

GILAT SATELLITE NETWORKS LTD
Form 6-K
February 03, 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 February 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 February 2, 2005, announcing its results for the quarter ended December 31, 2004.

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: February 3, 2005

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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

- n 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.
- n 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.
- n 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.
- n 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.

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.)

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.

Gilat Investor Contact:

Tal Payne, Vice President, Finance
tel: +972 3 925 2266; Talp@gilat.com

Gilat Media Contact:

Shira Gafni, Marketing Manager
tel: +(972)3-925-2406; shira@gilat.com

Gilat Satellite Networks Ltd.
21 Yegia Kapayim St., Kiryat Arve
 Petah Tikva 49130, Israel
 Tel: (972) 3 925-2000,
 Fax: (972) 3 925-2222
 www.gilat.com

Press Release

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

| | December 31, December 31, | |
|---|----------------------------------|------------------|
| | 2004 | 2003 |
| | Unaudited | 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 |
| | <u>184,497</u> | <u>190,639</u> |
| 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 |
| | <u>62,189</u> | <u>60,119</u> |
| PROPERTY AND EQUIPMENT, NET | <u>137,198</u> | <u>141,581</u> |
| INTANGIBLE ASSETS AND DEFERRED CHARGES, NET | <u>7,564</u> | <u>9,617</u> |
| <u>TOTAL ASSETS</u> | <u>391,448</u> | <u>401,956</u> |

| | December 31, | December 31, |
|--|----------------|----------------|
| | 2004 | 2003 |
| | Unaudited | 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 |
| | <u>115,832</u> | <u>116,149</u> |
| 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 |
| | <u>207,597</u> | <u>206,460</u> |
| 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) |
| | <u>68,019</u> | <u>76,401</u> |
| Total shareholders' equity | <u>68,019</u> | <u>76,401</u> |
| Total liabilities and shareholders' equity | <u>391,448</u> | <u>401,956</u> |

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

| | Year ended December 31, | | Three months ended 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 |

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| | | Year ended December 31, | | Three months ended December 31, | |
|---|----------------|----------------------------|--------------|------------------------------------|-------------|
| <u>Net earnings (loss) per share (in US dollars)</u> | Basic | (0.42) | 12.09 | (0.04) | 1.86 |
| | Diluted | (0.42) | 11.24 | (0.04) | 1.65 |
| | | | | | |
| <u>Weighted average number of shares used in computing of net earnings (loss) per share (in thousands)</u> | Basic | 22,242 | 11,881 | 22,286 | 18,120 |
| | Diluted | 22,242 | 12,819 | 22,286 | 20,818 |

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