



Gilat Satellite Networks

Press Release

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Gilat Announces 2004 Results

Petah Tikva, Israel, February 2, 2005 – Gilat Satellite Networks Ltd. (Nasdaq: GILTF), a worldwide leader in satellite networking technology, today reported its results for the year ending December 31, 2004.

Revenues for the fourth quarter of 2004 were \$US61.8 million and net loss was US\$(1.0) million or US\$(0.04) diluted per share. By comparison, revenues for the fourth quarter of 2003 were US\$42.4 million and net income was US\$33.8 million or US\$1.65 diluted per share. The net income for the fourth quarter of 2003 includes a gain from restructuring of debt in the amount of US\$58.6 million offset by charges relating to inventory write offs and impairment of long-lived assets in the amount of US\$8.1 million. Included in the fourth quarter of 2004 results are US\$8.1 million in depreciation and amortization expenses as compared to US\$6.4 million for the same period last year.

Revenues for the year ended December 31, 2004 were US\$241.5 million and net loss was US\$(9.5) million or US\$(0.42) diluted per share. The net loss for the year ended December 31, 2004 includes charges relating to inventory write offs and impairment of long-lived assets in the amount of US\$4.2 million. By comparison, revenues for the year ended December 31, 2003 were US\$190.2 million and net income was US\$143.6 million or US\$11.24 diluted per share. The net income for the year ended December 31, 2003 includes a gain from restructuring of debt in the amount of US\$244.2 million offset by charges relating to inventory write offs, restructuring charges and impairment of long-lived assets in the amount of US\$39.0 million. Included in the year ended December 31, 2004 results are US\$31.7 million in depreciation and amortization expenses as compared to US\$26.3 million for the year ended December 31, 2003.

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\$6.9 million, and a net income of US\$0.8 million in the fourth quarter of 2004 and revenues of US\$28.4 million, and a net income of US\$1.3 million for the year ended December 31,2004.

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\$122.9 million as of December 31, 2004, an increase of US\$11.0 million from the cash balance of US\$111.9 million as of September 30, 2004.

Gilat Chief Executive Officer and Chairman of the Board Shlomo Rodav said, “We are back on the growth path. Our revenues are continuing to grow and overall our financial parameters are getting stronger. For the fourth consecutive quarter, we have generated significant growing



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positive earnings before interest, taxes, depreciation and amortization (EBITDA). In addition, for the first time in several years, this quarter we demonstrate a positive operating income. We have structured the company for growth into 2005 in our solution sales and operation business. Separate growth patterns were defined for each one of the new business units. GNS who will focus on sales of solutions to operators and GNO, which is composed of two service entities, Spacenet, will focus on Enterprise / SoHo networks and our rural networks will focus on public communication services to remote communities.”

Fourth Quarter Events

Continued deal funnel – Gilat announced new deals in Turkey and the United States

New solutions – Gilat introduced new solutions: Sky-Abis, an Integrated Solution for GSM operators and hybrid VSAT/DSL services to its Connexstar family, Spacenet’s Prysm application-enhancement services

- Gilat announced an agreement with IsNet in Turkey for the supply of a SkyEdge network to include two hubs and 1,500 VSAT terminal sites. The satellite-based remote sites will be dispersed throughout Turkey. The SkyEdge network will allow IsNet to provide data, voice, embedded VPN and video applications to its wide customer base.
- Spacenet Inc. 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, announced a three-year contract to provide a 308-site Connexstar broadband satellite network to the Allsup's convenience store chain in New Mexico and West Texas.
- Gilat introduced the Sky-Abis, an integrated satellite solution for GSM operators. This solution allows mobile operators to expand their network coverage by providing cellular connectivity to customers located in remote communities while significantly reducing operating costs for existing or new deployments.
- Spacenet Inc. added commercial-grade, hybrid VSAT/DSL services to its Connexstar family of broadband connectivity solutions. This expansion offering allows the Company to provide DSL, VSAT and hybrid network solutions, depending on the needs of its customers. Spacenet also introduced a new suite of application-enhancing services – to be marketed under the brand “Prysm” – as a complement to its satellite and hybrid network solutions.



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About Gilat Satellite Networks Ltd.

Gilat Satellite Networks Ltd. (Nasdaq: GILTF) is a leading provider of satellite and hybrid telecommunication solutions and operations. Gilat operates under two business units, Gilat Network Solutions (GNS) and Gilat Network Operations (GNO). With over 500,000 Very Small Aperture Terminals (VSATs) shipped in more than 80 countries across six continents, GNS delivers satellite communication solutions to operators worldwide. GNO provides end-to-end enterprise and consumer networking as well as rural communication operations. Gilat's headquarters is located in Petah Tikva, Israel, Spacenet operation center is in McLean, Virginia and rural operations centers are in Latin America. In addition, Gilat has 13 local offices and 5 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 Skystar Advantage®, DialAw@y IP™, FaraWay™, Skystar 360E™ and SkyBlaster* 360 VSAT products. Gilat SkyEdge, 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.)

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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

	December 31, 2004 Unaudited	December 31, 2003 Unaudited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	75,771	51,781
Short-term restricted cash	14,168	6,504
Restricted cash held by trustees	10,620	26,656
Trade receivables (net of allowance for doubtful accounts)	31,380	37,177
Inventories	23,277	37,760
Receivables in respect of capital leases, prepaid expenses and other accounts receivable	29,281	30,761
Total current assets	184,497	190,639
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	7,534	13,664
Long-term restricted cash held by trustees	18,994	
Severance pay fund	7,933	7,343
Long-term trade receivables, receivables in respect of capital leases and other receivables, net	27,728	39,112
	62,189	60,119
PROPERTY AND EQUIPMENT, NET	137,198	141,581
INTANGIBLE ASSETS AND DEFERRED CHARGES, NET	7,564	9,617
TOTAL ASSETS	391,448	401,956
	December 31, 2004 Unaudited	December 31, 2003 Unaudited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	4,159	1,770
Current maturities of long-term loans	8,869	3,000
Trade payables	21,245	25,715
Accrued expenses	28,011	35,040
Short-term advances from customer held by trustees	13,500	11,124
Other accounts payable	40,048	39,500
Total current liabilities	115,832	116,149
LONG-TERM LIABILITIES:		
Accrued severance pay	8,172	7,151
Long-term advances from customer held by trustees	40,226	28,395
Long-term loans, net of current maturities	108,182	116,526
Accrued interest related to restructured debt	16,793	20,540
Other long-term liabilities	15,951	15,762
Excess of losses over investment in affiliates	2,102	2,543
Convertible subordinated notes	16,171	15,543
Total long-term liabilities	207,597	206,460
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST		2,946
SHAREHOLDERS' EQUITY:		
Share capital - Ordinary shares of NIS 0.2 par value	984	980
Additional paid in capital	718,096	718,225
Accumulated other comprehensive loss	-2,624	-3,818
Accumulated deficit	-648,437	-638,986
Total shareholders' equity	68,019	76,401
Total liabilities and shareholders' equity	391,448	401,956

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

	Year ended		Three months ended		
	December 31,		December 31,		
	2004	2003	2004	2003	
	Unaudited	Unaudited	Unaudited	Unaudited	
Revenues	241,498	190,177	61,801	42,381	
Cost of Revenues	162,395	151,113	38,071	34,392	
Write-off of inventories	2,000	6,434		3,249	
Gross profit	77,103	32,630	23,730	4,740	
Research and development expenses:					
Expenses incurred	19,134	22,063	5,086	4,817	
Less - grants and participation	5,255	5,114	810	1,146	
Research and development expenses, net	13,879	16,949	4,276	3,671	
Selling, general and administrative expenses	69,174	71,720	17,381	17,230	
Provision and write-off of doubtful accounts and capital lease receivables	717	1,383	495	-402	
Impairment of goodwill		5,000			
Impairment of tangible and intangible assets	2,161	26,912		4,882	
Restructuring charges		3,905			
Gain from derecognition of Liability	-245				
Operating income (loss)	-8,583	-93,239	1,578	-20,641	
Financial income (expenses) - net	1,818	-3,256	-1,021	-1,514	
Gain from restructuring of debts		244,203		58,594	
Other income (expenses)	-274	954	-82	253	
Gain from investments in affiliates and other companies		3,300			
Income (loss) before taxes on income	-7,039	151,962	475	36,692	
Taxes on income	4,429	9,690	1,733	1,764	
Income (loss) after taxes on income	-11,468	142,272	-1,258	34,928	
Equity in profits (losses) of affiliated companies	1,242	488	305	-2,660	
Minority interest in losses of a subsidiary	164	871		1,521	
Net income (loss) from continuing operations	-10,062	143,631	-953	33,789	
Gain from cumulative effect of a change in an accounting principle	611				
Net income (loss)	-9,451	143,631	-953	33,789	
Net earnings (loss) per share (in US dollars)					
	Basic	-0.42	12.09	-0.04	1.86
	Diluted	-0.42	11.24	-0.04	1.65
Weighted average number of shares used in computing of net earnings (loss) per share (in thousands)					
	Basic	22,242	11,881	22,286	18,120
	Diluted	22,242	12,819	22,286	20,818