



**Gilat Satellite Networks**

## **Press Release**

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## **Gilat Announces Strong Q2 Results: Revenues Reached a Five Year Record of \$70.3 Million; Net Income Totaled \$ 5.5 Million**

Petah Tikva, Israel, August 9, 2007 – Gilat Satellite Networks Ltd. (Nasdaq: GILT), a worldwide leader in satellite networking technology, solutions and services, today reported its results for the second quarter ending June 30th, 2007.

Revenues for the second quarter of 2007 were \$70.3 million, up from \$61.0 million in the same period of 2006. Net income for the second quarter of 2007 was \$5.5 million or \$0.13 per diluted share, compared to a net income of \$2.0 million or \$0.09 per diluted share in the second quarter of 2006. Non-GAAP net income <sup>(1)</sup> for the second quarter of 2007 was \$5.9 million, or \$0.14 per diluted share, versus a net income of \$3.1 million or \$0.12 per diluted share in the same quarter of 2006.

Revenues for the six month period ended June 30, 2007 were \$138.4 million, up from \$119.6 million in the comparable period of 2006. Net income for the six month period ended June 30, 2007 was \$10.5 million or \$0.25 per diluted share, compared to a net income of \$3.3 million or \$0.14 per diluted share in the same period of 2006. Non-GAAP net income for the six month period ended June 30, 2007 was \$11.2 million, or \$0.27 per diluted share, versus a net income of \$5.7 million or \$0.24 per diluted share in the comparable period of 2006.

Gilat's Chief Executive Officer and Chairman of the Board Amiram Levinberg said, "During the quarter, we continued to generate strong financial results. We had enhanced activity in the U.S. this quarter, stemming from contract extensions and business continuity deals. Since the beginning of 2007, our US subsidiary, Spacenet Inc, has signed 16 renewal contracts for provision of services and has also signed on nine new channel partners. In the quarter, we also continued to see demand for universal service projects in Eastern Europe and Asia, as well as for government projects world-wide".

### **Recent Announcements**

- Gilat was selected by long-time customer JSC Kazakhtelecom (KT) to provide several hundred additional SkyEdge VSATs for KT's existing broadband satellite network. With completion of this latest deployment, KT will operate four Gilat satellite hubs and more than 1,600 Gilat VSATs.



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- Spacenet Inc, Gilat's wholly-owned subsidiary has been awarded two new contract extensions with American Municipal Power Ohio (AMP-Ohio) to provide a high-speed VSAT data network and with Fazoli's® Restaurants, a leading quick-service Italian restaurant chain.
- Gilat receives an order from Axesat, a leading satellite service provider in Latin America, for providing a SkyEdge broadband satellite network comprised of a hub and more than 400 SkyEdge VSATs. With completion of this latest deployment, Axesat will operate more than 2,500 Gilat VSATs nationwide.
- SatCom Networks Africa, one of Tanzania's leading public data communications operators, chooses Gilat's SkyEdge broadband satellite network to provide major corporations and government institutions across hundreds of sites with broadband connectivity, videoconferencing, IP multicasting and VoIP services
- Gilat was chosen to provide SkyEdge broadband satellite network to Sibirtelecom, one of Russia's largest telecom operators. The SkyEdge network, comprising more than 1,200 VSATs, will be used to bring telephony and broadband Internet services to remote communities throughout Siberia.
- Gilat Partners with CJSC Global-Teleport, Russia's Leading Satellite Service Provider. Gilat Supports CJSC Global-Teleport's ability to serve the entire Russian federation through its SkyEdge Broadband Satellite Networks

**Gilat will host a conference call today at 9:30 AM EST. In order to ensure audio access, participants from the U.S. should dial in at (888) 281-1167, participants from Canada should dial in at (888) 604-5839, and international participants should dial in at (972) 3-918-0650. The presentation may be accessed through the Company's website at [www.gilat.com](http://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](http://www.gilat.com) and will be archived for 30 days.**

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

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



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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 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 Q2 2007 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 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



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results. Reconciliation between the Company's Operating income (loss) and EBIDTA is presented in the attached summary financial statements.

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

	<u>June 30,</u> <u>2007</u> <u>Unaudited</u>	<u>December 31,</u> <u>2006</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	103,841	149,545
Short-term bank deposits and Held to maturity marketable securities	43,862	-
Short-term restricted cash	5,689	5,137
Restricted cash held by trustees	7,319	7,113
Trade receivables (net of allowance for doubtful accounts)	36,927	29,612
Inventories	21,449	26,368
Other current assets	44,206	40,428
Total current assets	<u>263,293</u>	<u>258,203</u>
<b>LONG-TERM INVESTMENTS AND RECEIVABLES:</b>		
Long term Held to maturity marketable securities	14,960	-
Long-term restricted cash	6,435	6,337
Long-term restricted cash held by trustees	16,085	15,646
Severance pay fund	10,694	10,534
Long-term trade receivables, receivables in respect of capital leases and other receivables, net	12,417	19,241
	<u>60,591</u>	<u>51,758</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>115,687</u>	<u>121,366</u>
<b>INTANGIBLE ASSETS AND DEFERRED CHARGES, NET</b>	<u>7,698</u>	<u>8,887</u>
<b><u>TOTAL ASSETS</u></b>	<u><u>447,269</u></u>	<u><u>440,214</u></u>

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

	<u>June 30,</u> <u>2007</u> <u>Unaudited</u>	<u>December 31,</u> <u>2006</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit	5,828	1,200
Current maturities of long-term loans	5,319	6,537
Trade payables	21,424	21,258
Accrued expenses	19,477	21,400
Short-term advances from customer held by trustees	15,066	15,045
Other accounts payable	76,585	72,129
<b><u>Total current liabilities</u></b>	<u>143,699</u>	<u>137,569</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued severance pay	10,941	10,640
Long-term advances from customer held by trustees	9,319	16,863
Long-term loans, net	22,286	22,318
Accrued interest related to restructured debt	2,819	3,147
Convertible subordinated notes	16,331	16,333
Other long-term liabilities	17,590	21,285
<b><u>Total long-term liabilities</u></b>	<u>79,286</u>	<u>90,586</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital - Ordinary shares of NIS 0.2 par value	1,771	1,757
Additional paid in capital	855,781	853,350
Accumulated other comprehensive income	1,339	702
Accumulated deficit	(634,607)	(643,750)
<b><u>Total shareholders' equity</u></b>	<u>224,284</u>	<u>212,059</u>
<b><u>Total liabilities and shareholders' equity</u></b>	<u>447,269</u>	<u>440,214</u>

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	138,367	119,568	70,329	60,979
Cost of Revenues	88,529	75,837	45,306	38,964
<b>Gross profit</b>	<b>49,838</b>	<b>43,731</b>	<b>25,023</b>	<b>22,015</b>
<b>Research and development expenses:</b>				
Expenses incurred	8,737	7,344	4,420	3,681
Less - grants	1,275	623	927	526
	7,462	6,721	3,493	3,155
Selling, general and administrative expenses	34,182	31,489	17,087	15,563
<b>Operating income</b>	<b>8,194</b>	<b>5,521</b>	<b>4,443</b>	<b>3,297</b>
Financial income (expenses), net and other	2,722	(1,606)	1,266	(794)
<b>Income before taxes on income</b>	<b>10,916</b>	<b>3,915</b>	<b>5,709</b>	<b>2,503</b>
Taxes on income	464	616	170	424
<b>Net income</b>	<b>10,452</b>	<b>3,299</b>	<b>5,539</b>	<b>2,079</b>
<b>Basic net earnings per share</b>	0.27	0.15	0.14	0.09
<b>Diluted net earnings per share</b>	0.25	0.14	0.13	0.09
<b>Shares used in net earnings per share computation</b>				
Basic	38,925	22,702	38,996	22,807
Diluted	41,261	23,970	41,417	24,291

**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)

	Six months ended		Three months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
GAAP operating income	8,194	5,521	4,443	3,297
Non-cash stock options expenses (1)	776	2,438	351	990
Non-GAAP operating income	<b>8,970</b>	<b>7,959</b>	<b>4,794</b>	<b>4,287</b>
GAAP net income	10,452	3,299	5,539	2,079
Non-cash stock options expenses (1)	776	2,438	351	990
Non-GAAP net income	<b>11,228</b>	<b>5,737</b>	<b>5,890</b>	<b>3,069</b>
GAAP Earnings per share (diluted)	0.25	0.14	0.13	0.09
Non-cash stock options expenses (1)	0.02	0.10	0.01	0.03
Non-GAAP Earnings per share (diluted)	<b>0.27</b>	<b>0.24</b>	<b>0.14</b>	<b>0.12</b>

(1) **Non-cash stock options expenses:**

Cost of Revenues	4	108	4	44
Research and development	5	94	2	38
Selling, general, marketing and administrative	767	2,236	345	908
	<b>776</b>	<b>2,438</b>	<b>351</b>	<b>990</b>

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<b><u>Cash flows from operating activities:</u></b>				
<b>Net income</b>	10,452	3,299	5,539	2,079
<b>Adjustments required to reconcile net income to net cash provided by operating activities:</b>				
Depreciation and amortization	10,177	10,212	5,327	5,190
Stock compensation relating options	776	2,438	351	990
Accretion of discount	-	340	-	179
Accrued severance pay, net	141	516	(312)	99
Interest accrued on short and long-term restricted cash	(736)	(143)	(476)	(65)
Interest accrued on bank deposit and Held to maturity marketable securities	(937)	-	(937)	-
Exchange rate differences on long-term loans	140	477	63	316
Exchange rate differences on loans to employees	41	(128)	69	(262)
Capital loss from disposal of property and equipment	75	48	(68)	6
Deferred tax liabilities	(348)	(517)	(304)	(106)
Increase in trade receivables	(7,264)	(5,472)	(3,223)	(4,240)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	4,368	(4,036)	3,631	(2,270)
Decrease (increase) in inventories	4,049	(10,962)	559	(6,008)
Increase in trade payables	125	3,913	1,443	2,400
Decrease in accrued expenses	(1,950)	(634)	(2,064)	(1,582)
Decrease in advances from customer held by trustees, net (including long-term)	(7,522)	(5,589)	(3,761)	(3,727)
Increase (decrease) in other accounts payable and other long-term liabilities mainly deferred revenue	(1,483)	22,010	(3,595)	20,379
<b>Net cash provided by operating activities</b>	<b>10,104</b>	<b>15,772</b>	<b>2,242</b>	<b>13,378</b>

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
<b><u>Cash flows from investing activities:</u></b>				
Purchase of property and equipment	(2,954)	(2,498)	(2,272)	(1,279)
Proceeds from (Investment in) Held to maturity marketable securities, net	(57,885)	-	521	-
Proceeds from short-term bank deposits	-	3,300	-	-
Loans to employees - Net	447	254	159	180
Investment in restricted cash held by trustees	-	(1,838)	-	-
Proceeds from restricted cash held by trustees	92	1,228	-	23
Investment in restricted cash (including long-term)	(4,469)	(3,253)	(23)	(1,542)
Proceeds from restricted cash (including long-term)	3,821	11,888	3,388	3,727
Investment in other assets	-	(6)	-	-
<b>Net cash provided by (used in) investing activities</b>	<b><u>(60,948)</u></b>	<b><u>9,075</u></b>	<b><u>1,773</u></b>	<b><u>1,109</u></b>
<b><u>Cash flows from financing activities:</u></b>				
Exercise of options, net	1,625	2,252	1,212	1,911
Issuance expenses of ordinary shares	(259)	-	-	-
Short-term bank credit, net	4,628	(7,840)	328	318
Repayment of long-term loans	(1,393)	(3,135)	(551)	(2,294)
<b>Net cash provided by (used in) financing activities</b>	<b><u>4,601</u></b>	<b><u>(8,723)</u></b>	<b><u>989</u></b>	<b><u>(65)</u></b>
<b>Effect of exchange rate differences on cash and cash equivalents</b>	<b><u>539</u></b>	<b><u>268</u></b>	<b><u>360</u></b>	<b><u>13</u></b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b><u>(45,704)</u></b>	<b><u>16,392</u></b>	<b><u>5,364</u></b>	<b><u>14,435</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b><u>149,545</u></b>	<b><u>74,929</u></b>	<b><u>98,477</u></b>	<b><u>76,886</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>103,841</u></b>	<b><u>91,321</u></b>	<b><u>103,841</u></b>	<b><u>91,321</u></b>

**GILAT SATELLITE NETWORKS LTD.**  
**CONDENSED EBITDA**  
**US dollars in thousands**

	Six months ended		Three months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	Unaudited	Unaudited	Unaudited	Unaudited
Operating income	8,194	5,521	4,443	3,297
Add:				
Non-cash stock option expenses	776	2,438	351	990
Deprecation and amortization	10,177	10,212	5,327	5,190
<b>EBITDA</b>	<b>19,147</b>	<b>18,171</b>	<b>10,121</b>	<b>9,477</b>