Heard (& Overheard) in the Market...

VSATs for Sale – Cheap!

From Bong Uichanco

Gilat, working with their Philippine reseller, shipped about 100 VSAT remotes to the Philippines in anticipation of an add-on order from their client. The add-on order did not materialize so they're now stuck with 100 VSATs in the Philippines. They are now shopping around the 100 terminals at heavily discounted prices. Or course, this now upsets the pricing of remotes in the country. I don't know why Gilat would ship 100 VSATs without a PO but it does show that Gilat can get pretty aggressive in order to reduce lead time for delivery.

Gilat Skydata Mux

Also from Bong:

I read in your July Hotlines about Skydata using ACT.

For your information, I spoke to someone who used to work for Gilat and he said that the ISAT uses Memotec FRADs which have been modified to support the ISAT network topology. Apparently, the Memotec was chosen because it inherently supports independent inbound and outbound network links (unlike most FRAD's that expect symmetric network links).

ACT offers better voice support which was a weakness of the Memotec FRAD.

Gilat in Europe

From Tony Hosseiny:

I came across some interesting information which I thought might be interesting to you. Talking to one of our installers (which we also should be careful), he mentioned some activities and products that Gilat has put forward. They are as follows:

- Skyblaster Plus: Comes in two flavours, plug-in card and STB, and in two versions, I and II. This is exactly similar to Brightons and currently supports 4MB (due to the satellite capacity) and will be supporting up to 32 Mbit once they have moved the traffic to the new satellite. This move has been planned for March 2000 and with installation of 2 new ~7 meter dishes. The uplink will be DVB standard as it is now. Deployment has already begun in some pilot sites. This includes Eastern Europe as well as our backyard.
- Skystar Advantage: This is in direct competition with PES and has a 756 Kbit inroute and a 2 Mbit outroute. The deployment of this product has also started and installed in various sites as pilot. It is extremely user friendly and totally menu driven for the installers by means of "multiple choice" and it is equipped with LCD display.

Gilat has also installed within the last few weeks two dishes at SAP and they also have installed at some Deutsche Bahn (German rail system) site the same type of equipment. I was not able to find out which type of equipment but one of the two above.

Furthermore, Gilat is currently headhunting very aggressively our staff as a part of their new expansion.

Attachment 1: Gilat & Microsoft Talk

Microsoft, Gilat in Alliance Talks

(Article from Ha'aretz*, an independent daily newspaper in Jerusalem; Aug. 4, 1999)*

Setting up a joint venture is their response to AOL and Hughes linking forces

By Ami Ginzburg and Alona Koren

The managers of Gilat Satellite are discussing a potential cooperative venture with American colossus Microsoft. The putative joint venture would engage in rapid Internet communications via satellite.

The joint venture between Microsoft and Gilat is a response to a similar joint venture now worth some $1.5 billion, set up by two of their rivals, both American companies - America On-Line (AOL) and Hughes Electronics Corp., a subsidiary of General Motors, together with Phillips Electronics and Network Computer.

Hughes is Gilat's main competitor. Each company holds sway over about 40 percent of the VSAT (very small aperture terminal) market for data communication via satellite.

Gilat is currently trading at a market value of about $1.1 billion. The company posted revenues of $66 million for the first quarter of the year, on which it netted $8 million.

Gilat has a subsidiary, Spacenet, which offers a range of satellite-based networking solutions for data, voice, and video requirements through a single platform.

Gilat's chairman, Yoel Gat, commented in internal conversations within his company that he views cooperation with Microsoft very positively.

The talks with Microsoft come after Gilat suffered two heavy blows from its nemesis, Hughes. The second was losing a fat $50 million five-year tender issued by the international fuel company BP Amoco (a merger of British Petroleum with American company Amoco). Hughes will be installing 8,600 small satellite stations for credit card charging systems. The first came two months earlier, when the joint venture between AOL, Hughes, Phillips Electronics and Network Computer was announced. Their joint company also plans to supply rapid Internet services via satellite systems. Gilat, which specializes in developing and manufacturing tiny satellite stations, already has a system that can supply wideband Internet services via satellite communications. The system has the capacity to broadcast and transmit bi-directionally. But the system is still too expensive to market to households - Gilat is so far selling it only to organizations. For the time being, the organizational market is large enough to enable Gilat to continue to grow for several years, even striding alongside a rival as determined (and big) as Hughes. Hughes has the advantage of being a strategic partner of the giant GM, but Gilat, which acquired Spacenet from General Electric at the end of 1998 and raised $300 million a mere six months ago, has proved that it can beat Hughes on its own playing field too. But Hughes' cooperative venture unnerved not only Gilat, it also brought little joy to AOL's biggest competitor - Microsoft.

Over the last year, AOL and Microsoft have been fighting tooth and claw with each other, striving to become the No. 1 vendor of Internet services, or of interactive communications, to the client's home. In other words, both hope that when you turn on your computer (and, in the future, your television) the first picture to flash before your face will be of their home website.

Attachment 2: Tachyon Offers Internet Access

Mobile and Satellite: ... As Satellite Internet Access Weighs in

(from CommunicationsWeek International, May 10,1999)

By Joanne Taaffe

Tachyon Inc. plans to offer high-speed Internet access to multinational companies in Europe and the United States in the next few months with what it claims is a faster and cheaper satellite alternative to existing VSAT technologies.

But success will depend not only on price and speed. The company will also need to overcome the technical and licensing challenges of breaking into the VSAT market and find effective channels to market.

IP competition

The San Diego, California-based company shies away from the VSAT label, which applies to a technology that has earned a reputation for being both expensive and catering to niches. Where traditional VSAT serves up data at rates of between 2 and 3 megabits per second, Tachyon has specially engineered its system to provide 45 Mbps on the downlink and 256 kilobits per second on the uplink, which is better suited to the characteristics of Internet traffic.

Tachyon calls itself an Internet access company and describes its target market as "high-volume users for broadband Internet access" which find themselves in areas not served by fiber or terrestrial wireless systems - a market in which broadband satellite operators such as SkyBridge LP and Teledesic LLC will compete in the future. In the meantime, however, Tachyon's competitors are likely to be existing VSAT providers and even fixed network providers whose broadband access is more expensive.

According to Simon Bull, senior consultant at St. Albans, England-based Communications Systems Ltd., Tachyon is one of a small number of what are, essentially, VSAT companies, set up to take advantage of the growing use of Internet Protocol technology. "Shiron [Satellite Communications Ltd.], Vitacom (Corp.) and ComTier ... are all doing something similar.

The architectures vary, the data rates vary, but ultimately at their heart they have IP systems only," said Bull.

These new companies will face a tough, although not unwinnable battle, noted Bull. The hurdles facing the new breed of VSAT suppliers go beyond whether they can build cheaper equipment than existing VSAT suppliers.

These upstarts need to woo corporate users away from tried and tested equipment installed by operators such as IBM Global Services or Deutsche Telekom.

The new companies also need to overcome logistical obstacles, such as securing radio licenses and, in the case of Tachyon which is providing and managing the physical transport for its ISP customers, tackle the complexity of deploying a network that can support a sufficiently large number of users - anything over 100 becomes very tricky, said Bull.

One way in which Tachyon differs markedly from existing VSAT offerings is in its plan to sell to corporate users through Internet service providers.

But Stephane Chenard, a consultant with Paris-based EuroConsult SA, voiced reservations about the ability of ISPs to turn their hand to this niche market. "ISPs are not yet in [the] VSAT market and they would have to provide better quality of service than in the Internet [market]. VSAT is used for point-of-sale, credit verification - things that [cannot] break down ... The antennae have to be appointed properly [and] I don't know if the average ISP could do that," he said.

Licensing issues have already tripped up Tachyon's rollout plans. The company hopes to have its radio license application approved by the U.S. Federal Communications Commission by mid-May, according to Wim Vink, Tachyon's European manager. However, a lengthy European regulatory process means the company does not expect to begin acquiring radio licenses in Europe until the summer, a few months later than planned.

Tachyon argues its packet-switched system is cheaper to run because it can accommodate more users per transponder. But the fact that its equipment is optimized for IP is nothing new - VSAT companies such as Gilat Satellite Networks Ltd., Tel Aviv, Israel, are already capable of running IP applications.

Attachment 3: Gilat Financial Results

Gilat Reports Record Results for the Second Quarter and First Half of 1999

PETAH TIKVA, Israel--(BUSINESS WIRE)--Aug. 12, 1999--Gilat Satellite Networks Ltd. (NASDAQ: GILTF - news) announced today revenues of US$74.4 million for the second quarter ended June 30, 1999, an increase of 115 percent over revenues of US$34.6 million for the second quarter 1998. Net income was US$12.1 million (US$0.56 per share), a 124 percent increase over the US$5.4 million (US$0.47 per share) for the same period last year.

Revenues for the six months ended June 30, 1999 were US$140 million, an increase of 114 percent over the first half of 1998, when the company had revenues of US$65.6 million. Net income was US$20.1 million (US$0.97 per share), a 116 percent increase compared with US$9.3 million (US$0.81 per share) for the first six months of 1998.

Gilat Chairman and Chief Executive Officer Yoel Gat remarked, "We are one of the few companies in the U.S. currently implementing nationwide broadband networks. During the second quarter, activity levels at our Spacenet unit reached record levels, and we also saw strong activity in the Latin American and Asian markets."

SkyBlaster(TM) Wins Broadband Contract in New Vertical Market, Enters International Markets

Netpulse Communications, Inc., an Internet media company targeting 90,000 fitness center locations worldwide, signed a contract with Gilat's Spacenet Inc. subsidiary to deploy a SkyBlaster Very Small Aperture Terminal (VSAT) network with an initial roll out of 500 sites. Netpulse's Internet Powered Workout(TM) transforms standard exercise equipment with touch screen monitors and Internet connections so that exercisers can access the Web, read e-mail, watch TV, listen to music and track fitness progress while they work out. Simultaneously, Netpulse offers advertisers unique access to this captive, targeted audience. Under the five-year agreement, the SkyBlaster service, which includes installation, operations, and maintenance, will deliver broadband connectivity for the Netpulse network. Gilat has also signed a term sheet for an investment of up to $5 million in Netpulse.

Gilat Communications Ltd., a related company, has purchased a SkyBlaster network for implementation in the United Kingdom. The end customer, a network integrator, will use SkyBlaster as part of a distance learning solution. Gilat Communications has also ordered an upgrade to SkyBlaster for a customer in China as part of a distance learning network.

Spacenet Announces New Skystar Advantage(TM) Contracts

Gilat's Spacenet Inc. subsidiary has been selected by Countrywide Home Loans, Inc. to provide a Skystar Advantage VSAT satellite communications network and an advanced software-based interactive distance learning system to more than 500 Countrywide offices nationwide. Countrywide, which is the nation's largest independent residential mortgage lender, will use the system to provide ongoing software training to its nationwide field organization. Spacenet expects to install the network by the end of the third quarter 1999.

Product rationalization continues as a primary focus of the Spacenet integration. Spacenet signed new Skystar Advantage contracts with three customers on older Clearlink® platforms. The first contract, awarded by American Farm Bureau Federation (AFBF), is for an approximately 300-site network for AFBF affiliates in Georgia and Missouri. The second contract is with Wakefern Food Corporation to provide a VSAT network to service 200 sites for ShopRite Supermarkets. The third contract was signed with Conoco Inc. for a 170-site VSAT network to support SCADA monitoring and control applications for Conoco's crude oil and refined product pipeline. All three networks are scheduled to be implemented by year-end 1999.

New Orders from Pacific Rim and Latin America--All Delivery Expected in 1999

An order was received from Australian Business Technologies Pty Ltd. (ABT) for a Skystar Advantage network, comprised of three hubs and 400 VSATs. ABT intends to launch a VSAT service to regional and rural Australia, with an emphasis on the small enterprise and government sectors. Based in Sydney, Australia, ABT is an information technology and telephony services company.

Tokyo, Japan-based KDD Corporation (KDD) ordered a Skystar Advantage network, including two hub stations. KDD, a leading provider of international telecommunications services intends to use the network for IP-multicast applications for its end users. Separately, Mitratel of Kalimantan, Indonesia placed an initial order for a hub and 160 DialAway(TM) VSATs. Mitratel intends to use the DialAway network for a rural telephony solution for remote villages and businesses in its service area.

Telefones Del Norte SA, a Guatemalan telecommunications company, placed an order for a DialAway network comprised of a hub and 600 VSATs. Telefones Del Norte will use its DialAway network for public and private rural telephony service.

Gilat's teleconference to the financial community, scheduled today at 10:30 AM EST in the United States, will also be broadcast live over the Internet. The event can be accessed at http://www.gilat.com where there will also be a link for downloading the necessary software (Real Player 5).

About Gilat Satellite Networks

Gilat Satellite Networks Ltd. with its global subsidiaries, Spacenet Inc., Spacenet Services Europe GmbH, and Gilat Florida Inc. is a leader in VSAT (Very Small Aperture Terminal) technology, manufacturing and service. The Company provides satellite-based, end-to-end enterprise networking and rural telephony solutions to customers across six continents, and currently markets nationwide interactive broadband data services for U.S.-based corporations and service providers. Skystar Advantage®, Clearlink®, ISAT®, OneWay(TM), TwoWay(TM)-Ready Receiver, SkyWay(TM), DialAway®, FaraWay(TM), SkySurfer(TM) and SkyBlaster(TM) are trademarks or registered trademarks of Gilat Satellite Networks Ltd. or its subsidiaries.

Internet Powered Workout(TM) is a trademark of Netpulse Communications, Inc.

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. Web users can visit Gilat at www.gilat.com.

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Gilat Satellite Networks Ltd.
An Israeli Corporation
Condensed Consolidated Balance Sheets
(Unaudited)

US Dollars in Thousands	June 30 1999	December 31 1998
Assets		
Current Assets:		
Cash and cash equivalents	33,541	7,564
Current maturity of long term bank deposits	40,721	
Short-term bank deposits	91,559	
Short-term loan to an associated company		1,000
Accounts receivable:		
Trade	97,854	71,853
Other	43,674	(a)27,378
Inventories	80,128	72,594
Total current assets	387,477	180,389
Investments and non-current receivables:		
Long-term bank deposits	50,000	40,701
Investments in companies and non-current receivables	21,383	17,901
	71,383	58,602
Property, plant and equipment:		
Cost	160,409	118,357
Less - accumulated depreciation & amortization	30,964	23,446
	129,445	94,911
Other assets and deferred charges - net	73,344	(a)76,382
	661,649	410,284
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term bank credit	1,425	23,158
Accounts payable and accruals:		
Trade	25,257	25,102
Accrued expenses	42,420	50,892
Other	20,882	14,544
Total current liabilities	89,984	113,696
Convertible Subordinated Notes	75,000	75,000
Accrued Severance Pay	1,603	1,218
Total liabilities	166,587	189,914
Shareholders' Equity:		
Share capital and additional paid in capital	523,695	266,967
Capital Fund	(2,138)	
Accumulated deficit	(26,495)	(46,597)
	495,062	220,370
	661,649	410,284

(a) Reclassified

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Gilat Satellite Networks Ltd.
An Israeli Corporation
Condensed Consolidated Income Statements
(Unaudited)

US Dollars in Thousands	Six months ended June 30		Three months ended June 30	
	1999	1998	1999	1998
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	140,498	65,629	74,376	34,575
Cost of Revenues	79,583	37,235	42,301	19,533
Gross Profit	60,915	28,394	32,075	15,042
Research and Development Costs:				
Expenses Incurred	11,347	6,790	5,662	3,593
Less - Grants	1,016	1,686	835	908
Net R&D	10,331	5,104	4,827	2,685
Selling, General and Administrative Expenses	31,059	13,029	16,625	6,512
Operating Income	19,525	10,261	10,623	5,845
Financial Expenses - net	1,076	(1,009)	1,457	(509)
Other Income - net	58	297	58	280
Income Before Taxes on Income	20,659	9,549	12,138	5,616
Taxes on Income	485	142	200	132
Income After Taxes on Income	20,174	9,407	11,938	5,484
Share in Profits (Losses) of Associated Companies	(72)	(89)	148	(89)
Net Income	20,102	9,318	12,086	5,395
Earnings per Share (in US Dollars)				
Basic	$ 1.01	$ 0.85	$ 0.58	$ 0.49
Diluted	$ 0.97	$ 0.81	$ 0.56	$ 0.47
Weighted Average Number of Shares Used in Computation of Earnings Per Share (in Thousands)				
Basic	19,850	11,017	20,951	11,041
Diluted	20,707	11,471	21,755	11,559

Attachment 4: Scientific-Atlanta Financial Results

Scientific-Atlanta Reports Record Fourth Quarter and Record Fiscal Year Results

ATLANTA, Aug. 12 /PRNewswire/ -- Scientific-Atlanta (NYSE: SFA - news) today reported all-time record bookings and revenues for its fiscal fourth quarter ended July 2, 1999. Increased revenues were driven by shipments of the company's transmission networks products and Explorer® 2000 interactive digital set-tops.

Bookings of $388.7 million in the fiscal fourth quarter represented an increase of 22% over the previous year's fourth quarter.

Revenues of $355.2 million increased 17% over the prior year's fourth quarter.

Net earnings for the quarter were $47.3 million, or $0.59 per share, including $20.9 million of previously announced one-time, after-tax gains on marketable securities. Excluding the gains, net earnings for the quarter were $26.4 million, or $0.33 per share, a 32% profit increase over the previous year's comparable quarter. In the prior year, the company reported net earnings of $32.3 million, or $0.40 per share, which included one-time charges and one-time gains. Excluding these one-time special items, net earnings in the fourth quarter of the previous year were $20.1 million, or $0.25 cents per share. Backlog at fiscal year end was $529.4 million, a record for any fourth quarter and the second highest in the company's history.

Record fiscal year

Fiscal year bookings were a record $1.28 billion. Sales for the year were a record $1.24 billion. Net earnings for the fiscal year were a record $102.3 million, or $1.30 per share, including realized and unrealized gains on marketable securities. Excluding the gains, net income was $60.7 million, or $0.77 per share.

Strong balance sheet

The company's balance sheet remains strong with record cash and marketable securities of $302.9 million at the end of the fiscal year, an increase of $31.6 million from the end of the prior fiscal year. The company continues to have no significant debt.

James F. McDonald, Scientific-Atlanta's CEO said, "Record sales in our Broadband Segment, in both the transmission and subscriber businesses, are being driven by the cable industry's accelerating moves into Internet-Protocol based digital interactive services. Our transmission business grew to $145.0 million in sales in the fourth quarter, a 28% increase compared to last year's fourth quarter, and our subscriber business increased 26% over last year's fourth quarter to $164.2 million. It is increasingly clear that the cable industry is entering a new phase of growth, and Scientific-Atlanta is well positioned to benefit. Early on, we bet on Hybrid Fiber Coax, or HFC, architecture and on the cable industry, and now it is becoming evident that HFC is the architecture of choice.

"We were particularly pleased with our North American sales in the fourth quarter. Our transmission sales increased 34% versus last year's fourth quarter, while our subscriber business increased 31% over the same period."

Digital deployments increase 5-fold in six months

Seventy-nine Scientific-Atlanta digital interactive cable systems have been installed at customer sites to date. Of those installed, 58 cable systems have launched commercial services to paying customers. This compares to 24 systems launched at the end of the previous quarter and 8 systems at the end of the second quarter. "It is evident that the rate of deployment is accelerating as our customers respond to growing consumer demand," McDonald said.

- More than a half million Explorer 2000 digital set-tops shipped in fiscal year
- During the fourth quarter the company shipped 178,000 Explorer 2000 digital interactive set-tops, making a total of 511,000 shipped during the fiscal year. Approximately 230,000 units have been installed in homes with the remainder, less than 6,000 per system, held in cable operators' inventories. Customers are installing the set-tops in subscriber homes at a rate of approximately 20,000 per week compared to 4,000 per week at the beginning of the fourth quarter.

Digital set-top production to double again

The company announced during the quarter that it would double production capacity for digital interactive set-tops from 1 million units annually to 2 million units. A year ago, annual capacity was doubled from 500,000 units to 1 million. "This second increase is the result of customer assessments of their future needs based on extremely favorable initial consumer reaction," McDonald said.

Analog shipments remain strong

The company shipped 472,000 analog set-tops in the fourth quarter compared to 503,000 in the previous quarter as customers continued to implement the transition to digital technology. Analog subscriber sales continue to be a significant profit contributor and complement to the company's digital strategy. As indicated previously, the company anticipates some decline in domestic analog shipments in the future as customers move to digital technology, and the company is managing the business accordingly.

Transmission has banner quarter

The company's transmission business had an outstanding quarter with bookings up 67% in the fourth quarter compared to the previous year's fourth quarter. Sales increased 28% over the same period. The company began shipments of its Prisma(TM) DWDM, Dense Wavelength Division Multiplexing, system to AT&T Broadband Internet Services and to Charter Communications. The DWDM product has gained acceptance for its ability to expand the capacity of fiber-optic cable by delivering up to 16 unique data streams on a single fiber. The company also received an order from AT&T Broadband Internet Services for its baseband digital reverse products.

"These orders for our digital transport system, as well as strong demand for our 1310 optics products and the GainMaker(TM) broadband amplifier platform by a number of MSOs continue to strengthen our position as a provider of increased bandwidth solutions for our customers. Our experience in building interactive digital video and Internet Protocol networks has been of invaluable assistance in providing insight into the future requirements of the cable industry for opto-electronic and other transmission products," McDonald said.

Services business on growth path

The company's Worldwide Services Organization continued its growth with a record $39.4 million in service bookings for the fourth quarter, including some longer-term programs. As two-way broadband networks are prepared for the launch of new digital video, voice and data services, network operators turn to Scientific-Atlanta to assist in planning, building and activating their systems. The company expanded its work in outside plant services by providing design, construction and sweep/certification engineering services to customers in many parts of the country.

Satellite business on course

Bookings in the company's Satellite Segment increased $8.2 million sequentially and declined by 4% compared to the previous year's fourth quarter. Satellite Segment sales declined $3.1 million sequentially and were down 24% year over year. During the quarter, the company's satellite television networks business began shipments of its fourth generation digital satellite transmission system, PowerVu Plus(TM). The company announced in May 1999 that ESPN had selected PowerVu Plus to provide its domestic digital platform, joining Time Warner Cable/AthenaTV as the second major customer to select the company's new digital video compression system for its U.S. transmissions.

The company announced in the fourth quarter that the PowerVu IP(TM) system has been installed at MEDIASAT in Australia and at Hong Kong Telecom. Contracts were also signed with Bloomberg Television for the analog-to-digital conversion of their domestic broadcast feeds, PanAmSat's launch of its new GALAXY 3D(TM) domestic digital distribution service, and ARABSAT's extensive implementation of additional PowerVu® equipment and a PowerVu IP system.

McDonald concluded, "The broadband industry is on a growth path, and Scientific-Atlanta is positioned as a major force in that industry. We have converted our vision of a digital interactive network into a commercial success because we have remained consistent and committed to our strategy for seven years. We have devoted sufficient research and development and other resources to our vision, and we are now beginning to see some very tangible results."

"Forward-looking statements," as defined in the Private Securities Litigation Reform Act of 1995, may be included in this news release. A variety of factors could cause Scientific-Atlanta's actual results to differ from the anticipated results expressed in such forward-looking statements. Investors are referred to Scientific-Atlanta's Cautionary Statements (Exhibit 99 to the company's most recent Form 10-Q), which statements are incorporated into this news release by reference.

Scientific-Atlanta, Inc (http://www.sciatl.com) is a leading supplier of broadband communications systems, satellite-based video, voice and data communications networks, and worldwide customer service and support.

Explorer and PowerVu are registered trademarks and Prisma, GainMaker, PowerVu Plus, and PowerVu IP are trademarks of Scientific-Atlanta, Inc. GALAXY 3D is a trademark of PanAmSat Corp. All other trademarks are the property of their respective companies.

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SCIENTIFIC-ATLANTA, INC.
consolidated statement of earnings
(in millions, except per share data)

	Three Months Ended		Twelve Months Ended	
	July 2, 1999	June 26, 1998	July 2, 1999	June 26, 1998
SALES	$355.2	$303.7	$1,243.5	$1,181.4
COSTS AND EXPENSES				
Cost of sales	249.5	240.5	888.2	850.7
Sales and administrative	42.8	45.6	162.0	165.7
Research and development	30.3	30.8	117.3	111.5
Restructuring	---	23.4	---	23.4
Interest expense	---	0.1	0.6	0.5
Interest (income)	(3.0)	(2.3)	(8.5)	(6.0)
Other (income) expense, net	(32.0)	(80.6)	(62.3)	(79.8)
Total costs and expenses	287.6	257.5	1,097.3	1,066.0
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	67.6	46.2	146.2	115.4
PROVISION FOR INCOME TAXES	20.3	13.9	43.9	34.6
NET EARNINGS	$47.3	$32.3	$102.3	$80.8
EARNINGS PER COMMON SHARE				
BASIC	$0.62	$0.41	$1.33	$1.03
DILUTED	$0.59	$0.40	$1.30	$1.02
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
BASIC	76.9	78.9	76.8	78.7
DILUTED	79.3	80.3	78.6	80.0
BOOKINGS	$388.7	$319.7	$1,284.9	$1,204.7

Attachment 5: STM Financial Results

STM Wireless, Inc. Announces Results for Second Quarter and First Six Months 1999

Revenue Increased 90% Over Previous Quarter

IRVINE, Calif.--(BUSINESS WIRE)--Aug. 5, 1999--STM Wireless, Inc. (STM), (NASDAQ NM Symbol:STMI - news), today announced results for the second quarter and six months ended June 30, 1999.

As the Company no longer has a majority ownership in Direc-To-Phone International, Inc. (DTPI), the results for 1999 include DTPI through June 17, 1999; and the balance sheet at June 30, 1999 excludes the assets and liabilities of DTPI.

Revenue for the second quarter of fiscal 1999 was $6.0 million, compared to $9.1 million for the corresponding period in 1998. Net income for the second quarter of 1999 was approximately $0.4 million, or $0.05 per diluted share, compared to approximately $4.4 million, or $0.60 per diluted share for the same period a year ago. The results for the second quarter of 1999 and 1998 include gains of approximately $3.0 million and $10 million, respectively, on the sale of the assets of Telecom Multimedia Systems, Inc. (TMSI), the Company's former majority-owned subsidiary. The 1999 gain of $3.0 million was recognized upon the final release of funds from escrow.

Revenue for the six months ended June 30, 1999, was $9.1 million, compared to $16.1 million for the corresponding period in 1998. The net loss for the six months ended June 30, 1999, which includes restructuring costs of approximately $1.0 million and currency losses of approximately $1.9 million, was $8.1 million, or $1.15 per diluted share, compared to net income of $0.4 million, or $0.05 per diluted share for the corresponding period of 1998.

Review of Second Quarter Events:

- As a result of the previously announced $14.6 million investment in DTPI, the Company's ownership in DTPI has been reduced to approximately 44%. Going forward, STM will not consolidate or equity account for the results of DTPI. Excluding the results of DTPI, gains associated with TMSI, one-time restructuring costs and currency reserves, the Company would have reported revenues of $6.1 million, a gross profit of approximately 40% and an operating loss of approximately $450,000 for the second quarter ended June 30, 1999.
- In May 1999, the Company announced a $5.4 million contract with Entel Bolivia, which was awarded in a competitive tender for delivery of approximately 600 DAMA telephony VSATs.
- During the quarter, the Company received approximately $7.5 million in new orders (including Entel Bolivia) from existing and new customers for delivery of DAMA and IP based VSAT products.
- The Company received an award from Frost and Sullivan for the range of its VSAT products and its market penetration in Latin America.
- The Company implemented a cost reduction plan in the second quarter. As part of this effort the Company closed its Atlanta facility and relocated its operations back to Irvine, California. Upon completion of this restructuring in the third quarter of 1999, the Company will have reduced its operating costs in the core network systems business by approximately 35% compared to the first quarter of 1999.
- During the quarter, the Company improved its liquidity position and completed its de-consolidation of DTPI.
- In June 1999, the Company announced the appointment of Claude Burgio, an experienced telecommunications executive as CEO of DTPI, in which the Company continues to have 44% ownership interest.
- The Company has embarked on a major initiative towards the use of its VSAT products as the return channel in a number of Internet based broadband applications and has already signed three agreements for field trial and delivery of systems in the third and fourth quarters of 1999.

Commenting on the results, Emil Youssefzadeh, STM's Chief Executive Officer, said, "We have made significant progress toward turning around the Company in the second quarter. Our revenue growth and improved gross profit in the second quarter is a tribute to the commitment and dedication of our employees and the recognition by STM's customers of our price and performance lead with our latest generation VSATs."

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition, from time to time, STM Wireless, Inc. or its representatives have made or may make forward-looking statements, orally or in writing. The words "estimate", "project", "potential", "intended", "expect", "believe" and similar expressions or words are intended to identify forward-looking statements. Such forward-looking statements may be included in, but are not limited to, various filings made by the Company with the Securities and Exchange Commission, press releases or oral statements made with the approval of an authorized executive officer of the company. Actual results could differ materially from those projected or suggested in any forward-looking statements as a result of a wide variety of factors and conditions. As discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 1998, and its Form 10-Q for the first quarter of fiscal 1999, the Company's future operating results are uncertain and may be impacted by the following factors, among others: the long-term cycle involved in completing major contracts, particularly in foreign markets; increasing competitive pressures; general economic conditions; technological advances; financing risks; the timing of new product introductions; political and economic risks involved in foreign markets and foreign currencies; and the timing of operating and other expenditures.

STM WIRELESS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousand, except per share data)
(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	1999	1998	1999	1998
Revenues:				
Products	$ 5,517	$8,633	$8,143	$14,953
Services	465	475	930	1,104
Total revenues	5,982	9,108	9,073	16,057
Cost of revenues:				
Products	3,380	6,281	6,714	11,552
Services	767	686	1,853	1,404
Total cost of revenues	4,147	6,967	8,567	12,956
Gross profit	1,835	2,141	506	3,101
Operating costs and other operating items:				
Selling, general & administrative expenses	2,356	3,161	5,366	6,029
Research & development	1,208	2,906	2,724	4,964
Restructuring costs	425	--	1,042	--
Move and relocation charges	--	980	--	980
Total	3,989	7,047	9,132	11,973
Operating income (loss)	(2,154)	(4,906)	(8,626)	(8,872)
Other income (expense)	(5)	(36)	62	(90)
Foreign currency devaluation costs	(308)	--	(1,862)	--
Gain on sale of assets	2,964	9,950	2,964	9,950
Interest income	251	219	517	358
Interest expense	(305)	(326)	(816)	(629)
Income (loss) before income taxes and minority interest	443	4,901	(7,761)	717
Income tax expense	--	(244)	--	(244)
Income (loss) before minority interest	443	4,657	(7,761)	473
Equity in net income (loss) of unconsolidated affiliate	50	--	(59)	--
Minority interest	(125)	(223)	(275)	(110)
Net income (loss)	$368	$4,434	$(8,095)	$363
Net income (loss) per common share:				
Basic	$0.05	$0.63	$(1.15)	$0.05
Diluted	$0.05	$0.60	$(1.15)	$0.05
Common shares used in computing per share:				
Basic	7,042	7,035	7,042	6,828
Diluted	7,129	7,340	7,042	7,072

STM WIRELESS, INC
CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	June 30, 1999	December 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$7,078	$11,016
Short-term investments	752	1,106
Restricted cash and short term investments	2,162	2,224
Accounts receivable, net	9,358	17,016
Inventories, net	12,164	13,108
Current portion of long-term receivables	--	702
Prepaid expenses and other current assets	455	1,623
Total current assets	31,969	46,795
Property & equipment, net	8,755	11,056
Long-term receivables	--	788
Equity and other investments	157	4,151
Other assets	418	411
	$41,299	$63,201
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$8,400	$10,650
Current portion of long-term debt	372	384
Accounts payable	6,365	9,582
Accrued liabilities	5,924	7,256
Customer deposits	225	1,910
Income taxes payable	950	1,000
Total current liabilities	22,236	30,782
Long-term debt	4,245	4,306
Other long-term liabilities	1,134	--
Redeemable minority interest	--	6,355
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized, none issued or outstanding	--	--
Common stock, $0.001 par value; 20,000,000 shares authorized; Issued and outstanding 7,042,204 shares at December 31, 1998 and June 30, 1999	7	7
Additional paid in capital	38,161	38,140
Accumulated deficit	(24,484)	(16,389)
Total stockholders' equity	13,684	21,758
	$41,299	$63,201

For Hughes Network Systems Internal Use Only
HNS Proprietary II

STM Quarter 2, 1999 without DTPI

	Reported STM	DTPI Q2	One-Time	Without DTPI
Revenues:				
Products	$5,517	$(199)		$5,716
Services	465	42		423
	5,982	(157)		6,139
Cost of Revenues:				
Products	3,380	(27)		3,407
Services	767	617		150
	4,147	590		3,557
Gross profit	1,835	(747)		2,582
Selling, general & administrative	2,356	541		1,815
Research and development	1,208	--		1,208
Restructuring cost	425	--	425	--
	3,989	541	425	3,023
Operating Loss	(2,154)	(1,288)	(425)	(441)
Other income	(5)	(6)	--	1
Foreign currency devaluation costs	(308)	3	(311)	--
Interest-net	(54)	(93)		39
Gain on sale of assets	2,964		2,964	--
Income (loss) before taxes & minority interest	443	(1,384)	2,228	(401)
Equity pickup	50	50		--
Minority Interest	(125)	(125)		--
Net Income (loss)	$368	$(1,459)	$2,228	$(401)

STM Year to Date June 30, 1999 without DTPI

	Reported STM	DTPI	One-Time	Without DTPI
Revenues:				
Products	8,143	740		7,403
Services	930	93		837
	9,073	833		8,240
Cost of Revenues:				
Products	6,714	1,224		5,490
Services	1,853	1,493		360
	8,567	2,717		5,850
Gross profit	506	(1,884)		2,390
Selling, general & administrative	5,366	1,510		3,856
Research and development	2,724	--		2,724
Restructuring costs	1,042	97	945	--
	9,132	1,607	945	6,580
Operating Loss	(8,626)	(3,491)	(945)	(4,190)
Other income	62	(3)	--	65
Foreign currency devaluation cost	(1,862)	3	(1,865)	--
Interest-net	(299)	(174)		(125)
Gain on sale of assets	2,964		2,964	--
Loss before taxes and minority interest	(7,761)	(3,665)	154	(4,250)
Equity pickup	(59)	(59)		--
Minority Interest	(275)	(275)		--
Net Income (loss)	$(8,095)	$(3,999)	$154	$(4,250)

Attachment 6: ViaSat Financial Results

ViaSat Reports Increase in First Quarter Earnings

CARLSBAD, Calif., Aug. 12 /PRNewswire/ -- ViaSat Inc. (Nasdaq: VSAT - news) announced increased revenues and profits for its fiscal year 2000 first quarter ended June 30, 1999, compared to the first three months of the prior fiscal year. Sales in the first quarter increased 4.5% to $17.0 million compared to $16.3 million in sales for the comparable quarter last year. The Company's net income rose 30.0% to $1.8 million for the first quarter of FY 2000 compared to net income of $1.4 million for the first quarter of FY99. Diluted net income per share increased to $0.22 for the quarter compared to $0.17 per share for the first quarter of the prior year.

"Improved profitability on development programs was the key to the growth in earnings," said ViaSat chairman and CEO Mark Dankberg. "Program performance continues to be strong allowing us to explore and invest in exciting new business opportunities for broadband satellite."

New orders of $18.5 million during the quarter increased the sales backlog slightly to $46.5 million as of June 30, 1999. The backlog at the end of the prior year first quarter was $66.9 million. Neither figure includes contract options, which were $64.0 million at the end of the June, 1999 quarter vs. $24.2 million the prior year. Contract options in backlog include $59 million of IDIQ (indefinite delivery indefinite quantity) ordering agreements for UHF satcom products and services with the US Navy and US Army. The sales backlog includes multiyear contracts, some of which extend into the Company's fiscal year 2001 or beyond.

First Quarter Business Highlights

- Closed the company's largest commercial sale to date, valued in excess of $6 million with Star Cruises Management Ltd., for a shore-based hub station and satellite subscriber terminals for the Star Cruises fleet.
- Received contract additions worth $5.2 million in two separate follow-on orders. The first was for the Joint Communication Simulator (JCS) project for the US Navy and US Air Force, and the second was a Foreign Military Sale (FMS) order of $1.5 million for UHF DAMA Satcom modems.
- Early this year ViaSat began operating a StarWire Network Operations Center (NOC) at our facility in Carlsbad, CA. The NOC has been supporting pilot projects for 2-way broadband, bandwidth on demand services for a few key enterprise customers in the US. The services are primarily oriented around our DAMA IP (Demand Assigned Multiple Access for Internet Protocol). The revenues due to these initial projects have not been material to the company's financial performance to date. The primary purpose has been to integrate satellite broadband bandwidth on demand into end-user applications and test operational effectiveness and reliability with prospects for wider deployments.
- Launched a new secure bandwidth on demand service at the US Navy's C4I symposium in San Diego demonstrating 2-way secure satellite DAMA IP combining our StarWire products with the ViaSat IP network encryption device.

Portions of this release, particularly the paragraph relating to the "First Quarter Business Highlights" section, may contain forward-looking statements regarding future events and are subject to risks and uncertainties. We wish to caution you that there are some factors that could cause actual results to differ materially, including but not limited to: technologies not being developed according to anticipated schedules, or that do not perform according to expectations; and increased competition and other factors affecting the telecommunications industry generally. We refer you to the documents the Company files from time to time with the Securities and Exchange Commission, specifically the section titled Risk Factors in the Company's Form 10-K. This document contains and identifies other important factors that could cause actual results to differ materially from those contained in our projections or forward-looking statements.

ViaSat Inc. designs, produces, and markets advanced digital satellite telecommunications and wireless signal processing equipment for government and commercial markets. Other products include information security devices, tactical communication radios, and communication simulators. Corporate headquarters are located in Carlsbad, California in northern San Diego county, with a branch office in Boston, MA.

For Hughes Network Systems Internal Use Only
HNS Proprietary II

ViaSat, Inc.
Condensed Statement of Income
(unaudited)

	Three Months Ended June 30, 1999	1998
Revenues	$17,035,000	$16.304,000
Cost of revenues	9,709,000	9,832,000
Gross profit	7,326,000	6,472,000
Operating expenses:		
Selling, general, & administrative	2,948,000	2,355,000
Independent Research and Development	1,590,000	1,940,000
Income from operations	2,788,000	2,177,000
Income before income taxes	2,997,000	2,247,000
Net income	1,805,000	1,389,000
Diluted net income per share	$.22	$.17
Diluted common equivalent shares	8,207,555	8,209,522

Condensed Balance Sheet

Assets	June 30, 1999 (unaudited)	March 31, 1999
Current assets:		
Cash and S-T Investments	$16,379,000	$20,793,000
Accounts receivable	22,086,000	16,176,000
Inventory	2,838,000	2,525,000
Deferred income taxes	2,588,000	2,358,000
Other current assets	405,000	446,000
Total current assets	44,296,000	42,298,000
Property and equip, net	6,244,000	6,630,000
Other assets	673,000	1,088,000
	$51,213,000	$50,016,000

Liabilities and Stockholders' Equity	June 30, 1999 (unaudited)	March 31, 1999
Current liabilities:		
Accounts payable	$3,469,000	$3,754,000
Accrued liabilities	5,880,000	6,027,000
Current notes payable.	1,126,000	1,219,000
Total current liabilities	10,475,000	11,000,000
Notes payable	984,000	1,243,000
Other liabilities	845,000	926,000
Total long-term liabilities	1,829,000	2,169,000
Total stockholders' equity	38,909,000	36,847,000
	$51,213,000	$50,016,000

Attachment 7: Comsat Financial Results

COMSAT Corporation Reports Second Quarter 1999 Financial Results

- COMSAT Posts $0.22 Earnings per Share This Quarter, Up From $0.08 in Same Period Last Year -

- COMSAT Declares Quarterly Dividend -

BETHESDA, Md., July 19 /PRNewswire/ -- COMSAT Corporation today reported net income of $12.0 million, or $0.22 per fully diluted share, for the three months ended June 30, 1999, versus net income of $4.1 million, or $0.08 per fully diluted share, in the second quarter of 1998.

Revenues this quarter were $155.9 million, compared to $151.1 million in the second quarter of last year. Income before taxes was $22.4 million, up from $7.2 million in the same period last year. Income in the second quarter of 1999 includes a pre-tax gain of $12.6 million from the sale of stock in Viatel, Inc., an international telecommunications services company.

"COMSAT saw strong growth this quarter from our World Systems business unit. This growth reflects our ability to provide superior services that meet our customers' growing demand for Internet and other data intensive applications," said COMSAT President and Chief Executive Officer Betty C. Alewine. "COMSAT's success in this area is a direct result of deregulation, which has helped us grow revenue with new services and run a more efficient company to the benefit of our shareholders and customers.

"COMSAT also achieved an important milestone in the effort to privatize INTELSAT and update the Satellite Act of 1962. Recently, the U.S. Senate unanimously passed a bill that would create incentives for rapid privatization of INTELSAT. The bill would also lift limits on the ownership of COMSAT stock, allowing the proposed merger with Lockheed Martin to proceed, subject to FCC approval and satisfaction of other conditions. We now look forward to working with the House leadership toward enactment of this pro-competitive legislation," Alewine added.

In Satellite Services, COMSAT World Systems (CWS) posted segment income (before interest costs and taxes) of $32.0 million on $86.3 million in revenues for the quarter, up from income of $26.0 million on revenues of $76.2 million in the second quarter of 1998. CWS' revenue and earnings growth continues to be driven by increased demand for Internet and other high-speed data applications. Improved results are also due to lower operating expenses and CWS' increased ownership in INTELSAT.

COMSAT Mobile Communications (CMC) posted segment income of $4.1 million on revenues of $30.9 million in the second quarter, compared to income of $7.4 million on revenues of $40.1 million in the same period last year. CMC's results this quarter reflect declining analog telephone traffic and the prior change in accounting for the investment in the privatized Inmarsat satellite system.

In 1999, COMSAT began accounting for its 22.2% ownership in the privatized Inmarsat using the equity method, instead of the previously used pro rata consolidation method. As a result, Inmarsat-related income is reported as equity income rather than as operating income. (Please refer to the following financial highlights and the corporation's first quarter 1999 Form 10-Q for a more detailed description of this change.)

In the second quarter, COMSAT Mobile Communications signed a five-year contract with the United States Navy to provide up to $111.9 million in global high speed data, voice, and multimedia satellite services over the Inmarsat system. This is an indefinite delivery/indefinite quantity ordering agreement, which means the Navy leases and pays for services on an as-needed basis. "The availability of leased satellite capacity is a cost-effective option for customers that need a dedicated solution to their mobile communications needs," Alewine said.

COMSAT Laboratories had revenues of $13.3 million in the second quarter, up 16% from $11.5 million in the same period last year due to continued growth in technical consulting and the successful introduction of its Linkway 2000a networking product. Linkway 2000 was recently selected by Telespazio, a Telecom Italia Group company, to provide real-time video and data networking for the highway administration in Southern Italy.

"COMSAT's Linkway system is attracting the attention of the networking community throughout the world and the Telespazio sale demonstrates the market-potential for this unique product. Linkway's advanced capabilities and flexible platform are making it the preferred choice for meeting the communications needs of customers worldwide," commented Alewine.

Revenues for COMSAT International (CI) were $27.7 million in the second quarter, compared to $27.1 million in the second quarter of 1998. CI's segment income was $9.5 million in the second quarter of 1999, including the $12.6 million gain from the Viatel stock sale, versus a loss of $3.8 million in the second quarter of 1998.

"On-going economic uncertainty in Latin America is constraining growth in the international services market. Since the beginning of the year, the devaluation of the Brazilian currency has been approximately forty-five percent and we are beginning to see the effects of economic downturns in other Latin American countries such as Argentina and Venezuela as well," Alewine explained.

Commenting on overall consolidated results, Alewine said, 'We expect earnings performance in the second half of 1999 to continue at approximately the same level as in the first half of the year, excluding the one-time Viatel gains and costs associated with the proposed merger with Lockheed Martin."

Income before taxes for the corporation during the second quarter includes $2.1 million in expenses related to the proposed merger with Lockheed Martin Corporation. The proposed merger will be submitted for COMSAT shareholder approval at the corporation's annual meeting on August 20, 1999.

The COMSAT Board of Directors also declared a quarterly dividend of $0.05 cents per share, COMSAT's 116th consecutive dividend payment. The quarterly dividend will be payable on September 13, 1999 to shareholders of record on August 13, 1999.

Some of the statements in this news release are forward-looking and relate to anticipated future operating results. Forward-looking statements are based on COMSAT management's current expectations and assumptions, which may be affected by the timing and outcome of pending or prospective regulatory and legislative actions, by developments concerning the privatization of INTELSAT, by the announced proposed acquisition of the corporation by Lockheed Martin Corporation, by international business conditions (e.g., foreign currency devaluation and economic instability in foreign markets), by the responsiveness of customers to new and existing service offerings by the corporation and competing service providers, and by other subsequent developments and business conditions, and necessarily involve risks and uncertainties. Therefore, there can be no assurance that actual future results will not differ materially from anticipated results. Readers should refer to COMSAT's disclosure documents filed with the Securities and Exchange Commission, including the corporation's recent Forms 10-K and 10-Q, for specific details on some of the factors that may affect operating results.

COMSAT Corporation (NYSE: CQ - news) is a leading provider of global satellite services and digital networking services, products, and technology.

Financial Highlights Second Quarter 1999

SUMMARY

Consolidated revenues in the second quarter were $155.9 million, up $4.8 million or 3% from the same period of 1998. Revenues grew in COMSAT World Systems, COMSAT International and COMSAT Laboratories. Those increases were partially offset by a revenue decline in COMSAT Mobile Communications.

Net income for the second quarter was $12.0 million ($0.22 per fully diluted share), versus $4.1 million ($0.08) for the same period of 1998. The second quarter 1999 results included a pre-tax gain of $12.6 million from the sale of stock of Viatel, Inc. and costs of $2.1 million related to the proposed COMSAT/Lockheed Martin Corporation merger. Excluding the gain from the sale of Viatel and the costs related to the proposed merger, net income in the quarter was $5.4 million, or $0.10 per share. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the second quarter of 1999 was $61.9 million, a decrease of $14.6 million from the same period of last year. The decrease in EBITDA was primarily a result of the change in accounting associated with the privatization of Inmarsat.

BUSINESS SEGMENT INFORMATION

The corporation reports operating results and financial data in four segments: COMSAT World Systems (CWS), COMSAT Mobile Communications (CMC), COMSAT International (CI) and COMSAT Laboratories (Labs). The corporation evaluates the performance of its operating segments based on segment income (loss) before taxes and interest costs.

COMSAT SATELLITE SERVICES

World Systems revenues were up 13% in the second quarter to $86.3 million, compared to the same period in 1998. Higher revenues from the growing demand for Internet services and other high-speed data traffic and COMSAT's increased ownership in INTELSAT were partially offset by a slight decline in traditional voice communications. Segment income for the quarter was $32.0 million, up $6.0 million from the second quarter of 1998 as a result of increased INTELSAT ownership, lower operating expenses and revenue growth. EBITDA increased 7% in the quarter to $58.6 million, compared with the respective period in 1998. The EBITDA margin was 68% for the second quarter, versus approximately 72% for the same period in 1998.

Mobile Communications revenues were $30.9 million, down quarter-to-quarter by $9.2 million. Reporting Inmarsat's results using the equity method of accounting lowered CMC's revenues by $4.5 million as compared to the second quarter of 1998. The remainder of the revenue decrease was primarily the result of lower analog telephone traffic, principally caused by lower usage in the US Government sector and lower amounts of carrier traffic. CMC's 1999 second-quarter segment income was $4.1 million, versus $7.4 million reported in the second quarter of 1998. The decline of CMC's segment income from 1998 levels was due to lower revenues, and recording interest costs of $1.0 million and income taxes of $1.2 million in Inmarsat equity income. Prior to 1999, the corporation's share of Inmarsat's interest costs were reported in "Interest costs, net of amounts capitalized" and taxes were reported in "Income tax expense." As a result of its privatization, Inmarsat now recognizes income taxes in its net operating results. CMC's EBITDA was $5.9 million in the quarter versus $23.1 million in the same quarter of 1998. CMC's EBITDA was significantly affected by the Inmarsat privatization, since Inmarsat's operating results are now reported as equity income.

On April 15, 1999, Inmarsat completed its privatization. As a result, COMSAT now uses the equity method of accounting to report its 22.2% ownership in the new company. Prior to 1999, the corporation used the pro rata method of consolidation to report its share of Inmarsat's operating results. With the pro rata method of consolidation, the corporation reported its share of Inmarsat's revenues (net of space segment costs paid to Inmarsat), costs of services, depreciation and amortization and interest costs in the respective categories of its income statement. The corporation now reports its proportionate share of Inmarsat's net operating results as equity income in the "Other income (expense)" category of its income statement. Space segment charges paid to Inmarsat are now reported in costs of services. Although presenting Inmarsat as an equity investment has reduced the corporation's operating income, the corporation's net income has not been affected.

COMSAT INTERNATIONAL

COMSAT International revenues increased slightly in the second quarter to $27.7 million, compared with $27.1 million in the same period in 1998.

Revenues in CI's company in Brazil decreased compared to the second quarter of 1998 due to the devaluation of the Brazilian Real in 1999. CI's EBITDA was $6.2 million in the second quarter of 1999, compared with $4.7 million in the respective period last year. EBITDA margin for the second quarter was 22%, an increase from 17% in the second quarter of 1998. CI's segment income for the second quarter of 1999 was $9.5 million, compared to a segment loss of $3.8 million for the same period in 1998. Excluding the $12.6 million gain on the sale of Viatel, Inc. stock, CI had a segment loss of $3.1 million in the second quarter. Improvements in CI's segment loss are primarily the result of lower costs at Belcom (a CI company operating in Russia and the Commonwealth of

Independent States) following the write-down of its long-term assets in the third quarter of 1998, and reduced overhead costs which more than offset lower operating results in Brazil and Venezuela.

COMSAT International
OPERATING COMPANIES INFORMATION (UNAUDITED)
(In millions)

	1999			1998		
	QTR 1	**QTR 2**	**YTD**	**QTR 1**	**QTR 2**	**YTD**
Revenues						
Americas	$25.7	$25.2	$50.9	$22.2	$24.5	$46.7
Asia/Europe	2.0	2.5	4.5	2.9	2.6	5.5
Total Revenues	$27.7	$27.7	$55.4	$25.1	$27.1	$52.2
EBITDA						
Americas	$8.2	$8.3	$16.5	$6.9	$ 8.0	$14.9
Asia/Europe	(0.5)	(0.1)	(0.6)	(1.4)	(0.7)	(2.1)
EBITDA before CI Corporate	7.7	8.2	15.9	5.5	7.3	12.8
CI Corporate	(3.1)	(2.0)	(5.1)	(2.2)	(2.6)	(4.8)
Total EBITDA	$4.6	$6.2	$10.8	$3.3	$4.7	$8.0

Notes:

1. Americas include Argentina (100%), Brazil (100%), Colombia (100%), Guatemala (100%), Peru (100%), Mexico (100%) and Venezuela (100%). Asia/Europe include BelCom (100%), China (62%), Turkey IBS (85%) and Turkey VSAT (64%). Numbers in parenthesis indicate COMSAT ownership.
2. CI share of India revenue not consolidated for accounting purposes was $0.9M for 2Q99, $1.2M for 1Q99, $0.9M for 1Q98 and $0.8M for 2Q98.
3. EBITDA (earnings before interest, taxes, depreciation, and amortization) is calculated by adding depreciation and amortization, impairment of long-lived assets and operating income (loss).

COMSAT LABORATORIES

COMSAT Laboratories revenues were up 16% in the quarter to $13.3 million, compared with the respective period of 1998, due to growth in its technical consulting and product businesses. Labs' segment loss for the quarter was $200,000, versus segment income of $100,000 in the same period in 1998, as a result of increased research and development expenses related to the Linkway product line.

COMSAT CONSOLIDATED

Other Income (Expense), net for the quarter was income of $14.0 million, compared with expense of $1.0 million in the second quarter of 1998. The increase stems primarily from the $12.6 million gain on the sale of Viatel, Inc. stock and Inmarsat equity income of $3.2 million.

Interest Costs, Net of Amounts Capitalized in the second quarter was $9.6 million, down from $12.7 million in the same quarter in 1998. The improvement primarily results from lower interest expense this quarter. In addition, CMC's share of Inmarsat's interest costs is now being reported within the CMC segment.

Income Tax Expense for the quarter totaled $10.4 million, up from $3.1 million in the second quarter of 1998, as a result of improved earnings and a higher effective tax rate in 1999.

Weighted Average Shares Outstanding, assuming dilution, at the end of the quarter were 53.8 million, up about 100,000 shares from the end of the same quarter in 1998.

CASH AND LIQUIDITY

Cash and Cash Equivalents totaled $60.4 million at the end of the second quarter, compared with $30.8 million at the end of 1998.

Current Maturities of Long-term Debt was $31.1 million at June 30, 1999, as compared to $15.0 million at the end of 1998. The balance at June 30, 1999 reflected the corporation's share of INTELSAT's long-term debt that becomes due in the first quarter of 2000. The $15.0 million at December 31, 1998 represented the current maturities of COMSAT's share of Inmarsat's long-term debt. Both the current and long-term portions of Inmarsat's debt have been reclassified from liabilities to investment, as a result of the privatization of Inmarsat.

Long-term Debt declined $67.4 million from $446.8 million at December 31, 1998. The decline was attributable to reclassifying $67.2 million of Inmarsat debt to establish the corporation's investment in Inmarsat and $29.8 million of INTELSAT debt to current maturities of long-term debt. Partially offsetting these declines was an increase of $29.4 million in the corporation's share of INTELSAT's long-term debt as a result of a higher level of ownership and a capital lease obligation at INTELSAT associated with the INSAT 2E satellite.

For Hughes Network Systems Internal Use Only
HNS Proprietary II

COMSAT CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In millions)

	June 30, 1999	Dec. 31, 1998
Current assets:		
Cash and cash equivalents	$60.4	$30.8
Receivables	140.6	131.1
Other current assets	36.0	37.1
Total current assets	237.0	199.0
Property, net	941.3	1,209.5
Investments	372.3	249.1
Other assets	132.3	133.2
Total assets	$1,682.9	$1,790.8
Current liabilities:		
Current maturities of long-term debt	$31.1	$15.0
Other current liabilities	150.1	125.8
Total current liabilities	181.2	140.8
Long-term debt	379.4	446.8
Other noncurrent liabilities	316.7	344.2
Preferred securities issued by subsidiary	200.0	200.0
Stockholders' equity	605.6	659.0
Total liabilities & stockholders' equity	$1,682.9	$1,790.8

COMSAT CORPORATION
CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
(In millions, except per share amounts)

	For the Quarter Ended June 30		For the Six Months Ended June 30	
	1999	1998	1999	1998
Revenues	$155.9	$151.1	$300.4	$295.8
Operating expenses:				
Cost of services	83.0	65.9	163.5	131.9
Depreciation and amortization	43.9	55.6	86.4	107.1
Research and development	2.2	2.6	3.9	4.3
General and administrative	6.7	6.1	11.9	11.9
Merger costs	2.1	-	3.9	-
Total operating expenses	137.9	130.2	269.6	255.2
Operating income	18.0	20.9	30.8	40.6
Other income (expense), net	14.0	(1.0)	31.1	(3.8)
Interest costs, net of amounts capitalized	(9.6)	(12.7)	(19.4)	(24.1)
Income before taxes	22.4	7.2	42.5	12.7
Income tax expense	(10.4)	(3.1)	(18.5)	(4.8)
Net income	$12.0	$4.1	$24.0	$7.9
Earnings per common share:				
Basic	$0.23	$0.08	$0.46	$0.15
Assuming dilution	$0.22	$0.08	$0.45	$0.15
Average shares-basic	52.6	51.9	52.5	51.1
Average shares-assuming dilution	53.8	53.7	53.7	52.9

For Hughes Network Systems Internal Use Only
HNS Proprietary II

COMSAT CORPORATION
OPERATING RESULTS BY BUSINESS SEGMENT (UNAUDITED)
(In millions)

	1999 QTR 1	1999 QTR 2	1999 TOTAL	1998 QTR 1	1998 QTR 2	1998 QTR 3	1998 QTR 4	1998 TOTAL
Revenues								
Satellite Services								
World Systems	$78.9	$86.3	$165.2	$73.0	$76.2	$77.0	$76.9	$303.1
Mobile Communications	29.7	30.9	60.6	40.8	40.1	42.8	45.4	169.1
Total	108.6	117.2	225.8	113.8	116.3	119.8	122.3	472.2
International	27.7	27.7	55.4	25.1	27.1	29.8	31.3	113.3
Laboratories	9.9	13.3	23.2	9.0	11.5	11.4	10.4	42.3
Eliminations and other	(1.7)	(2.3)	(4.0)	(3.2)	(3.8)	(2.6)	(1.7)	(11.3)
Total	$144.5	$155.9	$300.4	$144.7	$151.1	$158.4	$162.3	$616.5
Segment income (loss) (1)								
Satellite Services								
World Systems	$29.3	$32.0	$61.3	$26.0	$26.0	$27.2	$33.9	$113.1
Mobile Communications	4.8	4.1	8.9	8.9	7.4	7.7	7.9	31.9
Total	34.1	36.1	70.2	34.9	33.4	34.9	41.8	145.0
International (2)	8.8	9.5	18.3	(4.4)	(3.8)	(18.6)	5.8	(21.0)
Laboratories	(1.5)	(0.2)	(1.7)	(2.5)	0.1	(0.3)	(0.8)	(3.5)
Total segment income	41.4	45.4	86.8	28.0	29.7	16.0	46.8	120.5
General and administrative expenses	(5.2)	(6.7)	(11.9)	(5.8)	(6.1)	(6.3)	(7.4)	(25.6)
Merger costs	(1.8)	(2.1)	(3.9)	-	-	(3.5)	(2.0)	(5.5)
Interest costs, net of amounts capitalized	(9.8)	(9.6)	(19.4)	(11.3)	(12.7)	(6.1)	(9.7)	(39.8)
Other income (expense), net	(4.5)	(4.6)	(9.1)	(5.4)	(3.7)	(4.8)	(3.5)	(17.4)
Total	(21.3)	(23.0)	(44.3)	(22.5)	(22.5)	(20.7)	(22.6)	(88.3)
Total	$20.1	$22.4	$42.5	$5.5	$7.2	($4.7)	$24.2	$32.2

Notes:

1. The corporation evaluates the performance of its operating segments based on income (loss) before taxes and interest costs.
2. International's first and second quarters of 1999 and the fourth quarter of 1998 includes a $13.1 million, $12.6 million, and $14.0 million gain, respectively, from the sale of stock in Viatel, Inc. International's third quarter of 1998 includes the $14.0 million impairment of Belcom's long-lived assets.

For Hughes Network Systems Internal Use Only
HNS Proprietary II

COMSAT CORPORATION
OPERATING RESULTS BY BUSINESS SEGMENT (UNAUDITED)
(In millions)

	1999 QTR 1	1999 QTR 2	1999 TOTAL	1998 QTR 1	1998 QTR 2	1998 QTR 3	1998 QTR 4	1998 TOTAL
Depreciation and Amortization								
Satellite Services								
World Systems	$26.2	$27.5	$53.7	$26.1	$29.1	$29.0	$28.1	$112.3
Mobile Communications	5.1	5.0	10.1	15.3	15.9	16.5	16.5	64.2
Total	31.3	32.5	63.8	41.4	45.0	45.5	44.6	176.5
International	9.8	10.0	19.8	8.9	9.7	10.6	9.5	38.7
Laboratories	0.3	0.3	0.6	0.3	0.3	0.3	0.3	1.2
Other	1.1	1.1	2.2	0.9	0.6	1.0	1.0	3.5
Total	$42.5	$43.9	$86.4	$51.5	$55.6	$57.4	$55.4	$219.9
EBITDA								
Satellite Services								
World Systems	$54.8	$58.6	$113.4	$51.8	$54.7	$55.8	$57.4	$219.7
Mobile Communications	4.1	5.9	10.0	23.1	23.1	23.9	23.8	93.9
Total	58.9	64.5	123.4	74.9	77.8	79.7	81.2	313.6
International	4.6	6.2	10.8	3.3	4.7	4.5	0.4	12.9
Laboratories	(1.2)	0.2	(1.0)	(0.3)	0.3	(0.2)	(0.4)	(0.6)
Other	(7.0)	(9.0)	(16.0)	(6.7)	(6.3)	(10.2)	(9.3)	(32.5)
Total	$55.3	$61.9	$117.2	$71.2	$76.5	$73.8	$71.9	$293.4

Note:

EBITDA (earnings before interest, taxes, depreciation and amortization) is calculated by adding depreciation and amortization, impairment of long-lived assets and operating income (loss). Other includes G&A expenses, merger costs and Other from the Segment income (loss) section.

DOCUMENT SEPARATOR SHEET

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Print Batch Document #: 1
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HNS Strategy Briefing

98H02-056

September 1998

HUGHES
ELECTRONICS

NVO Approach For HNS Study

HUGHES
ELECTRONICS

Module 1 VSAT Market Overview	Module 2 Strategic Options For HNS	Module 3 Strategy Implementation
Objective To Provide Overview Of VSAT Market **Deliverables** Evaluation Of Size & Expected Growth Of Industry Profiles Of Major Players & Their Plans Market Share Assessment Understanding & Assessment Of Emerging Competitors/ Trends **Status** Completed, 9/11/98	**Objective** To Provide Preliminary Assessment Of Strategic Options For HNS **Deliverables** Identification Of Strategic Options For Hughes Recommend Strategy For Hughes **Status** In Process	**Objective** Corporate Approval **Deliverables** Business Plan

HNS Growth Plan

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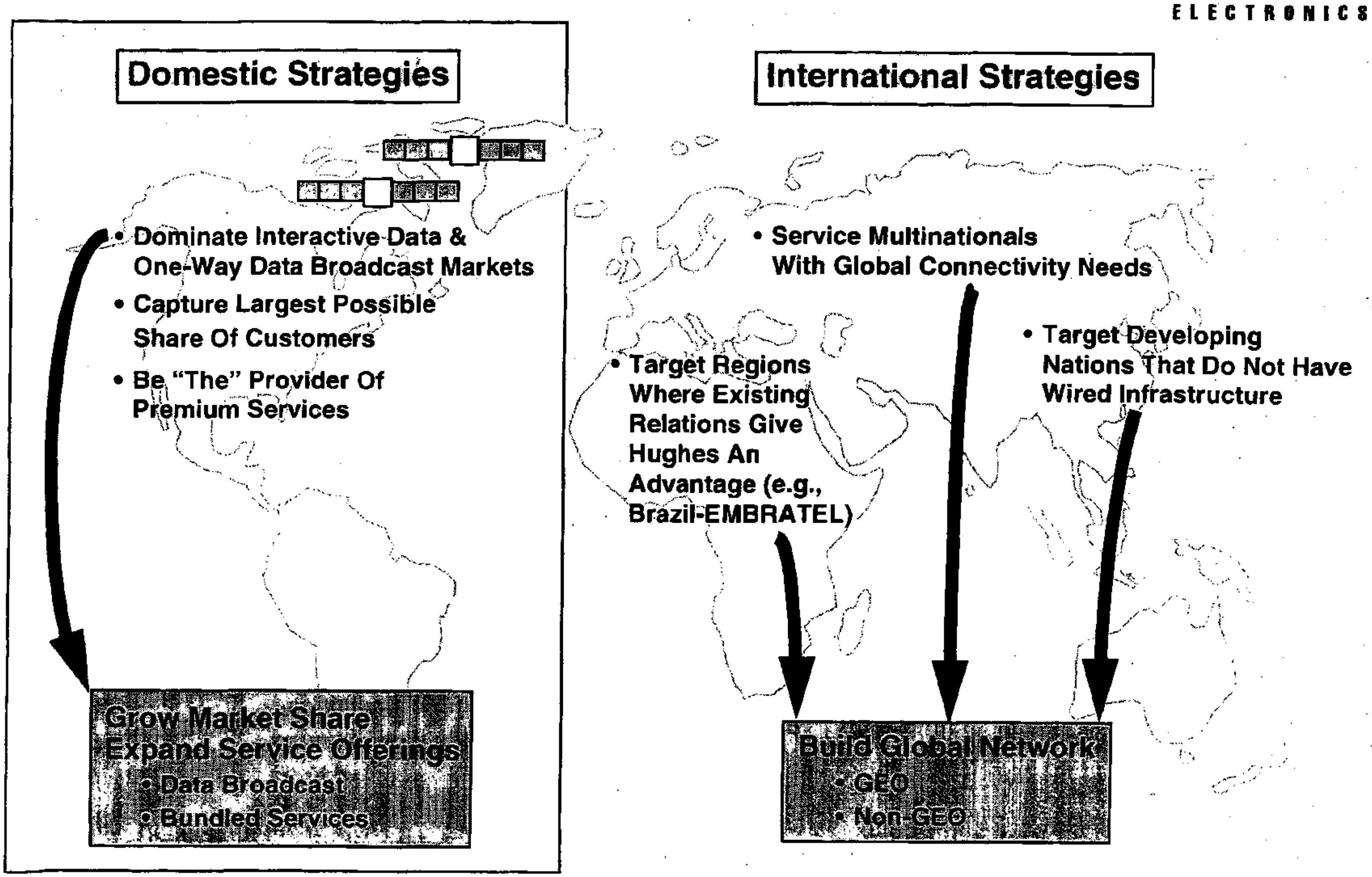

98H02-050

Dick Nelson, IBM – AZ
↳ Hughes IBM ...
Project Director
- Lotus Notes
- Domino
Paul Hoffman – CA

Applications Pose Strategic Questions

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Non-Latency Critical Applications

Multicast

HNS/Wideband

?

98H02-053A.ppt

Strategic Approach

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1998	1999 Through 2004	2004 & Beyond
	Objective	
• Expand Customer Base • Provide New Services & Applications Distance Learning	• Grow Market Share • Expand Service Offerings Data Broadcasting Bundled With Interactive Higher Bandwidth	• Satisfy Communication Needs Of Multinationals • Improve Quality Of Service
	Strategy	
• Acquired One-Touch Systems	• Acquire Competitor In Both Interactive & Data Broadcast Markets • Roll Out Wideband	• Launch/Invest in Non-GEO

98H02-051

Global VSAT Market
Interactive

98H02-075

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Hughes Proprietary Information II

Global VSAT Growth
Terminal Sales

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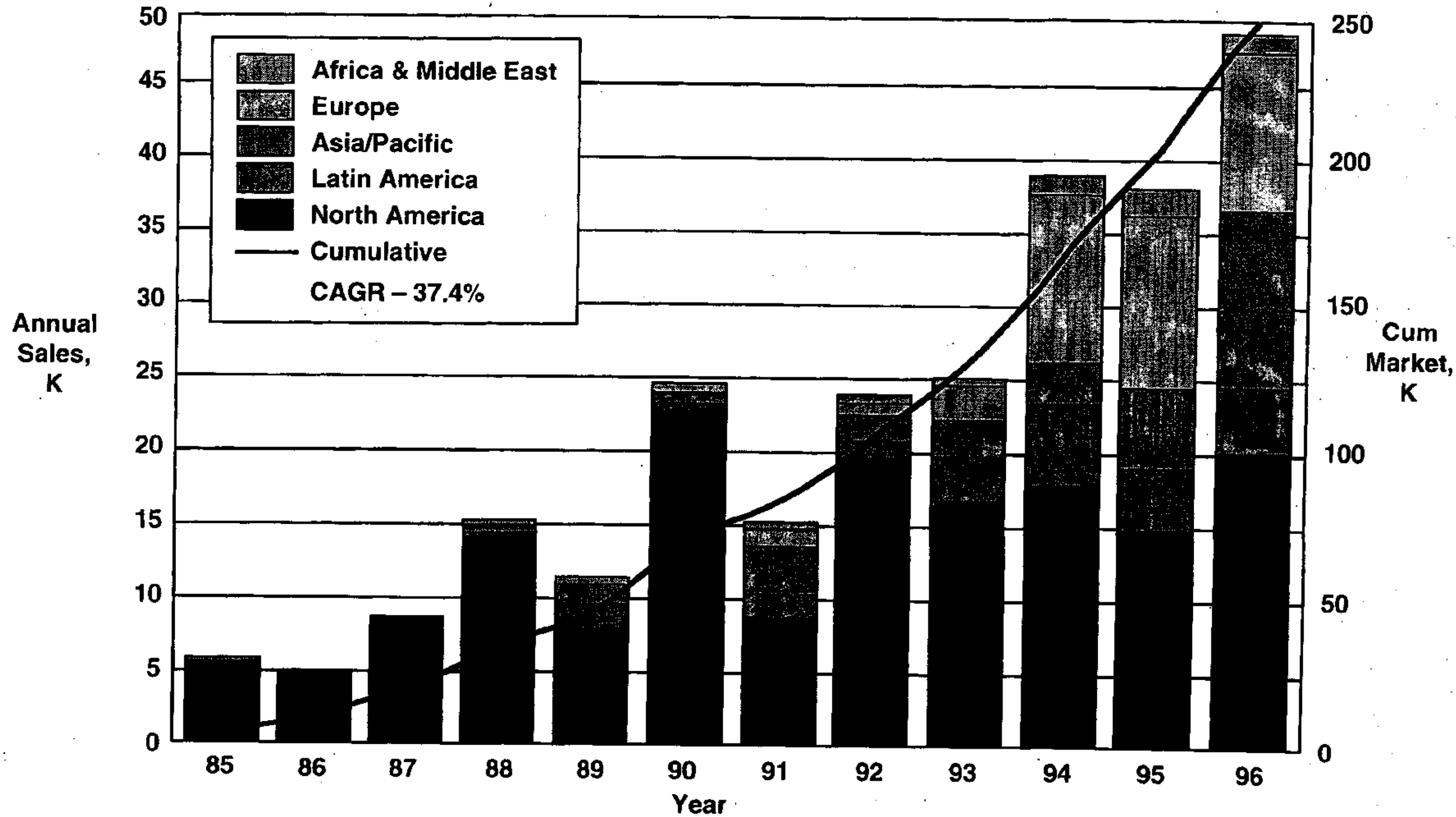

98H02-072

Source: Comsys VSAT Report, 1997

Hughes Proprietary Information II

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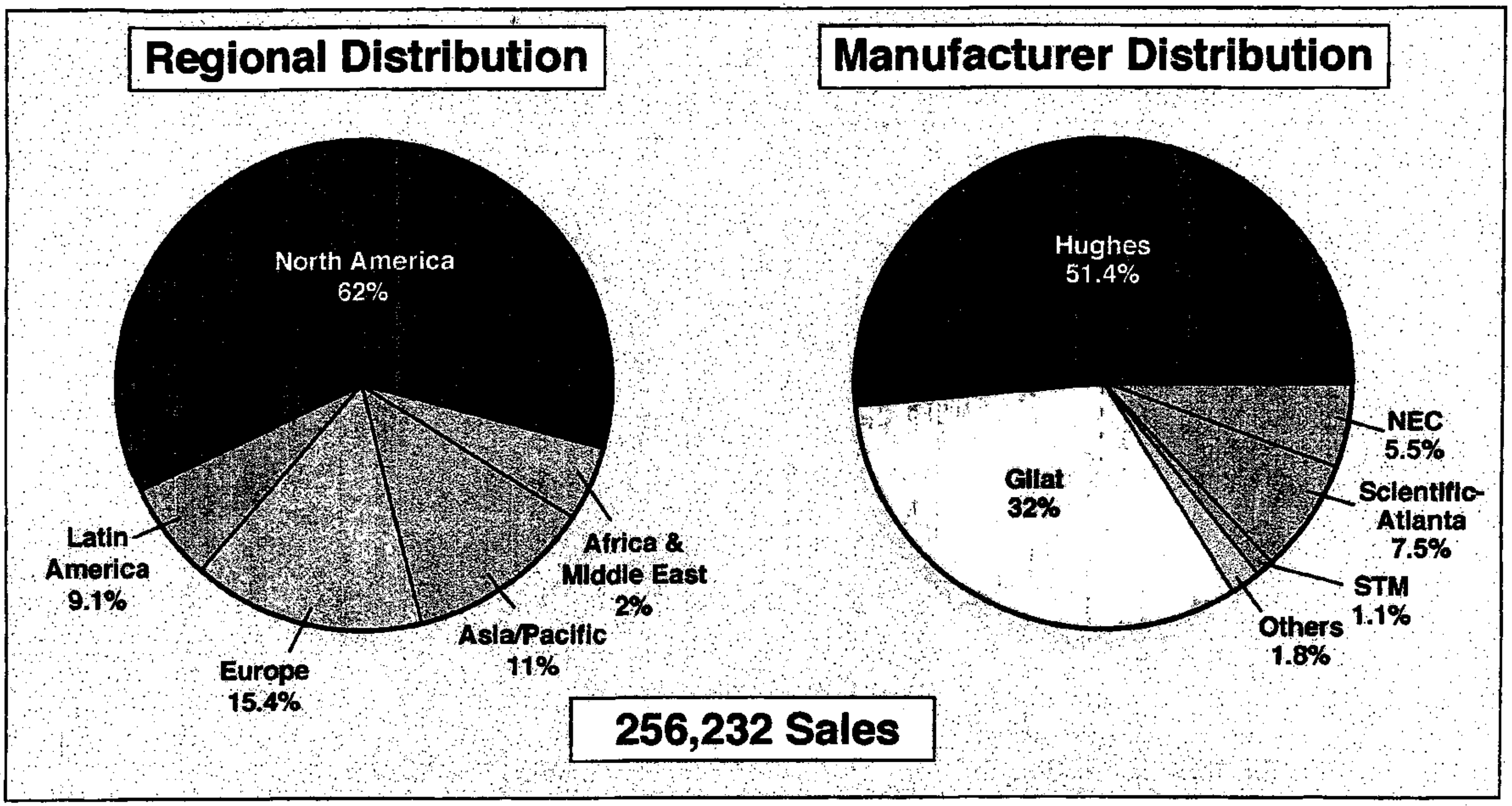
1996 Market Share
Cum Terminal Sales

HUGHES ELECTRONICS



Source: Comsys VSAT Report, 1997

98H02-093

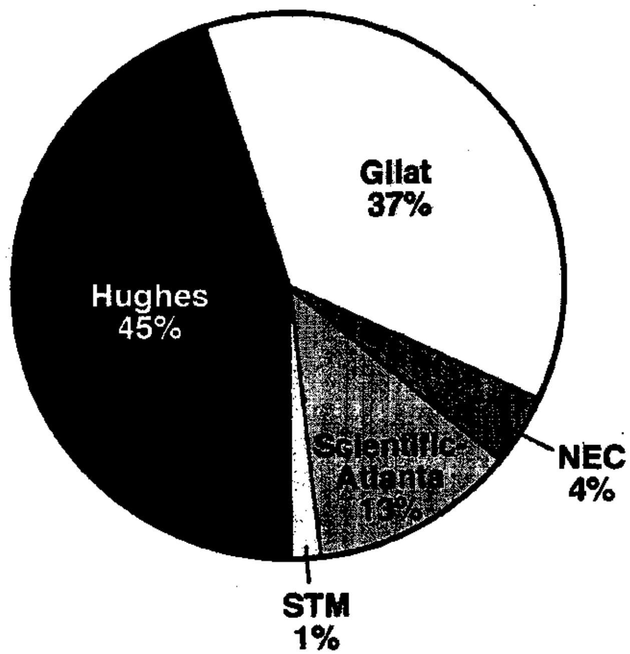
Hughes Proprietary/Competition Sensitive

1995 & 1996 Market Share

Annual Terminal Sales

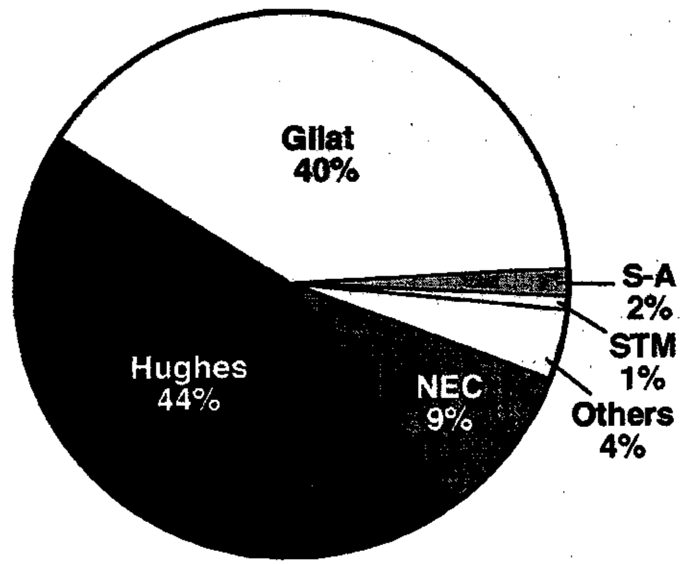
HUGHES ELECTRONICS

1995



37,420 Sales

1996



45,710 Sales

98H02-094

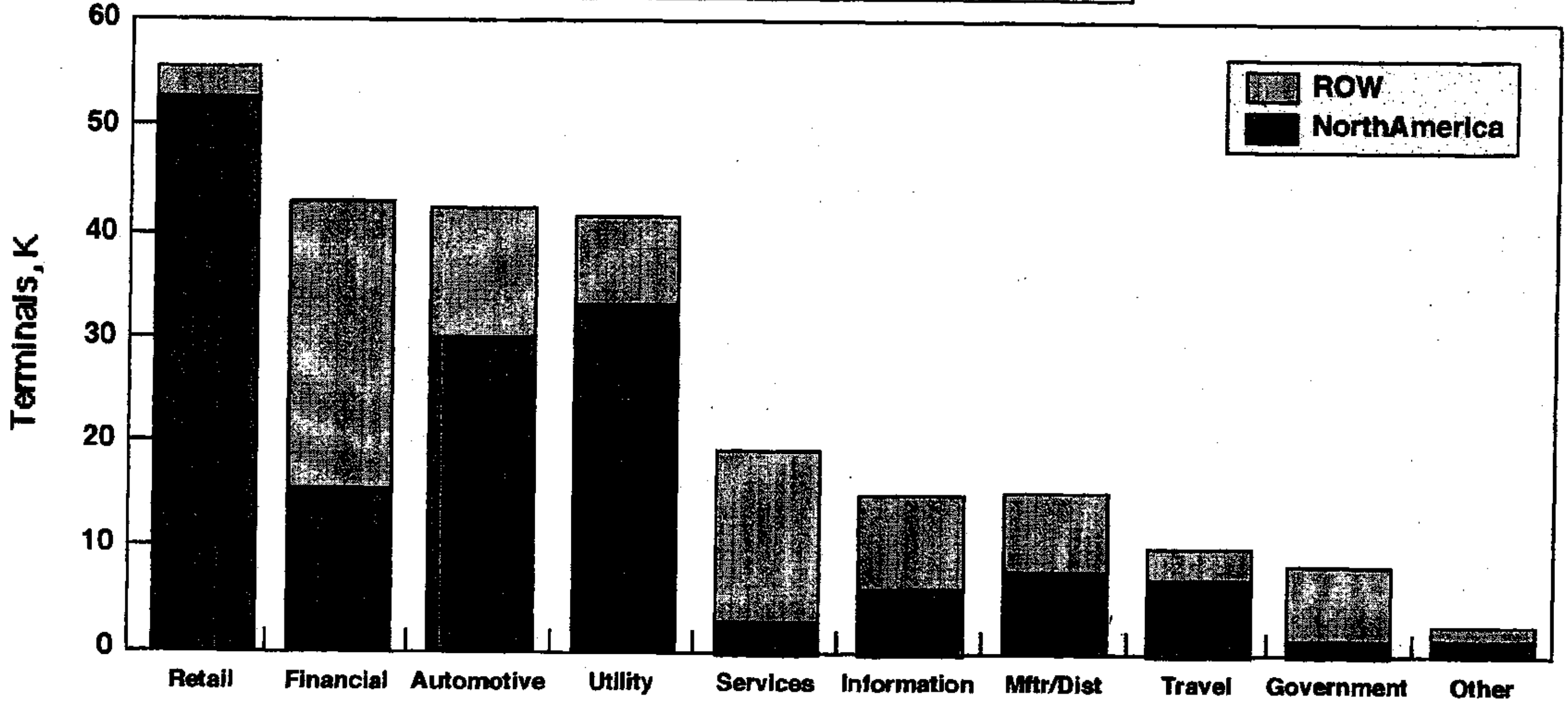
Hughes Proprietary/Competition Sensitive

Hughes Proprietary/Competition Sensitive

Global VSAT Demand
By Sector & Region

HUGHES ELECTRONICS

Cum Terminal Sales Through 1996



Source: Comsys VSAT Report, 1997

98H02-076

Hughes Proprietary/Competition Sensitive

Global VSAT Demand
By Sector & Region

HUGHES ELECTRONICS

Cum Terminal Sales Through 1996

Sector	North America	Latin America	Asia/ Pacific	Europe	Africa & Middle East
Automotive	29,213	1,589	47	11,643	0
Financial	16,744	10,317	7,305	6,315	2,480
Government	2,092	1,243	2,865	2,425	145
Mftr/Dist	8,870	1,384	4,418	943	0
Utility	32,641	409	4,987	3,887	180
Retail	51,850	526	458	1,526	1,300
Services	2,352	3,277	4,820	8,284	957
Information	6,012	3,577	2,229	3,186	485
Travel	8,018	370	806	1,194	0
Other	1,973	617	194	79	0
Total	159,765	23,309	28,129	39,482	5,547

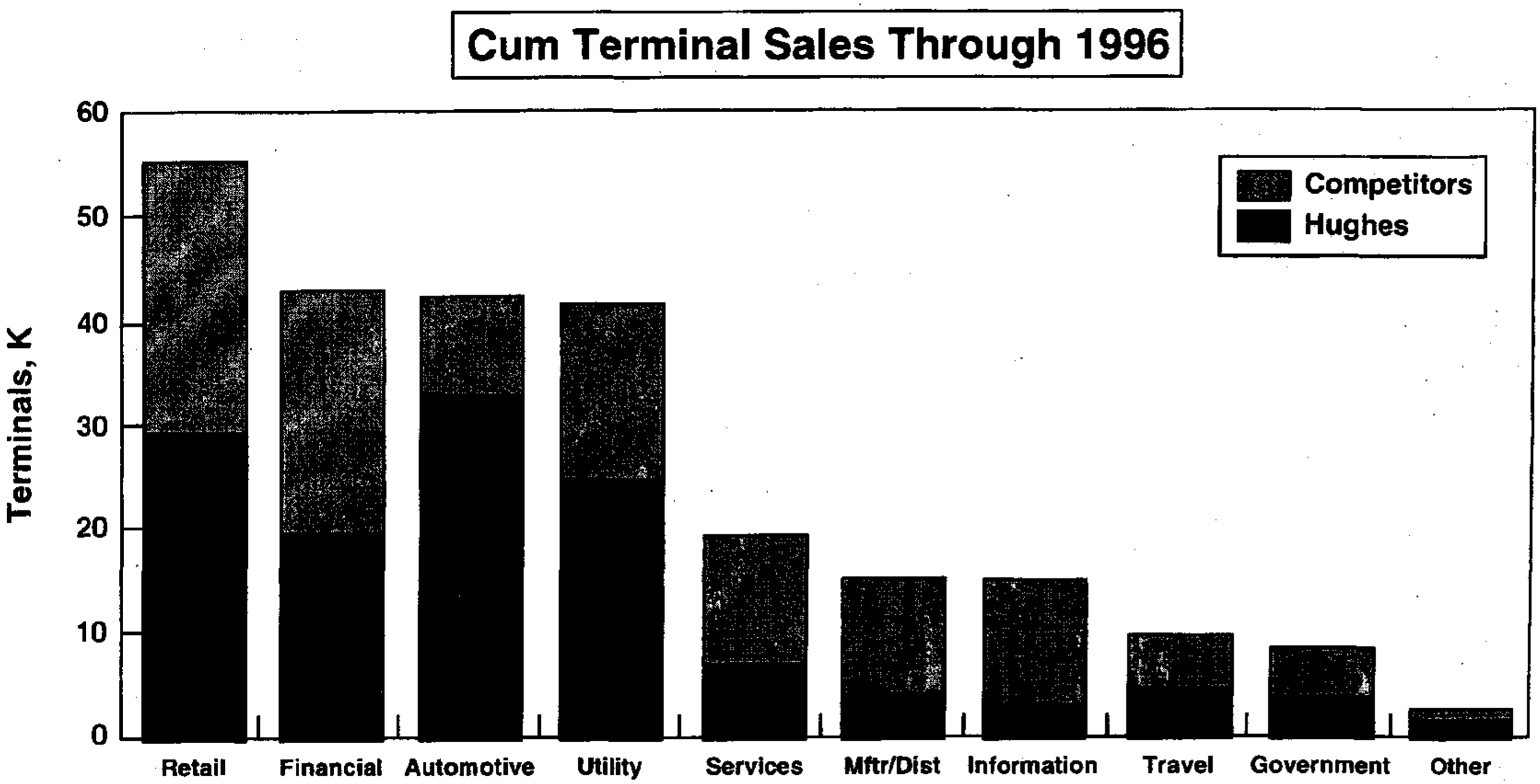
Total – 256,232 Sales

Source: Comsys VSAT Report, 1997

98H02-077

Global VSAT Demand
Hughes Vs Competition

HUGHES ELECTRONICS



Source: Comsys VSAT Report, 1997

98H02-078

Global VSAT Demand
Hughes Vs Competition

HUGHES
ELECTRONICS

Cum Terminal Sales Through 1996

Sector	GE			Hughes	NEC	STM	S-A	Others
	AT&T	GECSS	Gilat					
Automotive	1,268	1	4,456	33,460	303	5	2,999	0
Financial	4,158	3,982	4,236	20,159	2,944	726	1,732	5,224
Government	403	34	130	3,673	1,637	198	282	2,413
Mftr/Dist	4,695	915	151	4,265	1,632	432	3,345	180
Utility	1,237	1,254	12,050	24,642	721	182	505	1,513
Retail	2,756	4,036	9,725	30,038	313	457	8,154	181
Services	3,582	874	1,330	7,188	2,309	621	1,574	2,212
Information	1,078	131	9,255	3,101	574	176	444	730
Travel	4,758	0	0	4,717	5	95	207	606
Other	135	269	0	2,015	331	11	82	20
Total	24,070	11,496	41,333	133,258	10,769	2,903	19,324	13,079

Total – 256,232 Sales

Source: Comsys VSAT Report, 1997

98H02-079

North America VSAT Market

98H02-073

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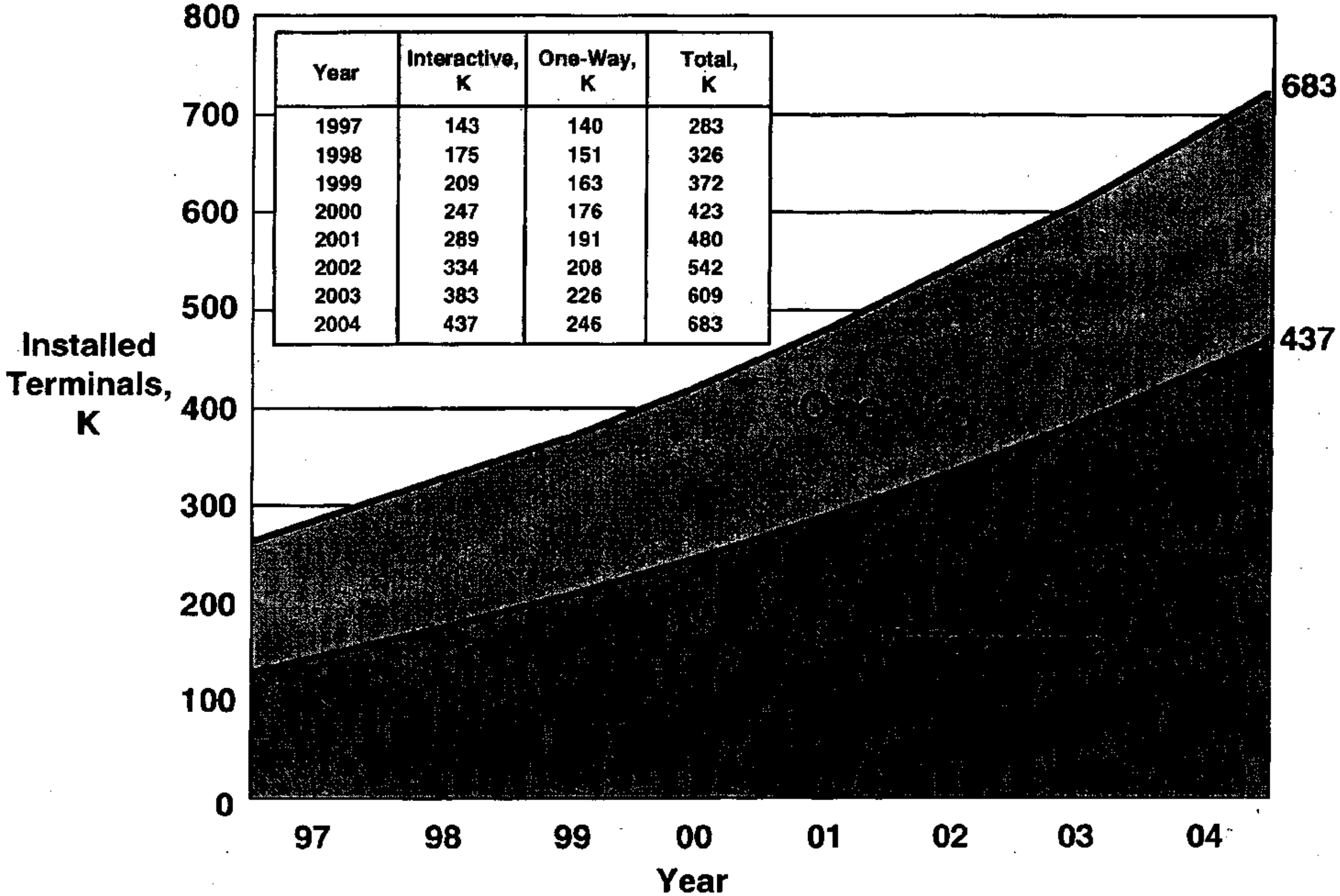
North America VSAT Demand
1997 To 2004

HUGHES ELECTRONICS



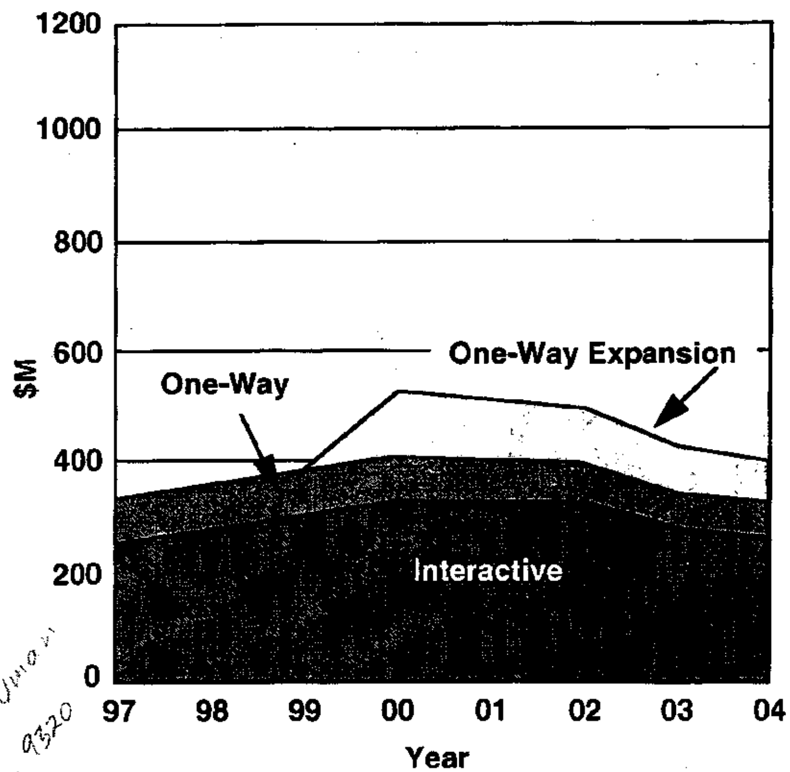
Year	Interactive, K	One-Way, K	Total, K
1997	143	140	283
1998	175	151	326
1999	209	163	372
2000	247	176	423
2001	289	191	480
2002	334	208	542
2003	383	226	609
2004	437	246	683

Source: Frost & Sullivan, 1998

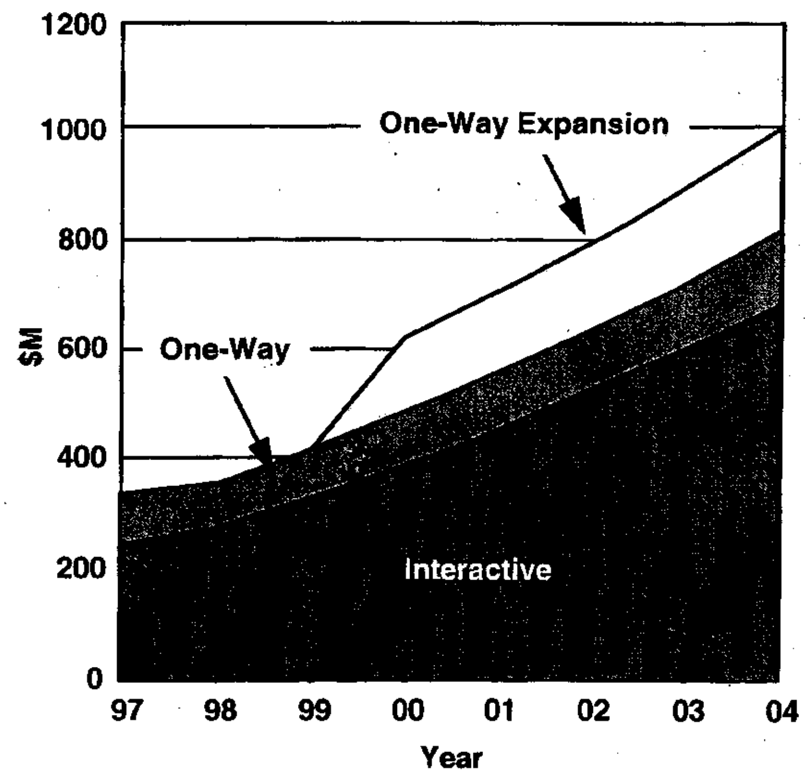
98H02-054

North America VSAT Revenue
1997 To 2004

HUGHES ELECTRONICS



Assumes Frost & Sullivan Pricing



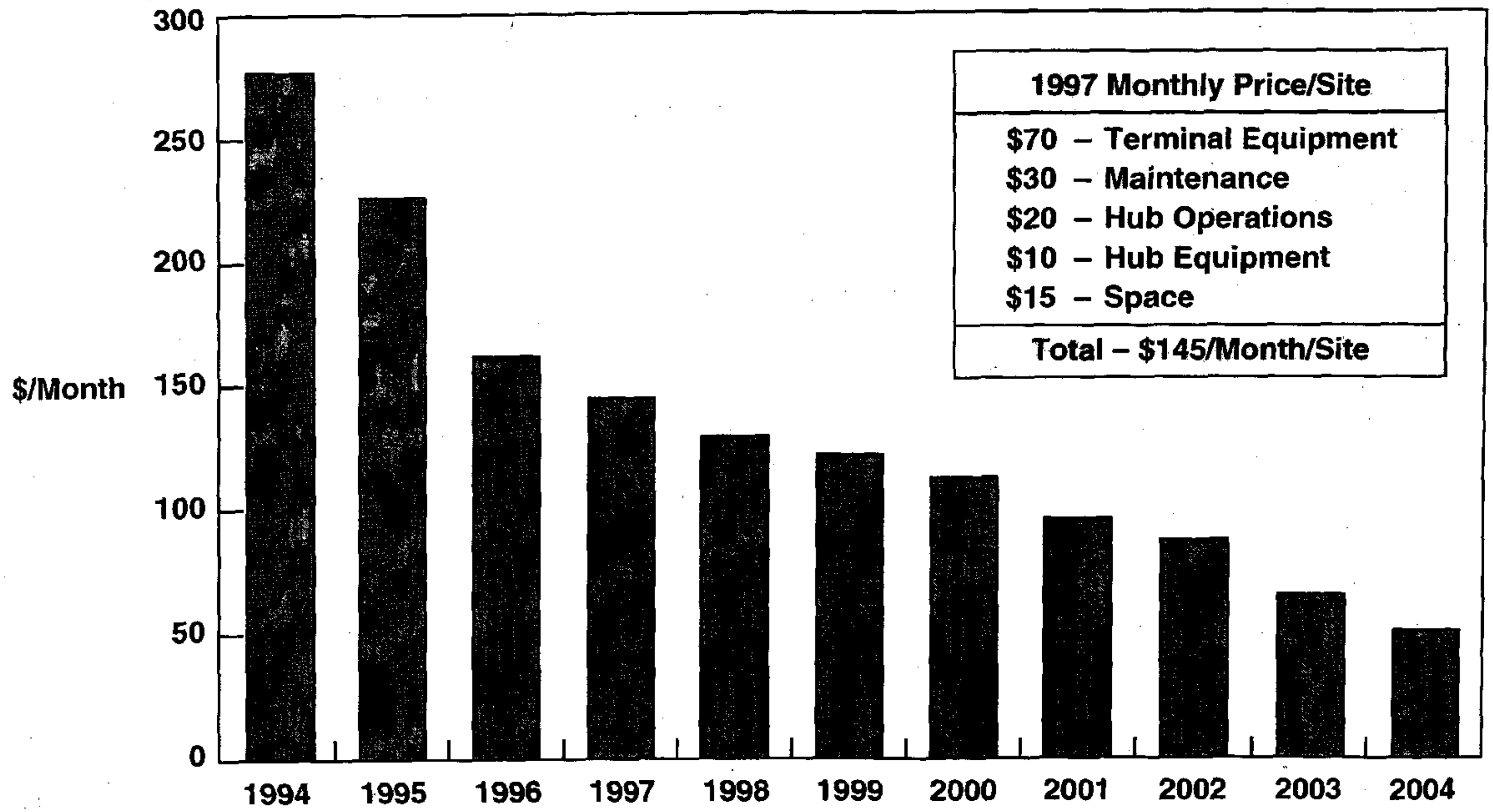
Assumes Constant 1998 Pricing

Karen Hellman
310 662-9320
Librarian

98H02-057

Pricing Assumptions
Interactive

HUGHES ELECTRONICS



Source: Frost & Sullivan, 1998

98H02-080

North America VSAT
Service Operators

HUGHES ELECTRONICS

Company	Interactive VSAT	Data/Audio One-Way
CPI Datanet	◆	
EDS	◆	
GE Spacenet	◆	◆
Hughes Network Systems	◆	
IBM	◆	
ICG	◆	
ICN	◆	
MicroSpace		◆
Scientific-Atlanta	◆	
SpaceCom		◆
USSC	◆	
WavePhore		◆

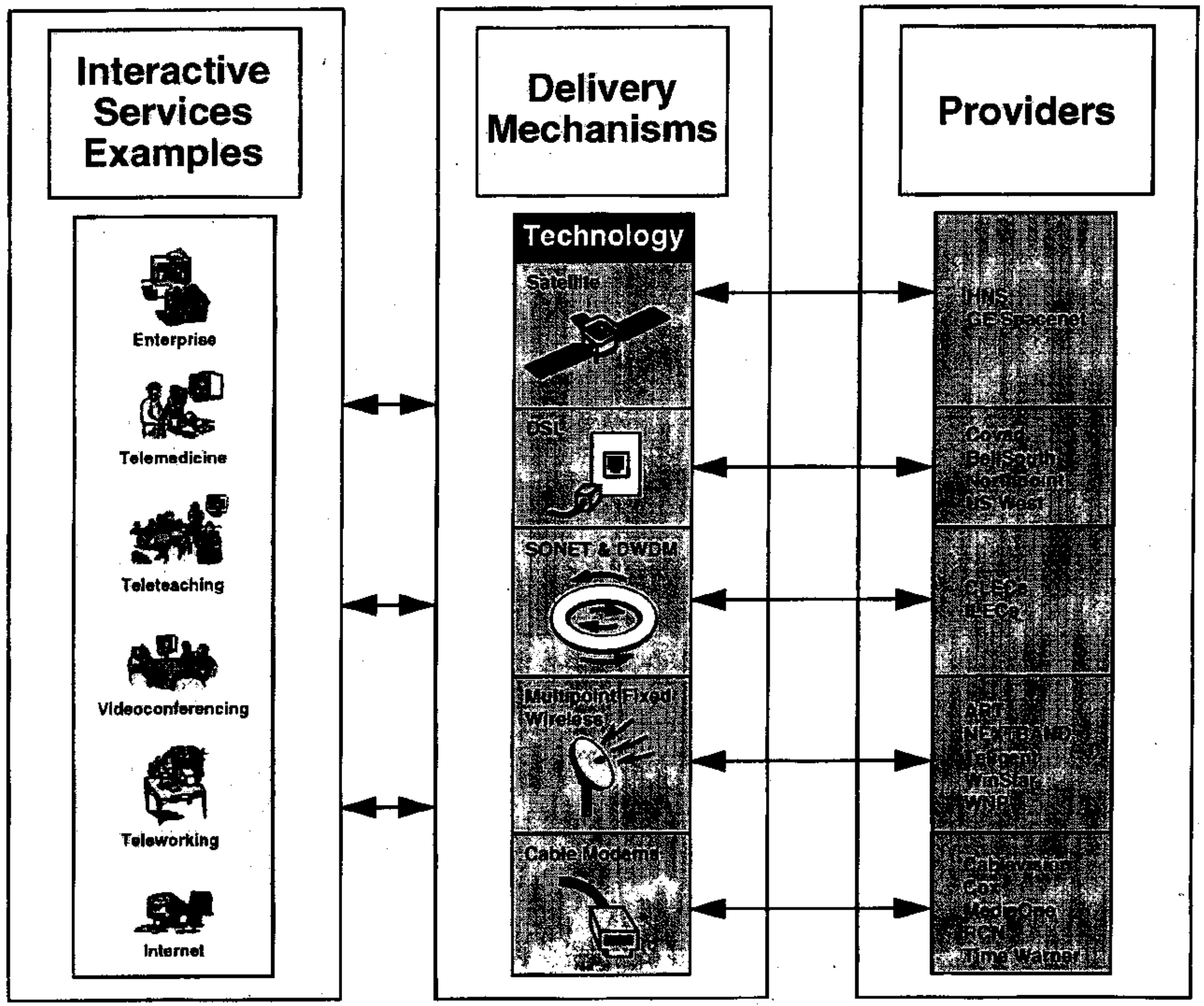
Source: Frost & Sullivan, Comsys

98H02-052

Hughes Proprietary Information II

Interactive

HUGHES
ELECTRONICS



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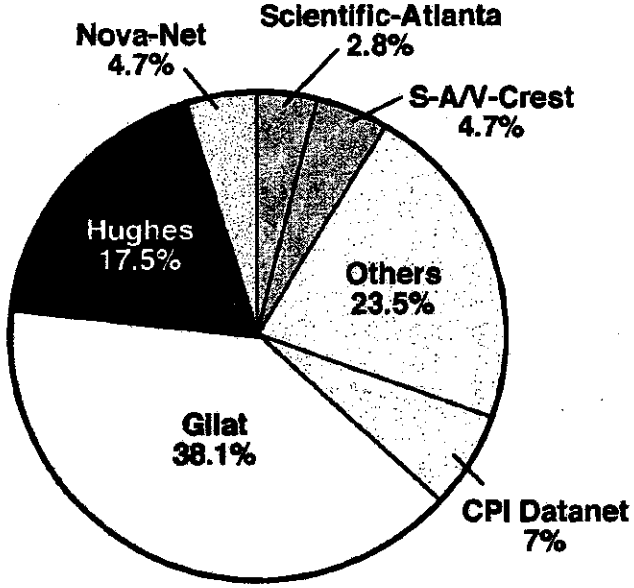
Hughes Proprietary Information II

North America VSAT Service Operators

Shared Hub

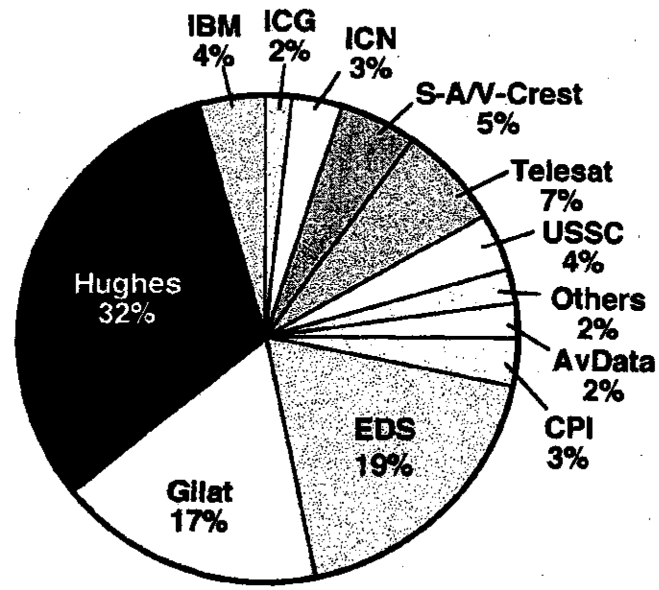
HUGHES ELECTRONICS

1992



24,608 Sites

1996



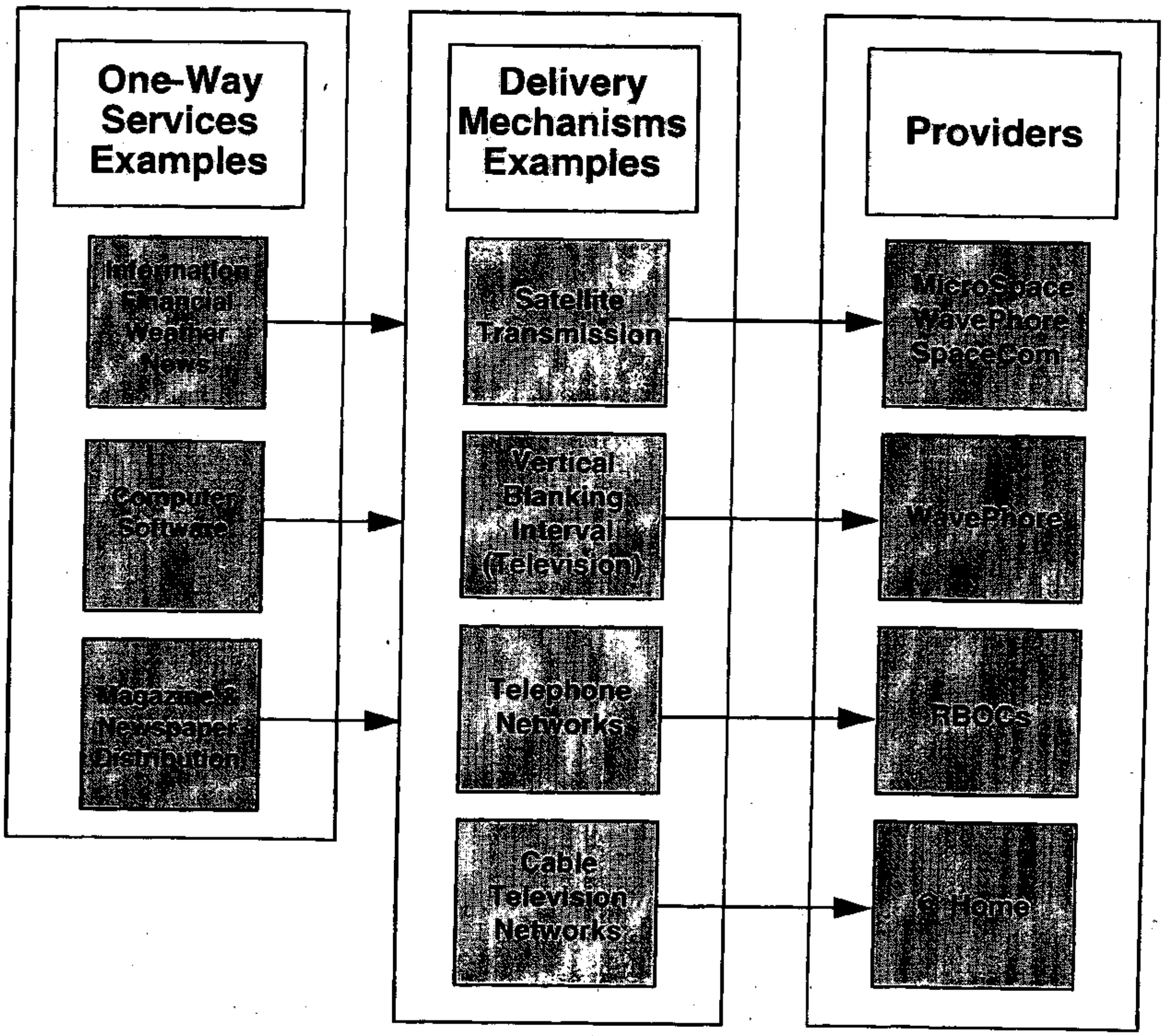
48,770 Sites

Source: Comsys VSAT Report, 1997

98H02-095ppt

One-Way Data

HUGHES
ELECTRONICS



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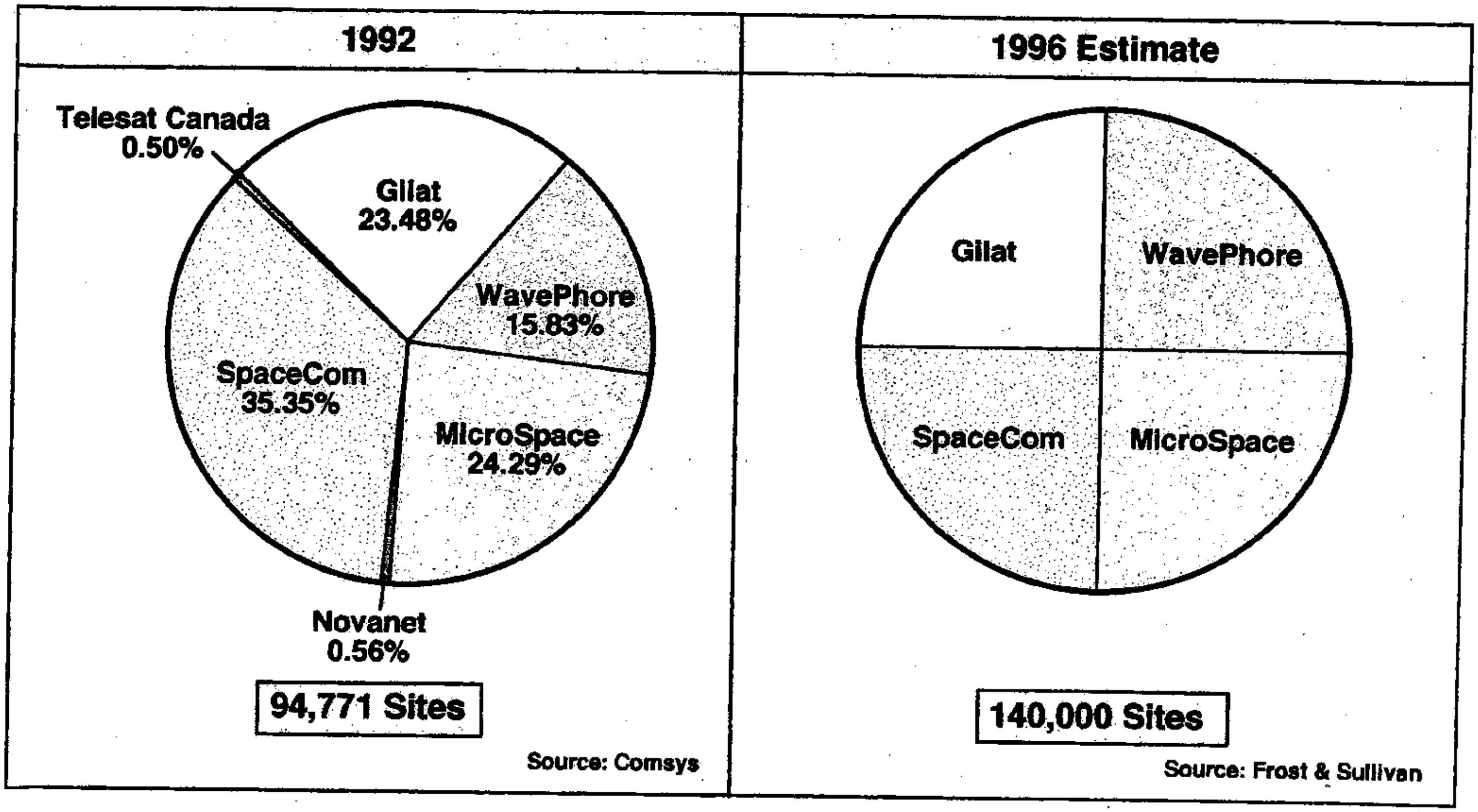
Hughes Proprietary Information II

HUGHES ELECTRONICS

North America VSAT Service Operators
One-Way Data



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Hughes Proprietary Information II

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VSAT Service Operators Positioning
Interactive

HUGHES
ELECTRONICS

Segment	HNS	EDS	GE Spacenet	Telesat
Enterprise				
Agriculture				
Construction				
Education	Green			
Finance	Green			
Government				
Health Care				
Manufacturing	Green			
News				
Retail	Green			
Services				
Telecommuters				
Consumer				
High-End Households				

Preliminary

98H02-036

VSAT Service Operator Positioning

One-Way

HUGHES
ELECTRONICS

Preliminary

Segment	HNS	SpaceCom	MicroSpace	GE Spacenet	WavePhore
Enterprise					
Agriculture	Yellow				
Construction	Yellow				
Education	Yellow		Green		
Finance	Yellow				Green
Government	Yellow				
Health Care	Yellow		Green		
Manufacturing	Yellow				
News	Yellow				Green
Retail	Yellow				
Services	Yellow		Green		
Telecommuters	Yellow				
Consumer					
High-End Households	Yellow				Green

98H02-035

VSAT Equipment & Services Valuations

HUGHES ELECTRONICS

Company	Revenue, $M, 1997	Profit, $M, 1997	Market Value,[1] $M
Satellite Equipment			
Digital Microwave, Inc	306.8	19.9	186.7
Electromagnetic Sciences, Inc	179.5	8.1	119.2
Gilat Satellite Networks	103.7	N/A	384.6
Globecomm Systems Inc	58.1	-0.1	377.0
Orbital Sciences Corp	712.3	63.2	726.1
Stanford Telecommunications, Inc	162.3	4.9	123.6
STM Wireless, Inc	N/A	N/A	N/A
ViaSat, Inc	66.0	5.5	86.8
Satellite Services			
Asia Satellite Telecommunications Holdings, Ltd	N/A	N/A	380.2
Comsat Corporation	582.4	19.3	1460.0
Gilat Communications Ltd	14.1	3.9	60.1
Loral Space & Communications	1220.0	65.8	3920.0
PanAmSat Corp	752.3	143.8	5690.0
PT Pasifik Satelit Nusantara	N/A	26.3	416.7
APT Satellite Holdings	539.3	N/A	193.6
WavePhore	25.6	-16.2	132.5
Distance Learning			
Apollo Group, Inc	359.5	43.3	2650.0
CBT Group Plc	155.3	25.9	2410.0

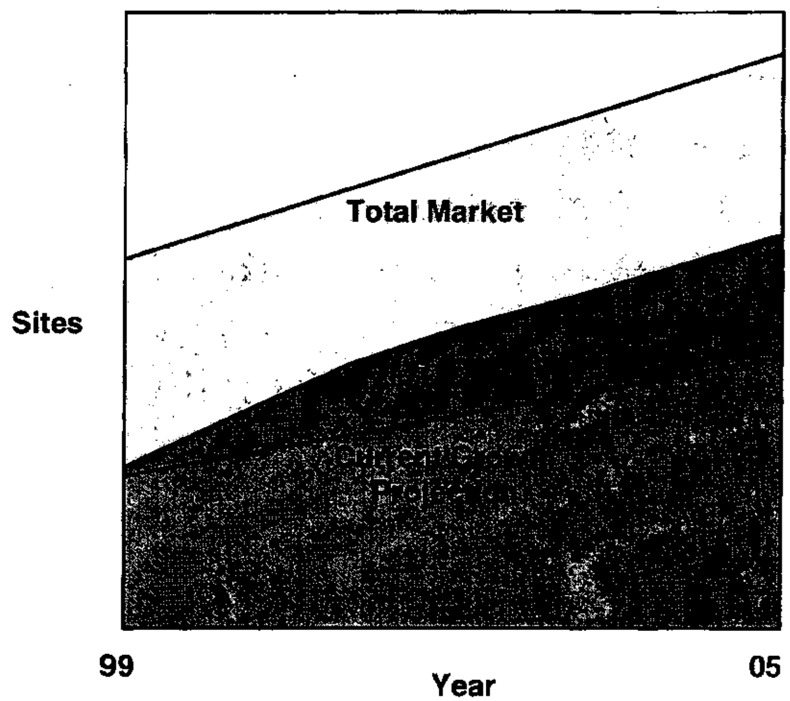
(1) 9/8/98

98H02-066

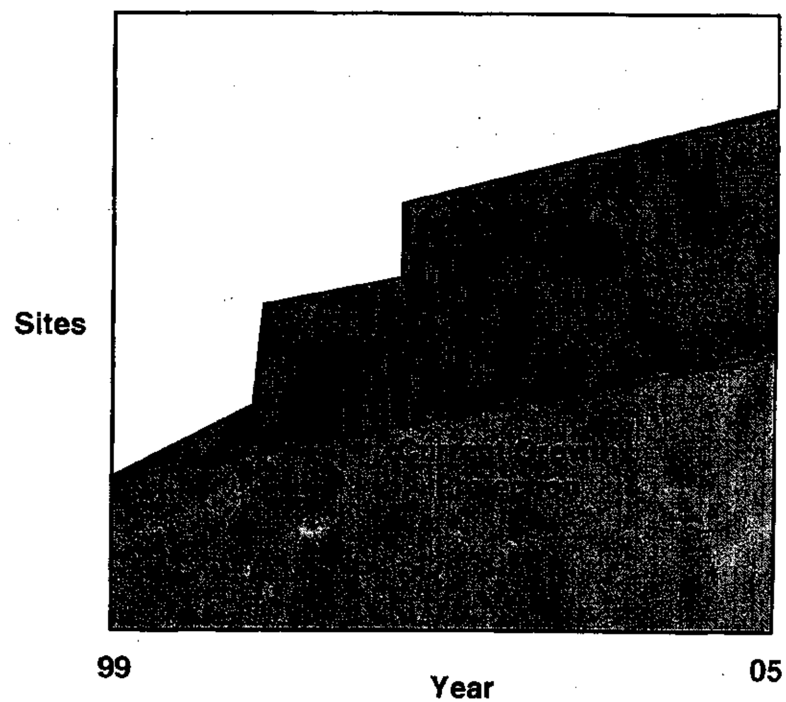
HNS Expansion

HUGHES ELECTRONICS

Internal Growth Scenario



Acquisition Scenario



98H02-071

North America Summary

HUGHES ELECTRONICS

Facts

- Industry Consolidation In Process – Few Players Dominate
- One-Way Market Neglected
- One-Way Market Growth To Two-Way Logical
- Robust One-Way Market

Plan

- Expand Business Via Strategic Acquisition
- Facilitate Expansion Of Broadband Services Market Share
- Acquisition Candidates

  WavePhore, MicroSpace, SpaceCom (One-Way)

  GE Spacenet, IBM, & EDS (Interactive)