

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

| | Nine months ended September 30, | | Three months ended September 30, | |
|---|------------------------------------|-------------------|-------------------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | Unaudited | | Unaudited | |
| Revenues | \$ 196,662 | \$ 200,104 | \$ 62,780 | \$ 69,936 |
| Cost of revenues | 128,639 | 142,845 | 38,586 | 49,587 |
| Gross profit | 68,023 | 57,259 | 24,194 | 20,349 |
| Research and development expenses | 25,280 | 20,648 | 8,550 | 7,181 |
| Less - grants | 1,204 | 820 | 394 | 297 |
| Research and development expenses, net | 24,076 | 19,828 | 8,156 | 6,884 |
| Selling and marketing expenses | 17,209 | 17,187 | 5,493 | 5,837 |
| General and administrative expenses | 12,963 | 14,153 | 4,574 | 4,303 |
| Litigation expenses | - | 873 | - | - |
| Total operating expenses | 54,248 | 52,041 | 18,223 | 17,024 |
| Operating income | 13,775 | 5,218 | 5,971 | 3,325 |
| Financial expenses, net | (3,166) | (3,169) | (978) | (1,123) |
| Income before taxes on income | 10,609 | 2,049 | 4,993 | 2,202 |
| Taxes on income (tax benefit) | (2,505) | (1,349) | (3,659) | 152 |
| Net income | \$ 13,114 | \$ 3,398 | \$ 8,652 | \$ 2,050 |
| Earnings per share (basic and diluted) | \$ 0.24 | \$ 0.06 | \$ 0.16 | \$ 0.04 |
| Weighted average number of shares used in computing earnings per share | | | | |
| Basic | <u>54,858,038</u> | <u>54,667,795</u> | <u>54,950,327</u> | <u>54,703,658</u> |
| Diluted | <u>55,682,707</u> | <u>54,723,315</u> | <u>55,818,557</u> | <u>54,788,086</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, 2018 | | | Three months ended September 30, 2017 | | |
|---|--|------------------------------|-------------------|--|------------------------------|-------------------|
| | GAAP | Adjustments (1) Unaudited | Non-GAAP | GAAP | Adjustments (1) Unaudited | Non-GAAP |
| Gross profit | \$ 24,194 | 268 | \$ 24,462 | \$ 20,349 | 1,210 | \$ 21,559 |
| Operating expenses | 18,223 | (254) | 17,969 | 17,024 | (357) | 16,667 |
| Operating income | 5,971 | 522 | 6,493 | 3,325 | 1,567 | 4,892 |
| Income before taxes on income | 4,993 | 522 | 5,515 | 2,202 | 1,567 | 3,769 |
| Net income | <u>\$ 8,652</u> | <u>(3,589)</u> | <u>\$ 5,063</u> | <u>\$ 2,050</u> | <u>1,567</u> | <u>\$ 3,617</u> |
| Earnings per share (basic and diluted) | <u>\$ 0.16</u> | <u>\$ (0.07)</u> | <u>\$ 0.09</u> | <u>\$ 0.04</u> | <u>\$ 0.03</u> | <u>\$ 0.07</u> |
| Weighted average number of shares used in computing earnings per share | | | | | | |
| Basic | <u>54,950,327</u> | | <u>54,950,327</u> | <u>54,703,658</u> | | <u>54,703,658</u> |
| Diluted | <u>55,818,557</u> | | <u>56,020,550</u> | <u>54,788,086</u> | | <u>54,979,360</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, tax expenses under amnesty program and first time recognition of deferred tax benefit.

| | Three months ended September 30, 2018 Unaudited | Three months ended September 30, 2017 Unaudited |
|---|---|---|
| GAAP net income | \$ 8,652 | \$ 2,050 |
| Gross profit | | |
| Non-cash stock-based compensation expenses | 35 | 15 |
| Amortization of intangible assets related to acquisition transactions | 233 | 1,195 |
| | <u>268</u> | <u>1,210</u> |
| Operating expenses | | |
| Non-cash stock-based compensation expenses | 203 | 193 |
| Amortization of intangible assets related to acquisition transactions | 51 | 164 |
| | <u>254</u> | <u>357</u> |
| Tax on income | (4,111) | - |
| Non-GAAP net income | <u>\$ 5,063</u> | <u>\$ 3,617</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, 2018 | | | Nine months ended September 30, 2017 | | |
|---|---|------------------------------|-------------------|---|------------------------------|-------------------|
| | GAAP | Adjustments (1) Unaudited | Non-GAAP | GAAP | Adjustments (1) Unaudited | Non-GAAP |
| Gross profit | \$ 68,023 | 2,698 | \$ 70,721 | \$ 57,259 | 3,620 | \$ 60,879 |
| Operating expenses | 54,248 | (805) | 53,443 | 52,041 | (2,642) | 49,399 |
| Operating income | 13,775 | 3,503 | 17,278 | 5,218 | 6,262 | 11,480 |
| Income before taxes on income | 10,609 | 3,503 | 14,112 | 2,049 | 6,499 | 8,548 |
| Net income | <u>\$ 13,114</u> | <u>(608)</u> | <u>\$ 12,506</u> | <u>\$ 3,398</u> | <u>6,499</u> | <u>\$ 9,897</u> |
| Basic income per share | <u>\$ 0.24</u> | <u>\$ (0.01)</u> | <u>\$ 0.23</u> | <u>\$ 0.06</u> | <u>\$ 0.12</u> | <u>\$ 0.18</u> |
| Diluted income per share | <u>\$ 0.24</u> | <u>\$ (0.02)</u> | <u>\$ 0.22</u> | <u>\$ 0.06</u> | <u>\$ 0.12</u> | <u>\$ 0.18</u> |
| Weighted average number of shares used in computing earnings per share | | | | | | |
| Basic | <u>54,858,038</u> | | <u>54,858,038</u> | <u>54,667,795</u> | | <u>54,667,795</u> |
| Diluted | <u>55,682,707</u> | | <u>55,896,940</u> | <u>54,723,315</u> | | <u>54,850,309</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, tax expenses under amnesty program and first time recognition of deferred tax benefit.

| | Nine months ended September 30, 2018 Unaudited | Nine months ended September 30, 2017 Unaudited |
|---|--|--|
| GAAP net income | \$ 13,114 | \$ 3,398 |
| Gross profit | | |
| Non-cash stock-based compensation expenses | 77 | 38 |
| Amortization of intangible assets related to acquisition transactions | 2,621 | 3,582 |
| | <u>2,698</u> | <u>3,620</u> |
| Operating expenses | | |
| Non-cash stock-based compensation expenses | 653 | 588 |
| Amortization of intangible assets related to acquisition transactions | 152 | 553 |
| Trade secrets litigation expenses | - | 873 |
| Tax expenses under amnesty program | - | 628 |
| | <u>805</u> | <u>2,642</u> |
| Finance and taxes on income under amnesty program | - | 237 |
| Tax on income | <u>(4,111)</u> | <u>-</u> |
| Non-GAAP net income | <u>\$ 12,506</u> | <u>\$ 9,897</u> |

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

ADJUSTED EBITDA:

| | Nine months ended September 30, | | Three months ended September 30, | |
|--|------------------------------------|------------------|-------------------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | Unaudited | | Unaudited | |
| GAAP operating income | \$ 13,775 | \$ 5,218 | \$ 5,971 | \$ 3,325 |
| Add: | | | | |
| Non-cash stock-based compensation expenses | 730 | 626 | 238 | 208 |
| Trade secrets litigation expenses | - | 873 | - | - |
| Tax expenses under amnesty program | - | 628 | - | - |
| Depreciation and amortization | 10,205 | 9,884 | 2,883 | 3,580 |
| Adjusted EBITDA | \$ 24,710 | \$ 17,229 | \$ 9,092 | \$ 7,113 |

SEGMENT REVENUE:

| | Nine months ended September 30, | | Three months ended September 30, | |
|-------------------------------------|------------------------------------|-------------------|-------------------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | Unaudited | | Unaudited | |
| Fixed Networks | \$ 108,786 | \$ 81,408 | \$ 34,943 | \$ 29,607 |
| Mobility Solutions | 67,626 | 55,797 | 21,848 | 18,888 |
| Terrestrial Infrastructure Projects | 20,250 | 62,899 | 5,989 | 21,441 |
| Total revenue | \$ 196,662 | \$ 200,104 | \$ 62,780 | \$ 69,936 |

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

| | <u>September 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 | \$ 59,827 | \$ 52,957 |
| Restricted cash | 38,566 | 29,288 |
| Restricted cash held by trustees | 4,790 | 4,325 |
| Trade receivables, net | 86,107 | 108,842 |
| Inventories | 26,619 | 28,853 |
| Other current assets | 33,342 | 21,686 |
| Total current assets | <u>249,251</u> | <u>245,951</u> |
| LONG-TERM INVESTMENTS: | | |
| Long-term restricted cash | 140 | 187 |
| Severance pay funds | 7,173 | 8,188 |
| Other long term receivables | 5,537 | 1,071 |
| Total long-term investments | <u>12,850</u> | <u>9,446</u> |
| PROPERTY AND EQUIPMENT, NET | <u>82,999</u> | <u>82,246</u> |
| INTANGIBLE ASSETS, NET | <u>2,772</u> | <u>5,709</u> |
| GOODWILL | <u>43,468</u> | <u>43,468</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 391,340</u> | <u>\$ 386,820</u> |

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

| | <u>September 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 | \$ 4,465 | \$ 4,479 |
| Trade payables | 21,343 | 33,715 |
| Accrued expenses | 64,418 | 70,534 |
| Advances from customers and deferred revenues | 31,720 | 16,721 |
| Advances from customers, held by trustees | - | 1,416 |
| Other current liabilities | 19,947 | 20,044 |
| Total current liabilities | <u>141,893</u> | <u>146,909</u> |
| LONG-TERM LIABILITIES: | | |
| Accrued severance pay | 7,029 | 7,999 |
| Long-term loans, net of current maturities | 8,216 | 12,582 |
| Other long-term liabilities | 653 | 1,008 |
| Total long-term liabilities | <u>15,898</u> | <u>21,589</u> |
| EQUITY: | | |
| Share capital - ordinary shares of NIS 0.2 par value | 2,619 | 2,601 |
| Additional paid-in capital | 924,072 | 921,726 |
| Accumulated other comprehensive loss | (4,818) | (3,046) |
| Accumulated deficit | (688,324) | (702,959) |
| Total equity | <u>233,549</u> | <u>218,322</u> |
| <u>TOTAL LIABILITIES AND EQUITY</u> | <u>\$ 391,340</u> | <u>\$ 386,820</u> |

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

| | Nine months ended | | Three months ended | |
|---|-------------------|-------------------|--------------------|-------------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| | Unaudited | | Unaudited | |
| Cash flows from operating activities: | | | | |
| Net income | \$ 13,114 | \$ 3,398 | \$ 8,652 | \$ 2,050 |
| Adjustments required to reconcile net income to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 10,205 | 9,884 | 2,883 | 3,580 |
| Capital loss from disposal of property and equipment | 96 | 135 | 96 | 90 |
| Stock-based compensation of options and RSU's | 730 | 626 | 238 | 208 |
| Accrued severance pay, net | 45 | 129 | (2) | 23 |
| Exchange rate differences on long-term loans | (24) | 151 | (11) | 38 |
| Deferred income taxes, net | (4,415) | (300) | (4,386) | (141) |
| Decrease (increase) in trade receivables, net | 22,209 | 2,833 | (7,260) | (2,215) |
| Increase (decrease) in other assets (including short-term, long-term and deferred charges) | (10,659) | (3,840) | (1,508) | 2,795 |
| Decrease (increase) in inventories | 834 | (9,229) | 502 | (5,671) |
| Decrease in trade payables | (12,249) | (1,082) | (615) | (1,619) |
| Increase (decrease) in accrued expenses | (5,108) | 14,655 | (3,128) | 3,237 |
| Increase (decrease) in advance from customers | 11,129 | (11,714) | 16,109 | (6,004) |
| Increase (decrease) in advances from customers, held by trustees | (1,478) | (2,340) | - | 1,002 |
| Increase (decrease) in other current liabilities and other long term liabilities | 3,597 | 358 | (1,978) | 2,263 |
| Net cash provided by (used in) operating activities | 28,026 | 3,664 | 9,592 | (364) |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment | (7,905) | (3,408) | (2,891) | (1,236) |
| Net cash used in investing activities | (7,905) | (3,408) | (2,891) | (1,236) |
| Cash flows from financing activities: | | | | |
| Issuance of restricted stock units and exercise of stock options | 1,638 | 569 | 1,065 | 76 |
| Repayment of long-term loans | (4,356) | (4,528) | (107) | (145) |
| Net cash provided by (used in) financing activities | (2,718) | (3,959) | 958 | (69) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (837) | 255 | (128) | 364 |
| Increase (decrease) in cash, cash equivalents and restricted cash | 16,566 | (3,448) | 7,531 | (1,305) |
| Cash, cash equivalents and restricted cash at the beginning of the period | 86,757 | 111,633 | 95,792 | 109,490 |
| Cash, cash equivalents and restricted cash at the end of the period | \$ 103,323 | \$ 108,185 | \$ 103,323 | \$ 108,185 |

(*) 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:

| | September 30, | |
|---|-------------------|-------------------|
| | 2018 | 2017 |
| | Unaudited | |
| Cash and cash equivalents | \$ 59,827 | \$ 77,234 |
| Restricted cash | 38,566 | 24,275 |
| Restricted cash held by trustees | 4,790 | 6,503 |
| Long term restricted cash included in other assets | 140 | 173 |
| Cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows | \$ 103,323 | \$ 108,185 |