

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

	Three months ended	
	March 31,	
	2018	2017
	Unaudited	Unaudited
Revenues	\$ 67,374	\$ 63,931
Cost of revenues	45,987	46,590
Gross profit	21,387	17,341
Research and development expenses	8,446	6,755
Less - grants	467	47
Research and development expenses, net	7,979	6,708
Selling and marketing expenses	5,413	5,795
General and administrative expenses	4,335	4,820
Total operating expenses	17,727	17,323
Operating income	3,660	18
Financial expenses, net	(583)	(804)
Income (loss) before taxes on income	3,077	(786)
Taxes on income (tax benefit)	766	(2)
Net income (loss)	\$ 2,311	\$ (784)
Earnings (loss) per share (basic and diluted)	\$ 0.04	\$ (0.01)
Weighted average number of shares used in computing earnings (loss) per share		
Basic	54,765,456	54,623,685
Diluted	55,590,362	54,623,685

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			Three months ended		
	March 31, 2018			March 31, 2017		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited			Unaudited		
Gross profit	\$ 21,387	1,200	\$ 22,587	\$ 17,341	1,205	\$ 18,546
Operating expenses	17,727	(263)	17,464	17,323	(1,236)	16,087
Operating income	3,660	1,463	5,123	18	2,441	2,459
Income (loss) before taxes on income	3,077	1,463	4,540	(786)	2,441	1,655
Net income (loss)	\$ 2,311	1,463	\$ 3,774	\$ (784)	2,441	\$ 1,657
Earnings (loss) per share (basic and diluted)	\$ 0.04	\$ 0.03	\$ 0.07	\$ (0.01)	\$ 0.04	\$ 0.03
Weighted average number of shares used in computing earnings (loss) per share						
Basic	54,765,456		54,765,456	54,623,685		54,623,685
Diluted	55,590,362		55,816,038	54,623,685		54,836,436

(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		Three months ended	
	March 31, 2018		March 31, 2017	
	Unaudited		Unaudited	
GAAP net income (loss)	\$	2,311	\$	(784)
Gross profit				
Non-cash stock-based compensation expenses		6		10
Amortization of intangible assets related to acquisition transactions		1,194		1,195
		<u>1,200</u>		<u>1,205</u>
Operating expenses				
Non-cash stock-based compensation expenses		212		194
Amortization of intangible assets related to acquisition transactions		51		194
Trade secrets litigation expenses		-		848
		<u>263</u>		<u>1,236</u>
Non-GAAP net income	\$	<u>3,774</u>	\$	<u>1,657</u>

GILAT SATELLITE NETWORKS LTD.
SUPPLEMENTAL INFORMATION
U.S. dollars in thousands

ADJUSTED EBITDA:

	Three months ended	
	March 31,	
	2018	2017
	Unaudited	
GAAP operating income	\$ 3,660	\$ 18
Add:		
Non-cash stock-based compensation expenses	218	204
Trade secrets litigation expenses	-	848
Depreciation and amortization	3,650	3,165
Adjusted EBITDA	\$ 7,528	\$ 4,235

SEGMENT REVENUE:

	Three months ended	
	March 31,	
	2018	2017
	Unaudited	
Fixed Networks	\$ 37,614	\$ 26,872
Mobility Solutions	20,758	14,904
Terrestrial Infrastructure Projects	9,002	22,155
Total revenue	\$ 67,374	\$ 63,931

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

	<u>March 31,</u> <u>2018</u> <u>Unaudited</u>	<u>December 31,</u> <u>2017</u> <u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 78,929	\$ 52,957
Restricted cash	27,122	29,288
Restricted cash held by trustees	251	4,325
Trade receivables, net	73,654	108,842
Inventories	29,502	28,853
Other current assets	22,049	21,686
Total current assets	<u>231,507</u>	<u>245,951</u>
LONG-TERM INVESTMENTS:		
Severance pay funds	7,746	8,188
Other long term receivables	1,643	1,258
Total long-term investments	<u>9,389</u>	<u>9,446</u>
PROPERTY AND EQUIPMENT, NET	<u>82,523</u>	<u>82,246</u>
INTANGIBLE ASSETS, NET	<u>4,409</u>	<u>5,709</u>
GOODWILL	<u>43,468</u>	<u>43,468</u>
<u>TOTAL ASSETS</u>	<u>\$ 371,296</u>	<u>\$ 386,820</u>

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

	<u>March 31,</u> <u>2018</u> <u>Unaudited</u>	<u>December 31,</u> <u>2017</u> <u>Audited</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term loans	\$ 4,616	\$ 4,479
Trade payables	25,632	33,715
Accrued expenses	67,847	70,534
Advances from customers and deferred revenues	14,066	16,721
Advances from customers, held by trustees	-	1,416
Other current liabilities	19,575	20,044
Total current liabilities	<u>131,736</u>	<u>146,909</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	7,645	7,999
Long-term loans, net of current maturities	8,475	12,582
Other long-term liabilities	1,008	1,008
Total long-term liabilities	<u>17,128</u>	<u>21,589</u>
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	2,604	2,601
Additional paid-in capital	922,244	921,726
Accumulated other comprehensive loss	(3,289)	(3,046)
Accumulated deficit	(699,127)	(702,959)
Total equity	<u>222,432</u>	<u>218,322</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$ 371,296</u>	<u>\$ 386,820</u>

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

	Three months ended	
	March 31,	
	2018	2017
	Unaudited	Unaudited
<u>Cash flows from operating activities:</u>		
Net income (loss)	\$ 2,311	\$ (784)
Adjustments required to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,650	3,165
Stock-based compensation of options and RSU's	218	204
Accrued severance pay, net	88	(61)
Exchange rate differences on long-term loans	30	25
Deferred income taxes, net	12	(16)
Decrease (increase) in trade receivables, net	35,509	(6,955)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	714	(3,250)
Increase in inventories	(1,445)	(3,312)
Decrease in trade payables	(8,272)	(392)
Increase (decrease) in accrued expenses	(2,007)	7,493
Decrease in advances from customers	(4,902)	(3,098)
Decrease in advances from customers, held by trustees	(1,478)	(4,412)
Increase (decrease) in other current liabilities and other long term liabilities	1,564	(2,338)
Net cash provided by (used in) operating activities	<u>25,992</u>	<u>(13,731)</u>
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(2,861)	(1,212)
Net cash used in investing activities	<u>(2,861)</u>	<u>(1,212)</u>
<u>Cash flows from financing activities:</u>		
Issuance of restricted stock units and exercise of stock options	306	266
Repayment of long-term loans	(4,000)	(4,241)
Net cash used in financing activities	<u>(3,694)</u>	<u>(3,975)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>296</u>	<u>428</u>
Increase (decrease) in cash, cash equivalents and restricted cash	19,733	(18,490)
Cash, cash equivalents and restricted cash at the beginning of the period	<u>86,757</u>	<u>111,633</u>
Cash, cash equivalents and restricted cash at the end of the period	<u>\$ 106,490</u>	<u>\$ 93,143</u>

(*) In November 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash", which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for annual and interim periods beginning after December 15, 2017. The Company adopted this standard during the first quarter of 2018 using the retrospective transition method, as required by the new standard.

The following table provides a reconciliation of cash and cash equivalents, and long term restricted cash reported within the consolidated balance sheets that sum to the total of such amounts in the consolidated statements of cash flows:

	Three months ended	
	March 31,	
	2018	2017
	Unaudited	Unaudited
Cash and cash equivalents	\$ 78,929	\$ 65,076
Restricted cash	27,122	23,817
Restricted cash held by trustees	251	4,081
Long term restricted cash included in other assets	188	169
Cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	<u>\$ 106,490</u>	<u>\$ 93,143</u>