

GILAT SATELLITE NETWORKS LTD

Form 6-K

November 15, 2011

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 2011

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

Attached hereto is Registrant's press release dated November 15, 2011, announcing Registrant's financial results for the third quarter ended September 30, 2011.

This Form 6-K is being incorporated by reference into the Registrant's Form F-3 Registration Statement File Numbers 333-174142 and 333-160683 and Form S-8 Registration Statements File Numbers 333- 158476, 333-96630, 333-132649, 333-123410, 333-113932, 333-08826, 333-10092, 333-12466 and 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)

Dated: November 15, 2011

By: /s/ Joann R. Blasberg
Joann R. Blasberg
Corporate Secretary

Gilat Announces Third Quarter 2011 Results

Petah Tikva, Israel – November 15, 2011 – Gilat Satellite Networks Ltd. (NASDAQ: GILT), a worldwide leader in satellite networking technology, solutions and services, today reported its results for the quarter ending September 30, 2011.

Year-over-year Key Highlights (comparable quarter):

- Quarterly revenues of \$83.9 million, up 45%
- Gross margin (non-GAAP) up from 35% to 37%
- Operating income (non-GAAP) up from \$1.0 million to \$4.3 million
- EBITDA of \$8.1 million, up from EBITDA of \$4.4 million

Revenues for the third quarter of 2011 were \$83.9 million, compared to \$58.0 million in the third quarter of 2010, up 45%. Operating income for the third quarter of 2011 was \$1.9 million compared to an operating loss of \$0.7 million in the third quarter of 2010. Net income for the third quarter of 2011 was \$4.3 million, or \$0.1 per diluted share, compared to a net income of \$36.2 million, or \$0.86 per diluted share, in the comparable period in 2010. It should be noted that the net income for the third quarter of 2011 and 2010 include one-time income from the sale of an investment and settlement agreement in the amount of \$4.4 million and \$37.3 million, respectively.

On a non-GAAP basis, operating income for the period was \$4.3 million compared to an operating income of \$1.0 million in the third quarter of 2010. Non-GAAP net income for the period was \$2.3 million or \$0.05 per diluted share, compared to a net income of \$0.6 million, or \$0.01 per diluted share, in the comparable period in 2010.

Gross margins for the third quarter of 2011 were 35% compared to 34% in the comparable period in 2010. On a non-GAAP basis, gross margins in the reported quarter were 37%, compared with 35% for the third quarter of 2010. EBITDA for the third quarter reached \$8.1 million compared with \$4.4 million in the third quarter last year.

Revenues for the nine months period ended September 30, 2011 were \$245.6 million compared to \$166.9 million in the comparable period of 2010. Net income for the nine months period in 2011 was \$5.7 million, or \$0.14 per diluted share, compared to a net income of \$35.5 million, or \$0.85 per diluted share, in the same period of 2010. It should be noted that the net income for the nine months ended September 30, 2011 and 2010 include one-time income mainly from the sale of an investment and settlement agreement in the amount of \$4.4 million and \$37.3 million, respectively.

On a non-GAAP basis, operating income for the nine months period ended September 30, 2011 was \$10.9 million compared to an operating income of \$0.8 million in the comparable period of 2010. Non-GAAP net income for the period was \$7.5 million or \$0.17 per diluted share, compared to a net income of \$1.1 million, or \$0.03 per diluted share, in the comparable period in 2010.

“In the third quarter, we saw a year-over-year improvement across all financial parameters as we increased our revenues, gross margin, EBITDA and operating income. We maintained strong performance in our bookings this quarter, with several significant contract wins from new as well as existing customers,” said Amiram Levinberg, Gilat’s Chief Executive Officer and Chairman of the Board. “Specifically of note is the progress we have made in our strategy to become a strong contender in the Ka-band arena, securing another major Ka-band win, this time in Russia with Rostelecom’s RTComm and local government agency NIIR.”

On November 14, 2011 Gilat announced that it has entered into a strategic alliance with Russian-based service provider RTComm, the satellite service arm of Rostelecom Group, Russia’s national telecommunications operator, and with NIIR FSUE, an institute for technology advancement of the Ministry for Telecommunications and Mass Communications of the Russian Federation.

As part of these agreements, Gilat will supply network equipment and Ka-band end-user terminals for RTComm’s future constellation of multi spot-beam satellites. The cooperation between the parties includes the use of technology required for local manufacture in Russia.

Resources:

Third Quarter 2011 Financial Statements

Key Recent Announcements:

- October 2011 - Gilat announced that its Board of Directors has appointed Erez Antebi as Chief Executive Officer of the Company, effective January 1, 2012. Amiram Levinberg, Gilat’s current CEO and Chairman of the Board intends to continue to serve as Chairman of the Board. [Read](#)
- October 2011 - Gilat announced that its wholly owned subsidiary, Spacenet Inc., was selected by Cumberland Farms Inc. to upgrade and manage its communications infrastructure for over 600 stores across 11 states. [Read](#)
- September 2011 – Gilat announced that its wholly owned subsidiary, Spacenet Inc., was selected to continue its provision of VSAT network services to a major retailer with thousands of locations in the U.S. The extension brings the contract value to \$27 million. [Read](#)
- September 2011 - Gilat announced that it has signed an agreement with a leading Latin American government agency for the delivery of over 1,800 SkyEdge II VSATs to facilitate broadband Internet connectivity in schools. [Read](#)
- September 2011 - Gilat announced that it has signed an agreement for the delivery of its SkyAbis cellular backhaul solution, based on the SkyEdge II platform, to a leading South East Asian mobile network operator. [Read](#)
- August 2011 - Gilat announced that it has been selected to provide a multi-million dollar SkyEdge™ II broadband network and services for security communications in Latin America. [Read](#)
- August 2011 - Gilat announced that it has signed an agreement for the delivery of network equipment and Ka-band end-user terminals for SES satellite-based Internet service ASTRA2Connect. The project, including deals with SES and nominees, can reach a value of up to \$70 million over the next five years. [Read](#)
- July 2011 - Gilat was selected by Russian Yakutia Ministry of Finance to provide a full turnkey SkyEdge II broadband satellite network to serve new Ministry of Finance locations across Sakha (Yakutia) Republic, one of Russia's largest Federal Districts. [Read](#)

-July 2011 - Gilat announced that it has been selected by Synterra, Russia's national communications carrier, to provide satellite communications equipment for the extension of a broadband network throughout Siberia and the Russian Far East. Read

Conference Call and Webcast Details:

Gilat management will host a conference call today at 14:30 GMT / 09:30 EST / 16:30 Israel Local Time to discuss the results. International participants are invited to access the call at (972) 3-918-0644, and US-based participants are invited to access the call by dialing (888) 281-1167.

The results presentation may be accessed prior to the conference call via Webcast through the Company's website at www.gilat.com.

A replay of the conference call will be available beginning at approximately 17:00 GMT/12:00 EST today, until 17:00 GMT/12:00 EST November 17, 2011. International participants are invited to access the replay at (972) 3-925-5921, and US-based participants are invited to access the replay by dialing (888) 782-4291. A replay of the call may also be accessed as a webcast via Gilat's website at www.gilat.com and will be archived for 30 days.

Notes:

(1) The attached summary financial statements were prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The attached summary financial statements are unaudited. To supplement the consolidated financial statements presented in accordance with GAAP, the Company presents Gilat's EBITDA before the impact of non-cash share-based payment charges, depreciation and amortization and other costs related to acquisition transactions. Non-GAAP presentations of net income, EBITDA and earnings per share are provided to enhance the understanding of the Company's historical financial performance and comparability between periods.

(2) Operating income before depreciation, amortization, non cash stock option expenses as per SFAS 123(R) and other costs related to acquisition transactions ('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 income or net income 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 income and EBIDTA is presented in the attached summary financial statements.

About Gilat Satellite Networks Ltd.:

Gilat is a leading provider of products and professional services for satellite-based broadband communication networks worldwide. Gilat was founded in 1987 and has shipped over one million VSATs (Very Small Aperture Terminals) to more than 85 countries across six continents. Gilat's headquarters are located in Petah Tikva, Israel, and the Company has 22 sales and service offices worldwide. Gilat develops and markets an expansive range of broadband satellite solutions including high-performance VSATs under the SkyEdge™ and SkyEdge II brands, low-profile antennas for communications-on-the-move, under the RaySat Antenna Systems and the StealthRay™ brands, and next generation solid-state power amplifiers for mission-critical defense and broadcast satellite communications systems under the Wavestream brand. Gilat's wholly-owned subsidiary, Spacenet Inc., is a leading provider of managed services in North America to the business and government segments. 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

| | September 30, 2011 Unaudited | December 31, 2010 |
|--|---------------------------------------|-------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 44,495 | 57,238 |
| Short-term restricted cash | 4,215 | 3,839 |
| Restricted cash held by trustees | 2,613 | 1,004 |
| Trade receivables, net | 55,336 | 51,994 |
| Inventories | 31,788 | 29,612 |
| Other current assets | 25,705 | 22,973 |
| Total current assets | 164,152 | 166,660 |
| LONG-TERM INVESTMENTS AND RECEIVABLES: | | |
| Long-term restricted cash | 2,077 | 4,583 |
| Severance pay fund | 10,147 | 10,572 |
| Long-term trade receivables, receivables in respect of capital leases and other receivables | 20,984 | 6,538 |
| Total long-term investments and receivables | 33,208 | 21,693 |
| PROPERTY AND EQUIPMENT, NET | 100,247 | 103,490 |
| INTANGIBLE ASSETS, NET | 52,105 | 57,453 |
| GOODWILL | 107,536 | 106,082 |
| TOTAL ASSETS | 457,248 | 455,378 |

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

| | September 30, 2011 Unaudited | December 31, 2010 |
|---|---------------------------------------|-------------------------|
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term bank credit | 2,771 | 2,129 |
| Current maturities of long-term loans and convertible notes | 5,194 | 2,186 |
| Trade payables | 21,566 | 18,267 |
| Accrued expenses | 24,746 | 24,591 |
| Short-term advances from customer, held by trustees | 2,613 | 1,004 |
| Other current liabilities | 34,021 | 39,675 |
| Total current liabilities | 90,911 | 87,852 |
| LONG-TERM LIABILITIES: | | |
| Accrued severance pay | 9,891 | 10,579 |
| Long-term loans, net | 40,759 | 45,202 |
| Accrued interest related to restructured debt | 288 | 575 |
| Convertible subordinated notes | 14,374 | 14,379 |
| Other long-term liabilities | 30,137 | 32,678 |
| Total long-term liabilities | 95,449 | 103,413 |
| COMMITMENTS AND CONTINGENCIES | | |
| EQUITY: | | |
| Share capital - ordinary shares of NIS 0.2 par value | 1,875 | 1,855 |
| Additional paid in capital | 866,625 | 865,080 |
| Accumulated other comprehensive income | 304 | 774 |
| Accumulated deficit | (597,916) | (603,596) |
| Total equity | 270,888 | 264,113 |
| TOTAL LIABILITIES AND EQUITY | 457,248 | 455,378 |

GILAT SATELLITE
NETWORKS LTD.
RECONCILIATION BETWEEN GAAP AND NON-GAAP STATEMENTS OF
OPERATIONS
FOR COMPARATIVE PURPOSES
U.S. dollars in thousands (except per share data)

| | Three months ended 30 September 2011 | | | Three months ended 30 September 2010 | | |
|--|--------------------------------------|---------------------------|--------------------|--------------------------------------|---------------------------|--------------------|
| | GAAP Unaudited | Adjustments (1) Unaudited | Non-GAAP Unaudited | GAAP Unaudited | Adjustments (1) Unaudited | Non-GAAP Unaudited |
| Revenues | 83,862 | - | 83,862 | 58,023 | - | 58,023 |
| Cost of revenues | 54,376 | (1,731) | 52,645 | 38,073 | (293) | 37,780 |
| Gross profit | 29,486 | 1,731 | 31,217 | 19,950 | 293 | 20,243 |
| | 35 % | | 37 % | 34 % | | 35 % |
| Research and development expenses: | | | | | | |
| Expenses incurred | 8,387 | (61) | 8,326 | 5,380 | (46) | 5,334 |
| Less - grants | 1,005 | - | 1,005 | 886 | - | 886 |
| | 7,382 | (61) | 7,321 | 4,494 | (46) | 4,448 |
| Selling, marketing, general and administrative expenses | 20,183 | (572) | 19,611 | 15,375 | (535) | 14,840 |
| Costs related to acquisition transactions | - | - | - | 759 | (759) | - |
| Operating income (loss) | 1,921 | 2,364 | 4,285 | (678) | 1,633 | 955 |
| Financial expenses, net | (1,081) | - | (1,081) | (324) | - | (324) |
| Other income | 4,385 | (4,385) | - | 37,285 | (37,285) | - |
| Income before taxes on income | 5,225 | (2,021) | 3,204 | 36,283 | (35,652) | 631 |
| Taxes on income | 924 | - | 924 | 74 | - | 74 |
| Net income | 4,301 | (2,021) | 2,280 | 36,209 | (35,652) | 557 |
| Basic net earnings per share | 0.10 | | 0.06 | 0.89 | | 0.01 |
| Diluted net earnings per share | 0.10 | | 0.05 | 0.86 | | 0.01 |
| Weighted average number of shares used in computing net earnings per share | | | | | | |
| Basic | 40,990 | | 40,990 | 40,517 | | 40,517 |
| Diluted | 41,949 | | 42,832 | 41,991 | | 42,879 |

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(1) Adjustments reflect the effect of non-cash stock options expenses as per SFAS123R, costs related to acquisition transactions, amortization of intangible assets related to acquisition transactions and other income.

| | Three months ended 30 September 2011 | Three months ended 30 September 2010 |
|--|---|---|
| Non-cash stock-based compensation expenses: | | |
| Cost of Revenues | 72 | 70 |
| Research and development | 61 | 46 |
| Selling, general, marketing and administrative | 345 | 444 |
| | 478 | 560 |
| Amortization of intangible assets related to acquisition transactions: | | |
| Cost of Revenues | 1,659 | 223 |
| Selling, general, marketing and administrative | 227 | 91 |
| | 1,886 | 314 |

GILAT SATELLITE NETWORKS LTD.
RECONCILIATION BETWEEN GAAP AND NON-GAAP STATEMENTS OF
OPERATIONS
FOR COMPARATIVE PURPOSES

U.S. dollars in thousands (except per share data)

| | GAAP | | Non-GAAP | | GAAP | | Non-GAAP | |
|--|-----------|---------------------------------|-----------|---------------------------------|-----------|---------------------------------|-----------|---------------------------------|
| | Unaudited | Adjustments (1) Unaudited | Unaudited | Adjustments (1) Unaudited | Unaudited | Adjustments (1) Unaudited | Unaudited | Adjustments (1) Unaudited |
| | | | | | | | | |
| Revenues | 245,597 | - | 245,597 | | 166,926 | - | 166,926 | |
| Cost of revenues | 157,631 | (5,717) | 151,914 | | 110,486 | (427) | 110,059 | |
| Gross profit | 87,966 | 5,717 | 93,683 | | 56,440 | 427 | 56,867 | |
| | 36 | % | 38 | % | 34 | % | 34 | % |
| Research and development expenses: | | | | | | | | |
| Expenses incurred | 26,113 | (174) | 25,939 | | 14,852 | (124) | 14,728 | |
| Less - grants | 2,740 | - | 2,740 | | 2,371 | - | 2,371 | |
| | 23,373 | (174) | 23,199 | | 12,481 | (124) | 12,357 | |
| Selling, marketing, general and administrative expenses | 61,482 | (1,849) | 59,633 | | 44,760 | (1,057) | 43,703 | |
| Costs related to acquisition transactions | 256 | (256) | - | | 1,230 | (1,230) | - | |
| Operating income (loss) | 2,855 | 7,996 | 10,851 | | (2,031) | 2,838 | 807 | |
| Financial expenses, net | (1,818) | - | (1,818) | | (314) | - | (314) | |
| Other income | 6,211 | (6,211) | - | | 37,285 | (37,285) | - | |
| Income before taxes on income | 7,248 | 1,785 | 9,033 | | 34,940 | (34,447) | 493 | |
| Taxes on income (tax benefit) | 1,568 | - | 1,568 | | (578) | - | (578) | |
| Net income | 5,680 | 1,785 | 7,465 | | 35,518 | (34,447) | 1,071 | |
| Basic net earnings per share | 0.14 | | 0.18 | | 0.88 | | 0.03 | |
| Diluted net earnings per share | 0.14 | | 0.17 | | 0.85 | | 0.03 | |
| Weighted average number of shares used in computing net earnings per share | | | | | | | | |
| Basic | 40,868 | | 40,868 | | 40,410 | | 40,410 | |
| Diluted | 42,059 | | 42,925 | | 41,967 | | 42,760 | |

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(1) Adjustments reflect the effect of non-cash stock options expenses as per SFAS123R, costs related to acquisition transactions, amortization of intangible assets related to acquisition transactions and other income.

| | Nine months ended 30 September 2011 | Nine months ended 30 September 2010 |
|--|--|---|
| Non-cash stock-based compensation expenses: | | |
| Cost of Revenues | 226 | 204 |
| Research and development | 174 | 124 |
| Selling, general, marketing and administrative | 1,134 | 966 |
| | 1,534 | 1,294 |
| Amortization of intangible assets related to acquisition transactions: | | |
| Cost of Revenues | 5,491 | 223 |
| Selling, general, marketing and administrative | 715 | 91 |
| | 6,206 | 314 |

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, | |
|---|------------------------------------|-----------|-------------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Revenues | 245,597 | 166,926 | 83,862 | 58,023 |
| Cost of revenues | 157,631 | 110,486 | 54,376 | 38,073 |
| Gross profit | 87,966 | 56,440 | 29,486 | 19,950 |
| Research and development expenses: | | | | |
| Expenses incurred | 26,113 | 14,852 | 8,387 | 5,380 |
| Less - grants | 2,740 | 2,371 | 1,005 | 886 |
| | 23,373 | 12,481 | 7,382 | 4,494 |
| Selling, marketing, general and administrative expenses | 61,482 | 44,760 | 20,183 | 15,375 |
| Costs related to acquisition transactions | 256 | 1,230 | - | 759 |
| Operating income (loss) | 2,855 | (2,031) | 1,921 | (678) |
| Financial expenses, net | (1,818) | (314) | (1,081) | (324) |
| Other income | 6,211 | 37,285 | 4,385 | 37,285 |
| Income before taxes on income | 7,248 | 34,940 | 5,225 | 36,283 |
| Taxes on income (tax benefit) | 1,568 | (578) | 924 | 74 |
| Net income | 5,680 | 35,518 | 4,301 | 36,209 |
| Basic net earnings per share | 0.14 | 0.88 | 0.10 | 0.89 |
| Diluted net earnings per share | 0.14 | 0.85 | 0.10 | 0.86 |
| Weighted average number of shares used in computing net earnings per share | | | | |
| Basic | 40,868 | 40,410 | 40,990 | 40,517 |
| Diluted | 42,059 | 41,967 | 41,949 | 41,991 |

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

| | Nine months ended September 30, | | Three months ended September 30, | |
|--|------------------------------------|-----------|-------------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Cash flows from operating activities: | | | | |
| Net income | 5,680 | 35,518 | 4,301 | 36,209 |
| Adjustments required to reconcile net income to net cash used in operating activities: | | | | |
| Depreciation and amortization | 18,051 | 9,939 | 5,682 | 3,721 |
| Gain from the sale of an investment accounted for at cost | - | (24,314) | - | (24,314) |
| Stock-based compensation related to employees | 1,534 | 1,294 | 478 | 560 |
| Accrued severance pay, net | (264) | (133) | (71) | (374) |
| Accrued interest and exchange rate differences on short and long-term restricted cash, net | 231 | (396) | 259 | (415) |
| Accrued interest and exchange rate differences on marketable securities and short term bank deposits, net | - | (226) | - | (336) |
| Exchange rate differences on long-term loans | 150 | (308) | (372) | 607 |
| Exchange rate differences on loans to employees | (3) | - | (3) | (1) |
| Capital loss from disposal of property and equipment | 118 | 270 | 49 | 25 |
| Deferred income taxes | 1,161 | (4) | 791 | (10) |
| Increase in trade receivables, net | (2,907) | (6,295) | (2,926) | (7,897) |
| Increase in other assets (including short-term, long-term and deferred charges) | (19,227) | (4,544) | (304) | (2,401) |
| Decrease (increase) in inventories | (3,695) | (362) | (2,709) | 509 |
| Increase (decrease) in trade payables | 3,154 | (3,700) | 3,578 | (3,792) |
| Increase (decrease) in accrued expenses | (564) | (900) | 458 | (274) |
| Increase (decrease) in advances from customer, held by trustees, net | 1,609 | 2,025 | 2,613 | (2,507) |
| Increase (decrease) in other accounts payable and other long term liabilities | (10,379) | 1,654 | (8,817) | 1,928 |
| Net cash provided by (used in) operating activities | (5,351) | 9,518 | 3,007 | 1,238 |

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

| | Nine months ended | | Three months ended | |
|---|-------------------|-----------|--------------------|-----------|
| | September 30, | | September 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment | (6,104) | (5,456) | (2,212) | (1,731) |
| Proceeds from sale of an investment accounted for at cost | - | 24,314 | - | 24,314 |
| Investment in bank deposits | - | (30,693) | - | - |
| Proceeds from bank deposits | - | 39,877 | - | - |
| Purchase of available-for-sale marketable securities | - | (4,804) | - | - |
| Loans to employees, net | (7) | 4 | 4 | 3 |
| Investment in restricted cash held by trustees | (6,320) | (12,346) | (6,320) | (1,236) |
| Proceeds from restricted cash held by trustees | 4,447 | 10,710 | 3,431 | 4,155 |
| Investment in restricted cash (including long-term) | (14,731) | (463) | (2,589) | (42) |
| Proceeds from restricted cash (including long-term) | 16,969 | 1,334 | 2,878 | 2 |
| Proceeds from working capital adjustment to subsidiary purchase price | 1,465 | - | - | - |
| Acquisitions of subsidiaries, net of cash acquired | (1,867) | (26,317) | - | (26,317) |
| Purchase of intangible asset | (26) | (2,500) | (5) | (2,500) |
| Net cash used in investing activities | (6,174) | (6,340) | (4,813) | (3,352) |
| Cash flows from financing activities: | | | | |
| Repayment of convertible notes | (394) | (839) | - | (419) |
| Issuance of restricted stock units and exercise of stock options | 20 | 33 | 6 | 23 |
| Short-term bank credit, net | 642 | 227 | 917 | 227 |
| Repayment of long-term loans | (1,047) | (4,281) | (195) | (4,115) |
| Net cash provided by (used in) financing activities | (779) | (4,860) | 728 | (4,284) |
| Effect of exchange rate changes on cash and cash equivalents | (439) | (18) | (541) | 61 |
| Decrease in cash and cash equivalents | (12,743) | (1,700) | (1,619) | (6,337) |
| Cash and cash equivalents at the beginning of the period | 57,238 | 122,672 | 46,114 | 127,309 |
| Cash and cash equivalents at the end of the period | 44,495 | 120,972 | 44,495 | 120,972 |

GILAT SATELLITE NETWORKS LTD.

CONDENSED EBITDA

US dollars in thousands

| | Nine months ended | | Three months ended | |
|--|-------------------|-----------|--------------------|-----------|
| | September 30, | | September 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Operating income (loss) | 2,855 | (2,031) | 1,921 | (678) |
| Add: | | | | |
| Non-cash stock-based compensation expenses | 1,534 | 1,294 | 478 | 560 |
| Costs related to acquisition transactions | 256 | 1,230 | - | 759 |
| Depreciation and amortization | 18,051 | 9,939 | 5,682 | 3,721 |
| EBITDA | 22,696 | 10,432 | 8,081 | 4,362 |
