

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	Unaudited		Unaudited	
Revenues	\$ 130,168	\$ 120,563	\$ 66,237	\$ 67,898
Cost of revenues	93,258	92,984	46,668	52,717
Gross profit	36,910	27,579	19,569	15,181
Research and development expenses	13,467	12,593	6,712	6,705
Less - grants	523	638	476	552
Research and development, net	12,944	11,955	6,236	6,153
Selling and marketing expenses	11,350	10,976	5,555	5,853
General and administrative expenses	10,723	10,152	5,903	5,714
Total operating expenses	35,017	33,083	17,694	17,720
Operating income (loss)	1,893	(5,504)	1,875	(2,539)
Financial expenses, net	(2,046)	(1,603)	(1,242)	(860)
Income (loss) before taxes on income	(153)	(7,107)	633	(3,399)
Taxes on income (tax benefit)	(1,501)	569	(1,499)	251
Net income (loss)	\$ 1,348	\$ (7,676)	\$ 2,132	\$ (3,650)
Earnings (loss) per share (basic and diluted)	\$ 0.02	\$ (0.16)	\$ 0.04	\$ (0.07)
Weighted average number of shares used in computing earnings (loss) per share				
Basic	54,649,863	49,383,450	54,676,042	54,384,521
Diluted	54,690,930	49,383,450	54,701,316	54,384,521

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)

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited			Unaudited		
Gross profit	\$ 36,910	2,410	\$ 39,320	\$ 27,579	2,409	\$ 29,988
Operating expenses	35,017	(2,285)	32,732	33,083	(2,470)	30,613
Operating income (loss)	1,893	4,695	6,588	(5,504)	4,879	(625)
Income (loss) before taxes on income	(153)	4,932	4,779	(7,107)	4,879	(2,228)
Net income (loss)	<u>\$ 1,348</u>	<u>4,932</u>	<u>\$ 6,280</u>	<u>\$ (7,676)</u>	<u>4,879</u>	<u>\$ (2,797)</u>
Income (loss) per share (basic and diluted)	<u>\$ 0.02</u>	<u>0.09</u>	<u>\$ 0.11</u>	<u>\$ (0.16)</u>	<u>0.10</u>	<u>\$ (0.06)</u>
Weighted average number of shares used in computing net income (loss) per share						
Basic	<u>54,649,863</u>	<u>54,649,863</u>	<u>49,383,450</u>	<u>49,383,450</u>	<u>49,383,450</u>	<u>49,383,450</u>
Diluted	<u>54,690,930</u>	<u>54,785,783</u>	<u>49,383,450</u>	<u>49,383,450</u>	<u>49,383,450</u>	<u>49,383,450</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, trade secrets litigation expenses and tax expenses under amnesty program.

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Unaudited		Unaudited	
GAAP net income (loss)	\$	1,348	\$	(7,676)
Gross profit				
Non-cash stock-based compensation expenses		22		21
Amortization of intangible assets related to acquisition transactions		2,388		2,388
		<u>2,410</u>		<u>2,409</u>
Operating expenses				
Non-cash stock-based compensation expenses		396		482
Amortization of intangible assets related to acquisition transactions:		388		388
Trade secrets litigation expenses		873		1,600
Tax expenses under amnesty program		628		-
		<u>2,285</u>		<u>2,470</u>
Finance and taxes on income				
Tax expenses under amnesty program		237		-
Non GAAP income (loss)	<u>\$</u>	<u>6,280</u>	<u>\$</u>	<u>(2,797)</u>

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	Unaudited		Unaudited	
GAAP operating income (loss)	\$ 1,893	\$ (5,504)	\$ 1,875	\$ (2,539)
Add:				
Non-cash stock-based compensation expenses	418	503	214	302
Trade secrets litigation expenses	873	1,600	25	1,374
Tax expenses under amnesty program	628	-	628	-
Depreciation and amortization	6,304	6,525	3,139	3,224
Adjusted EBITDA	\$ 10,116	\$ 3,124	\$ 5,881	\$ 2,361

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

	<u>June 30,</u> <u>2017</u> <u>Unaudited</u>	<u>December 31,</u> <u>2016</u> <u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 78,831	\$ 40,133
Restricted cash	24,379	62,229
Restricted cash held by trustees	6,110	9,058
Trade receivables, net	84,219	89,377
Inventories	24,471	21,469
Other current assets	24,371	17,017
Total current assets	<u>242,381</u>	<u>239,283</u>
LONG-TERM INVESTMENTS:		
Severance pay funds	8,346	7,791
Other long term receivables	394	436
Total long-term investments and receivables	<u>8,740</u>	<u>8,227</u>
PROPERTY AND EQUIPMENT, NET	<u>80,048</u>	<u>80,837</u>
INTANGIBLE ASSETS, NET	<u>8,497</u>	<u>11,383</u>
GOODWILL	<u>43,468</u>	<u>43,468</u>
<u>TOTAL ASSETS</u>	<u>\$ 383,134</u>	<u>\$ 383,198</u>

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

	<u>June 30,</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	4,496	4,617
Trade payables	30,197	29,625
Accrued expenses	64,648	53,429
Advances from customers and deferred revenues	29,294	37,659
Advances from customers, held by trustees	4,188	7,498
Other current liabilities	16,228	13,846
Total current liabilities	<u>149,051</u>	<u>146,674</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	8,146	7,485
Long-term loans, net of current maturities	12,782	16,932
Other long-term liabilities	494	2,281
Total long-term liabilities	<u>21,422</u>	<u>26,698</u>
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	2,598	2,593
Additional paid-in capital	921,123	920,162
Accumulated other comprehensive loss	(2,648)	(3,224)
Accumulated deficit	(708,412)	(709,705)
Total equity	<u>212,661</u>	<u>209,826</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$ 383,134</u>	<u>\$ 383,198</u>

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	Unaudited		Unaudited	
<u>Cash flows from operating activities:</u>				
Net income (loss)	\$ 1,348	\$ (7,676)	\$ 2,132	\$ (3,650)
Adjustments required to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	6,304	6,525	3,139	3,224
Stock-based compensation of options and RSU's	418	503	214	302
Accrued severance pay, net	106	(97)	167	26
Accrued interest and exchange rate differences on short and long-term restricted cash, net	10	(1,560)	151	(1,151)
Exchange rate differences on long-term loans	113	48	88	(42)
Deferred income taxes, net	(159)	-	(143)	-
Decrease in trade receivables, net	5,048	3,994	12,003	5,388
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	(6,519)	(1,072)	(3,265)	1,082
Decrease (increase) in inventories	(3,558)	(2,459)	(246)	226
Decrease in restricted cash directly related to operating activities, net	37,979	21,574	100	15,270
Increase (decrease) in trade payables	537	3,192	929	(897)
Increase in accrued expenses	11,418	14,483	3,925	7,075
Decrease in advances from customers	(5,710)	(36,285)	(2,612)	(24,462)
Increase (decrease) in advances from customers, held by trustees	(3,342)	(2,012)	1,070	2,051
Increase (decrease) in other current liabilities and other long term liabilities	(1,904)	697	434	(524)
Net cash provided by (used in) operating activities	42,089	(145)	18,086	3,918
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(2,173)	(2,032)	(961)	(928)
Investment in restricted cash held by trustees	(5,309)	(5,428)	(5,309)	(5,428)
Proceeds from restricted cash held by trustees	8,000	8,158	2,644	4,483
Investment in restricted cash (including long-term)	(646)	(186)	(621)	(7)
Proceeds from restricted cash (including long-term)	667	7,426	-	79
Net cash provided by (used in) investing activities	539	7,938	(4,247)	(1,801)
<u>Cash flows from financing activities:</u>				
Capital lease payments	-	(307)	-	(256)
Issuance of shares in a rights offering	-	35,095	-	19,852
Issuance of restricted stock units and exercise of stock options	493	346	227	10
Short term bank credit, net	-	(7,000)	-	(4,250)
Repayment of long-term loans	(4,383)	(4,277)	(142)	(138)
Net cash provided by (used in) financing activities	(3,890)	23,857	85	15,218
Effect of exchange rate changes on cash and cash equivalents	(40)	675	(169)	265
Increase in cash and cash equivalents	38,698	32,325	13,755	17,600
Cash and cash equivalents at the beginning of the period	40,133	18,435	65,076	33,160
Cash and cash equivalents at the end of the period	\$ 78,831	\$ 50,760	\$ 78,831	\$ 50,760