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## **Gilat Reports Fifth Consecutive Quarter of Improved Financial Results in Q4 2006**

Petah Tikva, Israel, February 13, 2007 – Gilat Satellite Networks Ltd. (Nasdaq: GILT), a worldwide leader in satellite networking technology, solutions and services, today reported its results for the quarter ending December 31, 2006.

### **Highlights for the Quarter:**

- **Revenues increased to \$65.4 million, representing a 17% year-over-year growth**
- **Net income increased to \$4.5 million, from \$1.0 million in 4Q 2005**
- **Shareholders' equity increased by \$45.3 million to \$212.1 million**

Revenues for the fourth quarter of 2006 were \$65.4 million, up from \$56.0 million in the same period of 2005. Net income for the fourth quarter of 2006 was \$4.5 million or \$0.12 per diluted share, compared to a net income of \$1.0 million or \$0.04 per diluted share in the fourth quarter of 2005. Non-GAAP net income (1) for the fourth quarter of 2006 was \$5.1 million, or \$0.14 per diluted share, versus a net income of \$1.0 million or \$0.04 per diluted share in the same quarter of 2005. EBITDA (2) for the fourth quarter of 2006 was \$10.0 million, increased from \$6.6 million in the comparable period of 2005.

Revenues for the twelve month period ended December 31, 2006 were \$248.7 million, up from \$209.4 million in the comparable period of 2005. Net income for the twelve month period ended December 31, 2006 was \$10.5 million or \$0.38 per diluted share, compared to a net loss of \$3.7 million or \$0.17 per diluted share in the same period of 2005. Non-GAAP net income for the twelve month period ended December 31, 2006 was \$14.2 million, or \$0.51 per diluted share, versus a net loss of \$3.7 million or \$0.17 per diluted share in the comparable period of 2005. EBITDA for the twelve month period ended December 31, 2006 was \$37.9 million, increased from \$20.5 million in the comparable period of 2005.

Non-GAAP net income, earnings per share and EBITDA for the three and twelve month periods ended December 31, 2006 exclude non cash stock option expenses in an amount of \$0.6 million and \$3.8 million respectively, which are not included in the comparable periods of 2005.



## **Press Release** (cont.)

Gilat's Chief Executive Officer and Chairman of the Board Amiram Levinberg said, "We concluded a strong year on both the financial and business fronts. This is our fifth consecutive quarter of improved financial results. We've successfully entered the business continuity market in the US. Internationally, we expanded across the communication value chain by winning significant turnkey projects such as: Telefonica Brazil, Russia Post, and Angola Telecom. We also enhanced our offering to include cellular backhaul solutions.

"We see growth opportunities in our existing markets driven mainly by universal service projects in emerging markets and business continuity in developed countries. In 2007, we plan to enter into new government segments and add broadband wireless access solutions to our product portfolio."

### **Recent Announcements**

--Gilat's SkyAbis CDMA2000 will provide the satellite backhaul for the network of a leading African telecommunications operator. The operator plans to install more than 150,000 fixed phone lines overall, based on a variety of backhaul technologies.

--Telekom Serbia, the incumbent telecom carrier in Serbia, will deploy Gilat's SkyEdge broadband satellite hub and several hundred VSATs to serve its residential and corporate customers. To meet its Universal Service Obligation (USO) requirements, Telekom Serbia will deploy SkyEdge VSATs at remote community centers throughout Serbia to provide citizens with reliable telephony, fax and broadband Internet access.

--Gilat completes public offering of its shares at a share price of \$8.50. 5,016,667 shares were sold by Gilat and 3,033,333 shares were sold by a selling shareholder, including an over-allotment which was exercised in full. Gross proceeds from the offering totaled approximately \$68 million, and net proceeds to Gilat from the offering were approximately \$40 million.

--Gilat has been selected to provide a network of 8,800 SkyEdge VSATs to support the "middle-school" phase of the Mexican Ministry of Education's (SEP) Enciclomedia program.

--Gilat's Spacenet Inc. subsidiary, signed a five-year enterprise networking services contract extension with Sunoco, a leading manufacturer and marketer of petroleum and petrochemical products. As part of the agreement, Spacenet is providing upgraded satellite networking and managed services at approximately 900 company-owned retail stores across the United States.

### **About Gilat Satellite Networks Ltd.**



## **Press Release** (cont.)

Gilat Satellite Networks Ltd. (Nasdaq: GILT) is a leading provider of products and services for satellite-based communications networks. The Company operates under three business units: (i) Gilat Network Systems ("GNS"), which is a provider of network systems and associated professional services to service providers and operators worldwide; (ii) Spacenet Inc., which provides managed services in North America for businesses and governments through its Connexstar service brand and for consumers through its StarBand service brand; (iii) Spacenet Rural Communications, which offers rural telephony and Internet access solutions to remote areas primarily in Latin America.

Gilat was founded in 1987 and has shipped over 600,000 Very Small Aperture Terminals (VSATs) to more than 85 countries across six continents. Gilat's headquarters is located in Petah Tikva, Israel. The Company has 14 local offices and three service facilities worldwide. Gilat markets the SkyEdge™ Product Family which includes the SkyEdge™ Pro, SkyEdge™ IP, SkyEdge™ Call, SkyEdge™ DVB-RCS and SkyEdge™ Gateway. In addition, the Company markets numerous other legacy products. Visit Gilat at [www.gilat.com](http://www.gilat.com).

### Safe Harbor:

Certain statements made herein that are not historical are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimate", "project", "intend", "expect", "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties. Many factors could cause the actual results, performance or achievements of Gilat to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, inability to maintain market acceptance to Gilat's products, inability to timely develop and introduce new technologies, products and applications, rapid changes in the market for Gilat's products, loss of market share and pressure on prices resulting from competition, introduction of competing products by other companies, inability to manage growth and expansion, loss of key OEM partners, inability to attract and retain qualified personnel, inability to protect the Company's proprietary technology and risks associated with Gilat's international operations and its location in Israel. For additional information regarding these and other risks and uncertainties associated with Gilat's business, reference is made to Gilat's reports filed from time to time with the Securities and Exchange Commission.

### Notes:

(1) The attached summary financial statements were prepared in accordance with U.S. GAAP. The attached summary financial statements for Q4 2006 are unaudited. To supplement the consolidated financial statements presented in accordance with GAAP, the Company presents Gilat's net income, EBITDA and earnings per diluted share, before the share-based payment charge, which is the non-cash stock option expense as per SFAS 123 (R). This non-GAAP presentation of net income, EBITDA and earnings per share is provided to enhance the understanding of the Company's historical financial performance and comparability between periods.

(2) Operating income (loss) before depreciation, amortization, non cash stock option expenses as per SFAS 123(R) and exceptional items, ('EBITDA') is presented because it is a measure commonly used and is presented solely in order to improve the understanding of the Company's operating results and to provide further



## **Press Release** (cont.)

perspective on these results. EBITDA, however, should not be considered as an alternative to operating income (loss) or net income (loss) for the period as an indicator of the operating performance of the Company.

Similarly, EBITDA should not be considered as an alternative to cash flows from operating activities as a measure of liquidity. EBITDA is not a measure of financial performance under generally accepted accounting principles and may not be comparable to other similarly titled measures for other companies. EBITDA may not be indicative of the historic operating results of the Company; nor is it meant to be predictive of potential future results. Reconciliation between the Company's Operating income (loss) and EBITDA is presented in the attached summary financial statements.

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**GILAT SATELLITE NETWORKS LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**US dollars in thousands**

	<u>December 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	149,545	74,929
Short-term bank deposits	-	3,301
Short-term restricted cash	5,137	15,844
Restricted cash held by trustees	7,113	6,638
Trade receivables (net of allowance for doubtful accounts)	29,612	33,683
Inventories	26,368	23,253
Other current assets	40,428	27,215
	<u>258,203</u>	<u>184,863</u>
<b>LONG-TERM INVESTMENTS AND RECEIVABLES:</b>		
Long-term restricted cash	6,337	6,699
Long-term restricted cash held by trustees	15,646	13,692
Severance pay fund	10,534	8,467
Long-term trade receivables, receivables in respect of capital leases and other receivables	19,241	22,757
	<u>51,758</u>	<u>51,615</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>121,366</u>	<u>124,245</u>
<b>INTANGIBLE ASSETS AND DEFERRED CHARGES, NET</b>	<u>8,887</u>	<u>12,254</u>
<b><u>TOTAL ASSETS</u></b>	<u><u>440,214</u></u>	<u><u>372,977</u></u>

**GILAT SATELLITE NETWORKS LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**US dollars in thousands**

	<u>December 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit	1,200	8,172
Current maturities of long-term loans	6,537	7,712
Trade payables	21,258	24,180
Accrued expenses	21,400	22,418
Short-term advances from customer held by trustees	15,045	15,502
Other accounts payable	72,129	36,672
	<u>137,569</u>	<u>114,656</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued severance pay	10,640	8,396
Long-term advances from customer held by trustees	16,863	27,835
Long-term loans, net	22,318	29,143
Long-term convertible loan from a related party, net	-	66,602
Accrued interest related to restructured debt	3,147	3,850
Other long-term liabilities	21,285	20,664
Convertible subordinated notes	16,333	16,333
	<u>90,586</u>	<u>172,823</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital - Ordinary shares of NIS 0.2 par value	1,757	995
Additional paid in capital	853,350	738,724
Accumulated other comprehensive income	702	16
Accumulated deficit	(643,750)	(654,237)
	<u>212,059</u>	<u>85,498</u>
<b><u>Total liabilities and shareholders' equity</u></b>	<u><u>440,214</u></u>	<u><u>372,977</u></u>

**GILAT SATELLITE NETWORKS LTD.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

U.S. dollars in thousands (except per share data)

	Year ended		Three months ended	
	December 31,		December 31,	
	2006	2005	2006	2005
			Unaudited	Unaudited
Revenues	248,710	209,395	65,356	55,958
Cost of Revenues	158,345	133,219	41,227	34,665
<b>Gross profit</b>	<b>90,365</b>	<b>76,176</b>	<b>24,129</b>	<b>21,293</b>
<b>Research and development expenses:</b>				
Expenses incurred	15,687	16,944	4,405	3,905
Less - grants	2,045	2,950	718	364
	13,642	13,994	3,687	3,541
Selling and marketing, general and administrative expenses	63,275	60,794	16,117	15,601
<b>Operating income</b>	<b>13,448</b>	<b>1,388</b>	<b>4,325</b>	<b>2,151</b>
Financial income (expenses) - net	(742)	(2,677)	812	(821)
Other income	138	299	78	159
<b>Income (loss) before taxes on income</b>	<b>12,844</b>	<b>(990)</b>	<b>5,215</b>	<b>1,489</b>
Taxes on income	2,357	3,126	735	473
<b>Income (loss) after taxes on income</b>	<b>10,487</b>	<b>(4,116)</b>	<b>4,480</b>	<b>1,016</b>
Equity in earnings of affiliated companies	-	400	-	-
<b>Net income (loss)</b>	<b>10,487</b>	<b>(3,716)</b>	<b>4,480</b>	<b>1,016</b>
<b>Basic net earnings (loss) per share</b>	<b>0.41</b>	<b>(0.17)</b>	<b>0.13</b>	<b>0.05</b>
<b>Diluted net earnings (loss) per share</b>	<b>0.38</b>	<b>(0.17)</b>	<b>0.12</b>	<b>0.04</b>
<b>Weighted average number of shares used in computing net earnings (loss) per share</b>				
Basic	<b>25,799</b>	<b>22,440</b>	<b>34,376</b>	<b>22,555</b>
Diluted	<b>27,520</b>	<b>22,440</b>	<b>36,756</b>	<b>23,645</b>

**GILAT SATELLITE NETWORKS LTD.**  
**RECONCILIATION BETWEEN GAAP AND NON-GAAP STATEMENT OF INCOME**  
**FOR COMPARATIVE PURPOSES**

U.S. dollars in thousands (except per share data)

	Year ended			Three months ended		
	31-Dec-06			31-Dec-06		
	GAAP	Adjustments <sup>(1)</sup>	Non-GAAP	GAAP	Adjustments <sup>(1)</sup>	Non-GAAP
	Unaudited	Unaudited		Unaudited	Unaudited	
Revenues	248,710	-	248,710	65,356	-	65,356
Cost of Revenues	158,345	(148)	158,197	41,227	(13)	41,214
<b>Gross profit</b>	<b>90,365</b>	<b>148</b>	<b>90,513</b>	<b>24,129</b>	<b>13</b>	<b>24,142</b>
<b>Research and development expenses:</b>						
Expenses incurred	15,687	(131)	15,556	4,405	(13)	4,392
Less - grants	2,045	-	2,045	718	-	718
	13,642	(131)	13,511	3,687	(13)	3,674
Selling and marketing, general and administrative expenses	63,275	(3,474)	59,801	16,117	(544)	15,573
<b>Operating income</b>	<b>13,448</b>	<b>3,753</b>	<b>17,201</b>	<b>4,325</b>	<b>570</b>	<b>4,895</b>
Financial income (expenses) - net	(742)	-	(742)	812	-	812
Other income	138	-	138	78	-	78
<b>Income before taxes on income</b>	<b>12,844</b>	<b>3,753</b>	<b>16,597</b>	<b>5,215</b>	<b>570</b>	<b>5,785</b>
Taxes on income	2,357	-	2,357	735	-	735
<b>Net income</b>	<b>10,487</b>	<b>3,753</b>	<b>14,240</b>	<b>4,480</b>	<b>570</b>	<b>5,050</b>
<b>Basic net earnings per share</b>	0.41		0.55	0.13		0.15
<b>Diluted net earnings per share</b>	0.38		0.51	0.12		0.14
<b>Weighted average number of shares used in computing net earnings per share</b>						
Basic	25,799		25,799	34,376		34,376
Diluted	27,520		27,803	36,756		36,954

(1) Adjustments reflect the effect of non-cash stock options expenses as per SFAS123(R).

**GILAT SATELLITE NETWORKS LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**US dollars in thousands**

	<b>Year ended</b>		<b>Three months ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
			<b>Unaudited</b>	<b>Unaudited</b>
<b><u>Cash flows from operating activities:</u></b>				
Net income (loss)	10,487	(3,716)	4,480	1,016
<b>Adjustments required to reconcile net income (loss)</b>				
<b>to net cash provided by operating activities:</b>				
Depreciation and amortization	20,728	19,116	5,119	4,464
Loss from deconsolidation of subsidiaries	-	171	-	-
Gain from disposal of a subsidiary	(137)	(397)	(77)	(200)
Share-based compensation related expenses	3,753	137	570	(201)
Accrued severance pay, net	177	(309)	(290)	(99)
Accretion of discount	504	-	-	-
Equity in earnings of an affiliated company	-	(400)	-	-
Interest accrued on short and long-term restricted cash	(896)	(490)	(310)	(106)
Exchange rate differences on long-term loans	705	(973)	198	(127)
Exchange rate differences on loans to employees	(223)	213	17	(11)
Capital loss from disposal of property and equipment	57	315	5	15
Deferred income taxes, net	(1,131)	(473)	(596)	(224)
Decrease (increase) in trade receivables, net	4,120	(2,440)	5,248	(2,424)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	(6,258)	6,711	(4,461)	2,519
Decrease (increase) in inventories	(11,846)	(5,188)	3,382	(5,602)
Increase (decrease) in trade payables	(3,000)	2,941	(5,080)	5,099
Increase (decrease) in accrued expenses	(1,049)	(4,652)	599	1,794
Increase (decrease) in other accounts payable (including long-term)	33,400	3,509	(1,148)	6,589
Decrease in advances from customer held by trustees, net (including long-term)	(11,430)	(10,388)	(3,761)	(2,556)
<b>Net cash provided by operating activities</b>	<b>37,961</b>	<b>3,687</b>	<b>3,895</b>	<b>9,946</b>

**GILAT SATELLITE NETWORKS LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**US dollars in thousands**

	<b>Year ended</b>		<b>Three months ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
			<b>Unaudited</b>	<b>Unaudited</b>
<b><u>Cash flows from investing activities:</u></b>				
Proceeds from short-term bank deposits	3,300	-	-	-
Investment in short-term bank deposits	-	(3,301)	-	(3,301)
Investment in restricted cash held by trustees	(3,520)	(3,305)	-	(1,060)
Proceeds from restricted cash held by trustees	1,987	13,078	508	5,157
Investment in restricted cash (including long-term)	(5,191)	(13,759)	(1,900)	(1,120)
Proceeds from restricted cash (including long-term)	16,263	13,007	1,667	5,583
Return of investment	-	388	-	-
Investment in other assets	(6)	(40)	-	53
Loans to employees, net	284	(3,606)	12	75
Disposal of subsidiary consolidated in previous period	-	(181)	-	-
Purchase of property and equipment	(6,519)	(3,605)	(2,028)	(679)
Proceeds from sale of property and equipment	1,577	34	-	26
<b>Net cash provided by (used in) investing activities</b>	<b>8,175</b>	<b>(1,290)</b>	<b>(1,741)</b>	<b>4,734</b>
<b><u>Cash flows from financing activities:</u></b>				
Exercise of options, net	3,634	1,218	286	8
Issuance of shares, net of issuance expenses	40,210	-	40,210	-
Short-term bank credit, net	(6,972)	4,013	1,200	(3,264)
Repayment of long-term loans	(8,703)	(7,823)	(767)	(1,007)
Repayment of long-term convertible loan	-	(1,000)	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>28,169</b>	<b>(3,592)</b>	<b>40,929</b>	<b>(4,263)</b>
Effect of exchange rate differences on cash and cash equivalents	311	353	59	(166)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>74,616</b>	<b>(842)</b>	<b>43,142</b>	<b>10,251</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>74,929</b>	<b>75,771</b>	<b>106,403</b>	<b>64,678</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>149,545</b>	<b>74,929</b>	<b>149,545</b>	<b>74,929</b>

**GILAT SATELLITE NETWORKS LTD.**

**CONDENSED EBITDA**

**US dollars in thousands**

	<b>Year ended</b>		<b>Three months ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Operating income	13,448	1,388	4,325	2,151
Add:				
Non-cash stock option expenses	3,753		570	
Depreciation and amortization	20,728	19,116	5,119	4,464
<b>EBITDA</b>	<b>37,929</b>	<b>20,504</b>	<b>10,014</b>	<b>6,615</b>