

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,	
	2019	2018	2019	2018
	Unaudited		Unaudited	
Revenues	\$ 121,794	\$ 133,882	\$ 59,685	\$ 66,508
Cost of revenues	76,239	90,053	37,700	44,066
Gross profit	45,555	43,829	21,985	22,442
Research and development expenses	16,492	16,730	7,635	8,284
Less - grants	1,094	810	539	343
Research and development expenses, net	15,398	15,920	7,096	7,941
Selling and marketing expenses	11,288	11,716	5,417	6,303
General and administrative expenses	9,527	8,389	4,585	4,054
Total operating expenses	36,213	36,025	17,098	18,298
Operating income	9,342	7,804	4,887	4,144
Financial expenses, net	(1,400)	(2,188)	(579)	(1,605)
Income before taxes on income	7,942	5,616	4,308	2,539
Taxes on income	1,713	1,154	903	388
Net income	\$ 6,229	\$ 4,462	\$ 3,405	\$ 2,151
Basic and Diluted earnings per share	\$ 0.11	\$ 0.08	\$ 0.06	\$ 0.04
Weighted average number of shares used in computing earnings per share				
Basic	55,321,858	54,811,893	55,446,127	54,858,330
Diluted	56,074,361	55,614,782	56,189,217	55,639,202

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, 2019			Three months ended June 30, 2018		
	GAAP	Adjustments (1) Unaudited	Non-GAAP	GAAP	Adjustments (1) Unaudited	Non-GAAP
Gross profit	\$ 21,985	312	\$ 22,297	\$ 22,442	1,230	\$ 23,672
Operating expenses	17,098	(1,077)	16,021	18,298	(288)	18,010
Operating income	4,887	1,389	6,276	4,144	1,518	5,662
Income before taxes on income	4,308	1,389	5,697	2,539	1,518	4,057
Net income	<u>3,405</u>	<u>1,389</u>	<u>4,794</u>	<u>2,151</u>	<u>1,518</u>	<u>3,669</u>
Earnings per share (basic and diluted)	<u>\$ 0.06</u>	<u>\$ 0.03</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>55,446,127</u>		<u>55,446,127</u>	<u>54,858,330</u>		<u>54,858,330</u>
Diluted	<u>56,189,217</u>		<u>56,337,558</u>	<u>55,639,202</u>		<u>55,854,231</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 re-organization costs.

	Three months ended June 30, 2019 Unaudited	Three months ended June 30, 2018 Unaudited
GAAP net income	\$ 3,405	\$ 2,151
Gross profit		
Non-cash stock-based compensation expenses	49	36
Amortization of intangible assets related to acquisition transactions	234	1,194
Re-organization costs	29	-
	<u>312</u>	<u>1,230</u>
Operating expenses		
Non-cash stock-based compensation expenses	373	238
Amortization of intangible assets related to acquisition transactions	49	50
Trade secrets litigation expenses	100	-
Re-organization costs	555	-
	<u>1,077</u>	<u>288</u>
Non-GAAP net income	<u>\$ 4,794</u>	<u>\$ 3,669</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, 2019			Six months ended June 30, 2018		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited			Unaudited		
Gross profit	\$ 45,555	638	\$ 46,193	\$ 43,829	2,430	\$ 46,259
Operating expenses	36,213	(1,906)	34,307	36,025	(551)	35,474
Operating income	9,342	2,544	11,886	7,804	2,981	10,785
Income before taxes on income	7,942	2,544	10,486	5,616	2,981	8,597
Net income	6,229	2,544	8,773	4,462	2,981	7,443
Basic earnings per share	\$ 0.11	\$ 0.05	\$ 0.16	\$ 0.08	\$ 0.05	\$ 0.14
Diluted earnings per share	\$ 0.11	\$ 0.05	\$ 0.16	\$ 0.08	\$ 0.05	\$ 0.13
Weighted average number of shares used in computing earnings per share						
Basic	55,321,858		55,321,858	54,811,893		54,811,893
Diluted	56,074,361		56,240,141	55,614,782		55,835,134

(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 and re-organization costs.

	Six months ended June 30, 2019	Six months ended June 30, 2018
	Unaudited	Unaudited
GAAP net income	\$ 6,229	\$ 4,462
Gross profit		
Non-cash stock-based compensation expenses	143	42
Amortization of intangible assets related to acquisition transactions	466	2,388
Re-organization costs	29	-
	<u>638</u>	<u>2,430</u>
Operating expenses		
Non-cash stock-based compensation expenses	1,150	450
Amortization of intangible assets related to acquisition transactions	101	101
Trade secrets litigation expenses	100	-
Re-organization costs	555	-
	<u>1,906</u>	<u>551</u>
Non-GAAP net income	\$ 8,773	\$ 7,443

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

ADJUSTED EBITDA:

	Six months ended		Three months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	Unaudited		Unaudited	
GAAP operating income	\$ 9,342	\$ 7,804	\$ 4,887	\$ 4,144
Add:				
Non-cash stock-based compensation expenses	1,293	492	422	274
Re-organization costs	584	-	584	-
Trade secrets litigation expenses	100	-	100	-
Depreciation and amortization (*)	5,786	7,322	2,909	3,672
Adjusted EBITDA	\$ 17,105	\$ 15,618	\$ 8,902	\$ 8,090

(*) including amortization of lease incentive

SEGMENT REVENUE:

	Six months ended		Three months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	Unaudited		Unaudited	
Fixed Networks	\$ 66,836	\$ 73,843	\$ 30,408	\$ 36,228
Mobility Solutions	43,499	45,778	22,587	25,021
Terrestrial Infrastructure Projects	11,459	14,261	6,690	5,259
Total revenue	\$ 121,794	\$ 133,882	\$ 59,685	\$ 66,508

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

	<u>June 30,</u> <u>2019</u> <u>Unaudited</u>	<u>December 31,</u> <u>2018</u> <u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 39,904	\$ 67,381
Restricted cash	27,094	32,305
Restricted cash held by trustees	2,353	4,372
Trade receivables, net	45,553	47,164
Contract assets	47,119	47,760
Inventories	26,224	21,109
Other current assets	25,777	26,022
Total current assets	<u>214,024</u>	<u>246,113</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	147	146
Severance pay funds	6,770	6,780
Long term deferred tax assets	2,809	4,127
Operating lease right-of-use assets	4,721	-
Other long term receivables	9,371	7,276
Total long-term investments and receivables	<u>23,818</u>	<u>18,329</u>
PROPERTY AND EQUIPMENT, NET	<u>82,466</u>	<u>84,403</u>
INTANGIBLE ASSETS, NET	<u>1,757</u>	<u>2,434</u>
GOODWILL	<u>43,468</u>	<u>43,468</u>
<u>TOTAL ASSETS</u>	<u>\$ 365,533</u>	<u>\$ 394,747</u>

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

	<u>June 30,</u> <u>2019</u> <u>Unaudited</u>	<u>December 31,</u> <u>2018</u> <u>Audited</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term loans	\$ 4,325	\$ 4,458
Trade payables	28,569	24,636
Accrued expenses	59,012	67,533
Advances from customers and deferred revenues	20,403	29,133
Operating lease right-of-use liabilities	1,659	-
Other current liabilities	13,650	14,588
Total current liabilities	<u>127,618</u>	<u>140,348</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	7,020	6,649
Long-term loans, net of current maturities	4,000	8,098
Operating lease right-of-use liabilities	3,093	-
Other long-term liabilities	646	580
Total long-term liabilities	<u>14,759</u>	<u>15,327</u>
SHAREHOLDERS' EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	2,640	2,625
Additional paid-in capital	926,509	924,856
Accumulated other comprehensive loss	(4,329)	(5,380)
Accumulated deficit	(701,664)	(683,029)
Total shareholders' equity	<u>223,156</u>	<u>239,072</u>
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>\$ 365,533</u>	<u>\$ 394,747</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,	
	2019	2018	2019	2018
	Unaudited		Unaudited	
Cash flows from operating activities:				
Net income	\$ 6,229	\$ 4,462	\$ 3,405	\$ 2,151
Adjustments required to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	5,681	7,322	2,859	3,672
Stock-based compensation of options	1,293	492	422	274
Accrued severance pay, net	382	47	97	(41)
Exchange rate differences on long-term loans	-	(13)	-	(43)
Deferred income taxes, net	1,385	(29)	702	(41)
Decrease (increase) in trade receivables, net	2,506	15,089	(5,325)	(3,221)
Decrease (increase) in contract assets	(232)	14,380	198	(2,819)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	(29)	(9,151)	50	(9,865)
Decrease (increase) in inventories	(6,137)	332	(2,478)	1,777
Increase (decrease) in trade payables	3,933	(11,634)	4,855	(3,362)
Increase (decrease) in accrued expenses	(7,076)	(1,980)	(4,907)	27
Decrease in advance from customers	(8,405)	(4,980)	(5,318)	(78)
Decrease in advances from customers, held by trustees	-	(1,478)	-	-
Increase (decrease) in other current liabilities and other long term liabilities	(1,950)	5,575	(2,813)	4,011
Net cash provided by (used in) operating activities	(2,420)	18,434	(8,253)	(7,558)
Cash flows from investing activities:				
Purchase of property and equipment	(3,587)	(5,014)	(1,573)	(2,153)
Net cash used in investing activities	(3,587)	(5,014)	(1,573)	(2,153)
Cash flows from financing activities:				
Exercise of stock options	375	573	37	267
Repayment of long-term loans	(4,231)	(4,249)	(108)	(249)
Dividend payment	(24,864)	-	(24,864)	-
Net cash provided by (used in) financing activities	(28,720)	(3,676)	(24,935)	18
Effect of exchange rate changes on cash, cash equivalents and restricted cash	21	(709)	(76)	(1,005)
Increase (decrease) in cash, cash equivalents and restricted cash	(34,706)	9,035	(34,837)	(10,698)
Cash, cash equivalents and restricted cash at the beginning of the period	104,204	86,757	104,335	106,490
Cash, cash equivalents and restricted cash at the end of the period	\$ 69,498	\$ 95,792	\$ 69,498	\$ 95,792