

# On a roll

Hughes Electronics Corporation's results for 2003.

**Hughes Electronics Corporation (HEC)** has announced full year and Fourth Quarter (Q4) 2003 results. "With 2003 revenues growing by 14 per cent to over US\$10 billion and operating profit before depreciation and amortization increasing 42 per cent to more than \$1.2 billion, Hughes' results reflect not only the substantial operating and financial progress that Hughes has made in recent years but also points to the tremendous potential that exists for the new management team," said Chase Carey, Hughes' President and Chief Executive Officer (CEO).

"In Q4, DIRECTV US was the driving force behind most of Hughes' growth," Carey continued. "Subscriber growth at DIRECTV US was very strong with a record 861,000 gross owned and operated subscribers added during the quarter - and with average monthly churn at a four-year low of 1.45

per cent in the quarter, DIRECTV US added 405,000 net owned and operated customers in the quarter, representing a 39 per cent increase over Q4 of 2002. DIRECTV US also generated significant revenue growth in the quarter of 24 per cent driven by the strong subscriber growth and a \$7, or 11 per cent increase in Average Return Per User (ARPU) to \$71.70."

Carey concluded: "Looking ahead, I have great expectations for the businesses. Simply put, we intend to make DIRECTV the best television experience in the US. To reach this goal, we will launch new and expanded services - including digital video recorders, interactivity, high-definition television, local channels and Electronic Programme Guides (EPGs) - that will be innovative, exciting and easy-to-use. In addition, we will improve customer service, marketing, sales and distribution. With these new initiatives plus our affiliation with News Corporation and Fox, I am confident that we will drive significant subscriber and cash flow growth at DIRECTV US and Hughes for many years to come."

## Full year and Fourth Quarter (Q4) 2003 financial and operational highlights

- DIRECTV US adds a record number of gross owned and operated subscribers in the Fourth Quarter (Q4) and the full year;
- Q4 net owned and operated subscriber additions at DIRECTV US increase 39 per cent to 405,000; 1.19 million subscribers added for the full year 2003;
- DIRECTV US revenues increase 24 per cent to US\$2.26 billion in Q4 and 19 per cent to \$7.70 billion for the full year.
- Operating profit before depreciation and amortisation at DIRECTV US increases 46 per cent in 2003 to \$956 million and operating profit nearly doubles to \$459 million;
- Average monthly revenue per DIRECTV US subscriber (ARPU) increases 11 per cent in Q4 and 7 per cent for the full year to \$71.70 and \$63.90, respectively; and
- DIRECTV US achieves 1.45 per cent average monthly churn rate in Q4 and 1.5 per cent for the full year, the lowest rates in over four years. ■

## News Corporation

On 22 December 2003, General Motors (GM), Hughes Electronics, and News Corporation successfully completed the split-off of Hughes from GM and the acquisition by News Corporation of 34 per cent of the outstanding common stock of Hughes. After completion of the transactions, News Corporation transferred its entire 34 per cent interest in Hughes to its subsidiary, Fox Entertainment Group, Inc (Fox). ■

## PanAmSat

PanAmSat Corporation, which is approximately 81 per cent owned by Hughes, increased Q4 2003 revenues by 11 per cent to \$218 million compared to the same period last year. The increase was due to additional government revenues related to the G2 Satellite Solutions™ division, which was formed after the acquisition of the assets of Hughes Global Services on 7 March 2003.

PanAmSat's operating profit before depreciation and amortization and operating profit declined in the quarter to \$142 million and \$61 million, respectively, primarily due to a change in the revenue mix mostly related to the lower margin government revenues. Also impacting the operating profit comparison was higher depreciation expense in part related to the shorter estimated useful lives of two satellites that experienced anomalies in 2003.

As of 31 December 2003, PanAmSat's contracts for satellite services representing future payments (backlog) declined to approximately \$4.6 billion compared to approximately \$4.8 billion at the end of the Third Quarter (Q3) of 2003. This decline in part reflects the resolution of issues with customers that previously had been considered to be at risk for non-performance on their contracts with PanAmSat. The year-

end 2003 backlog does not include the value of the recently announced agreement with Fox, which made Fox one of PanAmSat's 5 largest customers.

Full year 2003 revenues increased two per cent to \$831 million principally due to additional government revenues related to the G2 Satellite Solutions division partially offset by lower video service revenues mostly related to the 2002 World Cup, lower

termination fee revenues and lower revenues from DIRECTV Latin America.

PanAmSat's 2003 operating profit before depreciation and amortization of \$591 million was essentially unchanged from 2002. Operating profit increased nine per cent to \$278 million due to lower depreciation expense primarily related to satellites that have reached the end of their depreciable lives. ■

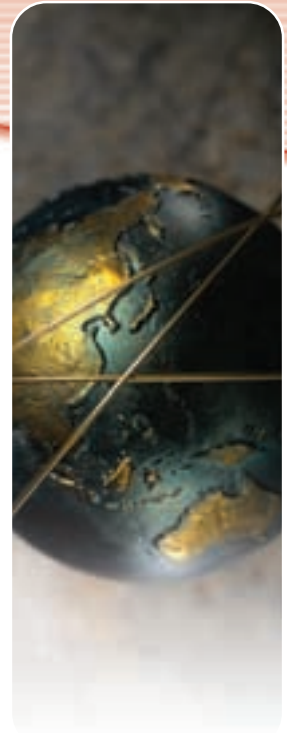


Image courtesy of Gilat



# Family ties

Gilat has recently introduced SkyEdge, the next-generation of Very Small Aperture Terminals (VSATs).

**Gilat Satellite Networks Ltd** has announced the launch of its next generation of products, the SkyEdge product family. The SkyEdge product family includes a series of Very Small Aperture Terminals (VSAT) products all able to operate via a single hub, supporting all communications services that customers such as enterprises, carriers, service providers and governmental customers require - from interactive data to broadband Internet Protocol (IP), public telephony and beyond.

The unified platform supports a variety of applications and topologies including mesh, star and multi-star, and represents a major step forward in VSAT technology. It incorporates Gilat's broad knowledge base and field-proven product-offering acquired through nearly two decades of experience with data, telephony and broadband IP applications as a technology vendor and service provider. Gilat's existing customers will benefit from a migration path to the new product family. The first SkyEdge customers plan to have networks installed in May 2004.

Able to support an array of applications in data, telephony and broadband IP, all using the same hub, the SkyEdge product family delivers data, voice and video services over a single, powerful system. Until now, each specific VSAT network required its own corresponding hub. This required an investment in separate, additional hubs to support a variety of applications. The SkyEdge family is a result of a two-year re-

search and development effort that allows customers to invest in a single system infrastructure and to add additional VSAT platforms as needed to accommodate new and different application requirements.

The family consists of the SkyEdge System (the hub), and five VSAT products including:

- SkyEdge Pro - Multi-service VSAT, supporting interactive data, mesh telephony, broadband IP and video, with plug-in card architecture, expanding the VSAT capabilities;
- SkyEdge IP - IP Router VSAT, supporting interactive, broadband IP, VoIP and multicasting applications;
- SkyEdge Call - Telephony VSAT, supporting thin-route telephony applications;
- SkyEdge Gateway - Trunking Solutions VSAT, providing mesh trunking solutions supporting digital telephony and IP data on demand trunking applications; and
- SkyEdge DVB-RCS - Enhanced Standard VSAT, fully supporting the DVB-RCS standard. Being much more than only a return link standard, this dual mode VSAT provides a unique real end-to-end standard solution for a satellite network operator with an arsenal of additional access schemes, embedded software and enhanced IP acceleration features for full flexibility and support in a complex IP environment. ■