

FOR IMMEDIATE RELEASE

Hughes Communications, Inc. Announces Second Quarter 2006 Results

*Hughes Network Systems, LLC Second Quarter Revenues Up 4% over Q2 2005;
Adjusted EBITDA Increases 9% to \$28.5 Million;
Revenue Growth Seen in North America Segment; Significant Improvement in Cash Position;
New Orders of \$237 million up 22%*

Germantown, Md., August 11, 2006—Hughes Communications, Inc. (OTCBB:HGCM) (“Hughes”), the global leader in broadband satellite network solutions and services, today announced financial results for the quarter ended June 30, 2006, its second quarter as a publicly traded company. Hughes' consolidated operations are classified into three reportable segments: VSAT, Telecom Systems, and Other. The VSAT and Telecom Systems represent all of the operations of Hughes Network Systems, LLC (“HNS”), Hughes' principal operating subsidiary. The Other segment includes the financial results of Hughes Corporate, Electronic System Products, Inc., and the minority interest in the other companies that were contributed from SkyTerra Communications, Inc. (“SkyTerra”), Hughes' predecessor, prior to the separation of SkyTerra and Hughes in February 2006.

Hughes Network Systems, LLC (HNS)

Revenue in Hughes' wholly owned subsidiary, HNS, was \$208.5 million in the second quarter of 2006, an increase of 4% over revenue of \$199.9 million in the same period in 2005. For the six month period ended June 30, 2006, HNS revenue was \$405.3 million, an increase of 7% over revenue of \$378.2 million in the same period in 2005.

In June 2006, HNS made a decision to shift its primary focus to the broadband market. As a result of this decision, HNS evaluated the narrowband products in its inventory and recorded an addition to its provision for excess or obsolete inventories of \$11.9 million to reduce the net book value of its narrowband products to their net realizable value. This charge was included in cost of hardware products sold and primarily relates to the VSAT segment. Net loss for the second quarter ended June 30, 2006 which includes the \$11.9 million inventory charge was \$4.4 million compared to net income of \$4.1 million in the same period in 2005. For the six month period ended June 30, 2006, net loss which includes the inventory charge improved \$6.0 million to \$4.2 million from a net loss of \$10.2 million in the same period in 2005.

EBITDA for the quarter ended June 30, 2006 including the inventory charge was \$14.2 million compared to \$19.9 million in the same period in 2005. For the six month period ended June 30, 2006, EBITDA improved to \$30.4 million from \$17.8 million in the same period in 2005. Adjusted EBITDA, for the quarter ended June 30, 2006, which excludes the inventory charge and other smaller adjustments, improved to \$28.5 million compared to \$26.3 million in the same period in 2005. For the six month period ended June 30, 2006, Adjusted EBITDA improved to \$46.2 million from \$42.8 million in the same period in 2005.

Cash from operating activities improved to a net generation of \$21.5 million in the six month period ended June 30, 2006 compared to net usage of \$37.6 million in the same period in 2005. HNS' cash, cash

equivalents and short-term investments position improved to \$201.3 million as of June 30, 2006 from \$126.8 million as of December 31, 2005.

Commenting on the second quarter performance, Pradman Kaul, President and Chief Executive Officer, said, "We are pleased with our continued progress as a public company. Our Consumer/SMB business is growing rapidly with gross subscriber acquisition continuing at a robust 10,000 additions per month. The enterprise business continues to provide a stable base and new opportunities in the Mobile Satellite systems area offer potential for more growth. In the International segment, our Indian and Brazilian subsidiaries had revenue growth of 19% and 66%, respectively in the second quarter of 2006 over the same period in 2005. The aggressive cost reduction initiatives from last year are producing good results and we expect this trend to continue in the next two quarters."

Grant Barber, Executive Vice President and Chief Financial Officer, said, "Our revenue and Adjusted EBITDA in the second quarter of 2006 increased \$11.7 million or 6% and \$10.8 million or 61% respectively over the first quarter of 2006. These solid operating results combined with on-going working capital focus have enabled us to end the quarter with a strong balance sheet including \$201 million of cash and marketable securities."

Set forth below is a table highlighting certain of HNS' results for the three months and six months ended June 30, 2006 and June 30, 2005:

Hughes Network Systems, LLC				
(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenue				
VSAT	\$ 183,856	\$ 177,721	\$ 365,164	\$ 338,606
Telecom Systems	24,647	22,208	40,131	39,554
Total HNS	\$ 208,503	\$ 199,929	\$ 405,295	\$ 378,160
Operating income (loss)				
VSAT	\$ (1,778)	\$ 5,756	\$ 5,454	\$ (9,898)
Telecom Systems	5,466	3,983	7,217	5,886
Total HNS	\$ 3,688	\$ 9,739	\$ 12,671	\$ (4,012)
Net income (loss)	\$ (4,428)	\$ 4,135	\$ (4,234)	\$ (10,228)
EBITDA (a)	\$ 14,163	\$ 19,897	\$ 30,367	\$ 17,812
Adjusted EBITDA (a)	\$ 28,526	\$ 26,255	\$ 46,244	\$ 42,841

(a) For the definition of Adjusted EBITDA, see "Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures" below.

Select Second Quarter Highlights

- New orders of \$237 million in the second quarter of 2006, up 22% over the same period in 2005: significant international orders from Telkom South Africa, World Bank, Enlaces Mexico, Telmex, Copel Brazil, Delta Telecom Azerbaijan, Telefonica Spain, Telespazio Italy, Reliance India; North America orders include AG Edwards, Jack in the Box, GTECH, TJMax, Rack Room Shoes and PA Emergency Management Agency.
- Signed a contract with BP Corporation North America Inc. to provide HughesNet™ Managed Network Services connecting BP's retail locations nationwide. The four-year contract includes the installation and management of both DSL and satellite broadband technologies at over 10,000 retail locations.
- Completed delivery of an additional 12,000 broadband satellite terminals to GTECH Corporation, the world's leading provider of lottery, gaming and transaction processing solutions under a contract valued at \$17 million. This brings the total number of terminals provided by Hughes to more than 50,000, making this the largest private satellite enterprise network in the world.
- Approximately 30,000 gross additions to the Consumer/SMB subscriber base in the second quarter of 2006; churn of approximately 2% and ARPU growth of 5% over second quarter of 2005
- Signed multiple contracts with Thuraya Satellite Telecommunications, a leading mobile satellite voice and data service provider with coverage reaching nearly one-third of the world's population. The contracts, worth nearly \$60 million, call for the development and supply of a high-speed mobile data system, a secondary gateway and additional circuits to increase the network capacity.
- Applied to list Hughes common stock on the NASDAQ Global Market (formerly known as the NASDAQ National Market). Hughes' common stock has been quoted on the Over-the-Counter ("OTC") Bulletin Board market under the symbol "HGCM" since it became a publicly traded company in February 2006.
- Announced the introduction of a new broadband satellite platform, the HX System, a cost-effective solution for smaller networks that provides high Quality of Service (QoS) and employs the most efficient implementation of the DVB-S2 industry standard with Adaptive Coding and Modulation (ACM).
- Introduced a new version of the advanced AB9000 LMDS system designed for the most cost-effective backhaul of high-density 3G cellular traffic, eliminating the need for a stand-alone ATM switch at the base station.

Hughes Communications, Inc. (Hughes)

On January 1, 2006, Hughes consummated the purchase (the "January 2006 Acquisition") from DTV Network Systems, Inc. of the remaining 50% of HNS. As a result of the January 2006 Acquisition, Hughes' business has changed materially. For periods following the closing of the January 2006 Acquisition, the financial position and operating results of HNS are included in Hughes' consolidated financial statements. From April 22, 2005 (the date of the acquisition of the initial 50% interest in HNS) through December 31, 2005, Hughes' investment in HNS is recorded using the equity method of accounting.

Certain financial information for Hughes is shown below. The financial information for the three and six months ended June 30, 2006 is a combination of the HNS and Other Businesses.

Hughes Communications, Inc.

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenue				
VSAT	\$ 183,856	\$ -	\$ 365,164	\$ -
Telecom Systems	24,647	-	40,131	-
Other	158	112	240	247
Total	\$ 208,661	\$ 112	\$ 405,535	\$ 247
Operating income (loss)				
VSAT	\$ (1,778)	\$ -	\$ 5,454	\$ -
Telecom Systems	5,466	-	7,217	-
Other	(310)	(1,939)	(2,534)	(4,094)
Total	\$ 3,378	\$ (1,939)	\$ 10,137	\$ (4,094)
Net income (loss)	\$ (4,396)	\$ 3,273	\$ (59,940)	\$ (3,902)
EBITDA (a)	\$ 13,979	\$ 2,939	\$ 26,802	\$ (4,784)

(a) For the definition of EBITDA, see “Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures” below.

The net loss for the six months ended June 30, 2006 includes a tax charge of approximately \$51.3 million in connection with the SkyTerra/Hughes separation. As Hughes is the accounting successor to SkyTerra, the taxes associated with the separation are included in Hughes' results for the quarter ended March 31, 2006 and a portion of the deferred tax assets were utilized to satisfy the tax expense resulting from the taxable gain. Accordingly, Hughes does not expect this expense to have a significant impact on its cash from operations.

Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures

The following table reconciles the differences between HNS' net income as determined under United States of America generally accepted accounting principles (GAAP) and Adjusted EBITDA.

Hughes Network Systems, LLC				
(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net income (loss)	\$ (4,428)	\$ 4,135	\$ (4,234)	\$ (10,228)
Add:				
Interest expense	10,346	5,591	19,740	6,605
Foreign income tax expense (benefit)	500	515	987	434
Depreciation and amortization	10,086	10,386	17,216	21,650
Less:				
Interest income	(2,341)	(730)	(3,342)	(649)
EBITDA	\$ 14,163	\$ 19,897	\$ 30,367	\$ 17,812
Add:				
Inventory provision related to shift to Broadband focus	11,879	-	11,879	-
HughesNet branding costs	902	-	1,454	-
Facilities costs	-	901	-	2,363
Transaction costs related to the April 2005 Acquisition	-	941	-	979
Elimination of payroll and benefits reflective of headcount reductions	-	-	-	5,418
Assumed net reduction of SPACEWAY operating costs	-	-	-	4,542
Restructuring charge	-	3,068	-	3,068
Benefits/insurance programs	653	929	1,306	6,291
Legal expenses related to non-acquired business	-	329	-	2,178
Legal settlement and related fees - pre-April 2005 Acquisition	586	-	586	-
Equity incentive plan compensation	93	-	152	-
Management fee to Hughes Communications, Inc.	250	190	500	190
Adjusted EBITDA	\$ 28,526	\$ 26,255	\$ 46,244	\$ 42,841

The following table reconciles the differences between Hughes' net income as determined under United States of America generally accepted accounting principles (GAAP) and EBITDA:

Hughes Communications, Inc.				
(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net income (loss)	\$ (4,396)	\$ 3,273	\$ (59,940)	\$ (3,902)
Add:				
Interest expense	10,388	-	21,489	-
Income tax expense	500	-	51,821	-
Depreciation and amortization	10,086	7	17,216	14
Less:				
Interest income	(2,599)	(341)	(3,784)	(896)
EBITDA	\$ 13,979	\$ 2,939	\$ 26,802	\$ (4,784)

The condensed financial statements of Hughes and HNS as of June 30, 2006 and for the three and six months ended June 30, 2006 are attached to this press release.

Note:

EBITDA is defined as HNS' earnings (loss) before interest, income taxes, depreciation and amortization. Adjusted EBITDA is used in calculating covenant compliance under HNS' credit agreement and the indenture governing HNS' 9½% Senior Notes due 2014. Adjusted EBITDA is defined as EBITDA further adjusted to exclude certain adjustments, including the net costs of SPACEWAY for the first quarter of 2005 to reflect the effects of the implementation of the SPACEWAY services agreement with DIRECTV, Inc. as if it had occurred on January 1, 2005. EBITDA and Adjusted EBITDA are not recognized terms under GAAP. EBITDA and Adjusted EBITDA do not represent net income or cash flows from operations, as these terms are defined under GAAP, and should not be considered as alternatives to net income as an indicator of HNS' operating performance or to cash flows as a measure of liquidity. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of cash flow available to management for discretionary use, as such measures do not consider certain cash requirements such as capital expenditures (including expenditures on VSAT operating lease hardware and capitalized software development costs), tax payments, and debt service requirements (including VSAT operating lease hardware). EBITDA and Adjusted EBITDA as presented herein are not necessarily comparable to similarly titled measures reported by other companies. EBITDA and Adjusted EBITDA are presented herein because HNS and Hughes use such information in their review of the performance of management and in the performance of their business. In addition, information concerning Adjusted EBITDA is being presented because it reflects important components included in the financial covenants under the senior note indenture and HNS' credit agreement.

About Hughes Communications, Inc.

Hughes Communications, Inc. (OTCBB:HGCM) is the 100 percent owner of Hughes Network Systems, LLC. Hughes is the global leader in providing broadband satellite networks and services for enterprises, governments, small businesses, and consumers. HughesNet encompasses all broadband solutions and managed services from Hughes, bridging the best of satellite and terrestrial technologies. Its broadband satellite products are based on the IPoS (IP over Satellite) global standard, approved by the TIA, ETSI, and ITU standards organizations. To date, Hughes has shipped more than one million systems to customers in over 100 countries.

Headquartered outside Washington, D.C., in Germantown, Maryland, USA, Hughes maintains sales and support offices worldwide. For more information, please visit www.hughes.com.

Safe Harbor Statement under the U.S. Private Securities Litigation Reform Act of 1995

This press release may contain statements that are forward looking, as that term is defined by the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, discussions regarding industry outlook and Hughes' expectations regarding the performance of its business, its future liquidity and capital resource needs, its strategic plans and objectives and the ability to launch and deploy SPACEWAY 3. These forward-looking statements are based on management's beliefs, as well as assumptions made by, and information currently available to, management. When used in this release, the words "believe," "anticipate," "estimate," "expect," "intend," "project," "plans" and similar expressions and the use of future dates are intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date made. These statements are subject to certain risks, uncertainties and assumptions, including, but not limited to, the following: risks related to Hughes' substantial leverage and restrictions contained in its debt agreements, technological developments, its reliance on providers of satellite transponder capacity, changes in demand for Hughes' services and products, competition, industry trends, regulatory changes, foreign currency exchange rate fluctuations and other risks identified and discussed under the caption "Risk Factors" in Hughes' Annual

Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission on April 17, 2006 and in the other documents Hughes files with the Securities and Exchange Commission from time to time.

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Attachments

Hughes Communications, Inc.
Condensed Consolidated Balance Sheets
Condensed Consolidated Statements of Operations
Condensed Consolidated Statements of Cash Flows

Hughes Network Systems, LLC
Condensed Balance Sheets
Condensed Statements of Operations
Condensed Statements of Cash Flows

HUGHES COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)
(Unaudited)

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents.....	\$ 150,382	\$ 21,964
Short-term investments.....	60,591	6,000
Receivables, net.....	176,356	47
Inventories, net.....	56,510	-
Prepaid expenses and other.....	50,552	2,773
Deferred income taxes.....	1,033	23,378
Asset held for sale.....	-	468
Total current assets.....	<u>495,424</u>	<u>54,630</u>
Property, net.....	277,768	18
Capitalized software costs, net.....	29,937	-
Intangible assets, net.....	32,343	-
Investment in Hughes Network Systems, LLC.....	-	75,282
Investment in Mobile Satellite Ventures LP.....	-	42,761
Deferred income taxes.....	954	26,956
Other assets.....	40,065	5,690
Total Assets	<u>\$ 876,491</u>	<u>\$ 205,337</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities		
Accounts payable.....	\$ 53,005	\$ 2,380
Short term borrowings.....	25,998	-
Accrued liabilities.....	117,183	2,473
Due to affiliates.....	55	-
Liabilities held for sale.....	-	525
Total current liabilities.....	<u>196,241</u>	<u>5,378</u>
Long-term debt.....	468,637	-
Other long-term liabilities.....	11,076	-
Total liabilities.....	<u>675,954</u>	<u>5,378</u>
Commitments and contingencies		
Minority interests.....	6,648	8,474
Series A Redeemable Convertible Preferred Stock, \$0.01 par value, net of amortized discount of \$28,194 at December 31, 2005.....	-	93,100
Stockholders' Equity		
Preferred stock, \$0.001 par value. Authorized 1,000,000 shares, no shares issued and outstanding.....	-	-
Preferred stock, \$0.01 par value. Authorized 10,000,000 shares, issued 1,199,077 shares as Series A Redeemable Convertible Preferred Stock at December 31, 2005.....	-	-
Common stock, \$0.001 par value. Authorized 64,000,000 shares; issued and outstanding 18,811,455 shares at June 30, 2006 and 4,365,988 shares at December 31, 2005.....	19	4
Non-voting common stock, \$0.01 par value. Authorized 50,000,000 shares; issued and outstanding 4,495,106 shares at December 31, 2005.....	-	45
Additional paid in capital.....	624,987	473,737
Accumulated deficit.....	(431,235)	(371,295)
Accumulated other comprehensive income (loss).....	118	(4,106)
Total Stockholders' Equity.....	<u>193,889</u>	<u>98,385</u>
Total Liabilities and Stockholders' Equity	<u>\$ 876,491</u>	<u>\$ 205,337</u>

HUGHES COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues				
Services	\$ 107,726	\$ 112	\$ 213,042	\$ 247
Hardware sales	100,935	-	192,493	-
Total Revenues	208,661	112	405,535	247
Operating Costs and Expenses				
Cost of services	75,071	95	147,353	232
Cost of hardware products sold	89,159	-	163,018	-
Research and development	6,309	-	14,246	-
Sales and marketing	20,133	-	39,838	-
General and administrative	13,413	1,956	28,678	4,109
Amortization of intangibles	1,198	-	2,265	-
Total Operating Costs and Expenses	205,283	2,051	395,398	4,341
Operating income (loss)	3,378	(1,939)	10,137	(4,094)
Interest expense	(10,388)	-	(21,489)	-
Equity in earnings of Hughes Network Systems, LLC	-	6,523	-	6,523
Equity in loss of Mobile Satellite Ventures LP	-	(1,367)	(1,521)	(5,956)
Other income, net	3,114	772	4,556	857
(Loss) income before discontinued operations and taxes	(3,896)	3,989	(8,317)	(2,670)
Income tax expense	(500)	-	(51,821)	-
(Loss) income before discontinued operations	(4,396)	3,989	(60,138)	(2,670)
Loss from discontinued operations	-	(716)	(42)	(1,232)
Gain on sale of discontinued operations	-	-	240	-
Net (Loss) Income	(4,396)	3,273	(59,940)	(3,902)
Cumulative dividends and accretion of convertible preferred stock to liquidation value	-	(2,492)	(1,454)	(4,985)
Net (loss) income attributable to common stockholders	\$ (4,396)	\$ 781	\$ (61,394)	\$ (8,887)
Basic (loss) earnings per common share:				
Continuing operations	\$ (0.23)	\$ 0.17	\$ (4.25)	\$ (0.87)
Discontinued operations	-	(0.08)	0.01	(0.14)
Net (loss) income per share	<u>\$ (0.23)</u>	<u>\$ 0.09</u>	<u>\$ (4.24)</u>	<u>\$ (1.01)</u>
Diluted (loss) earnings per common share:				
Continuing operations	\$ (0.23)	\$ 0.16	\$ (4.25)	\$ (0.87)
Discontinued operations	-	(0.08)	0.01	(0.14)
Net (loss) income per share	<u>\$ (0.23)</u>	<u>\$ 0.08</u>	<u>\$ (4.24)</u>	<u>\$ (1.01)</u>
Basic weighted average common shares outstanding	18,795,289	8,817,227	14,483,198	8,759,357
Diluted weighted average common shares outstanding	<u>18,795,289</u>	<u>9,378,624</u>	<u>14,483,198</u>	<u>8,759,357</u>

HUGHES COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six Months Ended	
	June 30,	
	2006	2005
Cash Flows from Operating Activities		
Net loss.....	\$ (59,940)	\$ (3,902)
Adjustments to reconcile net loss to cash flows from operating activities:		
Loss on discontinued operations	42	1,232
Depreciation and amortization	17,216	14
Amortization of debt issuance cost	348	-
Equity plan compensation expense	1,510	726
Equity in earnings of Hughes Network Systems, LLC	-	(6,523)
Equity in losses of unconsolidated affiliates	1,806	5,956
Loss on investments in affiliates.....	-	1,642
Gain on disposal of assets.....	(222)	(49)
Deferred income taxes.....	48,347	-
Minority interest.....	(193)	(1,215)
Compensation for issuance of warrants by consolidated subsidiary.....	-	20
Change in other operating assets and liabilities, net of acquisitions:		
Receivables, net.....	26,412	-
Inventories, net.....	17,241	-
Prepaid expenses and other	1,081	5,401
Deferred revenue.....	-	(21)
Accounts payable	(16,878)	(5,406)
Accrued liabilities and other.....	(21,711)	-
Net cash provided by (used in) continuing operations	15,059	(2,125)
Net cash used in discontinued operations	(9)	(748)
Net cash provided by (used in) Operating Activities	15,050	(2,873)
Cash Flows from Investing Activities		
Purchase interest in HNS, LLC.....	-	(50,000)
Cash paid for investments in affiliates.....	-	(562)
Change in restricted cash.....	(506)	(3,060)
Net (purchases) sales of short-term investments.....	(44,091)	32,628
Expenditures for property	(37,950)	-
Proceeds from sale of property.....	155	74
Expenditures for capitalized software	(8,768)	-
Acquisitions/divestitures, net of cash received	12,870	-
Other, net	(54)	-
Net cash used in continuing operations	(78,344)	(20,920)
Net cash used in discontinued operations	-	(9)
Net cash used in Investing Activities	(78,344)	(20,929)
Cash Flows from Financing Activities		
Net decrease in notes and loans payable	(1,261)	-
Debt borrowing from Apollo	100,000	-
Debt repayment to Apollo	(100,000)	-
Proceeds from rights offering	100,000	-
Distribution to SkyTerra	(8,911)	-
Payment of dividends on preferred stock	(1,394)	(2,788)
Proceeds from exercise of stock options and warrants	1,966	77
Long-term debt borrowings	453,944	-
Repayment of long-term debt	(341,603)	-
Debt issuance cost.....	(11,136)	-
Net cash provided by (used in) continuing operations	191,605	(2,711)
Net cash provided by (used in) discontinued operations	-	-
Net cash provided by (used in) Financing Activities	191,605	(2,711)
Effect of exchange rate changes on cash and cash equivalents.....	107	46
Net increase in cash and cash equivalents	128,418	(26,467)
Cash and cash equivalents at beginning of the period.....	21,964	34,759
Cash and cash equivalents at end of the period.....	\$ 150,382	\$ 8,292
Supplemental Cash Flow Information		
Cash paid for interest.....	16,215	-
Cash paid for income taxes.....	3,213	-
Supplemental Non-Cash Disclosure		
Net liability distributed to SkyTerra, net of cash.....	48,113	-

**HUGHES NETWORK SYSTEMS
CONDENSED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)**

	Consolidated Successor	
	June 30, 2006	December 31, 2005
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents.....	\$ 141,171	\$ 113,267
Short-term investments.....	60,094	13,511
Receivables, net.....	176,106	203,425
Inventories, net.....	56,510	73,526
Prepaid expenses and other.....	47,312	48,672
Total Current Assets.....	481,193	452,401
Property, net.....	277,768	259,578
Capitalized software costs, net.....	29,937	16,664
Intangible assets, net.....	32,343	-
Other assets.....	34,815	30,324
Total Assets.....	\$ 856,056	\$ 758,967
 <u>LIABILITIES AND EQUITY</u>		
Current Liabilities		
Accounts payable.....	\$ 51,773	\$ 51,294
Short term borrowings.....	25,998	29,616
Accrued liabilities.....	115,345	130,601
Due to affiliates.....	610	18,960
Total Current Liabilities.....	193,726	230,471
Long-term debt.....	468,637	344,849
Due to affiliates - long term.....	-	8,967
Other long-term liabilities.....	11,076	3,494
Total Liabilities.....	673,439	587,781
Commitments and contingencies		
Minority interests.....	6,648	6,594
Equity		
Class A membership units.....	175,981	125,768
Class B membership units.....	-	-
(Accumulated deficit) retained earnings.....	(4,234)	46,571
Accumulated other comprehensive income (loss).....	4,222	(7,747)
Total Equity.....	175,969	164,592
Total Liabilities and Equity.....	\$ 856,056	\$ 758,967

HUGHES NETWORK SYSTEMS
CONDENSED STATEMENTS OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Consolidated Successor		Combined Consolidated
	Three Months Ended June 30, 2006	April 23 to June 30, 2005	Predecessor April 1 to April 22, 2005
Revenues			
Services	\$ 107,568	\$ 81,632	\$ 25,077
Hardware sales	100,935	73,087	20,133
Total Revenues	<u>208,503</u>	<u>154,719</u>	<u>45,210</u>
Operating Costs and Expenses			
Cost of services	75,060	56,016	18,138
Cost of hardware products sold	89,159	53,163	19,284
Research and development	6,309	6,057	2,730
Sales and marketing	20,132	12,437	6,280
General and administrative	12,957	9,979	4,481
Restructuring costs	-	-	1,625
Amortization of intangibles	1,198	-	-
Total Operating Costs and Expenses	<u>204,815</u>	<u>137,652</u>	<u>52,538</u>
Operating income (loss)	3,688	17,067	(7,328)
Interest expense	(10,346)	(4,974)	(617)
Other income, net	2,730	456	46
(Loss) income before income taxes	<u>(3,928)</u>	<u>12,549</u>	<u>(7,899)</u>
Income tax expense	(500)	(254)	(261)
Net (Loss) Income	<u>\$ (4,428)</u>	<u>\$ 12,295</u>	<u>\$ (8,160)</u>

	Consolidated Successor		Combined Consolidated
	Six Months Ended June 30, 2006	April 23 to June 30, 2005	Predecessor January 1, to April 22, 2005
Revenues			
Services	\$ 212,802	\$ 81,632	\$ 121,917
Hardware sales	192,493	73,087	101,524
Total Revenues	<u>405,295</u>	<u>154,719</u>	<u>223,441</u>
Operating Costs and Expenses			
Cost of services	147,324	56,016	88,092
Cost of hardware products sold	163,018	53,163	86,467
Research and development	14,246	6,057	18,194
Sales and marketing	39,837	12,437	27,108
General and administrative	25,934	9,979	23,034
Restructuring costs	-	-	1,625
Amortization of intangibles	2,265	-	-
Total Operating Costs and Expenses	<u>392,624</u>	<u>137,652</u>	<u>244,520</u>
Operating income (loss)	12,671	17,067	(21,079)
Interest expense	(19,740)	(4,974)	(1,631)
Other income, net	3,822	456	367
(Loss) income before income taxes	<u>(3,247)</u>	<u>12,549</u>	<u>(22,343)</u>
Income tax expense	(987)	(254)	(180)
Net (Loss) Income	<u>\$ (4,234)</u>	<u>\$ 12,295</u>	<u>\$ (22,523)</u>

HUGHES NETWORK SYSTEMS
CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Consolidated Successor		Combined Consolidated
	Six Months Ended June 30, 2006	April 23 to June 30, 2005	Predecessor January 1 to April 22, 2005
Cash Flows from Operating Activities			
Net (loss) income	\$ (4,234)	\$ 12,295	\$ (22,523)
Adjustments to reconcile net (loss) income to cash flows from operating activities:			
Depreciation and amortization	17,216	7,916	13,734
Amortization of debt issuance cost	348	243	60
Equity plan compensation expense.....	152	-	-
Change in other operating assets and liabilities:			
Receivables, net.....	26,640	(20,760)	5,438
Inventories, net.....	17,241	2,332	2,738
Prepaid expenses and other	1,590	2,072	(3,965)
Accounts payable	(16,115)	5,100	(31,721)
Accrued liabilities and other.....	(21,374)	5,903	(16,457)
Net Cash Provided by (Used in) Operating Activities	<u>21,464</u>	<u>15,101</u>	<u>(52,696)</u>
Cash Flows from Investing Activities			
Change in restricted cash.....	(506)	(21)	1,978
Purchase of short-term investments, net.....	(46,594)	-	-
Expenditures for property	(37,950)	(5,243)	(22,912)
Proceeds from sale of property.....	155	-	-
Expenditures for capitalized software.....	(8,768)	(2,479)	(3,273)
Other, net	54	275	(958)
Net Cash Used in Investing Activities	<u>(93,609)</u>	<u>(7,468)</u>	<u>(25,165)</u>
Cash Flows from Financing Activities			
Net (decrease) increase in notes and loans payable	(1,261)	(77)	871
Contributions from prior parent, net.....	-	2,036	(108,868)
Long-term debt borrowings	453,944	16,539	327,775
Repayment of long-term debt	(341,602)	(8,678)	(30,141)
Debt issuance costs.....	(11,136)	-	(10,482)
Net Cash Provided by Financing Activities	<u>99,945</u>	<u>9,820</u>	<u>179,155</u>
Effect of exchange rate changes on cash and cash equivalents.....	104	(8,716)	5,669
Net increase in cash and cash equivalents	27,904	8,737	106,963
Cash and cash equivalents at beginning of the period.....	113,267	121,770	14,807
Cash and cash equivalents at end of the period.....	<u>\$ 141,171</u>	<u>\$ 130,507</u>	<u>\$ 121,770</u>
Supplemental Cash Flow Information			
Cash paid for interest.....	\$ 14,465	\$ 5,016	\$ 1,496
Cash paid for income taxes.....	\$ 1,412	\$ 133	\$ 208
Supplemental Non-Cash disclosure due to acquisition by Hughes Communications, Inc.			
Increase in assets acquired.....	\$ 24,817		
Increase in liabilities assumed	(13,580)		
Increase in net assets acquired.....	<u>\$ 11,237</u>		