

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

	Twelve months ended		Three months ended	
	December 31,		December 31,	
	2018	2017	2018	2017
	Unaudited	Audited	Unaudited	
Revenues	\$ 266,391	\$ 282,756	\$ 69,729	\$ 82,652
Cost of revenues	172,354	200,261	43,715	57,416
<b>Gross profit</b>	<b>94,037</b>	<b>82,495</b>	<b>26,014</b>	<b>25,236</b>
Research and development expenses	34,449	29,433	9,169	8,785
Less - grants	1,426	1,419	222	599
Research and development expenses, net	33,023	28,014	8,947	8,186
Selling and marketing expenses	22,706	23,759	5,497	6,572
General and administrative expenses	17,024	19,861	4,061	4,835
<b>Total operating expenses</b>	<b>72,753</b>	<b>71,634</b>	<b>18,505</b>	<b>19,593</b>
<b>Operating income</b>	<b>21,284</b>	<b>10,861</b>	<b>7,509</b>	<b>5,643</b>
Financial expenses, net	(4,298)	(4,307)	(1,132)	(1,138)
<b>Income before taxes on income</b>	<b>16,986</b>	<b>6,554</b>	<b>6,377</b>	<b>4,505</b>
Taxes on income (tax benefit)	(1,423)	(247)	1,082	1,102
<b>Net income</b>	<b>\$ 18,409</b>	<b>\$ 6,801</b>	<b>\$ 5,295</b>	<b>\$ 3,403</b>
<b>Basic earnings per share</b>	<b>\$ 0.34</b>	<b>\$ 0.12</b>	<b>\$ 0.10</b>	<b>\$ 0.06</b>
<b>Diluted earnings per share</b>	<b>\$ 0.33</b>	<b>\$ 0.12</b>	<b>\$ 0.09</b>	<b>\$ 0.06</b>
<b>Weighted average number of shares used in computing earnings per share</b>				
Basic	54,927,272	54,680,822	55,134,977	54,719,903
Diluted	55,752,642	54,851,967	55,962,447	55,237,923

**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, 2018			Three months ended December 31, 2017		
	GAAP	Adjustments (1) Unaudited	Non-GAAP	GAAP	Adjustments (1) Unaudited	Non-GAAP
Gross profit	\$ 26,014	269	\$ 26,283	\$ 25,236	1,212	\$ 26,448
Operating expenses	18,505	(91)	18,414	19,593	(160)	19,433
Operating income	7,509	360	7,869	5,643	1,372	7,015
Income before taxes on income	6,377	360	6,737	4,505	1,318	5,823
Net income	\$ 5,295	360	\$ 5,655	\$ 3,403	1,318	\$ 4,721
Basic earnings per share	\$ 0.10	\$ -	\$ 0.10	\$ 0.06	\$ 0.03	\$ 0.09
Diluted earnings per share	\$ 0.09	\$ 0.01	\$ 0.10	\$ 0.06	\$ 0.03	\$ 0.09
Weighted average number of shares used in computing earnings per share						
Basic	55,134,977		55,134,977	54,719,903		54,719,903
Diluted	55,962,447		56,160,425	55,237,923		55,507,634

(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 income and tax benefit under amnesty program.

	Three months ended December 31, 2018 Unaudited	Three months ended December 31, 2017 Unaudited
GAAP net income	\$ 5,295	\$ 3,403
Gross profit		
Non-cash stock-based compensation expenses	37	17
Amortization of intangible assets related to acquisition transactions	232	1,195
	269	1,212
Operating expenses		
Non-cash stock-based compensation expenses	239	213
Amortization of intangible assets related to acquisition transactions	52	125
Trade secrets litigation income	(200)	-
Tax benefit under amnesty program	-	(178)
	91	160
Finance and taxes on income under amnesty program	-	(54)
Non-GAAP net income	\$ 5,655	\$ 4,721

**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, 2018			Twelve months ended December 31, 2017		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
		Unaudited		Audited	Unaudited	
Gross profit	\$ 94,037	2,967	\$ 97,004	\$ 82,495	4,832	\$ 87,327
Operating expenses	72,753	(896)	71,857	71,634	(2,802)	68,832
Operating income	21,284	3,863	25,147	10,861	7,634	18,495
Income before taxes on income	16,986	3,863	20,849	6,554	7,817	14,371
Net income	\$ 18,409	(248)	\$ 18,161	\$ 6,801	7,817	\$ 14,618
Basic earnings per share	\$ 0.34	\$ (0.01)	\$ 0.33	\$ 0.12	\$ 0.15	\$ 0.27
Diluted earnings per share	\$ 0.33	\$ (0.01)	\$ 0.32	\$ 0.12	\$ 0.15	\$ 0.27
Weighted average number of shares used in computing earnings per share						
Basic	54,927,272		54,927,272	54,680,822		54,680,822
Diluted	55,752,642		55,962,811	54,851,967		55,014,640

(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 or income, tax expenses under amnesty program and initial recognition of deferred tax asset with respect to carry forward losses.

	Twelve months ended December 31, 2018	Twelve months ended December 31, 2017
	Unaudited	Unaudited
GAAP net income	\$ 18,409	\$ 6,801
Gross profit		
Non-cash stock-based compensation expenses	114	56
Amortization of intangible assets related to acquisition transactions	2,853	4,776
	2,967	4,832
Operating expenses		
Non-cash stock-based compensation expenses	892	800
Amortization of intangible assets related to acquisition transactions	204	679
Trade secrets litigation expenses (income)	(200)	873
Tax expenses under amnesty program	-	450
	896	2,802
Finance and taxes on income under amnesty program	-	183
Tax benefit adjustment	(4,111)	-
Non-GAAP net income	\$ 18,161	\$ 14,618

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

**ADJUSTED EBITDA:**

	Twelve months ended		Three months ended	
	December 31,		December 31,	
	2018	2017	2018	2017
	Unaudited		Unaudited	
GAAP operating income	\$ 21,284	\$ 10,861	\$ 7,509	\$ 5,643
Add (deduct):				
Non-cash stock-based compensation expenses	1,006	856	276	230
Trade secrets litigation expenses (income)	(200)	873	(200)	-
Tax expenses (benefit) under amnesty program	-	450	-	(178)
Depreciation and amortization	13,149	13,140	2,944	3,256
<b>Adjusted EBITDA</b>	<b>\$ 35,239</b>	<b>\$ 26,180</b>	<b>\$ 10,529</b>	<b>\$ 8,951</b>

**SEGMENT REVENUE:**

	Twelve months ended		Three months ended	
	December 31,		December 31,	
	2018	2017	2018	2017
	Unaudited		Unaudited	
Fixed Networks	\$ 144,208	\$ 116,105	\$ 35,421	\$ 34,698
Mobility Solutions	97,180	88,397	29,555	32,600
Terrestrial Infrastructure Projects	25,003	78,254	4,753	15,354
<b>Total revenue</b>	<b>\$ 266,391</b>	<b>\$ 282,756</b>	<b>\$ 69,729</b>	<b>\$ 82,652</b>

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

	<u>December 31,</u> <u>2018</u> <u>Unaudited</u>	<u>December 31,</u> <u>2017</u> <u>Audited</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 67,381	\$ 52,957
Restricted cash	32,305	29,288
Restricted cash held by trustees	4,372	4,325
Trade receivables, net	94,924	108,842
Inventories	21,109	28,853
Other current assets	26,022	19,415
<b>Total current assets</b>	<u>246,113</u>	<u>243,680</u>
<b>LONG-TERM INVESTMENTS AND RECEIVABLES:</b>		
Long-term restricted cash	146	187
Severance pay funds	6,780	8,188
Long term deferred tax asset	4,127	861
Other long term receivables	7,276	7,217
<b>Total long-term investments and receivables</b>	<u>18,329</u>	<u>16,453</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>84,403</u>	<u>82,246</u>
<b>INTANGIBLE ASSETS, NET</b>	<u>2,434</u>	<u>5,709</u>
<b>GOODWILL</b>	<u>43,468</u>	<u>43,468</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 394,747</u>	<u>\$ 391,556</u>

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

	<u>December 31,</u> <u>2018</u> <u>Unaudited</u>	<u>December 31,</u> <u>2017</u> <u>Audited</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term loans	\$ 4,458	\$ 4,479
Trade payables	24,636	33,715
Accrued expenses	67,533	75,270
Advances from customers and deferred revenues	29,133	16,721
Advances from customers, held by trustees	-	1,416
Other current liabilities	14,588	20,044
<b>Total current liabilities</b>	<u>140,348</u>	<u>151,645</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued severance pay	6,649	7,999
Long-term loans, net of current maturities	8,098	12,582
Other long-term liabilities	580	1,008
<b>Total long-term liabilities</b>	<u>15,327</u>	<u>21,589</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital - ordinary shares of NIS 0.2 par value	2,625	2,601
Additional paid-in capital	924,856	921,726
Accumulated other comprehensive loss	(5,380)	(3,046)
Accumulated deficit	(683,029)	(702,959)
<b>Total shareholders' equity</b>	<u>239,072</u>	<u>218,322</u>
<b><u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>	<u>\$ 394,747</u>	<u>\$ 391,556</u>

(\*) Certain comparative figures have been reclassified to conform to the current year presentation.  
The reclassification had no effect on previously reported net income or shareholders' equity.

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

	Twelve months ended		Three months ended	
	December 31,		December 31,	
	2018	2017	2018	2017
	Unaudited	Audited	Unaudited	
<b>Cash flows from operating activities:</b>				
Net income	\$ 18,409	\$ 6,801	\$ 5,295	\$ 3,403
Adjustments required to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	13,149	13,140	2,944	3,256
Capital loss from disposal of property and equipment	761	245	665	110
Stock-based compensation of options and RSU's	1,006	856	276	230
Accrued severance pay, net	57	118	12	(11)
Exchange rate differences on long-term loans	(34)	186	(10)	35
Deferred income taxes, net	(3,671)	189	744	489
Decrease (increase) in trade receivables, net	13,090	(19,588)	(9,119)	(22,421)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	(4,917)	(9,147)	1,007	(5,307)
Decrease (increase) in inventories	5,257	(10,763)	4,423	(1,534)
Increase (decrease) in trade payables	(8,926)	4,087	3,323	5,169
Increase (decrease) in accrued expenses	(7,206)	19,633	(2,283)	4,978
Increase (decrease) in advance from customers	9,899	(18,959)	(1,230)	(7,245)
Decrease in advances from customers, held by trustees	(1,478)	(6,185)	-	(3,845)
Increase (decrease) in other current liabilities and other long term liabilities	(3,379)	2,164	(2,057)	1,806
<b>Net cash provided by (used in) operating activities</b>	<b>32,017</b>	<b>(17,223)</b>	<b>3,990</b>	<b>(20,887)</b>
<b>Cash flows from investing activities:</b>				
Purchase of property and equipment	(10,759)	(3,692)	(2,854)	(284)
<b>Net cash used in investing activities</b>	<b>(10,759)</b>	<b>(3,692)</b>	<b>(2,854)</b>	<b>(284)</b>
<b>Cash flows from financing activities:</b>				
Issuance of restricted stock units and exercise of stock options	2,149	661	511	92
Repayment of long-term loans	(4,470)	(4,673)	(114)	(145)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,321)</b>	<b>(4,012)</b>	<b>397</b>	<b>(53)</b>
<b>Effect of exchange rate changes on cash, cash equivalents and restricted cash</b>	<b>(1,490)</b>	<b>51</b>	<b>(652)</b>	<b>(204)</b>
<b>Increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>17,447</b>	<b>(24,876)</b>	<b>881</b>	<b>(21,428)</b>
<b>Cash, cash equivalents and restricted cash at the beginning of the period</b>	<b>86,757</b>	<b>111,633</b>	<b>103,323</b>	<b>108,185</b>
<b>Cash, cash equivalents and restricted cash at the end of the period</b>	<b>\$ 104,204</b>	<b>\$ 86,757</b>	<b>\$ 104,204</b>	<b>\$ 86,757</b>

(\*) 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:

	December 31,	
	2018	2017
	Unaudited	Audited
<b>Cash and cash equivalents</b>	<b>\$ 67,381</b>	<b>\$ 52,957</b>
Restricted cash	32,305	29,288
Restricted cash held by trustees	4,372	4,325
Long term restricted cash	146	187
<b>Cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows</b>	<b>\$ 104,204</b>	<b>\$ 86,757</b>