

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

| | <u>December 31,</u> <u>2012</u> <u>Unaudited</u> | <u>December 31,</u> <u>2011</u> |
|--|--|------------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 66,968 | 56,231 |
| Short-term restricted cash | 3,794 | 7,034 |
| Restricted cash held by trustees | 1,664 | 1,549 |
| Trade receivables, net | 60,991 | 51,654 |
| Inventories | 24,973 | 31,933 |
| Other current assets | 29,140 | 25,767 |
| Total current assets | <u>187,530</u> | <u>174,168</u> |
| LONG-TERM INVESTMENTS AND RECEIVABLES: | | |
| Long-term restricted cash | 1,151 | 2,025 |
| Severance pay fund | 9,703 | 9,722 |
| Long-term trade receivables, receivables in respect of capital leases and other receivables | 19,781 | 20,219 |
| Total long-term investments and receivables | <u>30,635</u> | <u>31,966</u> |
| PROPERTY AND EQUIPMENT, NET | <u>94,727</u> | <u>100,926</u> |
| INTANGIBLE ASSETS, NET | <u>35,991</u> | <u>49,927</u> |
| GOODWILL | <u>65,760</u> | <u>89,691</u> |
| <u>TOTAL ASSETS</u> | <u><u>414,643</u></u> | <u><u>446,678</u></u> |

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CONDENSED CONSOLIDATED BALANCE SHEET
US dollars in thousands

| | <u>December 31,</u> <u>2012</u> <u>Unaudited</u> | <u>December 31,</u> <u>2011</u> |
|---|--|------------------------------------|
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term bank credit | 3,517 | 2,971 |
| Current maturities of long-term loans and convertible notes | 7,963 | 19,092 |
| Trade payables | 23,240 | 25,477 |
| Accrued expenses | 24,353 | 25,609 |
| Short-term advances from customer, held by trustees | 4,448 | 1,551 |
| Other current liabilities | 40,336 | 36,764 |
| Total current liabilities | <u>103,857</u> | <u>111,464</u> |
| LONG-TERM LIABILITIES: | | |
| Accrued severance pay | 9,513 | 9,445 |
| Long-term loans, net | 40,747 | 40,353 |
| Other long-term liabilities | 18,569 | 25,341 |
| Total long-term liabilities | <u>68,829</u> | <u>75,139</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| EQUITY: | | |
| Share capital - ordinary shares of NIS 0.2 par value | 1,909 | 1,882 |
| Additional paid in capital | 869,822 | 867,098 |
| Accumulated other comprehensive income | 2,864 | 541 |
| Accumulated deficit | (632,638) | (609,446) |
| Total equity | <u>241,957</u> | <u>260,075</u> |
| <u>TOTAL LIABILITIES AND EQUITY</u> | <u><u>414,643</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 December 31, 2012 | | | Three months ended December 31, 2011 | | |
|---|---|-----------------|---------------|---|-----------------|---------------|
| | GAAP | Adjustments (1) | Non-GAAP | GAAP | Adjustments (1) | Non-GAAP |
| | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |
| Revenues | 97,428 | - | 97,428 | 93,604 | - | 93,604 |
| Cost of revenues | 64,567 | (1,742) | 62,825 | 59,943 | (1,699) | 58,244 |
| Gross profit | 32,861 | 1,742 | 34,603 | 33,661 | 1,699 | 35,360 |
| | 34% | | 36% | 36% | | 38% |
| Research and development expenses: | | | | | | |
| Expenses incurred | 8,022 | (111) | 7,911 | 8,963 | (48) | 8,915 |
| Less - grants | 710 | - | 710 | 635 | - | 635 |
| | 7,312 | (111) | 7,201 | 8,328 | (48) | 8,280 |
| Selling and marketing expenses | 12,534 | (362) | 12,172 | 11,776 | (325) | 11,451 |
| General and administrative expenses | 8,961 | (354) | 8,607 | 9,270 | (263) | 9,007 |
| Impairment of goodwill and Intangible assets and restructuring costs | 32,194 | (32,194) | - | 19,478 | (19,478) | - |
| Operating income (loss) | (28,140) | 34,763 | 6,623 | (15,191) | 21,813 | 6,622 |
| Financial expenses, net | (215) | - | (215) | (113) | - | (113) |
| Other income | 2,729 | (2,729) | - | 1,863 | (1,863) | - |
| Income (loss) before taxes on income | (25,626) | 32,034 | 6,408 | (13,441) | 19,950 | 6,509 |
| Tax benefit | (1,324) | - | (1,324) | (1,911) | - | (1,911) |
| Net income (loss) | (24,302) | 32,034 | 7,732 | (11,530) | 19,950 | 8,420 |
| Basic net earnings (loss) per share | (0.58) | | 0.19 | (0.28) | | 0.20 |
| Diluted net earnings (loss) per share | (0.58) | | 0.18 | (0.28) | | 0.20 |
| Weighted average number of shares used in computing net earnings (loss) per share: | | | | | | |
| Basic | 41,603 | | 41,603 | 41,111 | | 41,111 |
| Diluted | 41,603 | | 43,556 | 41,111 | | 42,782 |

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

| | Three months ended December 31, 2012 | Three months ended December 31, 2011 |
|---|---|---|
| | Unaudited | Unaudited |
| Non-cash stock-based compensation expenses: | | |
| Cost of Revenues | 70 | 69 |
| Research and development | 111 | 48 |
| Selling and marketing | 132 | 95 |
| General and administrative | 354 | 263 |
| | 667 | 475 |
| Amortization of intangible assets related to acquisition transactions: | | |
| Cost of Revenues | 1,672 | 1,630 |
| Selling and marketing | 230 | 230 |
| | 1,902 | 1,860 |

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 December 31, 2012 | | | Year Ended December 31, 2011 | | |
|--|---------------------------------|-----------------|----------------|---------------------------------|-----------------|----------------|
| | GAAP | Adjustments (1) | Non-GAAP | GAAP | Adjustments (1) | Non-GAAP |
| | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |
| Revenues | 348,363 | - | 348,363 | 339,201 | - | 339,201 |
| Cost of revenues | 235,363 | (6,690) | 228,673 | 217,574 | (7,416) | 210,158 |
| Gross profit | 113,000 | 6,690 | 119,690 | 121,627 | 7,416 | 129,043 |
| | 32% | | 34% | 36% | | 38% |
| Research and development expenses: | | | | | | |
| Expenses incurred | 32,296 | (354) | 31,942 | 35,076 | (222) | 34,854 |
| Less - grants | 3,055 | - | 3,055 | 3,375 | - | 3,375 |
| | 29,241 | (354) | 28,887 | 31,701 | (222) | 31,479 |
| Selling and marketing expenses | 42,631 | (1,335) | 41,296 | 46,523 | (1,379) | 45,144 |
| General and administrative expenses | 34,075 | (1,374) | 32,701 | 36,005 | (1,058) | 34,947 |
| Costs related to acquisition transactions | - | - | - | 256 | (256) | - |
| Impairment of goodwill and intangible assets and restructuring costs | 32,194 | (32,194) | - | 19,478 | (19,478) | - |
| Operating income (loss) | (25,141) | 41,947 | 16,806 | (12,336) | 29,809 | 17,473 |
| Financial expenses, net | (2,642) | - | (2,642) | (1,931) | - | (1,931) |
| Other income | 2,729 | (2,729) | - | 8,074 | (8,074) | - |
| Income (loss) before taxes on income | (25,054) | 39,218 | 14,164 | (6,193) | 21,735 | 15,542 |
| Tax benefit | (1,862) | - | (1,862) | (343) | - | (343) |
| Net income (loss) | (23,192) | 39,218 | 16,026 | (5,850) | 21,735 | 15,885 |
| Basic net earnings (loss) per share | (0.56) | | 0.39 | (0.14) | | 0.39 |
| Diluted net earnings (loss) per share | (0.56) | | 0.37 | (0.14) | | 0.37 |
| Weighted average number of shares used in computing net earnings (loss) per share | | | | | | |
| Basic | 41,410 | | 41,410 | 40,929 | | 40,929 |
| Diluted | 41,410 | | 43,406 | 40,929 | | 42,889 |

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

| | Year Ended December 31, 2012 | Year Ended December 31, 2011 |
|---|---------------------------------|---------------------------------|
| | Unaudited | Unaudited |
| Non-cash stock-based compensation expenses: | | |
| Cost of Revenues | 300 | 295 |
| Research and development | 354 | 222 |
| Selling and marketing | 417 | 434 |
| General and administrative | 1,374 | 1,058 |
| | 2,445 | 2,009 |
| Amortization of intangible assets related to acquisition transactions: | | |
| Cost of Revenues | 6,390 | 7,121 |
| Selling and marketing | 918 | 945 |
| | 7,308 | 8,066 |

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, | |
| | 2012 | 2011 | 2012 | 2011 |
| | Unaudited | | Unaudited | Unaudited |
| Revenues | 348,363 | 339,201 | 97,428 | 93,604 |
| Cost of revenues | 235,363 | 217,574 | 64,567 | 59,943 |
| Gross profit | 113,000 | 121,627 | 32,861 | 33,661 |
| Research and development expenses: | | | | |
| Expenses incurred | 32,296 | 35,076 | 8,022 | 8,963 |
| Less - grants | 3,055 | 3,375 | 710 | 635 |
| | 29,241 | 31,701 | 7,312 | 8,328 |
| Selling and marketing expenses | 42,631 | 46,523 | 12,534 | 11,776 |
| General and administrative expenses | 34,075 | 36,005 | 8,961 | 9,270 |
| Costs related to acquisition transactions | - | 256 | - | - |
| Impairment of goodwill and Intangible assets and restructuring costs | 32,194 | 19,478 | 32,194 | 19,478 |
| Operating loss | (25,141) | (12,336) | (28,140) | (15,191) |
| Financial expenses, net | (2,642) | (1,931) | (215) | (113) |
| Other income | 2,729 | 8,074 | 2,729 | 1,863 |
| Loss before taxes on income | (25,054) | (6,193) | (25,626) | (13,441) |
| Tax benefit | (1,862) | (343) | (1,324) | (1,911) |
| Net loss | (23,192) | (5,850) | (24,302) | (11,530) |
| Basic net loss per share | (0.56) | (0.14) | (0.58) | (0.28) |
| Diluted net loss per share | (0.56) | (0.14) | (0.58) | (0.28) |
| Weighted average number of shares used in computing net loss per share | | | | |
| Basic | 41,410 | 40,929 | 41,603 | 41,111 |
| Diluted | 41,410 | 40,929 | 41,603 | 41,111 |

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

| | Year ended | | Three months ended | |
|---|---------------------|------------------|---------------------------|------------------|
| | December 31, | | December 31, | |
| | 2012 | 2011 | 2012 | 2011 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| <u>Cash flows from operating activities:</u> | | | | |
| Net loss | (23,192) | (5,850) | (24,302) | (11,530) |
| Adjustments required to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 22,582 | 24,121 | 5,991 | 6,070 |
| Impairment of goodwill and other intangible assets | 31,879 | 18,043 | 31,879 | 18,043 |
| Gain from the sale of an investment accounted for at cost | - | (3,034) | - | - |
| Stock-based compensation related to employees | 2,445 | 2,009 | 667 | 475 |
| Accrued severance pay, net | 88 | (285) | (150) | (21) |
| Accrued interest and exchange rate differences on short and long-term restricted cash, net | (209) | 500 | (114) | 269 |
| Exchange rate differences on long-term loans | 90 | (112) | 81 | (262) |
| Capital loss from disposal of property and equipment | 61 | 286 | 14 | 168 |
| Deferred income taxes | (3,657) | (428) | (2,578) | (1,589) |
| Decrease (increase) in trade receivables, net | (9,891) | 646 | 733 | 3,553 |
| Increase in other assets (including short-term, long-term and deferred charges) | (3,054) | (21,062) | (728) | (1,825) |
| Decrease (increase) in inventories | 4,969 | (4,889) | 2,522 | (1,194) |
| Increase (decrease) in trade payables | (2,176) | 7,066 | (3,009) | 3,912 |
| Increase (decrease) in accrued expenses | (1,265) | 11 | 1,366 | 575 |
| Increase (decrease) in advances from customer, held by trustees, net | 2,897 | 547 | (39) | (1,062) |
| Increase (decrease) in other accounts payable and other long term liabilities | 4 | (8,972) | 5,748 | 1,407 |
| Net cash generated from operating activities | 21,571 | 8,597 | 18,081 | 16,989 |

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

| | Year ended | | Three months ended | |
|---|----------------|----------------|--------------------|----------------|
| | December 31, | | December 31, | |
| | 2012 | 2011 | 2012 | 2011 |
| | Unaudited | | Unaudited | Unaudited |
| <u>Cash flows from investing activities:</u> | | | | |
| Purchase of property and equipment | (4,646) | (8,948) | (1,218) | (2,844) |
| Proceeds from sale of an investment accounted for at cost | - | 3,034 | - | - |
| Investment in restricted cash held by trustees | (35,442) | (11,737) | (6,741) | (5,417) |
| Proceeds from restricted cash held by trustees | 35,447 | 10,660 | 12,931 | 6,213 |
| Investment in restricted cash (including long-term) | (24,507) | (23,548) | (9,090) | (8,817) |
| Proceeds from restricted cash (including long-term) | 28,639 | 23,014 | 7,762 | 6,045 |
| Proceeds from working capital adjustment to subsidiary purchase price | - | 1,465 | - | - |
| Acquisitions of subsidiaries, net of cash acquired | - | (1,867) | - | - |
| Purchase of intangible asset | (89) | (38) | (7) | (12) |
| Net cash generated from (used in) investing activities | (598) | (7,965) | 3,637 | (4,832) |
| <u>Cash flows from financing activities:</u> | | | | |
| Repayment of convertible notes | (14,322) | (835) | (14,322) | (441) |
| Issuance of restricted stock units and exercise of stock options | 254 | 27 | 236 | 7 |
| Short-term bank credit, net | 546 | 842 | (644) | 200 |
| Proceeds from long-term loans | 10,000 | - | - | - |
| Repayment of long-term loans | (6,452) | (1,225) | (1,017) | (178) |
| Net cash used in financing activities | (9,974) | (1,191) | (15,747) | (412) |
| Effect of exchange rate changes on cash and cash equivalents | (262) | (448) | (29) | (9) |
| Increase (decrease) in cash and cash equivalents | 10,737 | (1,007) | 5,942 | 11,736 |
| Cash and cash equivalents at the beginning of the period | 56,231 | 57,238 | 61,026 | 44,495 |
| Cash and cash equivalents at the end of the period | 66,968 | 56,231 | 66,968 | 56,231 |

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

| | Year ended | | Three months ended | |
|--|---------------------|------------------|---------------------------|------------------|
| | December 31, | | December 31, | |
| | 2012 | 2011 | 2012 | 2011 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Operating loss | (25,141) | (12,336) | (28,140) | (15,191) |
| Add: | | | | |
| Non-cash stock-based compensation expenses | 2,445 | 2,009 | 667 | 475 |
| Costs related to acquisition transactions | - | 256 | - | - |
| Impairment of goodwill and Intangible assets and restructuring costs | 32,194 | 19,478 | 32,194 | 19,478 |
| Depreciation and amortization | 22,582 | 24,121 | 5,991 | 6,070 |
| EBITDA | 32,080 | 33,528 | 10,712 | 10,832 |