



SATELLITE NEWS: Since we last spoke the company has made significant acquisitions in terms of Raysat Antenna Systems and Wavestream. Could you tell us the significance of these acquisitions and what they will bring to Gilat going forward?

Levinberg: We announced at the end of 2009 a strategy based on two pillars. The first pillar was strengthening our leadership in our existing markets, and the second pillar was entry into the defence and homeland security market, both in the United States for the DoD and internationally.

For this second pillar, we decided we would look to grow mainly by acquisitions, and this is what we implemented in 2010. We acquired Raysat Antenna Systems first in the middle of 2010, and towards the end of the year we acquired Wavestream. Both of these companies are strong players in the defence market, each with unique capabilities with many of their opportunities in the defence business.

In addition to providing an entry point into the defence markets, these acquisitions also gave us an entrance into other growth markets such as homeland security and satellite-on-the-move applications. As a result of these acquisitions, we have become a much more diversified company since we last spoke.

So, things have changed significantly for us this past year.

SATELLITE NEWS: Why did you feel the need to diversify? Did you need to make these deals? Was your core business not going to be enough going forward?

Levinberg: The US defence market is a very big market for satellite communications, estimated at about \$4 billion. Since we had almost no activity in this sector it was a natural growth candidate for us.

However, outside of the United States, military and homeland security ‘discovered’ satellite only fairly recently. This has since become a growing market, one which is a good fit for Gilat who has a significant international presence.

SATELLITE NEWS: 2010 was a busy year in terms of acquisitions. Are you still on the lookout for further acquisitions?

Levinberg: At the moment, we are not looking at acquisitions of similar size to those of Wavestream. We are strongly committed to our two-pillar strategy and are dedicating significant attention to growing our defence business.

Looking ahead at 2011, we will also be on the lookout for opportunities for our Commercial business, such as Spacenet’s services. We will be looking to improve in areas such as Managed Network Services, so we might look for an expansion of our capabilities in that area through an acquisition. There are also additional complementary technologies which we could look at in order to make our portfolio even richer – so that too is something we are on the lookout for.

SATELLITE NEWS: You mention expanded capabilities there? What capabilities would you like to add?

Levinberg: When it comes to Spacenet, we would want to expand our managed network capabilities. In the United States, we have introduced a network appliance called PrysmPro, which we want to expand its offerings and capabilities within the US domestic market as well as introduce it into international markets. The award winning PrysmPro enables a managed network service and is particularly suited for situations where there is more than one connection to the Wide Area Network. So, for example, situations where you have DSL and satellite, or 3G and satellite, can be managed from a single device providing high availability of service at a more attractive price to the user. Then, at the site itself, within the Local Area Network, you can have combinations of connectivity - such as WiFi and copper cables which needs to be managed, and additional services like managing the sites’ Firewall settings, all of which is done from this network appliance. To summarize, Prysm Pro is a technology that enables a service provider, like Spacenet, to offer a broader array of



services and not just satellite communications. A service provider would be able to offer a combination of satellite with DSL and to manage the WAN and the remote LAN.

Spacenet plans to enhance its offerings in the area of managed network services organically. We will also be looking for additional capabilities that Spacenet currently does not have, whereby a small- scale acquisition can strengthen and complement our offering.

Since we find these are common issues with other service providers in the International markets as well, we will be looking to expand our sales outside the US.

SATELLITE NEWS: How do you view the military market for Gilat?

Levinberg: Military is a fast growing market internationally. In the United States with the DoD, it is already a significant market. We have added to our portfolio several technologies from the acquisitions of Wavestream and Raysat Antenna Systems which we would like to introduce to system integrators supplying to the DoD.

We also announced at the end of 2009 that we are establishing a dedicated R&D group to develop derivatives of our technologies aimed towards the military market. We will be introducing at SATELLITE 2011 a new military VSAT to support small dish solutions that are usually used in communications-on-the-move applications. It is based on innovative spread-spectrum technology that we think will give us an advantage for mobile applications.

SATELLITE NEWS: Is Gilat planning to launch any new services this year? What are you hoping to bring to market?

Levinberg: We intend to introduce a few new technologies over the course of the year:

In SATELLITE 2011 we are going to introduce our new “WebEnhance” VSAT which is based on Gilat’s CacheMode technology. The cache will use MicroSD memory, similar to that used in digital cameras, rather than on-board memory or a hard-drive. It will enable us to offer quite a few exciting new applications aimed at both the enterprise market and the consumer market. The main value of the WebEnhance is the fact it is able to store large amounts of data on the VSAT itself, which will improve the user experience as well as space segment utilization. Gilat is first to market with this type of product. The beauty of our CacheMode technology and its embedded memory is that you can leverage the huge economies of scale from other electronic products. You used to have 1GB or 2 GB cards in your camera a few years ago, while now it is more like 16 GB to 32 GB. With the WebEnhance you don’t have to change the VSAT when you want to increase the memory, we just follow the development of Micro SD. There is a potential that this technology can really change the satellite market for the delivery of broadband internet services.

Later in the year, we will introduce a new product which is aimed at cellular and high-end services.. It is a product optimized for high bandwidth services.

As indicated, we will introduce PrysmPro into international markets. The demand we have seen in the United States we are now seeing in other countries. Service providers have a necessity to provide a service as a back-up to a terrestrial service. Prysm Pro is an optimal network appliance that can help with doing that.

From Wavestream we will have a new line of products aimed to replace TWTs for the big broadcasters. It is a very interesting market, because this market has been dominated by TWT to this point. Replacing TWT with Solid State is a very interesting move and we foresee a very solid market there. We have had our first sales in this segment, and we hope to expand our success in 2011.

From Raysat Antenna Systems, we will introduce new phased array antennas which are all-electronically steered. This technology is usually optimized for airborne communications, but it may be used for other applications as well. We will also introduce a new range of antennas with higher performance.

Finally, last year as you know we established SIGS – Spacenet Integrated Government Solutions and we intend to expand our service portfolio for the US defence market.



As you can see, we plan to introduce a number of new services and technologies to the market this year. It will be a very exciting year for us.

SATELLITE NEWS: You have announced one or two interesting deals in Latin America recently including one with the Colombian Ministry of Communications. Do you see an upsurge in activity for the company in Latin America?

Levinberg: In 2010, we didn't see very big changes in the market in Latin America. But, in 2011, we see Latin America as one of our potential big growth markets.

SATELLITE NEWS: What trends do you see happening in the VSAT market in 2011? What trends do you see emerging in satellite broadband?

Levinberg: A main trend that we see in the market is that there will be more capacity from Ka-band multi-spot satellites. There are a number of initiatives for this type of satellites, with Eutelsat's Ka-Sat and Avanti's Hylas-1 which have recently been launched being two such examples. For the first time, in many years, satellites are being optimized for unicast services instead of multicast or broadcast. This I think is a positive sign for the industry because it will enable more use of VSATs and it could bring significant growth to the market. This is a big trend for the next few years and is good news for VSAT business.

Another trend which is emerging and we think will grow is satellite-on-the-move communications. Typically this will go to the various defence and homeland security agencies – as they have the most acute need for communications-on-the-move and cannot depend on terrestrial infrastructure.

One final thing to mention is hybrid networks. We have seen these being deployed in the United States, but we believe we will start seeing this trend in other countries which have advanced terrestrial technologies.

SATELLITE NEWS: Finally, are you forecasting strong growth in 2011?

Levinberg: We saw small growth in revenues in 2010. However, we think the market is getting better. We can see that in our backlog. At the end of 2009 our backlog was \$180 million, and at the end of 2010 it was \$232 million. Our management objectives for 2011 are to increase our revenues to more than \$330 million and achieve an EBITDA margin of 10%.