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Gilat Announces First Quarter 2008 Results

Petah Tikva, Israel, May 15, 2008 – Gilat Satellite Networks Ltd. (NasdaqGM: GILT), a worldwide leader in satellite networking technology, solutions and services, today reported its results for the quarter ending March 31, 2008.

Revenues for the first quarter of 2008 were \$70.5 million, up from \$68.0 million in the same period of 2007. Net income for the first quarter of 2008 was \$4.6 million or \$0.11 per diluted share, compared to a net income of \$4.9 million or \$0.12 per diluted share in the first quarter of 2007. These results include expenses related to the merger agreement in the amount of \$0.7 million.

For a detailed reconciliation of GAAP to non-GAAP financial information and for more information regarding Gilat's use of non-GAAP financial measures, please see the table titled "Reconciliation between GAAP and non-GAAP statements of operations" as well as the notes contained in this press release.

Gilat's Chief Executive Officer and Chairman of the Board Amiram Levinberg said, "Our first quarter results, excluding expenses relating to the merger transaction, show an improvement in year over year revenues and net income. Our new advanced SkyEdge II platform is gaining market traction and has been chosen by customers worldwide."

"On March 31, we entered into a definitive merger agreement for the Company to be acquired by a consortium of private equity investors. Under the terms of the agreement, Gilat shareholders will receive \$11.40 per share in cash. It is currently anticipated that the transaction will be consummated by September 2008, pending certain approvals. We believe that this transaction recognizes the value of Gilat's strong market position and product portfolio, while providing our shareholders with an attractive cash offer."

Recent Announcements

--- Gilat will provide Incomnet with a Gilat SkyEdge broadband satellite communications network to serve end users throughout Mongolia. Incomnet will use the new VSAT network to provide toll-quality telephony to rural citizens, meeting its Universal Service Obligations.



Press Release (cont.)

--- Gilat has been selected by Synterra, one of Russia's largest telecommunications operators, to provide a 1,000-site SkyEdge broadband satellite network for use by Russian Post. Gilat was chosen for the second phase of Russian Post's VSAT network following the successful deployment of an initial SkyEdge network which covers approximately 750 Russian Post sites.

---Gilat has begun deployment of a 1,500-site SkyEdge II broadband satellite network for Axesat, one of Latin America's leading satellite service providers. Axesat will use the Gilat SkyEdge II VSATs to provide enterprises in Latin America with private networking services including interactive data, broadband Internet access, and Voice over Internet Protocol (VoIP). Axesat is a long time customer of Gilat, having deployed Gilat 360e and SkyEdge networks in the past.

---Spacenet signed a contract to provide IHG (InterContinental Hotels Group) an upgraded satellite data network and managed network services to 2,500 locations across the United States and Canada. IHG is one of the world's largest hotel groups by number of rooms and operates seven hotel brands including InterContinental Hotels & Resorts, Crowne Plaza, Hotel Indigo, Holiday Inn, Holiday Inn Express, Staybridge Suites and Candlewood Suites.

---Gilat provided Petr leo Brasileiro S.A. (Petrobras) a 500-site Gilat SkyEdge broadband network platform for enterprise and offshore maritime applications. Petrobras is a Brazilian-based international energy company, and is one of the fifteen largest oil companies in the world. Petrobras is using the SkyEdge VSAT network for a variety of interactive web, video, SCADA, and telephony applications.

Gilat will host a conference call today with an accompanying slide presentation at 9:00 AM EST. In order to ensure audio access, participants from the U.S. should dial in at (888) 281-1167 and international participants should dial in at (972) 3-918-0692. The presentation may be accessed through the Company's website at www.gilat.com prior to the call. The call will also be available as a Webcast on the Company's website at: www.gilat.com and will be archived for 30 days.

Notes:

(1) The attached summary financial statements were prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The attached summary financial statements for the first quarter of 2008 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 impact of a non-cash impairment of long lived assets and before share-based payment charge, which is the non-cash stock option expense as per SFAS 123 (R). Non-GAAP presentations of net income, EBITDA and earnings per share are



Press Release (cont.)

provided to enhance the understanding of the Company's historical financial performance and comparability between periods.

(2) Operating income 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 perspective on these results. EBITDA, however, should not be considered as an alternative to operating income or net income 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 and EBITDA is presented in the attached summary financial statements.

About Gilat Satellite Networks Ltd.

Gilat Satellite Networks Ltd. (NasdaqGM: 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 670,000 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 16 sales and service offices 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.

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



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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.

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

| | <u>March 31,</u> <u>2008</u> <u>Unaudited</u> | <u>December 31,</u> <u>2007</u> |
|--|---|------------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 112,085 | 122,807 |
| Short- term bank deposits and held to maturity marketable securities | 51,610 | 45,578 |
| Short-term restricted cash | 7,574 | 7,091 |
| Restricted cash held by trustees | 7,587 | 7,450 |
| Trade receivables, net of allowance for doubtful accounts | 50,879 | 43,746 |
| Inventories | 20,363 | 24,794 |
| Other current assets | 24,190 | 24,748 |
| Total current assets | <u>274,288</u> | <u>276,214</u> |
| LONG-TERM INVESTMENTS AND RECEIVABLES: | | |
| Long-term restricted cash | 6,340 | 6,321 |
| Long-term restricted cash held by trustees | 16,859 | 16,544 |
| Severance pay fund | 12,794 | 11,835 |
| Long-term trade receivables, receivables in respect of capital leases and other receivables | <u>11,309</u> | <u>9,170</u> |
| Total long-term investments and receivables | <u>47,302</u> | <u>43,870</u> |
| PROPERTY AND EQUIPMENT, NET | <u>105,074</u> | <u>105,247</u> |
| INTANGIBLE ASSETS AND DEFERRED CHARGES, NET | <u>4,103</u> | <u>4,771</u> |
| <u>TOTAL ASSETS</u> | <u><u>430,767</u></u> | <u><u>430,102</u></u> |

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

| | <u>March 31,</u> <u>2008</u> <u>Unaudited</u> | <u>December 31,</u> <u>2007</u> |
|--|---|------------------------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term bank credit | 5,500 | 5,823 |
| Current maturities of long-term loans | 5,374 | 5,354 |
| Trade payables | 27,902 | 25,954 |
| Accrued expenses | 19,418 | 20,275 |
| Short-term advances from customer, held by trustees | 15,456 | 15,005 |
| Other current liabilities | 51,810 | 58,686 |
| Total current liabilities | <u>125,460</u> | <u>131,097</u> |
| LONG-TERM LIABILITIES: | | |
| Accrued severance pay | 12,987 | 11,723 |
| Long-term advances from customer, held by trustees | 8,989 | 8,989 |
| Long-term loans, net | 19,107 | 18,704 |
| Accrued interest related to restructured debt | 2,493 | 2,493 |
| Convertible subordinated notes | 16,315 | 16,315 |
| Other long-term liabilities | 11,626 | 12,971 |
| Total long-term liabilities | <u>71,517</u> | <u>71,195</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS' EQUITY: | | |
| Share capital - Ordinary shares of NIS 0.2 par value | 1,806 | 1,796 |
| Additional paid in capital | 860,472 | 859,207 |
| Accumulated other comprehensive income | 1,891 | 1,776 |
| Accumulated deficit | (630,379) | (634,969) |
| Total shareholders' equity | <u>233,790</u> | <u>227,810</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>430,767</u> | <u>430,102</u> |

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

| | Three months ended | |
|--|---------------------------|------------------|
| | March 31, | |
| | 2008 | 2007 |
| | Unaudited | Unaudited |
| Revenues | 70,533 | 68,038 |
| Cost of Revenues | 45,257 | 43,223 |
| Gross profit | 25,276 | 24,815 |
| Research and development expenses: | | |
| Expenses incurred | 4,299 | 4,317 |
| Less - grants | 39 | 348 |
| | 4,260 | 3,969 |
| Selling and marketing, general and administrative expenses | 17,063 | 17,095 |
| Operating income | 3,953 | 3,751 |
| Financial income | 812 | 1,456 |
| Expenses related to merger transaction | (722) | - |
| Other income | 1,182 | - |
| Income before taxes on income | 5,225 | 5,207 |
| Taxes on income | 635 | 294 |
| Net income | 4,590 | 4,913 |
| | | |
| Basic net earnings per share | 0.12 | 0.13 |
| Diluted net earnings per share | 0.11 | 0.12 |
| | | |
| Weighted average number of shares used in | | |
| computing net earnings per share | | |
| Basic | 39,703 | 38,855 |
| Diluted | 42,207 | 41,105 |

GILAT SATELLITE NETWORKS LTD.
RECONCILIATION BETWEEN GAAP AND NON-GAAP STATEMENTS OF OPERATIONS
FOR COMPARATIVE PURPOSES

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

| | Three months ended | |
|--|---------------------------|------------------|
| | March | |
| | 2008 | 2007 |
| | Unaudited | Unaudited |
| GAAP operating income | 3,953 | 3,751 |
| Non-cash stock options expenses (1) | 209 | 426 |
| Non-GAAP operating income | 4,162 | 4,177 |
| | | |
| GAAP net income | 4,590 | 4,913 |
| Non-cash stock options expenses (1) | 209 | 426 |
| Non-GAAP net income | 4,799 | 5,339 |
| | | |
| GAAP earnings per share (diluted) | 0.11 | 0.12 |
| Non-cash stock options expenses (1) | - | 0.01 |
| Non-GAAP earnings per share (diluted) | 0.11 | 0.13 |
| | | |
| (1) Non-cash stock options expenses: | | |
| Cost of Revenues | 9 | - |
| Research and development | - | 3 |
| Selling, general, marketing and administrative | 200 | 423 |
| | 209 | 426 |

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

| | Three months ended | |
|---|---------------------------|------------------|
| | March 31, | |
| | 2008 | 2007 |
| | Unaudited | Unaudited |
| <u>Cash flows from operating activities:</u> | | |
| Net income | 4,590 | 4,913 |
| Adjustments required to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 3,131 | 4,850 |
| Stock compensation related to employees stock options | 209 | 426 |
| Accrued severance pay, net | 305 | 453 |
| Interest accrued on short and long-term restricted cash | (451) | (260) |
| Interest on held to maturity marketable securities | (788) | - |
| Exchange rate differences on long-term loans | 524 | 77 |
| Exchange rate differences on loans to employees | 16 | (28) |
| Capital loss from disposal of property and equipment | 19 | 143 |
| Deferred income taxes | 66 | (44) |
| Increase in trade receivables, net | (7,097) | (4,041) |
| Decrease (increase) in other assets (including short-term, long-term and deferred charges) | (6,798) | 737 |
| Decrease in inventories | 3,161 | 3,490 |
| Increase (decrease) in trade payables | 1,943 | (1,319) |
| Increase (decrease) in accrued expenses | (858) | 114 |
| Increase (decrease) in advances from customer, held by trustees, net | 452 | (3,761) |
| Increase (decrease) in other accounts payable and other long term liabilities, mainly deferred revenues | (6,730) | 2,112 |
| Net cash provided by (used in) operating activities | (8,306) | 7,862 |

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

| | Three months ended | |
|---|---------------------------|------------------|
| | March 31, | |
| | 2008 | 2007 |
| | Unaudited | Unaudited |
| <u>Cash flows from investing activities:</u> | | |
| Purchase of property and equipment | (1,542) | (682) |
| Return on investment | 1,182 | - |
| Other investments | (195) | - |
| Purchase of held to maturity marketable securities | (23,906) | (58,406) |
| Proceeds from held to maturity marketable securities | 18,662 | - |
| Proceeds from sale of property and equipment | 401 | - |
| Loans to employees, net | 2,758 | 288 |
| Proceeds from restricted cash held by trustees | - | 92 |
| Investment in restricted cash (including long-term) | (597) | (4,446) |
| Proceeds from restricted cash (including long-term) | 94 | 433 |
| Net cash used in investing activities | (3,143) | (62,721) |
| <u>Cash flows from financing activities:</u> | | |
| Exercise of options, net | 1,066 | 414 |
| Issuance expenses of ordinary shares | - | (259) |
| Short-term bank credit, net | (322) | 4,300 |
| Repayments of long-term loans | (101) | (842) |
| Net cash provided by financing activities | 643 | 3,613 |
| Effect of exchange rate changes on cash and cash equivalents | 84 | 178 |
| Decrease in cash and cash equivalents | (10,722) | (51,068) |
| Cash and cash equivalents at the beginning of the period | 122,807 | 149,545 |
| Cash and cash equivalents at the end of the period | 112,085 | 98,477 |

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

| | Three months ended | |
|--------------------------------|---------------------------|------------------|
| | March 31, | |
| | 2008 | 2007 |
| | Unaudited | Unaudited |
| Operating income | 3,953 | 3,751 |
| Add: | | |
| Non-cash stock option expenses | 209 | 426 |
| Depreciation and amortization | 3,131 | 4,850 |
| EBITDA | 7,293 | 9,027 |