

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

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	<u>Unaudited</u>		<u>Unaudited</u>	
Revenues	\$ 200,104	\$ 199,206	\$ 69,936	\$ 78,643
Cost of revenues	142,845	147,914	49,587	54,930
<b>Gross profit</b>	<b>57,259</b>	<b>51,292</b>	<b>20,349</b>	<b>23,713</b>
Research and development expenses	20,648	19,374	7,181	6,781
Less - grants	820	1,008	297	370
Research and development expenses, net	19,828	18,366	6,884	6,411
Selling and marketing expenses	17,187	17,224	5,837	6,248
General and administrative expenses	15,026	21,435	4,303	11,283
<b>Total operating expenses</b>	<b>52,041</b>	<b>57,025</b>	<b>17,024</b>	<b>23,942</b>
<b>Operating income (loss)</b>	<b>5,218</b>	<b>(5,733)</b>	<b>3,325</b>	<b>(229)</b>
Financial expenses, net	(3,169)	(3,175)	(1,123)	(1,572)
<b>Income (loss) before taxes on income</b>	<b>2,049</b>	<b>(8,908)</b>	<b>2,202</b>	<b>(1,801)</b>
Taxes on income (tax benefit)	(1,349)	967	152	398
<b>Net income (loss)</b>	<b>\$ 3,398</b>	<b>\$ (9,875)</b>	<b>\$ 2,050</b>	<b>\$ (2,199)</b>
<b>Earnings (loss) per share (basic and diluted)</b>	<b>\$ 0.06</b>	<b>\$ (0.19)</b>	<b>\$ 0.04</b>	<b>\$ (0.04)</b>
<b>Weighted average number of shares used in computing earnings (loss) per share</b>				
Basic	<u>54,667,795</u>	<u>51,096,829</u>	<u>54,703,658</u>	<u>54,523,585</u>
Diluted	<u>54,723,315</u>	<u>51,096,829</u>	<u>54,788,086</u>	<u>54,523,585</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)

	Three months ended September 30, 2017			Three months ended September 30, 2016		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited			Unaudited		
Gross profit	\$ 20,349	1,210	\$ 21,559	\$ 23,713	1,204	\$ 24,917
Operating expenses	17,024	(357)	16,667	23,942	(2,357)	21,585
Operating income (loss)	3,325	1,567	4,892	(229)	3,561	3,332
Income (loss) before taxes on income	2,202	1,567	3,769	(1,801)	3,561	1,760
Net income (loss)	<u>\$ 2,050</u>	<u>1,567</u>	<u>\$ 3,617</u>	<u>\$ (2,199)</u>	<u>3,561</u>	<u>\$ 1,362</u>
Earnings (loss) per share (basic and diluted)	<u>\$ 0.04</u>	<u>0.03</u>	<u>\$ 0.07</u>	<u>\$ (0.04)</u>	<u>0.06</u>	<u>\$ 0.02</u>
Weighted average number of shares used in computing earnings (loss) per share						
Basic	<u>54,703,658</u>		<u>54,703,658</u>	<u>54,523,585</u>		<u>54,523,585</u>
Diluted	<u>54,788,086</u>		<u>54,979,360</u>	<u>54,523,585</u>		<u>54,614,252</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 September 30, 2017	Three months ended September 30, 2016
	Unaudited	Unaudited
GAAP net income (loss)	\$ 2,050	\$ (2,199)
Gross profit		
Non-cash stock-based compensation expenses	15	9
Amortization of intangible assets related to acquisition transactions	<u>1,195</u>	<u>1,195</u>
	<u>1,210</u>	<u>1,204</u>
Operating expenses		
Non-cash stock-based compensation expenses	193	180
Amortization of intangible assets related to acquisition transactions	164	194
Trade secrets litigation expenses	<u>-</u>	<u>1,983</u>
	<u>357</u>	<u>2,357</u>
Non-GAAP income	<u>\$ 3,617</u>	<u>\$ 1,362</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)

	Nine months ended September 30, 2017			Nine months ended September 30, 2016		
	GAAP	Adjustments (1) Unaudited	Non-GAAP	GAAP	Adjustments (1) Unaudited	Non-GAAP
Gross profit	\$ 57,259	3,620	\$ 60,879	\$ 51,292	3,614	\$ 54,906
Operating expenses	52,041	(2,642)	49,399	57,025	(4,826)	52,199
Operating income (loss)	5,218	6,262	11,480	(5,733)	8,440	2,707
Income (loss) before taxes on income	2,049	6,499	8,548	(8,908)	8,440	(468)
Net income (loss)	<u>\$ 3,398</u>	<u>6,499</u>	<u>\$ 9,897</u>	<u>\$ (9,875)</u>	<u>8,440</u>	<u>\$ (1,435)</u>
Earnings (loss) per share (basic and diluted)	<u>\$ 0.06</u>	<u>0.12</u>	<u>\$ 0.18</u>	<u>\$ (0.19)</u>	<u>0.16</u>	<u>\$ (0.03)</u>
Weighted average number of shares used in computing earnings (loss) per share						
Basic	<u>54,667,795</u>		<u>54,667,795</u>	<u>51,096,829</u>		<u>51,096,829</u>
Diluted	<u>54,723,315</u>		<u>54,850,309</u>	<u>51,096,829</u>		<u>51,096,829</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.

	Nine months ended 30 September 2017 Unaudited	Nine months ended 30 September 2016 Unaudited
GAAP net income (loss)	\$ 3,398	\$ (9,875)
Gross profit		
Non-cash stock-based compensation expenses	38	32
Amortization of intangible assets related to acquisition transactions	<u>3,582</u>	<u>3,582</u>
	<u>3,620</u>	<u>3,614</u>
Operating expenses		
Non-cash stock-based compensation expenses	588	660
Amortization of intangible assets related to acquisition transactions:	553	583
Trade secrets litigation expenses	873	3,583
Tax expenses under amnesty program	<u>628</u>	<u>-</u>
	<u>2,642</u>	<u>4,826</u>
Finance and taxes on income		
Tax expenses under amnesty program	<u>237</u>	<u>-</u>
Non-GAAP income (loss)	<u>\$ 9,897</u>	<u>\$ (1,435)</u>

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

	<b>Nine months ended</b>		<b>Three months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Unaudited</b>		<b>Unaudited</b>	
GAAP operating income (loss)	\$ 5,218	\$ (5,733)	\$ 3,325	\$ (229)
Add:				
Non-cash stock-based compensation expenses	626	692	208	189
Trade secrets litigation expenses	873	3,583	-	1,983
Tax expenses under amnesty program expenses	628	-	-	-
Depreciation and amortization	9,884	9,831	3,580	3,306
<b>Adjusted EBITDA</b>	<b>\$ 17,229</b>	<b>\$ 8,373</b>	<b>\$ 7,113</b>	<b>\$ 5,249</b>

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

	<u>September 30,</u> <u>2017</u> <u>Unaudited</u>	<u>December 31,</u> <u>2016</u> <u>Audited</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 77,234	\$ 40,133
Restricted cash	24,275	62,229
Restricted cash held by trustees	6,503	9,058
Trade receivables, net	86,517	89,377
Inventories	29,921	21,469
Other current assets	21,211	17,017
<b>Total current assets</b>	<u>245,661</u>	<u>239,283</u>
<b>LONG-TERM INVESTMENTS:</b>		
Severance pay funds	8,074	7,791
Other long term receivables	400	436
<b>Total long-term investments</b>	<u>8,474</u>	<u>8,227</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>79,307</u>	<u>80,837</u>
<b>INTANGIBLE ASSETS, NET</b>	<u>7,084</u>	<u>11,383</u>
<b>GOODWILL</b>	<u>43,468</u>	<u>43,468</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 383,994</u>	<u>\$ 383,198</u>

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

	<u>September 30,</u> <u>2017</u> <u>Unaudited</u>	<u>December 31,</u> <u>2016</u> <u>Audited</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term loans	\$ 4,482	\$ 4,617
Trade payables	28,611	29,625
Accrued expenses	68,082	53,429
Advances from customers and deferred revenues	25,768	37,659
Advances from customers, held by trustees	5,349	7,498
Other current liabilities	16,587	13,846
<b>Total current liabilities</b>	<u>148,879</u>	<u>146,674</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued severance pay	7,896	7,485
Long-term loans, net of current maturities	12,690	16,932
Other long-term liabilities	19	2,281
<b>Total long-term liabilities</b>	<u>20,605</u>	<u>26,698</u>
<b>EQUITY:</b>		
Share capital - ordinary shares of NIS 0.2 par value	2,599	2,593
Additional paid-in capital	921,405	920,162
Accumulated other comprehensive loss	(3,132)	(3,224)
Accumulated deficit	(706,362)	(709,705)
<b>Total equity</b>	<u>214,510</u>	<u>209,826</u>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<u>\$ 383,994</u>	<u>\$ 383,198</u>

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

	<b>Nine months ended</b>		<b>Three months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Unaudited</b>		<b>Unaudited</b>	
<b><u>Cash flows from operating activities:</u></b>				
Net income (loss)	\$ 3,398	\$ (9,875)	\$ 2,050	\$ (2,199)
<b>Adjustments required to reconcile net income (loss) to net cash provided by (used in) operating activities:</b>				
Depreciation and amortization	9,884	9,831	3,580	3,306
Stock-based compensation of options and RSU's	626	692	208	189
Accrued severance pay, net	129	(202)	23	(105)
Accrued interest and exchange rate differences on short and long-term restricted cash, net	(104)	(1,454)	(114)	106
Exchange rate differences on long-term loans	151	56	38	8
Deferred income taxes, net	(300)	5	(141)	5
Decrease (increase) in trade receivables, net	2,833	10,109	(2,215)	6,115
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	(3,629)	1,119	2,890	2,191
Decrease (increase) in inventories	(9,229)	865	(5,671)	3,324
Decrease in restricted cash directly related to operating activities, net	38,123	28,482	144	6,908
Increase (decrease) in trade payables	(1,082)	3,847	(1,619)	655
Increase in accrued expenses	14,655	26,014	3,237	11,531
Decrease in advances from customers	(11,714)	(66,642)	(6,004)	(30,357)
Increase (decrease) in advances from customers, held by trustees	(2,340)	(1,028)	1,002	984
Increase in other current liabilities and other long term liabilities	357	1,630	2,261	933
<b>Net cash provided by (used in) operating activities</b>	<b>41,758</b>	<b>3,449</b>	<b>(331)</b>	<b>3,594</b>
<b><u>Cash flows from investing activities:</u></b>				
Purchase of property and equipment	(3,409)	(2,822)	(1,236)	(790)
Investment in restricted cash held by trustees	(10,802)	(10,925)	(5,493)	(5,497)
Proceeds from restricted cash held by trustees	13,388	13,473	5,388	5,315
Investment in restricted cash (including long-term)	(656)	(204)	(10)	(18)
Proceeds from restricted cash (including long-term)	671	7,441	4	15
<b>Net cash provided by (used in) investing activities</b>	<b>(808)</b>	<b>6,963</b>	<b>(1,347)</b>	<b>(975)</b>
<b><u>Cash flows from financing activities:</u></b>				
Capital lease payments	-	(307)	-	-
Issuance of shares in a rights offering	-	35,095	-	-
Issuance of restricted stock units and exercise of stock options	569	527	76	181
Short term bank credit, net	-	(7,000)	-	-
Repayment of long-term loans	(4,528)	(4,416)	(145)	(139)
<b>Net cash provided by (used in) financing activities</b>	<b>(3,959)</b>	<b>23,899</b>	<b>(69)</b>	<b>42</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>110</b>	<b>693</b>	<b>150</b>	<b>18</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>37,101</b>	<b>35,004</b>	<b>(1,597)</b>	<b>2,679</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>40,133</b>	<b>18,435</b>	<b>78,831</b>	<b>50,760</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 77,234</b>	<b>\$ 53,439</b>	<b>\$ 77,234</b>	<b>\$ 53,439</b>