



Gilat Satellite Networks

Press Release

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Gilat Announces Third Quarter 2004 Results

Petah Tikva, Israel, November 3, 2004 – Gilat Satellite Networks Ltd. (Nasdaq: GILTF), a worldwide leader in satellite networking technology, today reported its results for the quarter ended September 30, 2004.

Revenues for the third quarter of 2004 were US\$64.8 million and net loss was US\$(0.2) million or US\$(0.01) diluted per share. By comparison, revenues for the third quarter of 2003 were US\$44.6 million, and net loss was US\$(4.2) million or US\$(0.32) diluted per share. The 2004 third-quarter net loss includes impairment of long-lived assets in the amount of US\$ 2.2 million. The 2003 third-quarter net loss includes a gain from restructuring of debt in the amount of US\$4.5 million and other income in the amount of US\$0.8 million offset by restructuring charges in the amount of US\$1.7 million. Included in the third quarter of 2004 results are US\$7.6 million in depreciation and amortization expenses as compared to US\$5.8 million for the same period last year.

Revenues for the nine-month period ended September 30, 2004 were US\$179.7 million and net loss was US\$(8.5) million or US\$(0.38) diluted per share. By comparison, revenues for the nine-month period ended September 30, 2003 were US\$147.8 million, and net income was US\$109.8 million or US\$10.91 diluted per share. The net loss for the nine-month period ended September 30, 2004 includes charges relating to inventory write offs in the amount of US\$2.0 million and impairment of long-lived assets in the amount of US\$ 2.2 million. The net income for the nine-month period ended September 30, 2003 included a gain from restructuring of debt in the amount of US\$185.6 million and other income in the amount of US\$0.8 million offset by charges relating to inventory write offs in the amount of US\$3.2 million, restructuring charges in the amount of US\$3.9 million and impairment of long-lived assets in the amount of US\$23.9 million. Included in the results of the nine-month period ended September 30, 2004 are US\$23.5 million in depreciation and amortization expenses as compared to US\$19.9 million for the same period last year.

In accordance with the FASB Interpretation No.46, Consolidation of Variable Interest Entities, (“FIN 46”), Gilat has consolidated the financial results of StarBand Communications beginning from the first quarter of 2004. As a result of the above, the Company recorded revenues of US\$7.1 million, and a net income of US\$0.4 million in the third quarter of 2004 and revenues of US\$21.5 million, and a net income of US\$0.4 million in the nine-month period ended September 30, 2004.

The Company reported total cash balances (including cash and cash equivalents, short-term bank deposits, short- and long-term restricted cash and restricted cash held by trustees less short-term bank credits) of US\$111.9 million as of September 30, 2004, an increase of US\$6.6 million from the cash balance of US\$105.3 million as of June 30, 2004.



Press Release (cont.)

“Demand for Gilat’s products and services is strong and we are pleased to report that our financial and operational performance is improving,” said Shlomo Rodav, Chairman of the Board and CEO of Gilat. “Our balance sheet is healthy with cash balances of approximately US\$112 million, revenues were strong and our margins rose in the quarter. For the third consecutive quarter we have generated positive earnings before interest, taxes, depreciation and amortization (EBITDA) and we continue to expect to be EBITDA positive for 2004 as a whole.”

Rodav added, “This past quarter, we announced our first SkyEdge deal with Australia’s second largest telecommunications company, SingTel Optus. In general, we have received a very good reception for the SkyEdge and our sales funnel includes a growing number of SkyEdge prospects, some of which we expect to be finalized in the near future.”

Continued deal funnel - Gilat announced new deals in Australia, the Ukraine, and the United States

- Gilat announced an agreement to supply the Ukrainian National Lottery (UNL) with a satellite-based VSAT network based on its Skystar Advantage VSAT platform to serve lottery kiosks across the country. The Ukrainian National Lottery operates a constantly growing network of more than 2,400 lottery kiosks across the country. Hundreds of these existing sites that have been connected by terrestrial communications are now being transferred to satellite technology.
- Gilat announced an agreement to supply Australia’s second largest telecommunications company, SingTel –Optus, with a SkyEdge hub and remote sites for the expansion of Optus’s already existing Gilat networks, which will be upgraded to SkyEdge as well.. The agreement with Optus was the first SkyEdge contract to be announced following a successful beta phase.
- Spacenet Inc. has expanded its Connexstar channel partner program with the addition of Enterprise Satellite Solutions, LLC (ESS), an Arizona-based provider of commercial-grade networking services. ESS, which specializes in complete solutions for multi-location retail businesses, inaugurated its new relationship with Spacenet by announcing a three-year contract to provide a Connexstar broadband satellite network to the Allsup's convenience store chain in New Mexico and West Texas.
- Spacenet also has been selected by Buffets, Inc. to provide a Connexstar broadband satellite network to 350 restaurants nationwide.



Press Release (cont.)

About Gilat Satellite Networks Ltd.

Gilat Satellite Networks Ltd., with its global subsidiaries Spacenet Inc., Gilat Latin America and rStar Corporation, is a leading provider of telecommunications solutions based on Very Small Aperture Terminal (VSAT) satellite network technology – with close to 500,000 VSATs shipped worldwide. Gilat, headquartered in Petah Tikva, Israel, 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 Skystar Advantage®, DialAw@y IP™, FaraWay™, Skystar 360E™ and SkyBlaster* 360 VSAT products in more than 80 countries around the world. Gilat provides satellite-based, end-to-end enterprise networking and rural telephony solutions to customers across six continents, and markets interactive broadband data services. Skystar Advantage, Skystar 360E, DialAw@y IP and FaraWay are trademarks or registered trademarks of Gilat Satellite Networks Ltd. or its subsidiaries. (*SkyBlaster is marketed in the United States by StarBand Communications Inc. under its own brand name.) Visit Gilat at www.gilat.com.

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.

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Gilat Satellite Networks Ltd.
Condensed Consolidated Balance Sheet
US dollars in thousands

	<u>September 30,</u> <u>2004</u> <u>Unaudited</u>	<u>December 31,</u> <u>2003</u> <u>Unaudited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	60,667	51,781
Short-term restricted cash	13,618	6,504
Restricted cash held by trustees	9,311	26,656
Trade receivables (net of allowance for doubtful accounts)	39,481	37,177
Inventories	27,837	37,760
Receivables in respect of capital leases, prepaid expenses and other accounts receivable	31,327	30,761
Total current assets	<u>182,241</u>	<u>190,639</u>
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	7,721	13,664
Long-term restricted cash held by trustees	23,501	
Severance pay fund	7,573	7,343
Long-term trade receivables, receivables in respect of capital leases and other receivables, net	30,839	39,112
	<u>69,634</u>	<u>60,119</u>
PROPERTY AND EQUIPMENT, NET	<u>133,339</u>	<u>141,581</u>
INTANGIBLE ASSETS AND DEFERRED CHARGES, NET	<u>8,029</u>	<u>9,617</u>
TOTAL ASSETS	<u>393,243</u>	<u>401,956</u>
	<u>September 30,</u> <u>2004</u> <u>Unaudited</u>	<u>December 31,</u> <u>2003</u> <u>Unaudited</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	2,907	1,770
Current maturities of long-term loans	8,339	3,000
Trade payables	18,320	25,715
Accrued expenses	27,667	35,040
Short-term advances from customer held by trustees	13,050	11,124
Other accounts payable	42,841	39,500
Total current liabilities	<u>113,124</u>	<u>116,149</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	7,898	7,151
Long-term advances from customer held by trustees	43,827	28,395
Long-term loans, net of current maturities	108,730	116,526
Accrued interest related to restructured debt	17,573	20,540
Other long-term liabilities	16,812	15,762
Excess of losses over investment in affiliates	2,122	2,543
Convertible subordinated notes	15,866	15,543
Total long-term liabilities	<u>212,828</u>	<u>206,460</u>
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST		<u>2,946</u>
SHAREHOLDERS' EQUITY:		
Share capital - Ordinary shares of NIS 0.2 par value	981	980
Additional paid in capital	717,657	718,225
Accumulated other comprehensive loss	-3,863	-3,818
Accumulated deficit	-647,484	-638,986
Total shareholders' equity	<u>67,291</u>	<u>76,401</u>
Total liabilities and shareholders' equity	<u>393,243</u>	<u>401,956</u>

Gilat Satellite Networks Ltd.
Condensed Consolidated Income (Loss) Statements
US dollars in thousands

	Nine months ended		Three months ended	
	September 30		September 30	
	2004	2003	2004	2003
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	179,697	147,796	64,749	44,591
Cost of Revenues	124,324	116,721	43,576	34,766
Inventory write off	2,000	3,185		
Gross profit	53,373	27,890	21,173	9,825
Research and development expenses:				
Expenses incurred	14,048	17,246	4,807	5,211
Less - grants and participation	4,445	3,968	1,969	1,958
Research and development expenses, net	9,603	13,278	2,838	3,253
Selling, marketing general and administrative expenses	51,793	54,490	17,458	17,476
Provision for doubtful accounts	222	1,785	17	126
Restructuring charges		3,905		1,741
Impairment of tangible and intangible assets	2,161	23,851	2,161	
Gain from derecognition of Liability	-245			
Operating loss	-10,161	-69,419	-1,301	-12,771
Financial income (expenses) - net	2,839	-1,742	1,767	1,878
Other income (expenses)	-192	822	-192	822
Gain from restructuring of debt		185,609		4,516
Income (loss) before taxes on income	-7,514	115,270	274	(5,555)
Taxes (benefits) on income	2,696	7,926	906	-26
Income (loss) after taxes on income	-10,210	107,344	-632	-5,529
Share in profits of affiliated companies	937	3,148	450	816
Minority Share in losses (profits) of a subsidiary	164	-650		541
Net income (loss) from continuing operations	-9,109	109,842	-182	-4,172
Gain from cumulative effect of a change in an accounting principle	611			
Net income (loss)	-8,498	109,842	(182)	(4,172)
Earnings (loss) per share (in US dollars)				
Basic	-0.38	11.21	-0.01	-0.32
Fully Diluted	-0.38	10.91	-0.01	-0.32
Weighted average number of shares used in computation of earnings (loss) per share (in thousands)				
Basic	22,227	9,801	22,230	12,995
Fully Diluted	22,227	10,146	22,230	12,995