

GILAT SATELLITE NETWORKS LTD
Form 6-K
November 15, 2005

FORM 6 K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report on Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the Month of November 2005

Gilat Satellite Networks Ltd.

(Translation of Registrant's Name into English)

Gilat House, Yegia Kapayim Street
Daniv Park, Kiryat Arye, Petah Tikva, Israel
(Address of Principal Corporate Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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Attached hereto is Registrant's press release dated November 14, 2005, announcing its results for the quarter ended September 30, 2005.

This Report on Form 6-K is hereby incorporated by reference in the Registration Statements on Form F-3 of Gilat Satellite Networks Ltd. (022-38667), Form F-3 of Gilat Satellite Networks Ltd. (No. 333-12242), (No. 333-113950) and Form S-8 of Gilat Satellite Networks Ltd. (No. 333-113932), (No. 333-96630), (No. 333-08826), (No. 333-10092), (No. 333-12466) and (No. 333-12988).

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Gilat Satellite Networks Ltd.
(Registrant)

BY: /S/ Rachel Prishkolnik

Rachel Prishkolnik
Corporate Secretary

Dated: November 15, 2005

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Gilat Announces Third Quarter 2005 Results

Petah Tikva, Israel, November 14, 2005 Gilat Satellite Networks Ltd. (NASDAQ: GILTF), a worldwide leader in satellite networking technology, today reported its results for the quarter ending September 30, 2005.

Revenues for the third quarter of 2005 were US\$49.0 million, EBITDA ⁽³⁾ of US\$4.0 million and net loss was US\$(0.9) million or US\$(0.04) diluted per share. By comparison, revenues for the third quarter of 2004 were US\$64.7 million, EBITDA of US\$8.4 million and net loss was US\$(0.2) million or US\$(0.01) diluted per share.

Revenues for the nine month period ended September 30, 2005 were US\$153.4 million, EBITDA of US\$13.9 million and net loss was US\$(2.5) million or US\$(0.11) diluted per share. By comparison, revenues for the nine-month period ended September 30, 2004 were US\$179.7 million, EBITDA of US\$17.3 million and net loss was US\$(8.5) million or US\$(0.38) diluted per share.

The Company also announced its decision to include further financial information within its earnings reports. This can be seen in the additional statements provided of cash flow and EBITDA.

Gilat Chief Executive Officer and Chairman of the Board Amiram Levinberg said, "This quarter we shipped approximately 30% more in VSAT units than last quarter. In addition, this is the first quarter that we have shipped more SkyEdge VSATs than Skystar 360E. Some of these shipments are part of transactions that include the provision of bundled equipment, solutions and services, all in line with our corporate strategy of progressing upward on the value chain in project implementation. The consideration underlying some of these agreements is not included in our revenues for this quarter and has increased our backlog.

About Gilat Satellite Networks Ltd.

Gilat Satellite Networks Ltd. (NASDAQ: GILTF) is a leading provider of products and services for satellite-based communications networks. The Company operates under two business units: (i) **Gilat Network Systems (GNS)**, a provider of network systems and associated professional services to service providers and operators and (ii) **Spacenet**, a provider of managed services for businesses and governments through its Connexstar service brand, for consumers through its StarBand service brand and for rural communities through Spacenet Rural Communications.

Gilat was founded in 1987 and has shipped over 550,000 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 14 local offices and 3 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 numerous other legacy products.

Visit Gilat at www.gilat.com

Notes:

- 1) 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.
- 2) The attached summary financial statements were prepared in accordance with U.S. GAAP. The attached summary financial statements for Q3 2005 are unaudited.
- 3) Operating loss before depreciation, amortization 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 loss or net 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 results. Reconciliation between the Company's Operating loss and EBITDA is presented in the attached summary financial statements.

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

| | September 30, | December 31, |
|---|------------------|-----------------|
| | 2005 | 2004 |
| | Unaudited | Unaudited |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 64,678 | 75,771 |
| Short-term restricted cash | 18,047 | 14,168 |
| Restricted cash held by trustees | 6,533 | 10,620 |
| Trade receivables (net of allowance for doubtful accounts) | 31,299 | 31,380 |
| Inventories | 19,425 | 23,277 |
| Receivables in respect of capital leases, prepaid expenses and other accounts receivable | 25,083 | 27,413 |
| Total current assets | 165,065 | 182,629 |
| LONG-TERM INVESTMENTS AND RECEIVABLES: | | |
| Long-term restricted cash | 9,000 | 7,534 |
| Long-term restricted cash held by trustees | 17,789 | 18,994 |
| Severance pay fund | 8,345 | 7,933 |
| Long-term trade receivables, receivables in respect of capital leases and other receivables, net | 27,278 | 27,728 |
| | 62,412 | 62,189 |
| PROPERTY AND EQUIPMENT, NET | 127,722 | 137,198 |
| INTANGIBLE ASSETS AND DEFERRED CHARGES, NET | 11,699 | 9,432 |
| TOTAL ASSETS | 366,898 | 391,448 |

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

| | September 30, | December 31, |
|--|------------------|-----------------|
| | 2005 | 2004 |
| | Unaudited | Unaudited |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term bank credit | 11,436 | 4,159 |
| Current maturities of long-term loans | 13,664 | 8,869 |
| Trade payables | 19,105 | 21,245 |
| Accrued expenses | 22,646 | 28,011 |
| Short-term advances from customer held by trustees | 14,775 | 13,500 |
| Other accounts payable | 33,462 | 40,048 |
| | <u>115,088</u> | <u>115,832</u> |
| LONG-TERM LIABILITIES: | | |
| Accrued severance pay | 8,374 | 8,172 |
| Long-term advances from customer held by trustees | 31,119 | 40,226 |
| Long-term loans, net of current maturities | 94,725 | 108,182 |
| Accrued interest related to restructured debt | 13,350 | 16,793 |
| Other long-term liabilities | 17,801 | 15,951 |
| Excess of losses over investment in affiliates | 720 | 2,102 |
| Convertible subordinated notes | 16,333 | 16,171 |
| | <u>182,422</u> | <u>207,597</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS' EQUITY: | | |
| Share capital - Ordinary shares of NIS 0.2 par value | 995 | 984 |
| Additional paid in capital | 719,633 | 718,096 |
| Accumulated other comprehensive loss | (321) | (2,624) |
| Accumulated deficit | (650,919) | (648,437) |
| | <u>69,388</u> | <u>68,019</u> |
| Total shareholders' equity | <u>69,388</u> | <u>68,019</u> |
| Total liabilities and shareholders' equity | <u>366,898</u> | <u>391,448</u> |

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

| | Nine months ended September 30, | | Three months ended September 30, | |
|---|------------------------------------|-----------------|-------------------------------------|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Revenues | 153,437 | 179,697 | 49,029 | 64,749 |
| Cost of Revenues | 98,554 | 124,324 | 30,024 | 43,576 |
| Write-off of inventories | - | 2,000 | - | - |
| Gross profit | 54,883 | 53,373 | 19,005 | 21,173 |
| Research and development expenses: | | | | |
| Expenses incurred | 13,039 | 14,048 | 4,139 | 4,807 |
| Less - grants | 2,586 | 4,445 | 326 | 1,969 |
| | 10,453 | 9,603 | 3,813 | 2,838 |
| Selling, marketing, general and administrative expenses | 45,193 | 52,015 | 15,625 | 17,475 |
| Impairment of tangible and intangible assets | - | 2,161 | - | 2,161 |
| Gain from derecognition of liability | - | (245) | - | - |
| Operating loss | (763) | (10,161) | (433) | (1,301) |
| Financial income (expenses)- net | 394 | 2,839 | (60) | 1,767 |
| Other income (expenses) | 140 | (192) | (68) | (192) |
| Income (loss) before taxes on income | (229) | (7,514) | (561) | 274 |
| Taxes on income | 2,653 | 2,696 | 374 | 906 |
| Loss after taxes on income | (2,882) | (10,210) | (935) | (632) |
| Equity in profits of affiliated companies | 400 | 937 | - | 450 |
| Minority interest in losses of a subsidiary | - | 164 | - | - |
| Net loss from continuing operations | (2,482) | (9,109) | (935) | (182) |
| Gain from cumulative effect of a change in an accounting principle | - | 611 | - | - |
| Net loss | (2,482) | (8,498) | (935) | (182) |
| Basic net loss per share | (0.11) | (0.38) | (0.04) | (0.01) |
| Diluted net loss per share | (0.11) | (0.38) | (0.04) | (0.01) |

| | Nine months ended September 30, | | Three months ended September 30, | |
|--|---------------------------------------|--------|--|--------|
| Shares used in basic net loss per share computation | 22,401 | 22,227 | 22,502 | 22,230 |
| Shares used in diluted net loss per share computation | 22,401 | 22,227 | 22,502 | 22,230 |

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

| | Nine months ended September 30, | | Three months ended September 30, | |
|---|---------------------------------------|---------------|--|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| <u>Cash flows from operating activities:</u> | | | | |
| Net loss | (2,482) | (8,498) | (935) | (182) |
| Adjustments required to reconcile net loss to net cash used in operating activities: | | | | |
| Depreciation and amortization | 14,652 | 23,537 | 4,445 | 7,565 |
| Non cash cumulative effect relating to a subsidiary | - | (198) | - | - |
| Loss from deconsolidation of subsidiaries | 171 | 192 | 171 | 192 |
| Stock compensation relating to option in a subsidiary | - | (763) | - | - |
| Stock compensation relating to options issued to consultants | 338 | 177 | 226 | (95) |
| Equity in losses of affiliated companies | (400) | (937) | - | (450) |
| Accrued severance pay, net | (210) | 516 | 138 | 104 |
| Interest accrued on short and long-term restricted cash | (384) | (1,448) | (156) | (1,121) |
| Exchange rate on long-term loans | (846) | (143) | (23) | 87 |
| Minority interest in losses of a subsidiary | - | (164) | - | - |
| Exchange rate on loans to employees | 224 | - | 34 | - |
| Impairment of property and equipment and other tangible assets | - | 2,201 | - | 2,201 |
| Capital loss from disposal of property and equipment | 300 | - | 2 | - |
| Deferred income taxes, net | (249) | 1,294 | (64) | 434 |
| Decrease (increase) in trade receivables | (16) | (569) | (1,334) | 1,495 |
| Decrease (increase) in Receivables in respect of capital leases, prepaid expenses and other accounts receivable (Including long-term) | 4,383 | 6,722 | (671) | 622 |
| Decrease (increase) in inventories | 414 | (3,651) | (840) | 1,577 |
| Write-off of inventories | - | 2,000 | - | - |
| Increase (decrease) in trade payables | (2,158) | (8,175) | 3,041 | (5,805) |
| Increase (decrease) in accrued expenses | (8,696) | (10,943) | (3,828) | 1,696 |
| Decrease in other accounts payable and other long-term liabilities | (3,080) | (372) | (2,339) | (26) |
| Increase (decrease) in advances from customers held in trustees, net | (7,832) | 17,359 | (3,218) | (1,484) |
| | <u>(5,871)</u> | <u>18,137</u> | <u>(5,351)</u> | <u>6,810</u> |
| Net cash provided by (used in) operating activities | (5,871) | 18,137 | (5,351) | 6,810 |
| <u>Cash flows from investing activities:</u> | | | | |

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| | Nine months ended September 30, | | Three months ended September 30, | |
|---|---------------------------------------|----------------|--|----------------|
| | | | | |
| Purchase of property and equipment | (2,926) | (4,485) | (715) | (659) |
| Purchase of minority shares of rStar | - | (1,053) | - | - |
| Deconsolidation of subsidiaries | (181) | 2,592 | (181) | - |
| Investment in short-term bank deposits | - | (443) | - | - |
| Proceeds from short-term bank deposits | - | 442 | - | 442 |
| Disposal of subsidiaries | - | 600 | - | 600 |
| Proceeds from disposal of Fixed Assets | 8 | - | - | - |
| Loans to employees - Net | (3,681) | - | 46 | - |
| Investment in restricted cash held by trustee | (2,245) | (23,501) | (207) | (1,075) |
| Proceeds from restricted cash held by trustee | 7,921 | 18,794 | 811 | 10,590 |
| Investment in restricted cash | (12,639) | (9,202) | (2,057) | (448) |
| Investment in other assets | (93) | (44) | (49) | (17) |
| Proceeds from restricted cash | 7,424 | 8,196 | 4,600 | 3,923 |
| Net cash provided by (used in) investing activities | (6,412) | (8,104) | 2,248 | 13,356 |
| <u>Cash flows from financing activities:</u> | | | | |
| Exercise of options, net | 1,210 | 23 | 371 | - |
| Short-term bank credit, net | 7,277 | 1,137 | (8) | (2,486) |
| Repayments of long-term loans | (7,816) | (2,314) | (5,944) | (1,267) |
| Net cash provided by (used in) financing activities | 671 | (1,154) | (5,581) | (3,753) |
| Effect of exchange rate changes on cash and cash equivalents | 519 | 7 | 186 | 34 |
| Increase (decrease) in cash and cash equivalents | (11,093) | 8,886 | (8,498) | 16,447 |
| Cash and cash equivalents at the beginning of the period | 75,771 | 51,781 | 73,176 | 44,220 |
| Cash and cash equivalents at the end of the period | 64,678 | 60,667 | 64,678 | 60,667 |

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

| | Nine months ended September 30, | | Three months ended September 30, | |
|--|---------------------------------------|---------------|--|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Operating loss | (763) | (10,161) | (433) | (1,301) |
| Less: | | | | |
| Write-off of inventory | - | 2,000 | - | - |
| Impairment of tangible and intangible assets | - | 2,161 | - | 2,161 |
| Gain from derecognition of liability | - | (245) | - | - |
| Deprecation and amortization | 14,652 | 23,537 | 4,445 | 7,565 |
| EBITDA | 13,889 | 17,292 | 4,012 | 8,425 |

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