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

		ded	Three months ended September 30,					
		Septen 2019	iber 30	2018	2019 2018			
			ıdited	2010			dited	2010
Revenues	\$	185,178	\$	196,662	\$	63,384	\$	62,780
Cost of revenues		116,369		128,639		40,130		38,586
Gross profit		68,809		68,023		23,254		24,194
Research and development expenses		24,088		25,280		7,596		8,550
Less - grants		1,610		1,204		516		394
Research and development expenses, net		22,478		24,076		7,080		8,156
Selling and marketing expenses		16,332		17,209		5,044		5,493
General and administrative expenses	-	13,666		12,963	-	4,139		4,574
Total operating expenses		52,476		54,248		16,263		18,223
Operating income		16,333		13,775		6,991		5,971
Financial expenses, net		1,940		3,166		540		978
Income before taxes on income	-	14,393		10,609		6,451		4,993
Taxes on income (tax benefit)		1,876		(2,505)		163		(3,659)
Net income	\$	12,517	\$	13,114	\$	6,288	\$	8,652
Basic earnings per share	\$	0.23	\$	0.24	\$	0.11	\$	0.16
Diluted earnings per share	\$	0.22	\$	0.24	\$	0.11	\$	0.16
Weighted average number of shares used in computing earnings per share								
Basic		55,329,617		54,858,038		55,463,945		54,950,327
Diluted		56,029,698		55,682,707		56,059,239		55,818,557

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)

				onths ended er 30, 2019					nonths ended		
			ments (1)	N	lon-GAAP	 GAAP	September 30, 2018 Adjustments (1)		N	Non-GAAP	
			Una	udited				Uı	naudited		
Gross profit	\$	23,254		68	\$	23,322	\$ 24,194		268	\$	24,462
Operating expenses		16,263		(433)		15,830	18,223		(254)		17,969
Operating income		6,991		501		7,492	5,971		522		6,493
Income before taxes on income		6,451		501		6,952	4,993		522		5,515
Net income		6,288		501		6,789	 8,652		(3,589)		5,063
Earnings per share (basic and diluted)	\$	0.11	\$	0.01	\$	0.12	\$ 0.16	\$	(0.07)	\$	0.09
Weighted average number of shares used in computing earnings per share	1										
Basic		55,463,945				55,463,945	54,950,327				54,950,327
Diluted		56,059,239				56,179,331	55,818,557				56,020,550

(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.

	Septemb	onths ended er 30, 2019 udited	Septem	ber 30, 2018 audited
GAAP net income	\$	6,288	\$	8,652
Gross profit				
Non-cash stock-based compensation expenses		55		35
Amortization of intangible assets related to acquisition transactions		13		233
		68		268
Operating expenses				<u>.</u>
Non-cash stock-based compensation expenses		382		203
Amortization of intangible assets related to acquisition transactions		51		51
		433		254
Tax benefit adjustment		<u>-</u>		(4,111)
Non-GAAP net income	\$	6,789	\$	5,063

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)

			ths ended er 30, 2019					months ended mber 30, 2018		70,721 53,443 17,278 14,112 12,506						
	GAAP	Adjustr	nents (1)	I	Non-GAAP	 GAAP	Âdj	ustments (1)	I	Non-GAAP						
		Unau	dited				τ	Jnaudited								
Gross profit	\$ 68,809		706	\$	69,515	\$ 68,023		2,698	\$	70,721						
Operating expenses	52,476		(2,339)		50,137	54,248		(805)		53,443						
Operating income	16,333		3,045		19,378	13,775		3,503		17,278						
Income before taxes on income	14,393		3,045		17,438	10,609		3,503		14,112						
Net income	 12,517		3,045		15,562	 13,114		(608)		12,506						
Basic earnings per share	\$ 0.23	\$	0.05	\$	0.28	\$ 0.24	\$	(0.01)	\$	0.23						
Diluted earnings per share	\$ 0.22	\$	0.06	\$	0.28	\$ 0.24	\$	(0.02)	\$	0,22						
Weighted average number of shares used in computing earnings per share																
Basic	55,329,617				55,329,617	54,858,038				54,858,038						
Diluted	56,029,698				56,180,242	 55,682,707				55,896,940						

(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.

	Nine months ended September 30, 2019 Unaudited		Nine months ended September 30, 2018 Unaudited
GAAP net income	\$	12,517	\$ 13,114
Gross profit			
Non-cash stock-based compensation expenses		198	77
Amortization of intangible assets related to acquisition transactions		479	2,621
Re-organization costs		29	-
		706	2,698
Operating expenses		<u> </u>	
Non-cash stock-based compensation expenses		1,532	653
Amortization of intangible assets related to acquisition transactions		152	152
Trade secrets litigation expenses		100	-
Re-organization costs		555_	
		2,339	805
Tax benefit adjustment		<u>-</u> _	(4,111)
Non-GAAP net income	\$	15,562	\$ 12,506

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

ADJUSTED EBITDA:

	 Nine mon Septen	ths end ber 30,	ed		Three months ended September 30,					
	2019		2018		2019	2018				
	 Unau	dited			Unau	ıdited				
GAAP operating income Add:	\$ 16,333	\$	13,775	\$	6,991	\$	5,971			
Non-cash stock-based compensation expenses	1,730		730		437		238			
Re-organization costs	585		-		-		-			
Trade secrets litigation expenses	100		-		-		-			
Depreciation and amortization (*)	 8,413		10,205	-	2,627		2,883			
Adjusted EBITDA	\$ 27,161	\$	24,710	\$	10,055	\$	9,092			

(*) including amortization of lease incentiv	re									
SEGMENT REVENUE:										
		Nine mon Septen	ths endo	ed	Three months ended September 30,					
		2019		2018		2019		2018		
		Unau	dited		Unau	naudited				
Fixed Networks	\$	94,104	\$	108,786	\$	27,268	\$	34,943		
Mobility Solutions		70,615		67,626		27,116		21,848		
Terrestrial Infrastructure Projects		20,459		20,250		9,000		5,989		
Total revenue	\$	185,178	\$	196,662	\$	63,384	\$	62,780		

GILAT SATELLITE NETWORKS LTD. CONSOLIDATED BALANCE SHEET

U.S. dollars in thousands

	Sep	tember 30,	December 31,			
		2019	2018 Audited			
	U	naudited				
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$	53,089	\$	67,381		
Restricted cash		30,916		32,305		
Restricted cash held by trustees		75		4,372		
Trade receivables, net		44,184		47,164		
Contract assets		21,392		47,760		
Inventories		27,512		21,109		
Other current assets		25,901		26,022		
Total current assets		203,069		246,113		
LONG-TERM INVESTMENTS AND RECEIVABLES:						
Long-term restricted cash		145		146		
Severance pay funds		6,871		6,780		
Long term deferred tax assets		2,491		4,127		
Operating lease right-of-use assets		4,595		-		
Other long term receivables		13,519		7,276		
Total long-term investments and receivables		27,621		18,329		
PROPERTY AND EQUIPMENT, NET		82,976		84,403		
INTANGIBLE ASSETS, NET		1,640		2,434		
GOODWILL		43,468		43,468		
TOTAL ASSETS	\$	358,774	\$	394,747		

GILAT SATELLITE NETWORKS LTD. CONSOLIDATED BALANCE SHEET

U.S. dollars in thousands

	Sep	otember 30,	December 31, 2018 Audited			
		2019				
	U	naudited				
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES:						
Current maturities of long-term loans	\$	4,203	\$	4,458		
Trade payables		20,070		24,636		
Accrued expenses		57,906		67,533		
Advances from customers and deferred revenues		20,056		29,133		
Operating lease liabilities		1,628		-		
Other current liabilities		12,104		14,588		
Total current liabilities		115,967		140,348		
LONG-TERM LIABILITIES:						
Accrued severance pay		7,085		6,649		
Long-term loans, net of current maturities		4,000		8,098		
Operating lease liabilities		2,975		-		
Other long-term liabilities		109		580		
Total long-term liabilities		14,169		15,327		
SHAREHOLDERS' EQUITY:						
Share capital - ordinary shares of NIS 0.2 par value		2,642		2,625		
Additional paid-in capital		926,944		924,856		
Accumulated other comprehensive loss		(5,572)		(5,380)		
Accumulated deficit		(695,376)		(683,029)		
Total shareholders' equity		228,638		239,072		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	358,774	\$	394,747		

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

		September 30,				September 30,			
Not income				ibei 50,	2018				
Net nome		-	Unau	dited			Unau	dited	
Adjustments required to reconcile net income to not can be provided by operating activities: Depreciation and amortization 8,247 10,205 2,565 2,883 2,833 2,83	Cash flows from operating activities:								
Propertication and mortization 8,247 10,205 2,565 2,865 2,865 2,965 2,		\$	12,517	\$	13,114	\$	6,288	\$	8,652
Deperciation and amortization	Adjustments required to reconcile net income								
Capital loss from disposal of property and equipment	to net cash provided by operating activities:								
Stock-based compensation of options	Depreciation and amortization		8,247		10,205		2,565		2,883
Accord severance pay, net 345 45 379 (2)	Capital loss from disposal of property and equipment		-		96		-		96
Cash flows from investing activities: Cash flows from financing activities: Cash flows flow flows	Stock-based compensation of options		1,730		730		437		238
Decrease (increase) in trade receivables, net 1,081	Accrued severance pay, net		345		45		(37)		(2)
Decrease (increase) in trade receivables, net 141 11,416 2,365 3,673 Decrease (increase) in contract assets 25,408 10,793 25,640 3,587 Decrease (increase) in contract assets 32,640 10,793 25,640 3,587 Increase in other assets (increase) in inventories 7,685 834 (1,548 502 Decrease (increase) in inventories 7,685 834 (1,548 502 Decrease in trade payables 4,515 (12,249 8,448 6615 Decrease in accrued expenses (8,904 5,108 (1,828 3,128 Decrease in accrued expenses (8,904 5,108 1,129 (1,135 16,109 Decrease in advance from customers (9,540 11,129 1,135 16,109 Decrease in advances from customers (9,540 11,129 1,135 16,109 Decrease in advances from customers (1,478 5,70 7,088 1,109 Decrease in advances from customers (2,659 3,597 7,088 1,197 Net cash provided by operating activities (2,659 3,597 7,088 1,197 Net cash provided by operating activities (2,659 3,597 7,085 1,167 9,592 Decrease in investing activities (2,659 7,905 2,062 2,891 Decrease in investing activities (5,649 7,905 2,062 2,891 Decrease in investing activities (5,649 7,905 2,062 2,891 Decrease in investing activities (3,649 7,905 2,062 2,891 Decrease	Exchange rate differences on long-term loans		-		(24)		-		(11)
Decrease (increases) in contract assets (including short-term, long-term and deferred charges)	Deferred income taxes, net		1,081		(4,415)		(304)		(4,386)
Increase in other assets (including short-term, long-term and deferred charges)	Decrease (increase) in trade receivables, net		141		11,416		(2,365)		(3,673)
1,419 1,0,659 1,390 1,508 Decrease (increase) in inventories 7,685 834 1,548 502 Decrease in tarde payables 4,515 1,2249 (8,448 6,615 Decrease in accrued expenses 8,904 5,108 1,828 3,128 Increase (decrease) in advance from customers 0,540 11,129 1,135 16,109 Decrease in advances from customers, held 1,245 1,245 1,245 1,245 Decrease in advances from customers, held 1,245 1,245 1,245 Decrease (decrease) in other current liabilities and other long term liabilities 2,2659 3,597 7,080 1,978 Net cash provided by operating activities 14,747 28,026 17,167 9,592 Decrease of property and equipment 5,549 7,905 2,062 2,891 Net cash used in investing activities 2,549 7,905 2,062 2,891 Net cash used in investing activities 2,549 7,905 2,062 2,891 Net cash used in investing activities 375 1,638 - 1,065 Exercise of stock options 375 1,638 - 1,065 Exercise of stock options 375 1,638 - 1,065 Exercise of stock options 3,435 3,435 3,435 3,435 Dividend payment 2,4,864	Decrease (increase) in contract assets		25,408		10,793		25,640		(3,587)
Decrease (increase) in inventories	Increase in other assets (including short-term, long-term								
Decrease in trade payables	and deferred charges)		(1,419)		(10,659)		(1,390)		(1,508)
Decrease in accrued expenses (8,904) (5,108) (1,828) (3,128) Increase (decrease) in advances from customers (9,540) 11,129 (1,135) 16,109 Decrease in advances from customers, held (1,478)	Decrease (increase) in inventories		(7,685)		834		(1,548)		502
Increase (decrease) in advance from customers	Decrease in trade payables		(4,515)		(12,249)		(8,448)		(615)
Decrease in advances from customers, held by trustees - (1,478) - (1,478) (708) (1,978) (1,978) (1,978) (2,659) 3,597 (708) (1,978) (1,9	Decrease in accrued expenses		(8,904)		(5,108)		(1,828)		(3,128)
Description	Increase (decrease) in advance from customers		(9,540)		11,129		(1,135)		16,109
Increase (decrease) in other current liabilities and other long term liabilities (2,659) 3,597 (708) (1,97	Decrease in advances from customers, held								
Net cash provided by operating activities 14,747 28,026 17,167 9,592 Cash flows from investing activities: Suppose the property and equipment (5,649) (7,905) (2,062) (2,891) (2,062) (2,891) Net cash used in investing activities: Suppose the property and equipment (5,649) (7,905) (2,062) (2,891) (2,062) (2,891) Cash flows from financing activities: Suppose the property activities: Suppose the property activities (4,353) (4,356) (122) (107) Exercise of stock options 375 (4,353) (4,356) (122) (107) (107) Dividend payment (24,864)	by trustees		-		(1,478)		-		-
Cash flows from investing activities: (5,649) (7,905) (2,062) (2,891) Purchase of property and equipment (5,649) (7,905) (2,062) (2,891) Net cash used in investing activities (5,649) (7,905) (2,062) (2,891) Cash flows from financing activities: (8,649) (7,905) (2,062) (2,891) Exercise of stock options 375 1,638 - 1,065 Repayment of long-term loans (4,353) (4,356) (122) (107) Dividend payment (24,864) - - - - Net cash provided by (used in) financing activities (28,842) (2,718) (122) 958 Effect of exchange rate changes on cash, cash equivalents and restricted cash (235) (837) (256) (128) Increase (decrease) in cash, cash equivalents and restricted cash (19,979) 16,566 14,727 7,531 Cash, cash equivalents and restricted cash at the beginning of the period 104,204 86,757 69,498 95,792	Increase (decrease) in other current liabilities and other long term liabilities		(2,659)		3,597		(708)		(1,978)
Purchase of property and equipment (5,649) (7,905) (2,062) (2,891) Net cash used in investing activities (5,649) (7,905) (2,062) (2,891) Cash flows from financing activities: Standard Part of Long-term Investing activities Standard Part of Long-term Investing I	Net cash provided by operating activities		14,747		28,026		17,167		9,592
Net cash used in investing activities (5,649) (7,905) (2,062) (2,891) Cash flows from financing activities: 8 - 1,065 Exercise of stock options 375 1,638 - 1,065 Repayment of long-term loans (4,353) (4,356) (122) (107) Dividend payment (24,864) - - - - Net cash provided by (used in) financing activities (28,842) (2,718) (122) 958 Effect of exchange rate changes on cash, cash equivalents and restricted cash (235) (837) (256) (128) Increase (decrease) in cash, cash equivalents and restricted cash (19,979) 16,566 14,727 7,531 Cash, cash equivalents and restricted cash at the beginning of the period 104,204 86,757 69,498 95,792	Cash flows from investing activities:								
Cash flows from financing activities: Exercise of stock options 375 1,638 - 1,065 Repayment of long-term loans (4,353) (4,356) (122) (107) Dividend payment (24,864) - - - Net cash provided by (used in) financing activities (28,842) (2,718) (122) 958 Effect of exchange rate changes on cash, cash equivalents and restricted cash (235) (837) (256) (128) Increase (decrease) in cash, cash equivalents and restricted cash (19,979) 16,566 14,727 7,531 Cash, cash equivalents and restricted cash at the beginning of the period 104,204 86,757 69,498 95,792	Purchase of property and equipment		(5,649)		(7,905)		(2,062)		(2,891)
Exercise of stock options 375 1,638 - 1,065 Repayment of long-term loans (4,353) (4,356) (122) (107) Dividend payment (24,864) - - - - Net cash provided by (used in) financing activities (28,842) (2,718) (122) 958 Effect of exchange rate changes on cash, cash equivalents and restricted cash (235) (837) (256) (128) Increase (decrease) in cash, cash equivalents and restricted cash (19,979) 16,566 14,727 7,531 Cash, cash equivalents and restricted cash at the beginning of the period 104,204 86,757 69,498 95,792	Net cash used in investing activities		(5,649)		(7,905)		(2,062)		(2,891)
Repayment of long-term loans (4,353) (4,356) (122) (107) Dividend payment (24,864) - - - Net cash provided by (used in) financing activities (28,842) (2,718) (122) 958 Effect of exchange rate changes on cash, cash equivalents and restricted cash (235) (837) (256) (128) Increase (decrease) in cash, cash equivalents and restricted cash (19,979) 16,566 14,727 7,531 Cash, cash equivalents and restricted cash at the beginning of the period 104,204 86,757 69,498 95,792	Cash flows from financing activities:								
Dividend payment (24,864)	Exercise of stock options		375		1,638		-		1,065
Net cash provided by (used in) financing activities (28,842) (2,718) (122) 958 Effect of exchange rate changes on cash, cash equivalents and restricted cash Increase (decrease) in cash, cash equivalents and restricted cash (19,979) 16,566 14,727 7,531 Cash, cash equivalents and restricted cash at the beginning of the period 104,204 86,757 69,498 95,792	Repayment of long-term loans		(4,353)		(4,356)		(122)		(107)
Effect of exchange rate changes on cash, cash equivalents and restricted cash Increase (decrease) in cash, cash equivalents and restricted cash (19,979) 16,566 14,727 7,531 Cash, cash equivalents and restricted cash at the beginning of the period 104,204 86,757 69,498 95,792	Dividend payment		(24,864)		-		-		-
Increase (decrease) in cash, cash equivalents and restricted cash (19,979) 16,566 14,727 7,531 Cash, cash equivalents and restricted cash at the beginning of the period 104,204 86,757 69,498 95,792	Net cash provided by (used in) financing activities		(28,842)		(2,718)		(122)		958
Cash, cash equivalents and restricted cash at the beginning of the period 104,204 86,757 69,498 95,792	Effect of exchange rate changes on cash, cash equivalents and restricted cash		(235)		(837)		(256)		(128)
<u></u>	Increase (decrease) in cash, cash equivalents and restricted cash		(19,979)		16,566		14,727		7,531
Cash, cash equivalents and restricted cash at the end of the period \$ 84,225 \$ 103,323 \$ 84,225 \$ 103,323	Cash, cash equivalents and restricted cash at the beginning of the period		104,204		86,757		69,498		95,792
	Cash, cash equivalents and restricted cash at the end of the period	\$	84,225	\$	103,323	\$	84,225	\$	103,323

Nine months ended

Three months ended