

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

	<u>March 31,</u> <u>2012</u> <u>Unaudited</u>	<u>December 31,</u> <u>2011</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	35,569	56,231
Short-term restricted cash	4,743	7,034
Restricted cash held by trustees	10,962	1,549
Trade receivables, net	59,730	51,654
Inventories	34,031	31,933
Other current assets	27,659	25,767
Total current assets	<u>172,694</u>	<u>174,168</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	1,955	2,025
Severance pay fund	9,897	9,722
Long-term trade receivables, receivables in respect of capital leases and other receivables	18,722	20,219
Total long-term investments and receivables	<u>30,574</u>	<u>31,966</u>
PROPERTY AND EQUIPMENT, NET	<u>99,536</u>	<u>100,926</u>
INTANGIBLE ASSETS AND DEFERRED CHARGES, NET	<u>47,946</u>	<u>49,927</u>
GOODWILL	<u>89,691</u>	<u>89,691</u>
<u>TOTAL ASSETS</u>	<u><u>440,441</u></u>	<u><u>446,678</u></u>

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CONDENSED CONSOLIDATED BALANCE SHEETS
US dollars in thousands

	<u>March 31,</u> <u>2012</u> <u>Unaudited</u>	<u>December 31,</u> <u>2011</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	2,555	2,971
Current maturities of long-term loans and convertible notes	19,088	19,092
Trade payables	23,305	25,477
Accrued expenses	21,704	25,609
Short-term advances from customer, held by trustees	7,206	1,551
Other current liabilities	37,920	36,764
Total current liabilities	<u>111,778</u>	<u>111,464</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	9,521	9,445
Long-term loans, net	36,268	40,353
Other long-term liabilities	24,445	25,341
Total long-term liabilities	<u>70,234</u>	<u>75,139</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	1,888	1,882
Additional paid in capital	867,597	867,100
Accumulated other comprehensive income	1,451	539
Accumulated deficit	(612,507)	(609,446)
Total equity	<u>258,429</u>	<u>260,075</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u><u>440,441</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 31 March 2012			Three months ended 31 March 2011		
	GAAP Unaudited	Adjustments (1) Unaudited	Non-GAAP Unaudited	GAAP Unaudited	Adjustments (1) Unaudited	Non-GAAP Unaudited
Revenues	76,607	-	76,607	80,027	-	80,027
Cost of revenues	52,318	(1,638)	50,680	50,967	(2,260)	48,707
Gross profit	24,289	1,638	25,927	29,060	2,260	31,320
	32%		34%	36%		39%
Research and development expenses:						
Expenses incurred	8,220	(54)	8,166	8,867	(55)	8,812
Less - grants	457	-	457	471	-	471
	<u>7,763</u>	<u>(54)</u>	<u>7,709</u>	<u>8,396</u>	<u>(55)</u>	<u>8,341</u>
Selling and marketing expenses	11,154	(314)	10,840	11,073	(328)	10,745
General and administrative expenses	7,952	(292)	7,660	8,656	(282)	8,374
Costs related to acquisition transactions	-	-	-	156	(156)	-
Operating income (loss)	(2,580)	2,298	(282)	779	3,081	3,860
Financial expenses, net	(458)	-	(458)	(676)	-	(676)
Other income	-	-	-	949	(949)	-
Income (loss) before taxes on income	(3,038)	2,298	(740)	1,052	2,132	3,184
Taxes on income	23	-	23	612	-	612
Net income (loss)	(3,061)	2,298	(763)	440	2,132	2,572
Basic net earnings (loss) per share	<u>(0.07)</u>		<u>(0.02)</u>	<u>0.01</u>		<u>0.06</u>
Diluted net earnings (loss) per share	<u>(0.07)</u>		<u>(0.02)</u>	<u>0.01</u>		<u>0.06</u>
Weighted average number of shares used in computing net earnings (loss) per share:						
Basic	<u>41,230</u>		<u>41,230</u>	<u>40,746</u>		<u>40,746</u>
Diluted	<u>41,230</u>		<u>41,230</u>	<u>42,136</u>		<u>43,012</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 31 March 2012	Three months ended 31 March 2011
Non-cash stock-based compensation expenses:		
Cost of Revenues	66	80
Research and development	54	55
Selling and marketing	85	94
General and administrative	292	282
	<u>497</u>	<u>511</u>
Amortization of intangible assets related to acquisition transactions:		
Cost of Revenues	1,572	2,180
Selling and marketing	229	234
	<u>1,801</u>	<u>2,414</u>

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

	Three months ended	
	March 31,	
	<u>2012</u>	<u>2011</u>
	<u>Unaudited</u>	<u>Unaudited</u>
Revenues	76,607	80,027
Cost of revenues	52,318	50,967
Gross profit	24,289	29,060
Research and development expenses:		
Expenses incurred	8,220	8,867
Less - grants	457	471
	<u>7,763</u>	<u>8,396</u>
Selling and marketing expenses	11,154	11,073
General and administrative expenses	7,952	8,656
Costs related to acquisition transactions	-	156
Operating income (loss)	(2,580)	779
Financial expenses, net	(458)	(676)
Other income	-	949
Income (loss) before taxes on income	(3,038)	1,052
Taxes on income	23	612
Net income (loss)	(3,061)	440
Basic net earnings (loss) per share	<u>(0.07)</u>	<u>0.01</u>
Diluted net earnings (loss) per share	<u>(0.07)</u>	<u>0.01</u>
Weighted average number of shares used in computing net earnings (loss) per share		
Basic	<u>41,230</u>	<u>40,746</u>
Diluted	<u>41,230</u>	<u>42,136</u>

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

	Three months ended	
	March 31,	
	2012	2011
	Unaudited	Unaudited
<u>Cash flows from operating activities:</u>		
Net income (loss)	(3,061)	440
Adjustments required to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,038	6,572
Stock-based compensation related to employees	497	511
Accrued severance pay, net	(99)	(63)
Accrued interest and exchange rate differences on short and long-term restricted cash, net	(247)	(20)
Exchange rate differences on long-term loans	160	402
Capital loss from disposal of property and equipment	(6)	25
Deferred income taxes	(178)	455
Decrease (increase) in trade receivables, net	(7,925)	825
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	270	(12,227)
Increase in inventories	(3,264)	(1,169)
Increase (decrease) in trade payables	(2,186)	870
Increase (decrease) in accrued expenses	(3,906)	312
Increase (decrease) in advances from customer, held by trustees, net	5,655	(1,004)
Increase in other accounts payable and other long term liabilities	962	2,341
Net cash used in operating activities	(8,290)	(1,730)

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

	Three months ended	
	March 31,	
	2012	2011
	Unaudited	Unaudited
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(1,035)	(1,876)
Investment in restricted cash held by trustees	(13,238)	-
Proceeds from restricted cash held by trustees	4,059	1,016
Investment in restricted cash (including long-term)	(5,749)	(11,076)
Proceeds from restricted cash (including long-term)	8,128	6,868
Purchase of intangible asset	(9)	(13)
Net cash used in investing activities	<u>(7,844)</u>	<u>(5,081)</u>
<u>Cash flows from financing activities:</u>		
Issuance of restricted stock units and exercise of stock options	6	6
Short-term bank credit, net	(417)	(942)
Repayment of long-term loans	(4,248)	(274)
Net cash used in financing activities	<u>(4,659)</u>	<u>(1,210)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>131</u>	<u>32</u>
Decrease in cash and cash equivalents	(20,662)	(7,989)
Cash and cash equivalents at the beginning of the period	<u>56,231</u>	<u>57,238</u>
Cash and cash equivalents at the end of the period	<u><u>35,569</u></u>	<u><u>49,249</u></u>

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

	Three months ended	
	March 31,	
	2012	2011
	Unaudited	Unaudited
Operating income (loss)	(2,580)	779
Add:		
Non-cash stock-based compensation expenses	497	511
Costs related to acquisition transactions	-	156
Deprecation and amortization	5,038	6,572
EBITDA	2,955	8,018