

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	
	2020	2019	2020	2019
	Unaudited		Unaudited	
Revenues	\$ 123,258	\$ 185,178	\$ 37,270	\$ 63,384
Cost of revenues	95,341	116,369	27,827	40,130
Gross profit	27,917	68,809	9,443	23,254
Research and development expenses	20,215	24,088	6,442	7,596
Less - grants	932	1,610	460	516
Research and development expenses, net	19,283	22,478	5,982	7,080
Selling and marketing expenses	12,337	16,332	3,687	5,044
General and administrative expenses	10,269	13,666	2,478	4,139
Merger, acquisition and related litigation	11,149	-	8,198	-
Total operating expenses	53,038	52,476	20,345	16,263
Operating income (loss)	(25,121)	16,333	(10,902)	6,991
Financial expenses, net	(1,715)	(1,940)	(286)	(540)
Income (loss) before taxes on income	(26,836)	14,393	(11,188)	6,451
Taxes on income	695	1,876	363	163
Net income (loss)	\$ (27,531)	\$ 12,517	\$ (11,551)	\$ 6,288
Basic earnings (loss) per share	\$ (0.50)	\$ 0.23	\$ (0.21)	\$ 0.11
Diluted earnings (loss) per share	\$ (0.50)	\$ 0.22	\$ (0.21)	\$ 0.11
Weighted average number of shares used in computing earnings (loss) per share				
Basic	55,506,266	55,329,617	55,520,197	55,463,945
Diluted	55,506,266	56,029,698	55,520,197	56,059,239

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, 2020			Three months ended September 30, 2019		
	GAAP	Adjustments (1) Unaudited	Non-GAAP	GAAP	Adjustments (1) Unaudited	Non-GAAP
Gross profit	\$ 9,443	28	\$ 9,471	\$ 23,254	68	\$ 23,322
Operating expenses	20,345	(8,950)	11,395	16,263	(433)	15,830
Operating income (loss)	(10,902)	8,978	(1,924)	6,991	501	7,492
Net income (loss)	<u>(11,551)</u>	<u>8,978</u>	<u>(2,573)</u>	<u>6,288</u>	<u>501</u>	<u>6,789</u>
Earnings (loss) per share (basic and diluted)	<u>\$ (0.21)</u>	<u>\$ 0.16</u>	<u>\$ (0.05)</u>	<u>\$ 0.11</u>	<u>\$ 0.01</u>	<u>\$ 0.12</u>
Weighted average number of shares used in computing earnings per share						
Basic	<u>55,520,197</u>		<u>55,520,197</u>	<u>55,463,945</u>		<u>55,463,945</u>
Diluted	<u>55,520,197</u>		<u>55,520,197</u>	<u>56,059,239</u>		<u>56,179,331</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, Merger, acquisition and related litigation and restructuring and re-organization costs.

	Three months ended September 30, 2020 Unaudited	Three months ended September 30, 2019 Unaudited
GAAP net income (loss)	\$ (11,551)	\$ 6,288
Gross profit		
Non-cash stock-based compensation expenses	21	55
Amortization of intangible assets related to acquisition transactions	7	13
	<u>28</u>	<u>68</u>
Operating expenses		
Non-cash stock-based compensation expenses	259	382
Amortization of intangible assets related to acquisition transactions	49	51
Merger, acquisition and related litigation	8,198	-
Restructuring and re-organization costs	444	-
	<u>8,950</u>	<u>433</u>
Non-GAAP net income (loss)	<u>\$ (2,573)</u>	<u>\$ 6,789</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, 2020			Nine months ended September 30, 2019		
	GAAP	Adjustments (1) Unaudited	Non-GAAP	GAAP	Adjustments (1) Unaudited	Non-GAAP
Gross profit	\$ 27,917	144	\$ 28,061	\$ 68,809	706	\$ 69,515
Operating expenses	53,038	(12,887)	40,151	52,476	(2,339)	50,137
Operating income (loss)	(25,121)	13,031	(12,090)	16,333	3,045	19,378
Net income (loss)	<u>(27,531)</u>	<u>13,031</u>	<u>(14,500)</u>	<u>12,517</u>	<u>3,045</u>	<u>15,562</u>
Basic earnings (loss) per share	<u>\$ (0.50)</u>	<u>\$ 0.24</u>	<u>\$ (0.26)</u>	<u>\$ 0.23</u>	<u>\$ 0.05</u>	<u>\$ 0.28</u>
Diluted earnings (loss) per share	<u>\$ (0.50)</u>	<u>\$ 0.24</u>	<u>\$ (0.26)</u>	<u>\$ 0.22</u>	<u>\$ 0.06</u>	<u>\$ 0.28</u>

Weighted average number of shares used in computing earnings per share

Basic	<u>55,506,266</u>	<u>55,506,266</u>	<u>55,329,617</u>	<u>55,329,617</u>
Diluted	<u>55,506,266</u>	<u>55,506,266</u>	<u>56,029,698</u>	<u>56,180,242</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, Merger, acquisition and related litigation, trade secrets and other litigation expenses and restructuring and re-organization costs.

	Nine months ended September 30, 2020 Unaudited	Nine months ended September 30, 2019 Unaudited
GAAP net income (loss)	\$ (27,531)	\$ 12,517
Gross profit		
Non-cash stock-based compensation expenses	127	198
Amortization of intangible assets related to acquisition transactions	17	479
Restructuring and re-organization costs	-	29
	<u>144</u>	<u>706</u>
Operating expenses		
Non-cash stock-based compensation expenses	860	1,532
Amortization of intangible assets related to acquisition transactions	150	152
Trade secrets and other litigation expenses	11	100
Merger, acquisition and related litigation	11,149	-
Restructuring and re-organization costs	717	555
	<u>12,887</u>	<u>2,339</u>
Non-GAAP net income (loss)	<u>\$ (14,500)</u>	<u>\$ 15,562</u>

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

ADJUSTED EBITDA:

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	Unaudited		Unaudited	
GAAP operating income (loss)	\$ (25,121)	\$ 16,333	\$ (10,902)	\$ 6,991
Add:				
Non-cash stock-based compensation expenses	987	1,730	280	437
Trade secrets and other litigation expenses	11	100	-	-
Restructuring and re-organization costs	717	585	444	-
Merger, acquisition and related litigation	11,149	-	8,198	-
Depreciation and amortization (*)	7,924	8,413	2,542	2,627
Adjusted EBITDA	\$ (4,333)	\$ 27,161	\$ 562	\$ 10,055

(*) Including amortization of lease incentive

SEGMENT REVENUE:

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	Unaudited		Unaudited	
Fixed Networks	\$ 67,587	\$ 94,104	\$ 22,797	\$ 27,268
Mobility Solutions	42,417	70,615	9,210	27,116
Terrestrial Infrastructure Projects	13,254	20,459	5,263	9,000
Total revenue	\$ 123,258	\$ 185,178	\$ 37,270	\$ 63,384

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

	<u>September 30,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>
	<u>Unaudited</u>	<u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 51,574	\$ 74,778
Restricted cash	25,628	27,067
Trade receivables, net	26,199	47,731
Contract assets	38,102	23,698
Inventories	31,816	27,203
Other current assets	16,558	23,007
Total current assets	<u>189,877</u>	<u>223,484</u>
LONG-TERM ASSETS:		
Long-term restricted cash	40	124
Severance pay funds	6,227	6,831
Deferred taxes	18,329	18,455
Operating lease right-of-use assets	5,665	5,211
Other long term receivables	7,796	10,156
Total long-term assets	<u>38,057</u>	<u>40,777</u>
PROPERTY AND EQUIPMENT, NET	<u>77,618</u>	<u>82,584</u>
INTANGIBLE ASSETS, NET	<u>1,192</u>	<u>1,523</u>
GOODWILL	<u>43,468</u>	<u>43,468</u>
<u>TOTAL ASSETS</u>	<u>\$ 350,212</u>	<u>\$ 391,836</u>

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

	<u>September 30,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>
	<u>Unaudited</u>	<u>Audited</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term loans	\$ 4,000	\$ 4,096
Trade payables	17,302	20,725
Accrued expenses	54,075	54,676
Advances from customers and deferred revenues	25,908	27,220
Operating lease liabilities	1,940	1,977
Other current liabilities	10,406	12,261
Total current liabilities	<u>113,631</u>	<u>120,955</u>
LONG-TERM LIABILITIES:		
Long-term loans, net of current maturities	-	4,000
Accrued severance pay	6,493	7,061
Long-term advances from customers	-	2,866
Operating lease liabilities	3,754	3,258
Other long-term liabilities	1,069	108
Total long-term liabilities	<u>11,316</u>	<u>17,293</u>
SHAREHOLDERS' EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	2,644	2,643
Additional paid-in capital	928,337	927,348
Accumulated other comprehensive loss	(6,830)	(5,048)
Accumulated deficit	(698,886)	(671,355)
Total shareholders' equity	<u>225,265</u>	<u>253,588</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 350,212</u>	<u>\$ 391,836</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,	
	2020	2019	2020	2019
	Unaudited		Unaudited	
Cash flows from operating activities:				
Net income (loss)	\$ (27,531)	\$ 12,517	\$ (11,551)	\$ 6,288
Adjustments required to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	7,757	8,247	2,486	2,565
Capital loss from disposal of property and equipment	34	-	11	-
Stock-based compensation of options	987	1,730	280	437
Accrued severance pay, net	37	345	11	(37)
Deferred income taxes, net	101	1,081	(39)	(304)
Decrease (increase) in trade receivables, net	20,852	141	2,488	(2,365)
Decrease (increase) in contract assets	(14,404)	25,408	(6,042)	25,640
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	7,919	(1,419)	1,209	(1,390)
Decrease (increase) in inventories	(5,150)	(7,685)	548	(1,548)
Decrease in trade payables	(3,335)	(4,515)	(2,825)	(8,448)
Increase (decrease) in accrued expenses	(193)	(8,904)	5,616	(1,828)
Increase (decrease) in advance from customers	(4,116)	(9,540)	1,609	(1,135)
Decrease in current and non current liabilities	(219)	(2,659)	(904)	(708)
Net cash provided by (used in) operating activities	(17,261)	14,747	(7,103)	17,167
Cash flows from investing activities:				
Purchase of property and equipment	(2,740)	(5,649)	(861)	(2,062)
Net cash used in investing activities	(2,740)	(5,649)	(861)	(2,062)
Cash flows from financing activities:				
Exercise of stock options	-	375	-	-
Dividend payment	-	(24,864)	-	-
Repayment of long-term loans	(4,096)	(4,353)	-	(122)
Net cash used in financing activities	(4,096)	(28,842)	-	(122)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(630)	(235)	(91)	(256)
Increase (decrease) in cash, cash equivalents and restricted cash	(24,727)	(19,979)	(8,055)	14,727
Cash, cash equivalents and restricted cash at the beginning of the period	101,969	104,204	85,297	69,498
Cash, cash equivalents and restricted cash at the end of the period	\$ 77,242	\$ 84,225	\$ 77,242	\$ 84,225