on income</b>	<b>(6,193)</b>	<b>21,735</b>	<b>15,542</b>	<b>30,630</b>	<b>(29,884)</b>	<b>746</b>
Taxes on income (tax benefit)	(343)	-	(343)	11	-	11
<b>Net income (loss)</b>	<b>(5,850)</b>	<b>21,735</b>	<b>15,885</b>	<b>30,619</b>	<b>(29,884)</b>	<b>735</b>
<b>Basic net earnings (loss) per share</b>	<b>(0.14)</b>		<b>0.39</b>	<b>0.76</b>		<b>0.02</b>
<b>Diluted net earnings (loss) per share</b>	<b>(0.14)</b>		<b>0.37</b>	<b>0.73</b>		<b>0.02</b>
<b>Weighted average number of shares used in computing net earnings (loss) per share</b>						
<b>Basic</b>	40,929		40,929	40,467		40,467
<b>Diluted</b>	40,929		42,889	41,985		42,806

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

	Year ended	Year ended
	31 December 2011	31 December 2010
<b>Non-cash stock-based compensation expenses:</b>		
Cost of Revenues	295	281
Research and development	222	172
Selling, general, marketing and administrative	1,492	1,273
	<b>2,009</b>	<b>1,726</b>
<b>Amortization of intangible assets related to acquisition transactions:</b>		
Cost of Revenues	7,121	1,658
Selling, general, marketing and administrative	945	250
	<b>8,066</b>	<b>1,908</b>

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

	Year ended		Three months ended	
	December 31,		December 31,	
	2011	2010	2011	2010
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Revenues	339,201	232,985	93,604	66,059
Cost of revenues	217,574	153,131	59,943	42,645
<b>Gross profit</b>	<b>121,627</b>	<b>79,854</b>	<b>33,661</b>	<b>23,414</b>
<b>Research and development expenses:</b>				
Expenses incurred	35,076	22,194	8,963	7,342
Less - grants	3,375	3,249	635	878
	<u>31,701</u>	<u>18,945</u>	<u>8,328</u>	<u>6,464</u>
Selling, marketing, general and administrative expenses	82,528	63,240	21,046	18,480
Costs related to acquisition transactions	256	3,842	-	2,612
Impairment of goodwill and restructuring costs	19,478	-	19,478	-
<b>Operating loss</b>	<b>(12,336)</b>	<b>(6,173)</b>	<b>(15,191)</b>	<b>(4,142)</b>
Financial expenses, net	(1,931)	(557)	(113)	(243)
Other income	8,074	37,360	1,863	75
<b>Income (loss) before taxes on income</b>	<b>(6,193)</b>	<b>30,630</b>	<b>(13,441)</b>	<b>(4,310)</b>
Taxes on income (tax benefit)	(343)	11	(1,911)	589
<b>Net income (loss)</b>	<b>(5,850)</b>	<b>30,619</b>	<b>(11,530)</b>	<b>(4,899)</b>
<b>Basic net earnings (loss) per share</b>	<u>(0.14)</u>	<u>0.76</u>	<u>(0.28)</u>	<u>(0.12)</u>
<b>Diluted net earnings (loss) per share</b>	<u>(0.14)</u>	<u>0.73</u>	<u>(0.28)</u>	<u>(0.12)</u>
<b>Weighted average number of shares used in computing net earnings (loss) per share</b>				
Basic	<u>40,929</u>	<u>40,467</u>	<u>41,111</u>	<u>40,639</u>
Diluted	<u>40,929</u>	<u>41,985</u>	<u>41,111</u>	<u>40,639</u>

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

	<b>Year ended</b>		<b>Three months ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Unaudited</b>		<b>Unaudited</b>	<b>Unaudited</b>
<b><u>Cash flows from operating activities:</u></b>				
<b>Net income (loss)</b>	(5,850)	30,619	(11,530)	(4,899)
<b>Adjustments required to reconcile net income (loss) to net cash provided by operating activities:</b>				
Depreciation and amortization	24,121	14,794	6,070	4,855
Impairment of goodwill and other intangible assets	18,043	-	18,043	-
Gain from the sale of an investment accounted for at cost	(3,034)	(24,314)	-	-
Stock-based compensation related to employees	2,009	1,726	475	432
Accrued severance pay, net	(285)	(135)	(21)	(2)
Accrued interest and exchange rate differences on short and long-term restricted cash, net	500	(201)	269	195
Accrued interest and exchange rate differences on marketable securities and short term bank deposits, net	-	(45)	-	181
Exchange rate differences on long-term loans	(112)	(415)	(262)	(107)
Capital loss from disposal of property and equipment	286	270	168	-
Deferred income taxes	(428)	(250)	(1,589)	(246)
Decrease (increase) in trade receivables, net	646	(1,562)	3,553	4,733
Increase in other assets (including short-term, long-term and deferred charges)	(21,062)	(5,545)	(1,825)	(1,005)
Increase in inventories	(4,889)	(2,946)	(1,194)	(2,584)
Increase (decrease) in trade payables	7,066	(4,759)	3,912	(1,059)
Increase in accrued expenses	11	2,256	575	3,156
Increase (decrease) in advances from customer, held by trustees, net	547	(1,133)	(1,062)	(3,158)
Increase (decrease) in other accounts payable and other long term liabilities	(8,972)	4,574	1,407	2,920
<b>Net cash provided by operating activities</b>	<b>8,597</b>	<b>12,934</b>	<b>16,989</b>	<b>3,412</b>

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

	Year ended		Three months ended	
	December 31,		December 31,	
	2011	2010	2011	2010
	<u>Unaudited</u>		<u>Unaudited</u>	<u>Unaudited</u>
<b><u>Cash flows from investing activities:</u></b>				
Purchase of property and equipment	(8,948)	(7,638)	(2,844)	(2,182)
Proceeds from sale of an investment accounted for at cost	3,034	24,314	-	-
Investment in bank deposits	-	(30,693)	-	-
Proceeds from bank deposits	-	62,384	-	22,507
Purchase of available-for-sale marketable securities	-	(4,804)	-	-
Proceeds from available-for-sale marketable securities	-	4,888	-	4,888
Investment in restricted cash held by trustees	(11,737)	(12,346)	(5,417)	-
Proceeds from restricted cash held by trustees	10,660	13,673	6,213	2,963
Investment in restricted cash (including long-term)	(23,548)	(2,941)	(8,817)	(2,478)
Proceeds from restricted cash (including long-term)	23,014	1,339	6,045	5
Proceeds from working capital adjustment to subsidiary purchase price	1,465	-	-	-
Acquisitions of subsidiaries, net of cash acquired	(1,867)	(153,883)	-	(127,566)
Purchase of intangible asset	(38)	(2,515)	(12)	(15)
<b>Net cash used in investing activities</b>	<b><u>(7,965)</u></b>	<b><u>(108,222)</u></b>	<b><u>(4,832)</u></b>	<b><u>(101,878)</u></b>
<b><u>Cash flows from financing activities:</u></b>				
Repayment of convertible notes	(835)	(839)	(441)	-
Issuance of restricted stock units and exercise of stock options	27	39	7	6
Short-term bank credit, net	842	(946)	200	(1,173)
Proceeds from long-term loans	-	40,000	-	40,000
Repayment of long-term loans	(1,225)	(8,409)	(178)	(4,128)
<b>Net cash provided by (used in) financing activities</b>	<b><u>(1,191)</u></b>	<b><u>29,845</u></b>	<b><u>(412)</u></b>	<b><u>34,705</u></b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b><u>(448)</u></b>	<b><u>9</u></b>	<b><u>(9)</u></b>	<b><u>27</u></b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b><u>(1,007)</u></b>	<b><u>(65,434)</u></b>	<b><u>11,736</u></b>	<b><u>(63,734)</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b><u>57,238</u></b>	<b><u>122,672</u></b>	<b><u>44,495</u></b>	<b><u>120,972</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>56,231</u></b>	<b><u>57,238</u></b>	<b><u>56,231</u></b>	<b><u>57,238</u></b>

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

	<b>Year ended</b>		<b>Three months ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Operating loss	(12,336)	(6,173)	(15,191)	(4,142)
Add:				
Non-cash stock-based compensation expenses	2,009	1,726	475	432
Costs related to acquisition transactions	256	3,842	-	2,612
Impairment of goodwill and restructuring costs	19,478	-	19,478	-
Depreciation and amortization	24,121	14,794	6,070	4,855
<b>EBITDA</b>	<b>33,528</b>	<b>14,189</b>	<b>10,832</b>	<b>3,757</b>