

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

	<b>Twelve months ended</b>		<b>Three months ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	
Revenues	\$ 282,756	\$ 279,551	\$ 82,652	\$ 80,345
Cost of revenues	200,261	204,061	57,416	56,147
<b>Gross profit</b>	<b>82,495</b>	<b>75,490</b>	<b>25,236</b>	<b>24,198</b>
Research and development expenses	29,433	26,477	8,785	7,103
Less - grants	1,419	1,624	599	616
Research and development expenses, net	28,014	24,853	8,186	6,487
Selling and marketing expenses	23,759	23,411	6,572	6,187
General and administrative expenses	19,861	26,471	4,835	5,036
<b>Total operating expenses</b>	<b>71,634</b>	<b>74,735</b>	<b>19,593</b>	<b>17,710</b>
<b>Operating income</b>	<b>10,861</b>	<b>755</b>	<b>5,643</b>	<b>6,488</b>
Financial expenses, net	(4,307)	(4,843)	(1,138)	(1,668)
<b>Income (loss) before taxes on income</b>	<b>6,554</b>	<b>(4,088)</b>	<b>4,505</b>	<b>4,820</b>
Taxes on income (tax benefit)	(247)	1,252	1,102	285
<b>Net income (loss)</b>	<b>\$ 6,801</b>	<b>\$ (5,340)</b>	<b>\$ 3,403</b>	<b>\$ 4,535</b>
<b>Earnings (loss) per share (basic and diluted)</b>	<b>\$ 0.12</b>	<b>\$ (0.10)</b>	<b>\$ 0.06</b>	<b>\$ 0.08</b>
<b>Weighted average number of shares used in computing earnings (loss) per share</b>				
Basic	<b>54,680,822</b>	<b>51,970,458</b>	<b>54,719,903</b>	<b>54,591,346</b>
Diluted	<b>54,851,967</b>	<b>51,970,458</b>	<b>55,237,923</b>	<b>54,615,092</b>

**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, 2017			Three months ended December 31, 2016		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited			Unaudited		
Gross profit	\$ 25,236	1,212	\$ 26,448	\$ 24,198	1,204	\$ 25,402
Operating expenses	19,593	(160)	19,433	17,710	(1,264)	16,446
Operating income	5,643	1,372	7,015	6,488	2,468	8,956
Income before taxes on income	4,505	1,318	5,823	4,820	2,468	7,288
Net income	<u>\$ 3,403</u>	<u>1,318</u>	<u>\$ 4,721</u>	<u>\$ 4,535</u>	<u>2,468</u>	<u>\$ 7,003</u>
Earnings per share (basic and diluted)	<u>\$ 0.06</u>	<u>0.03</u>	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>0.05</u>	<u>\$ 0.13</u>
Weighted average number of shares used in computing earnings per share						
Basic	<u>54,719,903</u>		<u>54,719,903</u>	<u>54,591,346</u>		<u>54,591,346</u>
Diluted	<u>55,237,923</u>		<u>55,507,634</u>	<u>54,615,092</u>		<u>54,652,640</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 benefit under amnesty program.

	Three months ended December 31, 2017	Three months ended December 31, 2016
	Unaudited	Unaudited
GAAP net income	\$ 3,403	\$ 4,535
Gross profit		
Non-cash stock-based compensation expenses	17	9
Amortization of intangible assets related to acquisition transactions	1,195	1,195
	<u>1,212</u>	<u>1,204</u>
Operating expenses		
Non-cash stock-based compensation expenses	213	207
Amortization of intangible assets related to acquisition transactions	125	193
Trade secrets litigation expenses	-	864
Tax benefit under amnesty program	(178)	-
	<u>160</u>	<u>1,264</u>
Finance and taxes on income	(54)	-
Non-GAAP net income	<u>\$ 4,721</u>	<u>\$ 7,003</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)**

	Twelve months ended December 31, 2017			Twelve months ended December 31, 2016		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited			Unaudited		
Gross profit	\$ 82,495	4,832	\$ 87,327	\$ 75,490	4,817	\$ 80,307
Operating expenses	71,634	(2,802)	68,832	74,735	(6,091)	68,644
Operating income	10,861	7,634	18,495	755	10,908	11,663
Income (loss) before taxes on income	6,554	7,817	14,371	(4,088)	10,908	6,820
Net income (loss)	<u>\$ 6,801</u>	<u>\$ 7,817</u>	<u>\$ 14,618</u>	<u>\$ (5,340)</u>	<u>\$ 10,908</u>	<u>\$ 5,568</u>
Earnings (loss) per share (basic and diluted)	<u>\$ 0.12</u>	<u>0.15</u>	<u>\$ 0.27</u>	<u>\$ (0.10)</u>	<u>0.21</u>	<u>\$ 0.11</u>
Weighted average number of shares used in computing earnings (loss) per share						
Basic	<u>54,680,822</u>		<u>54,680,822</u>	<u>51,970,458</u>		<u>51,970,458</u>
Diluted	<u>54,851,967</u>		<u>55,014,640</u>	<u>51,970,458</u>		<u>52,123,677</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.

	Twelve months ended 31 December 2017	Twelve months ended 31 December 2016
	Unaudited	Unaudited
GAAP net income (loss)	\$ 6,801	\$ (5,340)
Gross profit		
Non-cash stock-based compensation expenses	56	41
Amortization of intangible assets related to acquisition transactions	4,776	4,776
	<u>4,832</u>	<u>4,817</u>
Operating expenses		
Non-cash stock-based compensation expenses	800	867
Amortization of intangible assets related to acquisition transactions	679	777
Trade secrets litigation expenses	873	4,447
Tax expenses under amnesty program	450	-
	<u>2,802</u>	<u>6,091</u>
Finance and taxes on income	183	-
Non-GAAP net income	<u>\$ 14,618</u>	<u>\$ 5,568</u>

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

	<b>Twelve months ended</b>		<b>Three months ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Unaudited</b>		<b>Unaudited</b>	
GAAP operating income	\$ 10,861	\$ 755	\$ 5,643	\$ 6,488
Add (deduct):				
Non-cash stock-based compensation expenses	856	908	230	216
Trade secrets litigation expenses	873	4,447	-	864
Tax expenses (benefit) under amnesty program	450	-	(178)	-
Depreciation and amortization	13,140	13,108	3,256	3,277
<b>Adjusted EBITDA</b>	<b>\$ 26,180</b>	<b>\$ 19,218</b>	<b>\$ 8,951</b>	<b>\$ 10,845</b>

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

	<u>December 31,</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	\$ 52,957	\$ 40,133
Restricted cash	29,288	62,229
Restricted cash held by trustees	4,325	9,058
Trade receivables, net	108,842	89,377
Inventories	28,853	21,469
Other current assets	21,970	17,017
<b>Total current assets</b>	<u>246,235</u>	<u>239,283</u>
<b>LONG-TERM INVESTMENTS:</b>		
Severance pay funds	8,188	7,791
Other long term receivables	974	436
<b>Total long-term investments</b>	<u>9,162</u>	<u>8,227</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>82,246</u>	<u>80,837</u>
<b>INTANGIBLE ASSETS, NET</b>	<u>5,709</u>	<u>11,383</u>
<b>GOODWILL</b>	<u>43,468</u>	<u>43,468</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 386,820</u>	<u>\$ 383,198</u>

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

	<u>December 31,</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	\$ 4,479	\$ 4,617
Trade payables	33,715	29,625
Accrued expenses	70,534	53,429
Advances from customers and deferred revenues	16,721	37,659
Advances from customers, held by trustees	1,416	7,498
Other current liabilities	20,044	13,846
<b>Total current liabilities</b>	<u>146,909</u>	<u>146,674</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued severance pay	7,999	7,485
Long-term loans, net of current maturities	12,582	16,932
Other long-term liabilities	1,008	2,281
<b>Total long-term liabilities</b>	<u>21,589</u>	<u>26,698</u>
<b>EQUITY:</b>		
Share capital - ordinary shares of NIS 0.2 par value	2,601	2,593
Additional paid-in capital	921,726	920,162
Accumulated other comprehensive loss	(3,046)	(3,224)
Accumulated deficit	(702,959)	(709,705)
<b>Total equity</b>	<u>218,322</u>	<u>209,826</u>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<u>\$ 386,820</u>	<u>\$ 383,198</u>

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

	Twelve months ended		Three months ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<b><u>Cash flows from operating activities:</u></b>				
Net income (loss)	\$ 6,801	\$ (5,340)	\$ 3,403	\$ 4,535
<b>Adjustments required to reconcile net income (loss) to net cash provided by (used in) operating activities:</b>				
Depreciation and amortization	13,140	13,108	3,256	3,277
Stock-based compensation of options and RSU's	856	908	230	216
Accrued severance pay, net	118	(267)	(11)	(65)
Accrued interest and exchange rate differences on short and long-term restricted cash, net	(239)	(442)	(135)	1,012
Exchange rate differences on long-term loans	186	(43)	35	(99)
Deferred income taxes, net	189	4	489	(1)
Increase in trade receivables, net	(19,588)	(37,586)	(22,421)	(47,695)
Increase in other assets (including short-term, long-term and deferred charges)	(4,029)	(3,474)	(400)	(4,593)
Decrease (increase) in inventories	(10,763)	2,221	(1,534)	1,356
Decrease in restricted cash directly related to operating activities, net	38,123	48,519	-	12,991
Increase in trade payables	4,087	12,454	5,169	8,607
Increase in accrued expenses	14,898	30,149	243	4,135
Increase (decrease) in advances from customers	(18,959)	(53,081)	(7,245)	13,561
Increase (decrease) in advances from customers, held by trustees	(6,185)	(18)	(3,845)	1,010
Increase in other current liabilities and other long term liabilities	2,165	3,666	1,808	2,036
<b>Net cash provided by (used in) operating activities</b>	<b><u>20,800</u></b>	<b><u>10,778</u></b>	<b><u>(20,958)</u></b>	<b><u>283</u></b>
<b><u>Cash flows from investing activities:</u></b>				
Purchase of property and equipment	(3,692)	(4,307)	(283)	(1,485)
Investment in restricted cash held by trustees	(14,218)	(16,200)	(3,416)	(5,275)
Proceeds from restricted cash held by trustees	18,974	16,498	5,586	3,025
Investment in restricted cash (including long-term)	(5,700)	(17,001)	(5,044)	(9,751)
Proceeds from restricted cash (including long-term)	661	7,441	(10)	-
<b>Net cash used in investing activities</b>	<b><u>(3,975)</u></b>	<b><u>(13,569)</u></b>	<b><u>(3,167)</u></b>	<b><u>(13,486)</u></b>
<b><u>Cash flows from financing activities:</u></b>				
Capital lease payments	-	(309)	-	(2)
Issuance of shares in a rights offering	-	35,085	-	(12)
Issuance of restricted stock units and exercise of stock options	661	588	92	63
Short term bank credit, net	-	(7,000)	-	-
Repayment of long-term loans	(4,673)	(4,443)	(145)	(27)
<b>Net cash provided by (used in) financing activities</b>	<b><u>(4,012)</u></b>	<b><u>23,921</u></b>	<b><u>(53)</u></b>	<b><u>22</u></b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b><u>11</u></b>	<b><u>568</u></b>	<b><u>(99)</u></b>	<b><u>(125)</u></b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b><u>12,824</u></b>	<b><u>21,698</u></b>	<b><u>(24,277)</u></b>	<b><u>(13,306)</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b><u>40,133</u></b>	<b><u>18,435</u></b>	<b><u>77,234</u></b>	<b><u>53,439</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>\$ 52,957</u></b>	<b><u>\$ 40,133</u></b>	<b><u>\$ 52,957</u></b>	<b><u>\$ 40,133</u></b>