

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

	Year ended		Three months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	Unaudited	Audited	Unaudited	Unaudited
Revenues	\$ 279,551	\$ 197,543	\$ 80,345	\$ 67,682
Cost of revenues	204,061	143,318	56,147	47,181
Impairment of long lived assets	-	10,137	-	10,137
Gross profit	75,490	44,088	24,198	10,364
Research and development expenses	26,477	24,952	7,103	5,709
Less - grants	1,624	2,540	616	1,977
Research and development, net	24,853	22,412	6,487	3,732
Selling and marketing expenses	23,411	24,823	6,187	6,098
General and administrative expenses	26,471	18,644	5,036	3,418
Restructuring costs	-	1,508	-	522
Goodwill impairment	-	20,402	-	-
Total operating expenses	74,735	87,789	17,710	13,770
Operating income (loss)	755	(43,701)	6,488	(3,406)
Financial expenses, net	(4,843)	(7,243)	(1,668)	(1,393)
Income (loss) before taxes on income	(4,088)	(50,944)	4,820	(4,799)
Taxes on income	1,252	1,190	285	450
Income (loss) from continuing operations	(5,340)	(52,134)	4,535	(5,249)
Loss from discontinued operations	-	(200)	-	-
Income (loss)	\$ (5,340)	\$ (52,334)	\$ 4,535	\$ (5,249)
Income (loss) per share from continuing operations (basic and diluted)	(0.10)	(1.19)	0.08	(0.12)
Loss per share from discontinued operations (basic and diluted)	-	(0.00)	-	-
Income (loss) per share (basic and diluted)	\$ (0.10)	\$ (1.19)	\$ 0.08	\$ (0.12)
Weighted average number of shares used in computing income (loss) per share				
Basic	51,970,458	43,655,309	54,591,346	44,311,825
Diluted	51,970,458	43,655,309	54,615,092	44,311,825

GILAT SATELLITE NETWORKS LTD.
RECONCILIATION BETWEEN GAAP AND NON-GAAP STATEMENTS OF OPERATIONS
FOR COMPARATIVE PURPOSES

U.S. dollars in thousands (except share and per share data)

	Three months ended December 31, 2016			Three months ended December 31, 2015		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Gross profit	\$ 24,198	1,204	\$ 25,402	\$ 10,364	11,387	\$ 21,751
Operating expenses	17,710	(1,264)	16,446	13,770	(989)	12,781
Operating income (loss)	6,488	2,468	8,956	(3,406)	12,376	8,970
Income (loss) before taxes on income	4,820	2,468	7,288	(4,799)	12,376	7,577
Income (loss)	<u>\$ 4,535</u>	<u>2,468</u>	<u>\$ 7,003</u>	<u>\$ (5,249)</u>	<u>12,376</u>	<u>\$ 7,127</u>
Basic income (loss) per share	<u>\$ 0.08</u>	<u>0.05</u>	<u>\$ 0.13</u>	<u>\$ (0.12)</u>	<u>0.28</u>	<u>\$ 0.16</u>
Diluted income (loss) per share	<u>\$ 0.08</u>	<u>0.05</u>	<u>\$ 0.13</u>	<u>\$ (0.12)</u>	<u>0.28</u>	<u>\$ 0.16</u>
Weighted average number of shares used in computing income (loss) per share						
Basic	<u>54,591,346</u>		<u>54,591,346</u>	<u>44,311,825</u>		<u>44,311,825</u>
Diluted	<u>54,615,092</u>		<u>54,652,640</u>	<u>44,311,825</u>		<u>44,567,776</u>

(1) Adjustments reflect the effect of non-cash stock-based compensation as per ASC 718, amortization of intangible assets related to shares acquisition transactions, impairment of goodwill and long lived assets, trade secrets litigation expenses, restructuring costs and loss from discontinued operations.

	Three months ended December 31, 2016	Three months ended December 31, 2015
	Unaudited	Unaudited
GAAP income (loss)	\$ 4,535	\$ (5,249)
Gross profit		
Non-cash stock-based compensation expenses	9	52
Amortization of intangible assets related to acquisition transactions	1,195	1,198
Impairment of long lived assets	-	10,137
	<u>1,204</u>	<u>11,387</u>
Operating expenses		
Non-cash stock-based compensation expenses	207	184
Amortization of intangible assets related to acquisition transactions:	193	190
Trade secrets litigation expenses	864	93
Restructuring costs	-	522
	<u>1,264</u>	<u>989</u>
Non GAAP income	<u>\$ 7,003</u>	<u>\$ 7,127</u>

GILAT SATELLITE NETWORKS LTD.
RECONCILIATION BETWEEN GAAP AND NON-GAAP STATEMENTS OF OPERATIONS
FOR COMPARATIVE PURPOSES

U.S. dollars in thousands (except share and per share data)

	Year ended			Year ended		
	31 December 2016			31 December 2015		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Gross profit	\$ 75,490	4,817	\$ 80,307	\$ 44,088	15,146	\$ 59,234
Operating expenses	74,735	(6,091)	68,644	87,789	(25,200)	62,589
Operating income (loss)	755	10,908	11,663	(43,701)	40,346	(3,355)
Income (loss) before taxes on income	(4,088)	10,908	6,820	(50,944)	40,346	(10,598)
Income (loss) from continuing operations	(5,340)	10,908	5,568	(52,134)	40,346	(11,788)
Loss from discontinued operations	-	-	-	(200)	200	-
Income (loss)	<u>\$ (5,340)</u>	<u>10,908</u>	<u>\$ 5,568</u>	<u>\$ (52,334)</u>	<u>40,546</u>	<u>\$ (11,788)</u>
Income (loss) per share from continuing operations (basic and diluted)	(0.10)	0.21	0.11	(1.19)	0.92	(0.27)
Loss per share from discontinued operations (basic and diluted)	-	-	-	(0.00)	0.00	-
Income (loss) per share (basic and diluted)	<u>\$ (0.10)</u>	<u>0.21</u>	<u>\$ 0.11</u>	<u>\$ (1.19)</u>	<u>0.92</u>	<u>\$ (0.27)</u>

Weighted average number of shares used in computing net income (loss) per share

Basic	<u>51,970,458</u>	<u>51,970,458</u>	<u>43,655,309</u>	<u>43,655,309</u>
Diluted	<u>51,970,458</u>	<u>52,123,677</u>	<u>43,655,309</u>	<u>43,655,309</u>

(1) Adjustments reflect the effect of non-cash stock-based compensation as per ASC 718, amortization of intangible assets related to shares acquisition transactions, impairment of goodwill and long lived assets, trade secrets litigation expenses, restructuring costs and loss from discontinued operations.

	Year ended		Year ended	
	31 December 2016		31 December 2015	
	Unaudited		Unaudited	
GAAP loss	\$	(5,340)	\$	(52,334)
Gross profit				
Non-cash stock-based compensation expenses		41		217
Amortization of intangible assets related to acquisition transactions		4,776		4,792
Impairment of long lived assets		-		10,137
		<u>4,817</u>		<u>15,146</u>
Operating expenses				
Non-cash stock-based compensation expenses		867		1,684
Amortization of intangible assets related to acquisition transactions:		777		805
Goodwill impairment		-		20,402
Trade secrets litigation expenses		4,447		801
Restructuring costs		-		1,508
		<u>6,091</u>		<u>25,200</u>
Loss from discontinued operations		-		200
Non GAAP income (loss)	<u>\$</u>	<u>5,568</u>	<u>\$</u>	<u>(11,788)</u>

GILAT SATELLITE NETWORKS LTD.
CONDENSED ADJUSTED EBITDA
U.S. dollars in thousands

	Year ended		Three months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	Unaudited	Unaudited	Unaudited	Unaudited
GAAP operating income (loss)	\$ 755	\$ (43,701)	\$ 6,488	\$ (3,406)
Add:				
Non-cash stock-based compensation expenses	908	1,901	216	236
Restructuring costs	-	1,508	-	522
Impairment of goodwill and long lived assets	-	30,539	-	10,137
Trade secrets litigation expenses	4,447	801	864	93
Depreciation and amortization	13,108	15,072	3,277	3,613
Adjusted EBITDA	\$ 19,218	\$ 6,120	\$ 10,845	\$ 11,195

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

	<u>December 31,</u> <u>2016</u> <u>Unaudited</u>	<u>December 31,</u> <u>2015</u> <u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 40,133	\$ 18,435
Restricted cash	62,229	100,779
Restricted cash held by trustees	9,058	8,524
Trade receivables, net	89,377	50,984
Inventories	21,469	25,358
Other current assets	17,017	16,223
Total current assets	<u>239,283</u>	<u>220,303</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	213	179
Severance pay funds	7,791	7,545
Other long term receivables	223	221
Total long-term investments and receivables	<u>8,227</u>	<u>7,945</u>
PROPERTY AND EQUIPMENT, NET	<u>80,837</u>	<u>81,963</u>
INTANGIBLE ASSETS, NET	<u>11,383</u>	<u>17,154</u>
GOODWILL	<u>43,468</u>	<u>43,468</u>
<u>TOTAL ASSETS</u>	<u>\$ 383,198</u>	<u>\$ 370,833</u>

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

	<u>December 31,</u> <u>2016</u> <u>Unaudited</u>	<u>December 31,</u> <u>2015</u> <u>Audited</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit and loans	\$ -	\$ 7,000
Current maturities of long-term loans	4,617	4,542
Trade payables	29,625	17,210
Accrued expenses	53,429	23,481
Advances from customers	29,751	82,813
Advances from customers, held by trustees	7,498	8,515
Other current liabilities	21,754	16,213
Total current liabilities	<u>146,674</u>	<u>159,774</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	7,485	7,506
Long-term loans, net of current maturities	16,932	21,493
Other long-term liabilities	2,281	3,978
Total long-term liabilities	<u>26,698</u>	<u>32,977</u>
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	2,593	2,048
Additional paid-in capital	920,162	884,126
Accumulated other comprehensive loss	(3,224)	(3,727)
Accumulated deficit	(709,705)	(704,365)
Total equity	<u>209,826</u>	<u>178,082</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$ 383,198</u>	<u>\$ 370,833</u>

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

	Year ended		Three months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	Unaudited	Unaudited	Unaudited	Unaudited
<u>Cash flows from continuing operations</u>				
<u>Cash Flows from Operating Activities:</u>				
Net Income (Loss)	\$ (5,340)	\$ (52,334)	\$ 4,535	\$ (5,249)
Loss from discontinued operations	-	200	-	-
Net income (loss) from continuing operations	(5,340)	(52,134)	4,535	(5,249)
Adjustments required to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and Amortization	13,108	15,072	3,277	3,613
Goodwill impairment	-	20,402	-	-
Impairment of long lived assets	-	10,137	-	10,137
Capital loss from disposal of property and equipment	(88)	82	-	-
Stock-Based Compensation	908	1,901	216	236
Accrued severance pay, net	(267)	(111)	(65)	163
Accrued interest and exchange rate differences on short and long-term restricted cash, net	(1,382)	842	72	635
Exchange rate differences on long-term loans	(43)	(288)	(99)	(67)
Deferred income taxes, net	4	1	(1)	(10)
Decrease (increase) in trade receivables, net	(37,586)	4,553	(47,695)	(12,177)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	(3,386)	998	(4,593)	97
Decrease (increase) in inventories	2,221	(2,821)	1,356	2,090
Decrease (Increase) in restricted cash directly related to operating activities, net	48,519	(87,004)	12,991	(34,268)
Increase (decrease) in trade payables	12,454	(5,133)	8,607	2,514
Increase in accrued expenses	30,149	2,935	4,135	3,444
Increase (decrease) in advance from customers	(53,081)	79,884	13,561	24,268
Increase (decrease) in advances from customers, held by trustees	922	(2,243)	1,950	6,168
Increase (decrease) in other current liabilities and other long term liabilities	3,666	(1,860)	2,036	(1,454)
Net cash provided by (used in) operating activities	10,778	(14,787)	283	140
<u>Cash Flows from Investing Activities:</u>				
Purchase of property and equipment	(4,307)	(3,930)	(1,485)	(821)
Investment in restricted cash held by trustees	(16,200)	(16,634)	(5,275)	(10,525)
Proceeds from restricted cash held by trustees	16,498	21,501	3,025	2,852
Investment in restricted cash (including long-term)	(17,001)	(22,717)	(9,751)	(306)
Proceeds from restricted cash (including long-term)	7,441	34,120	-	1,561
Net cash provided by (used in) investing activities	(13,569)	12,340	(13,486)	(7,239)
<u>Cash flows from financing activities:</u>				
Capital lease payments	(307)	(609)	-	(201)
Issuance of shares in a rights offering	35,095	-	-	-
Issuance of restricted stock units and exercise of stock options	576	5,683	49	88
Payment of obligation related to the purchase of intangible assets	-	(500)	-	-
Short term bank credit, net	(7,000)	(5,897)	-	(2,086)
Repayment of long-term loans	(4,443)	(4,544)	(27)	(135)
Net cash provided by (used in) financing activities	23,921	(5,867)	22	(2,334)
Effect of exchange rate changes on cash and cash equivalents	568	(977)	(125)	145
Increase (decrease) in cash and cash equivalents	21,698	(9,291)	(13,306)	(9,288)
Cash and Cash Equivalents at the Beginning of the Period	18,435	27,726	53,439	27,723
Cash and Cash Equivalents at the End of the Period	\$ 40,133	\$ 18,435	\$ 40,133	\$ 18,435