

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

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	Unaudited		Unaudited	
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)

	Three months ended September 30, 2019			Three months ended September 30, 2018		
	GAAP	Adjustments (1) Unaudited	Non-GAAP	GAAP	Adjustments (1) Unaudited	Non-GAAP
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	<u>6,288</u>	<u>501</u>	<u>6,789</u>	<u>8,652</u>	<u>(3,589)</u>	<u>5,063</u>
Earnings per share (basic and diluted)	<u>\$ 0.11</u>	<u>\$ 0.01</u>	<u>\$ 0.12</u>	<u>\$ 0.16</u>	<u>\$ (0.07)</u>	<u>\$ 0.09</u>
Weighted average number of shares used in computing earnings per share						
Basic	<u>55,463,945</u>		<u>55,463,945</u>	<u>54,950,327</u>		<u>54,950,327</u>
Diluted	<u>56,059,239</u>		<u>56,179,331</u>	<u>55,818,557</u>		<u>56,020,550</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 September 30, 2019 Unaudited	Three months ended September 30, 2018 Unaudited
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
	<u>68</u>	<u>268</u>
Operating expenses		
Non-cash stock-based compensation expenses	382	203
Amortization of intangible assets related to acquisition transactions	51	51
	<u>433</u>	<u>254</u>
Tax benefit adjustment	-	(4,111)
Non-GAAP net income	<u>\$ 6,789</u>	<u>\$ 5,063</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, 2019			Nine months ended September 30, 2018		
	GAAP	Adjustments (1)	Non-GAAP	GAAP	Adjustments (1)	Non-GAAP
	Unaudited			Unaudited		
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	<u>12,517</u>	<u>3,045</u>	<u>15,562</u>	<u>13,114</u>	<u>(608)</u>	<u>12,506</u>
Basic earnings per share	<u>\$ 0.23</u>	<u>\$ 0.05</u>	<u>\$ 0.28</u>	<u>\$ 0.24</u>	<u>\$ (0.01)</u>	<u>\$ 0.23</u>
Diluted earnings per share	<u>\$ 0.22</u>	<u>\$ 0.06</u>	<u>\$ 0.28</u>	<u>\$ 0.24</u>	<u>\$ (0.02)</u>	<u>\$ 0.22</u>
Weighted average number of shares used in computing earnings per share						
Basic	<u>55,329,617</u>		<u>55,329,617</u>	<u>54,858,038</u>		<u>54,858,038</u>
Diluted	<u>56,029,698</u>		<u>56,180,242</u>	<u>55,682,707</u>		<u>55,896,940</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 or income and re-organization costs.

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
	Unaudited	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	-
	<u>706</u>	<u>2,698</u>
Operating expenses		
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	-
	<u>2,339</u>	<u>805</u>
Tax benefit adjustment	-	(4,111)
Non-GAAP net income	<u>\$ 15,562</u>	<u>\$ 12,506</u>

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

ADJUSTED EBITDA:

	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
	Unaudited		Unaudited	
GAAP operating income	\$ 16,333	\$ 13,775	\$ 6,991	\$ 5,971
Add:				
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 incentive

SEGMENT REVENUE:

	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
	Unaudited		Unaudited	
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

	<u>September 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	\$ 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	<u>203,069</u>	<u>246,113</u>
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	<u>27,621</u>	<u>18,329</u>
PROPERTY AND EQUIPMENT, NET	<u>82,976</u>	<u>84,403</u>
INTANGIBLE ASSETS, NET	<u>1,640</u>	<u>2,434</u>
GOODWILL	<u>43,468</u>	<u>43,468</u>
<u>TOTAL ASSETS</u>	<u>\$ 358,774</u>	<u>\$ 394,747</u>

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

	<u>September 30,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2018</u>
	<u>Unaudited</u>	<u>Audited</u>
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	<u>115,967</u>	<u>140,348</u>
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	<u>14,169</u>	<u>15,327</u>
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	<u>228,638</u>	<u>239,072</u>
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>\$ 358,774</u>	<u>\$ 394,747</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,	
	2019	2018	2019	2018
	Unaudited		Unaudited	
Cash flows from operating activities:				
Net income	\$ 12,517	\$ 13,114	\$ 6,288	\$ 8,652
Adjustments required to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	8,247	10,205	2,565	2,883
Capital loss from disposal of property and equipment	-	96	-	96
Stock-based compensation of options	1,730	730	437	238
Accrued severance pay, net	345	45	(37)	(2)
Exchange rate differences on long-term loans	-	(24)	-	(11)
Deferred income taxes, net	1,081	(4,415)	(304)	(4,386)
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)
Increase in other assets (including short-term, long-term and deferred charges)	(1,419)	(10,659)	(1,390)	(1,508)
Decrease (increase) in inventories	(7,685)	834	(1,548)	502
Decrease in trade payables	(4,515)	(12,249)	(8,448)	(615)
Decrease in accrued expenses	(8,904)	(5,108)	(1,828)	(3,128)
Increase (decrease) in advance from customers	(9,540)	11,129	(1,135)	16,109
Decrease in advances from customers, held by trustees	-	(1,478)	-	-
Increase (decrease) in other current liabilities and other long term liabilities	(2,659)	3,597	(708)	(1,978)
Net cash provided by operating activities	14,747	28,026	17,167	9,592
Cash flows from investing activities:				
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:				
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, cash equivalents and restricted cash at the end of the period	\$ 84,225	\$ 103,323	\$ 84,225	\$ 103,323