

GILAT SATELLITE NETWORKS LTD.
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,	
	2018	2017	2018	2017
	Unaudited		Unaudited	
Revenues	\$ 133,882	\$ 130,168	\$ 66,508	\$ 66,237
Cost of revenues	90,053	93,258	44,066	46,668
Gross profit	43,829	36,910	22,442	19,569
Research and development expenses	16,730	13,467	8,284	6,712
Less - grants	810	523	343	476
Research and development expenses, net	15,920	12,944	7,941	6,236
Selling and marketing expenses	11,716	11,350	6,303	5,555
General and administrative expenses	8,389	10,723	4,054	5,903
Total operating expenses	36,025	35,017	18,298	17,694
Operating income	7,804	1,893	4,144	1,875
Financial expenses, net	(2,188)	(2,046)	(1,605)	(1,242)
Income (loss) before taxes on income	5,616	(153)	2,539	633
Taxes on income (tax benefit)	1,154	(1,501)	388	(1,499)
Net income	\$ 4,462	\$ 1,348	\$ 2,151	\$ 2,132
Earnings per share (basic and diluted)	\$ 0.08	\$ 0.02	\$ 0.04	\$ 0.04
Weighted average number of shares used in computing earnings per share				
Basic	54,811,893	54,649,863	54,858,330	54,676,042
Diluted	55,614,782	54,690,930	55,639,202	54,701,316

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 June 30, 2018			Three months ended June 30, 2017		
	GAAP	Adjustments (1) Unaudited	Non-GAAP	GAAP	Adjustments (1) Unaudited	Non-GAAP
Gross profit	\$ 22,442	1,230	\$ 23,672	\$ 19,569	1,205	\$ 20,774
Operating expenses	18,298	(288)	18,010	17,694	(1,049)	16,645
Operating income	4,144	1,518	5,662	1,875	2,254	4,129
Income before taxes on income	2,539	1,518	4,057	633	2,491	3,124
Net income	<u>\$ 2,151</u>	<u>1,518</u>	<u>\$ 3,669</u>	<u>\$ 2,132</u>	<u>2,491</u>	<u>\$ 4,623</u>
Earnings per share (basic and diluted)	<u>\$ 0.04</u>	<u>\$ 0.03</u>	<u>\$ 0.07</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.08</u>
Weighted average number of shares used in computing earnings per share						
Basic	<u>54,858,330</u>		<u>54,858,330</u>	<u>54,676,042</u>		<u>54,676,042</u>
Diluted	<u>55,639,202</u>		<u>55,854,231</u>	<u>54,701,316</u>		<u>54,735,130</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.

	Three months ended June 30, 2018	Three months ended June 30, 2017
	Unaudited	Unaudited
GAAP net income	\$ 2,151	\$ 2,132
Gross profit		
Non-cash stock-based compensation expenses	36	11
Amortization of intangible assets related to acquisition transactions	1,194	1,194
	<u>1,230</u>	<u>1,205</u>
Operating expenses		
Non-cash stock-based compensation expenses	238	203
Amortization of intangible assets related to acquisition transactions	50	193
Trade secrets litigation expenses	-	25
Tax expenses under amnesty program	-	628
	<u>288</u>	<u>1,049</u>
Finance and taxes on income under amnesty program	-	237
Non-GAAP net income	<u>\$ 3,669</u>	<u>\$ 4,623</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)

	Six months ended June 30, 2018			Six months ended June 30, 2017		
	GAAP	Adjustments (1) Unaudited	Non-GAAP	GAAP	Adjustments (1) Unaudited	Non-GAAP
Gross profit	\$ 43,829	2,430	\$ 46,259	\$ 36,910	2,410	\$ 39,320
Operating expenses	36,025	(551)	35,474	35,017	(2,285)	32,732
Operating income	7,804	2,981	10,785	1,893	4,695	6,588
Income (loss) before taxes on income	5,616	2,981	8,597	(153)	4,932	4,779
Net income	\$ 4,462	2,981	\$ 7,443	\$ 1,348	4,932	\$ 6,280
Basic income per share	\$ 0.08	\$ 0.06	\$ 0.14	\$ 0.02	\$ 0.09	\$ 0.11
Diluted income per share	\$ 0.08	\$ 0.05	\$ 0.13	\$ 0.02	\$ 0.09	\$ 0.11
Weighted average number of shares used in computing earnings per share						
Basic	54,811,893		54,811,893	54,649,863		54,649,863
Diluted	55,614,782		55,835,134	54,690,930		54,785,783

(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 June 30, 2018 Unaudited	Six months ended June 30, 2017 Unaudited
GAAP net income	\$ 4,462	\$ 1,348
Gross profit		
Non-cash stock-based compensation expenses	42	22
Amortization of intangible assets related to acquisition transactions	2,388	2,388
	<u>2,430</u>	<u>2,410</u>
Operating expenses		
Non-cash stock-based compensation expenses	450	396
Amortization of intangible assets related to acquisition transactions	101	388
Trade secrets litigation expenses	-	873
Tax expenses under amnesty program	-	628
	<u>551</u>	<u>2,285</u>
Finance and taxes on income under amnesty program	-	237
Non-GAAP net income	\$ 7,443	\$ 6,280

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

ADJUSTED EBITDA:

	Six months ended		Three months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	Unaudited		Unaudited	
GAAP operating income	\$ 7,804	\$ 1,893	\$ 4,144	\$ 1,875
Add:				
Non-cash stock-based compensation expenses	492	418	274	214
Trade secrets litigation expenses	-	873	-	25
Tax expenses under amnesty program	-	628	-	628
Depreciation and amortization	7,322	6,304	3,672	3,139
Adjusted EBITDA	\$ 15,618	\$ 10,116	\$ 8,090	\$ 5,881

SEGMENT REVENUE:

	Six months ended		Three months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	Unaudited		Unaudited	
Fixed Networks	\$ 73,843	\$ 51,801	\$ 36,228	\$ 24,928
Mobility Solutions	45,778	36,909	25,021	22,005
Terrestrial Infrastructure Projects	14,261	41,458	5,259	19,304
Total revenue	\$ 133,882	\$ 130,168	\$ 66,508	\$ 66,237

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

	<u>June 30,</u> <u>2018</u> <u>Unaudited</u>	<u>December 31,</u> <u>2017</u> <u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 57,010	\$ 52,957
Restricted cash	32,295	29,288
Restricted cash held by trustees	6,334	4,325
Trade receivables, net	78,995	108,842
Inventories	27,380	28,853
Other current assets	31,856	21,686
Total current assets	<u>233,870</u>	<u>245,951</u>
LONG-TERM INVESTMENTS:		
Long-term restricted cash	153	187
Severance pay funds	7,264	8,188
Other long term receivables	1,447	1,071
Total long-term investments	<u>8,864</u>	<u>9,446</u>
PROPERTY AND EQUIPMENT, NET	<u>82,498</u>	<u>82,246</u>
INTANGIBLE ASSETS, NET	<u>3,110</u>	<u>5,709</u>
GOODWILL	<u>43,468</u>	<u>43,468</u>
<u>TOTAL ASSETS</u>	<u>\$ 371,810</u>	<u>\$ 386,820</u>

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

	<u>June 30,</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	\$ 4,466	\$ 4,479
Trade payables	22,013	33,715
Accrued expenses	67,606	70,534
Advances from customers and deferred revenues	15,210	16,721
Advances from customers, held by trustees	-	1,416
Other current liabilities	22,955	20,044
Total current liabilities	<u>132,250</u>	<u>146,909</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	7,122	7,999
Long-term loans, net of current maturities	8,333	12,582
Other long-term liabilities	962	1,008
Total long-term liabilities	<u>16,417</u>	<u>21,589</u>
EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	2,610	2,601
Additional paid-in capital	922,778	921,726
Accumulated other comprehensive loss	(5,269)	(3,046)
Accumulated deficit	(696,976)	(702,959)
Total equity	<u>223,143</u>	<u>218,322</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$ 371,810</u>	<u>\$ 386,820</u>

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	Unaudited		Unaudited	
Cash flows from operating activities:				
Net income	\$ 4,462	\$ 1,348	\$ 2,151	\$ 2,132
Adjustments required to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	7,322	6,304	3,672	3,139
Stock-based compensation of options and RSU's	492	418	274	214
Accrued severance pay, net	47	106	(41)	167
Exchange rate differences on long-term loans	(13)	113	(43)	88
Deferred income taxes, net	(29)	(159)	(41)	(143)
Decrease (increase) in trade receivables, net	29,469	5,048	(6,040)	12,003
Increase in other assets (including short-term, long-term and deferred charges)	(9,151)	(6,590)	(9,865)	(3,340)
Decrease (increase) in inventories	332	(3,558)	1,777	(246)
Increase (decrease) in trade payables	(11,634)	537	(3,362)	929
Increase (decrease) in accrued expenses	(1,980)	11,418	27	3,925
Decrease in advances from customers	(4,980)	(5,710)	(78)	(2,612)
Increase (decrease) in advances from customers, held by trustees	(1,478)	(3,342)	-	1,070
Increase (decrease) in other current liabilities and other long term liabilities	5,575	(1,905)	4,011	433
Net cash provided by (used in) operating activities	18,434	4,028	(7,558)	17,759
Cash flows from investing activities:				
Purchase of property and equipment	(5,014)	(2,172)	(2,153)	(960)
Net cash used in investing activities	(5,014)	(2,172)	(2,153)	(960)
Cash flows from financing activities:				
Issuance of restricted stock units and exercise of stock options	573	493	267	227
Repayment of long-term loans	(4,249)	(4,383)	(249)	(142)
Net cash provided by (used in) financing activities	(3,676)	(3,890)	18	85
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(709)	(109)	(1,005)	(537)
Increase (decrease) in cash, cash equivalents and restricted cash	9,035	(2,143)	(10,698)	16,347
Cash, cash equivalents and restricted cash at the beginning of the period	86,757	111,633	106,490	93,143
Cash, cash equivalents and restricted cash at the end of the period	\$ 95,792	\$ 109,490	\$ 95,792	\$ 109,490

(*) 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, restricted cash, restricted cash held by trustees 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:

	June 30,	
	2018	2017
	Unaudited	
Cash and cash equivalents	\$ 57,010	\$ 78,831
Restricted cash	32,295	24,379
Restricted cash held by trustees	6,334	6,110
Long term restricted cash included in other assets	153	170
Cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	\$ 95,792	\$ 109,490