

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

	Three months ended	
	March 31,	
	2017	2016
	Unaudited	
Revenues	\$ 63,931	\$ 52,665
Cost of revenues	46,590	40,267
Gross profit	17,341	12,398
Research and development expenses	6,755	5,888
Less - grants	47	86
Research and development, net	6,708	5,802
Selling and marketing expenses	5,795	5,123
General and administrative expenses	4,820	4,438
Total operating expenses	17,323	15,363
Operating income (loss)	18	(2,965)
Financial expenses, net	(804)	(743)
Loss before taxes on income	(786)	(3,708)
Taxes on income (tax benefit)	(2)	318
Loss	\$ (784)	\$ (4,026)
Loss per share (basic and diluted)	\$ (0.01)	\$ (0.09)
Weighted average number of shares used in computing loss per share (basic and diluted)	54,623,685	44,382,379

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 March 31, 2017			Three months ended March 31, 2016		
	GAAP	Adjustments (1) Unaudited	Non-GAAP	GAAP	Adjustments (1) Unaudited	Non-GAAP
Gross profit	\$ 17,341	1,205	\$ 18,546	\$ 12,398	1,184	\$ 13,582
Operating expenses	17,323	(1,236)	16,087	15,363	(631)	14,732
Operating income (loss)	18	2,441	2,459	(2,965)	1,815	(1,150)
Income (loss) before taxes on income	(786)	2,441	1,655	(3,708)	1,815	(1,893)
Income (loss)	<u>\$ (784)</u>	<u>2,441</u>	<u>\$ 1,657</u>	<u>\$ (4,026)</u>	<u>1,815</u>	<u>\$ (2,211)</u>
Income (loss) per share (basic and diluted)	<u>\$ (0.01)</u>	<u>0.04</u>	<u>\$ 0.03</u>	<u>\$ (0.09)</u>	<u>0.04</u>	<u>\$ (0.05)</u>
Weighted average number of shares used in computing income (loss) per share						
Basic	<u>54,623,685</u>		<u>54,623,685</u>	<u>44,382,379</u>		<u>44,382,379</u>
Diluted	<u>54,623,685</u>		<u>54,836,436</u>	<u>44,382,379</u>		<u>44,382,379</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 and trade secrets litigation expenses.

	Three months ended March 31, 2017		Three months ended March 31, 2016	
	Unaudited		Unaudited	
GAAP loss	\$	(784)	\$	(4,026)
Gross profit				
Non-cash stock-based compensation expenses (income)		10		(11)
Amortization of intangible assets related to acquisition transactions		<u>1,195</u>		<u>1,195</u>
		1,205		1,184
Operating expenses				
Non-cash stock-based compensation expenses		194		212
Amortization of intangible assets related to acquisition transactions		194		193
Trade secrets litigation expenses		<u>848</u>		<u>226</u>
		1,236		631
Non GAAP income (loss)	<u>\$</u>	<u>1,657</u>	<u>\$</u>	<u>(2,211)</u>

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

	Three months ended	
	March 31,	
	2017	2016
	Unaudited	
GAAP operating income (loss)	\$ 18	\$ (2,965)
Add:		
Non-cash stock-based compensation expenses	204	201
Trade secrets litigation expenses	848	226
Depreciation and amortization	3,165	3,301
Adjusted EBITDA	\$ 4,235	\$ 763

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

	<u>March 31,</u> <u>2017</u> <u>Unaudited</u>	<u>December 31,</u> <u>2016</u> <u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 65,076	\$ 40,133
Restricted cash	23,817	62,229
Restricted cash held by trustees	4,081	9,058
Trade receivables, net	96,360	89,377
Inventories	24,634	21,469
Other current assets	20,996	17,017
Total current assets	<u>234,964</u>	<u>239,283</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Severance pay funds	8,228	7,791
Other long term receivables	402	436
Total long-term investments and receivables	<u>8,630</u>	<u>8,227</u>
PROPERTY AND EQUIPMENT, NET	<u>80,408</u>	<u>80,837</u>
INTANGIBLE ASSETS, NET	<u>9,940</u>	<u>11,383</u>
GOODWILL	<u>43,468</u>	<u>43,468</u>
<u>TOTAL ASSETS</u>	<u><u>\$ 377,410</u></u>	<u><u>\$ 383,198</u></u>

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

	<u>March 31,</u> <u>2017</u> <u>Unaudited</u>	<u>December 31,</u> <u>2016</u> <u>Audited</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term loans	4,493	4,617
Trade payables	29,317	29,625
Accrued expenses	61,025	53,429
Advances from customers and deferred revenues	32,147	37,659
Advances from customers, held by trustees	3,334	7,498
Other current liabilities	14,368	13,846
Total current liabilities	<u>144,684</u>	<u>146,674</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	7,860	7,485
Long-term loans, net of current maturities	12,840	16,932
Other long-term liabilities	1,768	2,281
Total long-term liabilities	<u>22,468</u>	<u>26,698</u>
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	2,596	2,593
Additional paid-in capital	920,687	920,162
Accumulated other comprehensive loss	(2,481)	(3,224)
Accumulated deficit	(710,544)	(709,705)
Total equity	<u>210,258</u>	<u>209,826</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u><u>\$ 377,410</u></u>	<u><u>\$ 383,198</u></u>

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

	Three months ended	
	March 31,	
	2017	2016
	Unaudited	
<u>Cash flows from operating activities:</u>		
Loss	\$ (784)	\$ (4,026)
Adjustments required to reconcile loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,165	3,301
Stock-based compensation of options and RSU's	204	201
Accrued severance pay, net	(61)	(123)
Accrued interest and exchange rate differences on short and long-term restricted cash, net	(141)	(409)
Exchange rate differences on long-term loans	25	90
Deferred income taxes, net	(16)	-
Increase in trade receivables, net	(6,955)	(1,394)
Increase in other assets (including short-term, long-term and deferred charges)	(3,254)	(2,154)
Increase in inventories	(3,312)	(2,685)
Decrease in restricted cash directly related to operating activities, net	37,879	6,304
Increase (decrease) in trade payables	(392)	4,089
Increase in accrued expenses	7,493	7,408
Decrease in advances from customers	(3,098)	(11,823)
Decrease in advances from customers, held by trustees	(4,412)	(4,063)
Increase (decrease) in other current liabilities and other long term liabilities	(2,338)	1,221
Net cash provided by (used in) operating activities	\$ 24,003	\$ (4,063)

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

	Three months ended	
	March 31,	
	2017	2016
	Unaudited	
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	\$ (1,212)	\$ (1,104)
Proceeds from restricted cash held by trustees	5,356	3,675
Investment in restricted cash (including long-term)	(28)	(179)
Proceeds from restricted cash (including long-term)	670	7,347
Net cash provided by investing activities	4,786	9,739
<u>Cash flows from financing activities:</u>		
Capital lease payments	-	(51)
Issuance of shares in a rights offering	-	15,243
Issuance of restricted stock units and exercise of stock options	266	336
Short term bank credit, net	-	(2,750)
Repayment of long-term loans	(4,241)	(4,139)
Net cash provided by (used in) financing activities	(3,975)	8,639
Effect of exchange rate changes on cash and cash equivalents	129	410
Increase in cash and cash equivalents	24,943	14,725
Cash and cash equivalents at the beginning of the period	40,133	18,435
Cash and cash equivalents at the end of the period	\$ 65,076	\$ 33,160