

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2022.**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____**

Commission File Number: 333-179121



Hughes Satellite Systems Corporation

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction of incorporation or organization)

45-0897865

(I.R.S. Employer Identification No.)

100 Inverness Terrace East, Englewood, Colorado

(Address of principal executive offices)

80112-5308

(Zip Code)

(303) 706-4000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Emerging growth company

Non-accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 28, 2022, the registrant's outstanding common stock consisted of 1,078 shares of common stock, \$0.01 par value per share.

The Registrant meets the conditions set forth in General Instructions (H)(1)(a) and (b) of Form 10-Q and is therefore filing this Quarterly Report on Form 10-Q with the reduced disclosure format.

* The Registrant currently is not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 and is filing this Quarterly Report on Form 10-Q on a voluntary basis. The Registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months as if it were subject to such filing requirements during such period.

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* This item has been omitted pursuant to the reduced disclosure format as set forth in General Instructions (H)(2) of Form 10-Q.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Form 10-Q”) contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including but not limited to statements about our estimates, expectations, future developments, plans, objectives, strategies, financial condition, expected impact of regulatory developments and legal proceedings, opportunities in our industries and businesses and other trends and projections for the next fiscal quarter and beyond. All statements, other than statements of historical facts, may be forward-looking statements. Forward-looking statements may also be identified by words such as “anticipate,” “intend,” “plan,” “goal,” “seek,” “believe,” “estimate,” “expect,” “predict,” “project,” “continue,” “future,” “will,” “would,” “could,” “can,” “may” and similar terms. These forward-looking statements are based on information available to us as of the date of this Form 10-Q and represent management’s current views and assumptions based on past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. Forward-looking statements are not guarantees of future performance, events or results and involve potential known and unknown risks, uncertainties, including the impact of the coronavirus pandemic (COVID-19), and other factors, many of which may be beyond our control and may pose a risk to our operating and financial condition both the near- and long-term. Accordingly, actual performance, events or results could differ materially from those expressed or implied in the forward-looking statements due to a number of factors including, but not limited to:

- significant risks related to our ability to operate and control our satellites, operational and environmental risks related to our owned and leased satellites, and risks related to our satellites under construction;
- our ability and the ability of third parties with whom we engage to operate our business as a result of the COVID-19 pandemic, including regulatory and competitive considerations;
- our ability to implement and/or realize benefits of our investments and other strategic initiatives;
- legal proceedings relating to the BSS Transaction or other matters that could result in substantial costs and material adverse effects to our business;
- risks related to our foreign operations and other uncertainties associated with doing business internationally;
- risks related to our dependency upon third-party providers; and
- risks related to our human capital resources.

Other factors that could cause or contribute to such differences include, but are not limited to, those discussed under the caption Risk Factors in Part II, Item 1A of this Form 10-Q and in Part I, Item 1A of our most recent Annual Report on Form 10-K (“Form 10-K”) filed with the Securities and Exchange Commission (“SEC”), those discussed in Management’s Narrative Analysis of Results of Operations in Part I, Item 2 of this Form 10-Q and in Part II, Item 7 of our Form 10-K and those discussed in other documents we file with the SEC.

All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. Investors should consider the risks and uncertainties described herein and should not place undue reliance on any forward-looking statements. We do not undertake, and specifically disclaim, any obligation to publicly release the results of any revisions that may be made to any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Although we believe that the expectations reflected in any forward-looking statements are reasonable, we cannot guarantee future results, events, levels of activity, performance or achievements. We do not assume responsibility for the accuracy and completeness of any forward-looking statements. We assume no responsibility for updating forward-looking information contained or incorporated by reference herein or in any documents we file with the SEC, except as required by law.

Should one or more of the risks or uncertainties described herein or in any documents we file with the SEC occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED BALANCE SHEETS(Amounts in thousands, except share and per share amounts)
(Unaudited)

	As of	
	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 924,912	\$ 429,168
Marketable investment securities	360,648	854,502
Trade accounts receivable and contract assets, net	224,015	182,063
Other current assets, net	272,684	276,844
Total current assets	1,782,259	1,742,577
Non-current assets:		
Property and equipment, net	1,452,462	1,523,447
Operating lease right-of-use assets	151,036	148,221
Goodwill	533,505	511,086
Regulatory authorizations, net	408,824	408,959
Other intangible assets, net	17,018	13,984
Other investments, net	86,210	91,226
Other non-current assets, net	289,147	302,840
Total non-current assets	2,938,202	2,999,763
Total assets	\$ 4,720,461	\$ 4,742,340
Liabilities and Shareholder's Equity		
Current liabilities:		
Trade accounts payable	\$ 101,128	\$ 105,477
Contract liabilities	134,856	141,343
Accrued expenses and other current liabilities	299,302	308,879
Total current liabilities	535,286	555,699
Non-current liabilities:		
Long-term debt, net	1,496,379	1,495,994
Deferred tax liabilities, net	349,762	334,406
Operating lease liabilities	136,592	134,001
Other non-current liabilities	138,289	153,251
Total non-current liabilities	2,121,022	2,117,652
Total liabilities	2,656,308	2,673,351
Commitments and contingencies		

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)
(Unaudited)

Shareholder's equity:		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding at both June 30, 2022 and December 31, 2021	—	—
Common stock, \$0.01 par value, 1,000,000 shares authorized, 1,078 shares issued and outstanding at both June 30, 2022 and December 31, 2021	—	—
Additional paid-in capital	1,477,604	1,489,776
Accumulated other comprehensive income (loss)	(168,914)	(173,381)
Accumulated earnings (losses)	654,136	692,341
Total Hughes Satellite Systems Corporation shareholder's equity	1,962,826	2,008,736
Non-controlling interests	101,327	60,253
Total shareholder's equity	2,064,153	2,068,989
Total liabilities and shareholder's equity	\$ 4,720,461	\$ 4,742,340

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands)
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Revenue:				
Services and other revenue	\$ 416,463	\$ 433,317	\$ 837,404	\$ 866,308
Equipment revenue	84,620	68,556	167,337	120,795
Total revenue	501,083	501,873	1,004,741	987,103
Costs and expenses:				
Cost of sales - services and other (exclusive of depreciation and amortization)	142,616	137,550	281,970	268,962
Cost of sales - equipment (exclusive of depreciation and amortization)	70,048	54,502	139,153	99,642
Selling, general and administrative expenses	106,825	104,016	218,443	208,386
Research and development expenses	8,765	7,441	16,381	14,986
Depreciation and amortization	109,864	112,303	223,542	234,967
Impairment of long-lived assets	—	—	—	210
Total costs and expenses	438,118	415,812	879,489	827,153
Operating income (loss)	62,965	86,061	125,252	159,950
Other income (expense):				
Interest income, net	4,279	1,682	6,559	4,076
Interest expense, net of amounts capitalized	(23,096)	(37,083)	(46,474)	(79,005)
Gains (losses) on investments, net	214	2,094	214	2,094
Equity in earnings (losses) of unconsolidated affiliates, net	(1,301)	(1,269)	(3,015)	(3,030)
Foreign currency transaction gains (losses), net	(2,878)	535	3,777	(2,825)
Other, net	(239)	1,989	(428)	1,016
Total other income (expense), net	(23,021)	(32,052)	(39,367)	(77,674)
Income (loss) before income taxes	39,944	54,009	85,885	82,276
Income tax benefit (provision), net	(14,844)	(18,349)	(29,972)	(28,986)
Net income (loss)	25,100	35,660	55,913	53,290
Less: Net loss (income) attributable to non-controlling interests	3,394	2,280	5,882	3,227
Net income (loss) attributable to HSSC	\$ 28,494	\$ 37,940	\$ 61,795	\$ 56,517

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands)
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 25,100	\$ 35,660	\$ 55,913	\$ 53,290
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(39,143)	42,060	7,543	8,318
Unrealized gains (losses) on available-for-sale securities	(46)	118	(516)	30
Amounts reclassified to net income (loss):				
Realized losses (gains) on available-for-sale debt securities	3	—	3	—
Total other comprehensive income (loss), net of tax	(39,186)	42,178	7,030	8,348
Comprehensive income (loss)	(14,086)	77,838	62,943	61,638
Less: Comprehensive loss (income) attributable to non-controlling interests	10,387	(6,060)	3,319	497
Comprehensive income (loss) attributable to HSSC	<u>\$ (3,699)</u>	<u>\$ 71,778</u>	<u>\$ 66,262</u>	<u>\$ 62,135</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE THREE MONTHS ENDED JUNE 30, 2022 AND 2021

(Amounts in thousands)
(Unaudited)

	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Losses)	Non-controlling Interests	Total
Balance, March 31, 2021	\$ 1,487,590	\$ (175,060)	\$ 690,147	\$ 63,759	\$ 2,066,436
Stock-based compensation	724	—	—	—	724
Contribution by non-controlling interest holder	—	—	—	4,480	4,480
Other comprehensive income (loss)	—	33,838	—	8,340	42,178
Net income (loss)	—	—	37,940	(2,280)	35,660
Balance, June 30, 2021	<u>\$ 1,488,314</u>	<u>\$ (141,222)</u>	<u>\$ 728,087</u>	<u>\$ 74,299</u>	<u>\$ 2,149,478</u>
Balance, March 31, 2022	\$ 1,476,465	\$ (136,721)	\$ 625,642	\$ 111,714	\$ 2,077,100
Stock-based compensation	1,139	—	—	—	1,139
Other comprehensive income (loss)	—	(32,193)	—	(6,993)	(39,186)
Net income (loss)	—	—	28,494	(3,394)	25,100
Balance, June 30, 2022	<u>\$ 1,477,604</u>	<u>\$ (168,914)</u>	<u>\$ 654,136</u>	<u>\$ 101,327</u>	<u>\$ 2,064,153</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(Amounts in thousands)

(Unaudited)

	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Losses)	Non-controlling Interests	Total
Balance, December 31, 2020	\$ 1,486,730	\$ (146,840)	\$ 671,570	\$ 64,916	\$ 2,076,376
Stock-based compensation	1,584	—	—	—	1,584
Contribution by non-controlling interest holder	—	—	—	9,880	9,880
Other comprehensive income (loss)	—	5,618	—	2,730	8,348
Net income (loss)	—	—	56,517	(3,227)	53,290
Balance, June 30, 2021	<u>\$ 1,488,314</u>	<u>\$ (141,222)</u>	<u>\$ 728,087</u>	<u>\$ 74,299</u>	<u>\$ 2,149,478</u>
Balance, December 31, 2021	\$ 1,489,776	\$ (173,381)	\$ 692,341	\$ 60,253	\$ 2,068,989
Stock-based compensation	1,918	—	—	—	1,918
Issuance of equity and contribution of assets pursuant to the India JV formation	(14,090)	—	—	44,393	30,303
Dividend paid to EchoStar	—	—	(100,000)	—	(100,000)
Other comprehensive income (loss)	—	4,467	—	2,563	7,030
Net income (loss)	—	—	61,795	(5,882)	55,913
Balance, June 30, 2022	<u>\$ 1,477,604</u>	<u>\$ (168,914)</u>	<u>\$ 654,136</u>	<u>\$ 101,327</u>	<u>\$ 2,064,153</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	For the six months ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	\$ 55,913	\$ 53,290
Adjustments to reconcile net income (loss) to cash flows provided by (used for) operating activities:		
Depreciation and amortization	223,542	234,967
Impairment of long-lived assets	—	210
Losses (gains) on investments, net	(214)	(2,094)
Equity in losses (earnings) of unconsolidated affiliates, net	3,015	3,030
Foreign currency transaction losses (gains), net	(3,777)	2,825
Deferred tax provision (benefit), net	14,214	20,229
Stock-based compensation	1,918	1,584
Amortization of debt issuance costs	385	2,008
Other, net	20,172	8,528
Changes in assets and liabilities, net:		
Trade accounts receivable and contract assets, net	(39,178)	(3,360)
Other current assets, net	7,858	6,379
Trade accounts payable	4,146	(8,406)
Contract liabilities	(6,487)	23,251
Accrued expenses and other current liabilities	(12,752)	(19,808)
Non-current assets and non-current liabilities, net	(16,845)	(3,248)
Net cash provided by (used for) operating activities	251,910	319,385
Cash flows from investing activities:		
Purchases of marketable investment securities	(171,005)	(816,386)
Sales and maturities of marketable investment securities	662,347	1,409,820
Expenditures for property and equipment	(125,882)	(154,382)
Expenditures for externally marketed software	(11,967)	(16,835)
Sales of other investments	—	9,016
India JV formation	(7,892)	—
Dividend received from unconsolidated affiliate	2,000	—
Net cash provided by (used for) investing activities	347,601	431,233
Cash flows from financing activities:		
Repurchase and maturity of the 2021 Senior Unsecured Notes	—	(901,818)
Payment of finance lease obligations	(114)	(476)
Payment of in-orbit incentive obligations	(1,908)	(1,431)
Contribution by non-controlling interest holder	—	9,880
Dividend paid to EchoStar	(100,000)	—
Other, net	—	(966)
Net cash provided by (used for) financing activities	(102,022)	(894,811)
Effect of exchange rates on cash and cash equivalents	(672)	(348)
Net increase (decrease) in cash and cash equivalents	496,817	(144,541)
Cash and cash equivalents, including restricted amounts, beginning of period	430,148	741,297
Cash and cash equivalents, including restricted amounts, end of period	\$ 926,965	\$ 596,756

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. ORGANIZATION AND BUSINESS ACTIVITIES**Principal Business**

Hughes Satellite Systems Corporation (which, together with its subsidiaries, is referred to as “HSSC,” the “Company,” “we,” “us” and “our”) is a holding company and a subsidiary of EchoStar Corporation (“EchoStar” and “parent”). We are an industry leader in both networking technologies and services, innovating to deliver the global solutions that power a connected future for people, enterprises and things everywhere. We provide broadband satellite technologies, broadband internet services for consumer customers, which include home and small to medium-sized businesses, and satellite services. We also deliver innovative network technologies, managed services and communications solutions for enterprise customers, which include aeronautical and government enterprises. We operate in the following two business segments:

- **Hughes segment** — which provides broadband satellite technologies and broadband internet services to domestic and international consumer customers and broadband network technologies, managed services, equipment, hardware, satellite services and communication solutions to service providers and enterprise customers. The Hughes segment also designs, provides and installs gateway and terminal equipment to customers for other satellite systems. In addition, our Hughes segment designs, develops, constructs and provides telecommunication networks comprising satellite ground segment systems and terminals to mobile system operators and our enterprise customers.
- **Echostar Satellite Services segment (“ESS segment”)** — which uses certain of our owned and leased in-orbit satellites and related licenses to provide satellite services on a full-time and/or occasional-use basis to U.S. government service providers, internet service providers, broadcast news organizations, content providers and private enterprise customers.

Our operations also include various corporate functions (primarily Executive, Treasury, Strategic Development, Human Resources, Information Technology, Finance, Accounting, Real Estate and Legal) and other activities, such as costs incurred in certain satellite development programs and other business development activities, and gains or losses from certain of our investments, that have not been assigned to our business segments. These activities, costs and income, as well as eliminations of intersegment transactions, are accounted for in Corporate and Other segment in our segment reporting. We also divide our operations by primary geographic market as follows: (i) North America (the U.S. and its territories, Mexico, and Canada); (ii) South and Central America and (iii) Other (Asia, Africa, Australia, Europe, India, and the Middle East). Refer to *Note 15. Segment Reporting* for further detail.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

These unaudited Consolidated Financial Statements and the accompanying notes (collectively, the “Consolidated Financial Statements”) are prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) and the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and notes required for complete financial statements prepared in conformity with U.S. GAAP. In our opinion, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. However, our results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year.

All amounts presented in these Consolidated Financial Statements are expressed in thousands of U.S. dollars, except share and per share amounts and unless otherwise noted.

Refer to *Note 2. Summary of Significant Accounting Policies* to the Consolidated Financial Statements in our Form 10-K for a summary and discussion of our significant accounting policies, except as updated below.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Use of Estimates

We are required to make certain estimates and assumptions that affect the amounts reported in these Consolidated Financial Statements. The most significant estimates and assumptions are used in determining: (i) inputs used to recognize revenue over time, including amortization periods for deferred contract acquisition costs; (ii) allowances for doubtful accounts; (iii) deferred taxes and related valuation allowances, including uncertain tax positions; (iv) loss contingencies; (v) fair value of financial instruments; (vi) fair value of assets and liabilities acquired in business combinations; and (vii) asset impairment testing.

We base our estimates and assumptions on historical experience, observable market inputs and on various other factors that we believe to be relevant under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results may differ from previously estimated amounts and such differences may be material to our financial statements. Additionally, changing economic conditions may increase the inherent uncertainty in the estimates and assumptions indicated above. We review our estimates and assumptions periodically and the effects of revisions thereto are reflected in the period they occur or prospectively if the revised estimate affects future periods.

Principles of Consolidation

We consolidate all entities in which we have a controlling financial interest. We are deemed to have a controlling financial interest in variable interest entities in which we are the primary beneficiary and in other entities in which we own more than 50% of the outstanding voting shares and other shareholders do not have substantive rights to participate in management. For entities we control but do not wholly own, we record a non-controlling interest within shareholder's equity for the portion of the entity's equity attributed to the non-controlling ownership interests. All significant intercompany balances and transactions have been eliminated in consolidation.

Recently Adopted Accounting Pronouncements

On January 1, 2021, we adopted Accounting Standard Update ("ASU") No. 2019-12 - Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"). ASU 2019-12 is part of the Financial Accounting Standards Board ("FASB") overall simplification initiative and seeks to simplify the accounting for income taxes by updating certain guidance and removing certain exceptions. Our adoption of this ASU did not have a material impact on our Consolidated Financial Statements.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, which requires business entities (except for not-for-profit entities and employee benefit plans) to disclose information about certain government assistance they receive. The Topic 832 disclosure requirements include: (i) the nature of the transactions and the related accounting policy used; (ii) the line items on the balance sheet and income statement that are affected and the amounts applicable to each financial statement line item; and (iii) significant terms and conditions of the transactions. Our adoption of this ASU did not have a material impact on our Consolidated Financial Statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU No. 2020-04 - Reference Rate Reform (Topic 848), codified as ASC 848 ("ASC 848"). The purpose of ASC 848 is to provide optional guidance to ease the potential effects on financial reporting of the market-wide migration away from Interbank Offered Rates to alternative reference rates. ASC 848 applies only to contracts, hedging relationships, and other transactions that reference a reference rate expected to be discontinued because of reference rate reform. The guidance may be applied upon issuance of ASC 848 through December 31, 2022. We expect to utilize the optional expedients provided by the guidance for contracts amended solely to use an alternative reference rate. We have evaluated the impact of adopting this new guidance and do not expect it to have a material impact on our Consolidated Financial Statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which provides an exception to fair value measurement for contract assets and contract liabilities related to revenue contracts acquired in a business

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

combination. The ASU requires an entity (acquirer) to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. The ASU is effective for the Company for annual and interim periods in fiscal years beginning after December 15, 2022. Early adoption is permitted. The ASU is applied to business combinations occurring on or after the effective date.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendments in this update eliminate the accounting guidance for troubled debt restructurings by creditors while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors made to borrowers experiencing financial difficulty. The amendments also require disclosure of current-period gross write-offs by year of origination for financing receivables. The amendments in this update are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact of adopting this new guidance and we do not expect it to have a material impact on our Consolidated Financial Statements.

NOTE 3. REVENUE RECOGNITION

Contract Balances

The following table presents the components of our contract balances:

	As of	
	June 30, 2022	December 31, 2021
Trade accounts receivable and contract assets, net:		
Sales and services	\$ 178,114	\$ 154,676
Leasing	5,592	5,668
Total trade accounts receivable	183,706	160,344
Contract assets	57,413	36,307
Allowance for doubtful accounts	(17,104)	(14,588)
Total trade accounts receivable and contract assets, net	<u>\$ 224,015</u>	<u>\$ 182,063</u>
Contract liabilities:		
Current	\$ 134,856	\$ 141,343
Non-current	9,922	10,669
Total contract liabilities	<u>\$ 144,778</u>	<u>\$ 152,012</u>

The following table presents the revenue recognized in the Consolidated Statements of Operations that was previously included within contract liabilities:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Revenue	<u>\$ 20,852</u>	<u>\$ 1,941</u>	<u>\$ 109,799</u>	<u>\$ 65,022</u>

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Contract Acquisition Costs

The following table presents the activity in our contract acquisition costs, net:

	For the six months ended June 30,	
	2022	2021
Balance at beginning of period	\$ 82,986	\$ 99,837
Additions	30,645	37,408
Amortization expense	(39,653)	(45,200)
Foreign currency translation	724	678
Balance at end of period	<u>\$ 74,702</u>	<u>\$ 92,723</u>

We recognized amortization expenses related to contract acquisition costs of \$19.5 million and \$22.4 million for the three months ended June 30, 2022 and 2021, respectively.

Performance Obligations

As of June 30, 2022, the remaining performance obligations for our customer contracts with original expected durations of more than one year was \$1.1 billion. Performance obligations expected to be satisfied within one year and greater than one year are 40.0% and 60.0%, respectively. This amount and percentages exclude agreements with consumer customers in our Hughes segment, our leasing arrangements and agreements with certain customers under which collectability of all amounts due through the term of contracts is uncertain.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Disaggregation of Revenue*Geographic Information*

The following tables present our revenue from customer contracts disaggregated by primary geographic market and by segment:

	Hughes	ESS	Corporate and Other	Consolidated Total
For the three months ended June 30, 2022				
North America	\$ 398,698	\$ 4,850	\$ (348)	\$ 403,200
South and Central America	42,094	—	—	42,094
Other	51,049	—	4,740	55,789
Total revenue	<u>\$ 491,841</u>	<u>\$ 4,850</u>	<u>\$ 4,392</u>	<u>\$ 501,083</u>
For the three months ended June 30, 2021				
North America	\$ 405,101	\$ 4,283	\$ (88)	\$ 409,296
South and Central America	46,996	—	—	46,996
Other	40,179	—	5,402	45,581
Total revenue	<u>\$ 492,276</u>	<u>\$ 4,283</u>	<u>\$ 5,314</u>	<u>\$ 501,873</u>
For the six months ended June 30, 2022				
North America	\$ 798,120	\$ 9,324	\$ (546)	\$ 806,898
South and Central America	84,966	—	—	84,966
Other	102,861	—	10,016	112,877
Total revenue	<u>\$ 985,947</u>	<u>\$ 9,324</u>	<u>\$ 9,470</u>	<u>\$ 1,004,741</u>
For the six months ended June 30, 2021				
North America	\$ 803,860	\$ 8,372	\$ (176)	\$ 812,056
South and Central America	90,026	—	—	90,026
Other	74,250	—	10,771	85,021
Total revenue	<u>\$ 968,136</u>	<u>\$ 8,372</u>	<u>\$ 10,595</u>	<u>\$ 987,103</u>

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Nature of Products and Services

The following tables present our revenue disaggregated by the nature of products and services and by segment:

	Hughes	ESS	Corporate and Other	Consolidated Total
For the three months ended June 30, 2022				
Services and other revenue:				
Services	\$ 397,320	\$ 3,161	\$ —	\$ 400,481
Lease revenue	9,902	1,689	4,391	15,982
Total services and other revenue	407,222	4,850	4,391	416,463
Equipment revenue:				
Equipment	27,408	—	1	27,409
Design, development and construction services	56,311	—	—	56,311
Lease revenue	900	—	—	900
Total equipment revenue	84,619	—	1	84,620
Total revenue	\$ 491,841	\$ 4,850	\$ 4,392	\$ 501,083
For the three months ended June 30, 2021				
Services and other revenue:				
Services	\$ 413,925	\$ 2,884	\$ —	\$ 416,809
Lease revenue	9,796	1,399	5,313	16,508
Total services and other revenue	423,721	4,283	5,313	433,317
Equipment revenue:				
Equipment	31,101	—	1	31,102
Design, development and construction services	35,057	—	—	35,057
Lease revenue	2,397	—	—	2,397
Total equipment revenue	68,555	—	1	68,556
Total revenue	\$ 492,276	\$ 4,283	\$ 5,314	\$ 501,873

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

	Hughes	ESS	Corporate and Other	Consolidated Total
For the six months ended June 30, 2022				
Services and other revenue:				
Services	\$ 797,722	\$ 6,096	\$ —	\$ 803,818
Lease revenue	20,889	3,228	9,469	33,586
Total services and other revenue	<u>818,611</u>	<u>9,324</u>	<u>9,469</u>	<u>837,404</u>
Equipment revenue:				
Equipment	53,293	—	1	53,294
Design, development and construction services	112,216	—	—	112,216
Lease revenue	1,827	—	—	1,827
Total equipment revenue	<u>167,336</u>	<u>—</u>	<u>1</u>	<u>167,337</u>
Total revenue	<u>\$ 985,947</u>	<u>\$ 9,324</u>	<u>\$ 9,470</u>	<u>\$ 1,004,741</u>
For the six months ended June 30, 2021				
Services and other revenue:				
Services	\$ 827,517	\$ 5,574	\$ —	\$ 833,091
Lease revenue	19,824	2,798	10,595	33,217
Total services and other revenue	<u>847,341</u>	<u>8,372</u>	<u>10,595</u>	<u>866,308</u>
Equipment revenue:				
Equipment	59,550	—	—	59,550
Design, development and construction services	56,693	—	—	56,693
Lease revenue	4,552	—	—	4,552
Total equipment revenue	<u>120,795</u>	<u>—</u>	<u>—</u>	<u>120,795</u>
Total revenue	<u>\$ 968,136</u>	<u>\$ 8,372</u>	<u>\$ 10,595</u>	<u>\$ 987,103</u>

Lease Revenue

The following table presents our lease revenue by type of lease:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Sales-type lease revenue:				
Revenue at lease commencement	\$ 583	\$ 2,295	\$ 1,221	\$ 4,377
Interest income	317	102	606	175
Total sales-type lease revenue	<u>900</u>	<u>2,397</u>	<u>1,827</u>	<u>4,552</u>
Operating lease revenue	<u>15,982</u>	<u>16,508</u>	<u>33,586</u>	<u>33,217</u>
Total lease revenue	<u>\$ 16,882</u>	<u>\$ 18,905</u>	<u>\$ 35,413</u>	<u>\$ 37,769</u>

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 4. BUSINESS COMBINATIONS

In May 2019, we entered into an agreement with Bharti Airtel Limited (“BAL”) and its subsidiary, Bharti Airtel Services Limited (together with BAL, “Bharti”), pursuant to which Bharti agreed to contribute its very small aperture terminal (“VSAT”) telecommunications services and hardware business in India to Hughes Communications India Private Limited (“HCIPL”) and its subsidiaries, our less than wholly owned Indian subsidiaries, that conduct our VSAT services and hardware business in India. On January 4, 2022, this joint venture was formed (the “India JV”) and subsequent to the formation of the India JV, we hold a 67% ownership interest and Bharti holds a 33% ownership interest in HCIPL. The India JV combines the VSAT businesses of both companies to offer flexible and scalable enterprise networking solutions using satellite connectivity for primary transport, back-up and hybrid implementation in India. The results of operations related to the India JV have been included in these Consolidated Financial Statements from the date of formation. The costs associated with the closing of the India JV were not material and were expensed as incurred.

The fair value of the consideration transferred was \$38.2 million. Net cash paid was \$7.9 million, inclusive of amounts paid for the acquisition of, or of HCIPL shares from, entities that were shareholders of HCIPL prior to closing the India JV.

All assets and liabilities acquired in the India JV formation have been recorded at fair value. The following table presents our preliminary allocation of the purchase price:

	Amounts
Assets:	
Trade accounts receivable and contract assets, net	\$ 6,160
Other current assets	2,085
Property and equipment	4,669
Goodwill	23,086
Other intangible assets	4,428
Total assets	\$ 40,428
Liabilities:	
Trade accounts payable	\$ 133
Accrued expenses and other current liabilities	986
Deferred tax liabilities	1,114
Total liabilities	\$ 2,233
Total purchase price	\$ 38,195

The preliminary valuation of assets acquired and liabilities assumed in the India JV were derived using primarily unobservable Level 3 inputs, which require significant management judgment and estimation, and resulted in a customer relationship intangible of \$4.4 million with an estimated life of 5 years and is reported in Other intangible assets, net.

Goodwill associated with the India JV is attributable to expected synergies, the projected long-term business growth in current and new markets and an assembled workforce. Goodwill has been allocated entirely to our Hughes segment.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 5. MARKETABLE INVESTMENT SECURITIES

The following table presents our *Marketable investment securities*:

	As of	
	June 30, 2022	December 31, 2021
Marketable investment securities:		
Available-for-sale debt securities:		
Corporate bonds	\$ 162,923	\$ 284,787
Commercial paper	153,023	491,360
Other debt securities	44,702	78,355
Total available-for-sale debt securities	360,648	854,502
Equity securities	—	—
Total marketable investment securities	\$ 360,648	\$ 854,502

Debt Securities
Available-for-Sale

The following table presents the components of our available-for-sale debt securities:

	Amortized Cost	Unrealized		Estimated Fair Value
		Gains	Losses	
As of June 30, 2022				
Corporate bonds	\$ 163,830	\$ 2	\$ (909)	\$ 162,923
Commercial paper	153,023	—	—	153,023
Other debt securities	44,730	—	(28)	44,702
Total available-for-sale debt securities	\$ 361,583	\$ 2	\$ (937)	\$ 360,648
As of December 31, 2021				
Corporate bonds	\$ 285,169	\$ —	\$ (382)	\$ 284,787
Commercial paper	491,360	—	—	491,360
Other debt securities	78,395	—	(40)	78,355
Total available-for-sale debt securities	\$ 854,924	\$ —	\$ (422)	\$ 854,502

The following table presents the activity on our available-for-sale debt securities:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Proceeds from sales	\$ 8,886	\$ 55,500	\$ 37,904	\$ 151,265

As of June 30, 2022, we have \$360.6 million of available-for-sale debt securities with contractual maturities of one year or less and zero with contractual maturities greater than one year.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Fair Value Measurements

The following table presents our marketable investment securities categorized by the fair value hierarchy, certain of which have historically experienced volatility:

	Level 1	Level 2	Total
As of June 30, 2022			
Cash equivalents (including restricted)	\$ 198	\$ 838,668	\$ 838,866
Available-for-sale debt securities:			
Corporate bonds	\$ —	\$ 162,923	\$ 162,923
Commercial paper	—	153,023	153,023
Other debt securities	—	44,702	44,702
Total available-for-sale debt securities	—	360,648	360,648
Equity securities	—	—	—
Total marketable investment securities	\$ —	\$ 360,648	\$ 360,648
As of December 31, 2021			
Cash equivalents (including restricted)	\$ 4,032	\$ 320,732	\$ 324,764
Available-for-sale debt securities:			
Corporate bonds	\$ —	\$ 284,787	\$ 284,787
Commercial paper	—	491,360	491,360
Other debt securities	—	78,355	78,355
Total available-for-sale debt securities	—	854,502	854,502
Equity securities	—	—	—
Total marketable investment securities	\$ —	\$ 854,502	\$ 854,502

As of June 30, 2022 and December 31, 2021, we did not have any investments that were categorized within Level 3 of the fair value hierarchy.

NOTE 6. PROPERTY AND EQUIPMENT

The following table presents the components of *Property and equipment, net*:

	As of	
	June 30, 2022	December 31, 2021
Property and equipment, net:		
Satellites, net	\$ 803,535	\$ 847,613
Other property and equipment, net	648,927	675,834
Total property and equipment, net	\$ 1,452,462	\$ 1,523,447

Satellites

As of June 30, 2022, our satellite fleet consisted of eight geosynchronous ("GEO") satellites, five of which are owned and three of which are leased. They are all in geosynchronous orbit, approximately 22,300 miles above the equator.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

The following table presents our GEO satellite fleet as of June 30, 2022:

GEO Satellite	Segment	Launch Date	Nominal Degree Orbital Location (Longitude)	Depreciable Life (In Years)
Owned:				
SPACEWAY 3 ⁽¹⁾	Hughes	August 2007	95 W	10
EchoStar XVII	Hughes	July 2012	107 W	15
EchoStar XIX	Hughes	December 2016	97.1 W	15
Al Yah 3 ⁽²⁾	Hughes	January 2018	20 W	7
EchoStar IX ^{(3) (4)}	ESS	August 2003	121 W	12
Finance leases:				
Eutelsat 65 West A	Hughes	March 2016	65 W	15
Telesat T19V	Hughes	July 2018	63 W	15
EchoStar 105/SES-11	ESS	October 2017	105 W	15

- (1) Depreciable life represents the remaining useful life as of June 8, 2011, the date EchoStar completed the acquisition of Hughes Communications, Inc. ("Hughes Communications") and its subsidiaries (the "Hughes Acquisition").
- (2) Upon consummation of our joint venture with Al Yah Satellite Communications Company PrJSC ("Yahsat") in Brazil in November 2019, we acquired the Brazilian Ka-band payload on this satellite. Depreciable life represents the remaining useful life as of November 2019.
- (3) We own the Ka-band and Ku-band payloads on this satellite.
- (4) EchoStar IX is approaching its end of station-kept life. The Company expects to place the satellite in an inclined-orbit in the fourth quarter of 2022 or first quarter of 2023, but this ability is dependent upon events beyond our control and may not occur on schedule if at all. Inclined-orbit will extend its life but impact revenue generating capabilities.

The following table presents the components of our satellites, net:

	Depreciable Life (In Years)	As of	
		June 30, 2022	December 31, 2021
Satellites, net:			
Satellites - owned	7 to 15	\$ 1,503,279	\$ 1,500,836
Satellites - acquired under finance leases	15	360,257	354,170
Total satellites		1,863,536	1,855,006
Accumulated depreciation:			
Satellites - owned		(950,273)	(911,722)
Satellites - acquired under finance leases		(109,728)	(95,671)
Total accumulated depreciation		(1,060,001)	(1,007,393)
Total satellites, net		\$ 803,535	\$ 847,613

The following table presents the depreciation expense associated with our satellites, net:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Depreciation expense:				
Satellites - owned	\$ 19,005	\$ 17,490	\$ 37,920	\$ 44,558
Satellites - acquired under finance leases	6,137	7,396	12,124	14,597
Total depreciation expense	\$ 25,142	\$ 24,886	\$ 50,044	\$ 59,155

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

The following table presents capitalized interest associated with our satellites and satellite-related ground infrastructure:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Capitalized interest	\$ 2,095	\$ 1,467	\$ 4,058	\$ 2,713

Satellite-Related Commitments

As of June 30, 2022 and December 31, 2021 our satellite-related commitments were \$160.2 million and \$179.7 million, respectively. These primarily include payments pursuant to regulatory authorizations, non-lease costs associated with our finance lease satellites, in-orbit incentives relating to certain satellites and commitments for satellite service arrangements.

In certain circumstances, the dates on which we are obligated to pay our contractual obligations could change.

Satellite Anomalies and Impairments

We are not aware of any anomalies with respect to our owned or leased satellites or payloads that have had any significant adverse effect on their remaining useful lives, the commercial operation of the satellites or payloads or our operating results or financial position as of and for the three and six months ended June 30, 2022.

Fair Value of In-Orbit Incentives

As of June 30, 2022 and December 31, 2021, the fair values of our in-orbit incentive obligations approximated their carrying amounts of \$51.3 million and \$53.2 million, respectively.

NOTE 7. REGULATORY AUTHORIZATIONS

The following table presents our *Regulatory authorizations, net*:

	Finite lived			Indefinite lived	Total
	Cost	Accumulated Amortization	Total		
Balance, December 31, 2020	11,505	(1,054)	10,451	400,000	410,451
Amortization expense	—	(405)	(405)	—	(405)
Currency translation adjustments	(157)	(6)	(163)	—	(163)
Balance, June 30, 2021	11,348	(1,465)	9,883	400,000	409,883
Balance, December 31, 2021	10,733	(1,774)	8,959	400,000	408,959
Amortization expense	—	(413)	(413)	—	(413)
Currency translation adjustments	335	(57)	278	—	278
Balance, June 30, 2022	\$ 11,068	\$ (2,244)	\$ 8,824	\$ 400,000	\$ 408,824
Weighted-average useful life (in years)	14				

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 8. OTHER INVESTMENTS

The following table presents our *Other investments, net*:

	As of	
	June 30, 2022	December 31, 2021
Other investments, net:		
Equity method investments	\$ 86,210	\$ 91,226
Total other investments, net	\$ 86,210	\$ 91,226

Equity Method Investments*Deluxe/EchoStar LLC*

We own 50% of Deluxe/EchoStar LLC ("Deluxe"), a joint venture that we entered into in 2010 to build an advanced digital cinema satellite distribution network targeting delivery to digitally equipped theaters in the U.S. and Canada.

Broadband Connectivity Solutions (Restricted) Limited

We own 20% of Broadband Connectivity Solutions (Restricted) Limited (together with its subsidiaries, "BCS"), a joint venture that we entered into in 2018 to provide commercial Ka-band satellite broadband services across Africa, the Middle East and southwest Asia operating over Yahsat's Al Yah 2 and Al Yah 3 Ka-band satellites.

Financial Information for Our Equity Method Investments

The following table presents revenue recognized:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Deluxe	\$ 1,335	\$ 1,229	\$ 2,658	\$ 2,860
BCS	\$ 1,950	\$ 2,766	\$ 3,721	\$ 4,114

The following table presents trade accounts receivable:

	As of	
	June 30, 2022	December 31, 2021
Deluxe	\$ 1,769	\$ 934
BCS	\$ 7,507	\$ 5,544

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 9. LONG-TERM DEBT

The following table presents the carrying amount and fair values of our *Long-term debt, net*:

	Effective Interest Rate	As of			
		June 30, 2022		December 31, 2021	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior Secured Notes:					
5 1/4% Senior Secured Notes due 2026	5.320%	\$ 750,000	\$ 700,170	\$ 750,000	\$ 825,555
Senior Unsecured Notes:					
6 5/8% Senior Unsecured Notes due 2026	6.688%	750,000	673,238	750,000	838,740
Less: Unamortized debt issuance costs		(3,621)	—	(4,006)	—
Total long-term debt, net		<u>\$ 1,496,379</u>	<u>\$ 1,373,408</u>	<u>\$ 1,495,994</u>	<u>\$ 1,664,295</u>

NOTE 10. INCOME TAXES

Our income tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, in the relevant period. Each quarter we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment.

Our interim income tax provision and our interim estimate of our annual effective tax rate are influenced by several factors, including foreign losses and capital gains and losses for which related deferred tax assets are partially offset by a valuation allowance, changes in tax laws and relative changes in unrecognized tax benefits. Additionally, our effective tax rate can be affected by the amount of pre-tax income or loss. For example, the impact of discrete items and non-deductible expenses on our effective tax rate is greater when our pre-tax income or loss is lower.

Our income tax provision was \$14.8 million for the three months ended June 30, 2022 compared to our income tax provision of \$18.3 million for the three months ended June 30, 2021. Our estimated effective income tax rate was 37.2% and 34.0% for the three months ended June 30, 2022 and 2021, respectively. The variations in our effective tax rate from the U.S. federal statutory rate for the three months ended June 30, 2022 were primarily due to excluded foreign losses where the Company carries a full valuation allowance and the impact of state and local taxes. The variations in our effective tax rate from the U.S. federal statutory rate for the three months ended June 30, 2021 were primarily due to excluded foreign losses where the Company carries a full valuation allowance and the impact of state and local taxes.

Our income tax provision was \$30.0 million for the six months ended June 30, 2022 compared to our income tax provision of \$29.0 million for the six months ended June 30, 2021. Our estimated effective income tax rate was 34.9% and 35.2% for the six months ended June 30, 2022 and 2021, respectively. The variations in our effective tax rate from the U.S. federal statutory rate for the six months ended June 30, 2022 were primarily due to excluded foreign losses where the Company carries a full valuation allowance and the impact of state and local taxes. The variations in our effective tax rate from the U.S. federal statutory rate for the six months ended June 30, 2021 were primarily due to excluded foreign losses where the Company carries a full valuation allowance and the impact of state and local taxes.

NOTE 11. RELATED PARTY TRANSACTIONS - ECHOSTAR

The following is a summary of the transactions and the terms of the underlying principal agreements that have had or may have an impact on our consolidated financial condition and results of operations.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Shared Corporate Services. We and EchoStar, including EchoStar's other subsidiaries, have agreed that we shall each have the right, but not the obligation, to receive from the other certain shared corporate services, including among other things: treasury, tax, accounting and reporting, risk management, cybersecurity, legal, internal audit, human resources, and information technology. These shared corporate services are generally provided at cost. Effective March 2017, and as a result of the Share Exchange (as defined below), we implemented a new methodology for determining the cost of these shared corporate services. We and EchoStar, including EchoStar's other subsidiaries, may each terminate a particular shared corporate service for any reason upon at least 30 days' notice. We recorded these expenses within Operating expenses - EchoStar for shared corporate services received from EchoStar and its other subsidiaries of \$1.9 million and \$0.6 million for the three months ended June 30, 2022 and 2021, respectively, and \$4.5 million and \$0.2 million for the six months ended June 30, 2022 and 2021, respectively.

Services and Other Revenue — EchoStar

The following table presents our *Services and other revenue* from EchoStar:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Services and other revenue - EchoStar	\$ 4,739	\$ 5,401	\$ 10,016	\$ 10,772

The following table presents the corresponding related party receivables:

	As of	
	June 30, 2022	December 31, 2021
Related party receivables - EchoStar - current	\$ 120,258	\$ 122,619
Related party receivables - EchoStar - non-current	52,118	56,055
Total related party receivables - EchoStar	\$ 172,376	\$ 178,674

Receivables. EchoStar and its other subsidiaries reimburse us from time to time for amounts paid by us for costs and expenses attributable to EchoStar and its other subsidiaries. We report receivables under these arrangements within Related party receivables - EchoStar - current. No repayment schedule for these receivables has been determined.

Operating Expenses — EchoStar

The following table presents our operating expenses from EchoStar:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Operating expenses - EchoStar	\$ 17,829	\$ 15,798	\$ 35,359	\$ 31,185

The following table presents the corresponding related party payables:

	As of	
	June 30, 2022	December 31, 2021
Related party payables - EchoStar - current	\$ 124,382	\$ 124,578
Related party payables - EchoStar - non-current	23,154	24,118
Total related party payables - EchoStar	\$ 147,536	\$ 148,696

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Payables. We reimburse EchoStar and its other subsidiaries from time to time for amounts paid by EchoStar and its other subsidiaries for costs and expenses attributable to us. We report payables under these arrangements within Related party payables - EchoStar - current. No repayment schedule for these payables has been determined.

Real Estate. We occupy certain office space in buildings owned or leased by EchoStar and its other subsidiaries and pay a portion of the taxes, insurance, utilities and maintenance of the premises in accordance with the percentage of the space we occupy.

Cash Advances. EchoStar and certain of its other subsidiaries have also provided cash advances to certain of our foreign subsidiaries to fund certain expenditures pursuant to loan agreements that mature in 2022. Advances under these agreements bear interest at annual rates ranging from one to three percent, subject to periodic adjustment based on the one-year U.S. LIBOR rate. We report amounts payable under these agreements within Related party payables - EchoStar - non-current.

BSS Transaction. Pursuant to the pre-closing restructuring contemplated by the Master Transaction Agreement (as defined below), and as part of the BSS Transaction (as defined below), we and our subsidiaries transferred certain of the BSS Business (as defined below) to BSS Corp. (as defined below), and we distributed all of the shares of BSS Corp. to EchoStar as a dividend.

Share Exchange Agreement. Prior to consummation of the Share Exchange, EchoStar was required to complete steps necessary for the transferring of certain assets and liabilities to DISH Network Corporation ("DISH") and its subsidiaries (together with DISH, "DISH Network"). As part of these steps, subsidiaries of EchoStar that, prior to the consummation of the Share Exchange, owned EchoStar's business of providing online video delivery and satellite video delivery for broadcasters and pay-TV operators, including satellite uplinking/downlinking, transmission services, signal processing and conditional access management, and other services and related assets and liabilities were contributed to one of our subsidiaries in consideration for additional shares of HSSC's common stock that were then issued to a subsidiary of EchoStar.

EchoStar Mobile Limited Service Agreements. We provide services and lease equipment to support the business of EchoStar Mobile Limited, a subsidiary of EchoStar that is licensed by the EU to provide mobile satellite services and complementary ground component services covering the entire EU using S-band spectrum. Generally, the amounts EchoStar's other subsidiaries pay for these services are based on cost plus a fixed margin. We recorded revenue in *Services and other revenue* of \$4.7 million and \$5.4 million for the three months ended June 30, 2022 and 2021, respectively, and \$10.0 million and \$10.8 million for the six months ended June 30, 2022 and 2021, respectively, related to these services. Additionally, we have converted the receivables for certain of these services into loans, bearing an annual interest rate of 5%, that mature in 2023. We report these loans within Related party receivables - EchoStar - non-current.

Construction Management Services for EchoStar XXIV satellite. In August 2017, a subsidiary of EchoStar entered into a contract with Maxar Space, LLC (formerly Space Systems/Loral, LLC), for the design and construction of the EchoStar XXIV satellite, a new, next-generation, high throughput geostationary satellite, with an expected launch in the first half of 2023. We provide construction management services to EchoStar's subsidiary for the construction of the EchoStar XXIV satellite. We charged EchoStar's subsidiary and reduced our operating expenses by the costs of such services of \$0.4 million and \$0.5 million for the three months ended June 30, 2022 and 2021, respectively, and \$0.7 million and \$0.9 million for the six months ended June 30, 2022 and 2021, respectively.

Dividends. On March 17, 2022, our Board of Directors declared and approved payment of a cash dividend on our outstanding common stock to our shareholder and parent, EchoStar, in the amount of \$100.0 million. Payment of this dividend was made in the first quarter of 2022.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 12. RELATED PARTY TRANSACTIONS - DISH NETWORK

Overview

EchoStar Corporation and DISH have operated as separate publicly-traded companies since 2008 (the "Spin-off"). A substantial majority of the voting power of the shares of each of EchoStar Corporation and DISH is owned beneficially by Charles W. Ergen, our Chairman, and by certain entities established for the benefit of his family.

In January 2017, EchoStar and certain of its subsidiaries entered into a share exchange agreement (the "Share Exchange Agreement") with DISH and certain of its subsidiaries pursuant to which, in February 2017, we received all of the shares of preferred tracking stock previously issued by us and one of our subsidiaries (the "Tracking Stock"), representing an 80% economic interest in the residential retail satellite broadband business of our Hughes segment, in exchange for 100% of the equity interests of certain EchoStar subsidiaries that held substantially all of our EchoStar Technologies businesses and certain other assets (collectively, the "Share Exchange"). The Tracking Stock was retired in March 2017.

In September 2019, pursuant to a master transaction agreement (the "Master Transaction Agreement") with DISH and a wholly-owned subsidiary of DISH ("Merger Sub"), (i) we transferred certain real property and the various businesses, products, licenses, technology, revenues, billings, operating activities, assets and liabilities primarily related to the former portion of our ESS segment that managed, marketed and provided (1) broadcast satellite services primarily to DISH Network and our joint venture Dish Mexico, S. de R.L. de C.V. and its subsidiaries ("Dish Mexico"), and (2) telemetry, tracking and control ("TT&C") services for satellites owned by DISH Network and a portion of our other businesses (collectively, the "BSS Business") to one of our former subsidiaries, EchoStar BSS Corporation ("BSS Corp."), (ii) we distributed to each holder of shares of our Class A or Class B common stock entitled to receive consideration in the transaction an amount of shares of common stock of BSS Corp., par value \$0.001 per share ("BSS Common Stock"), equal to one share of BSS Common Stock for each share of our Class A or Class B common stock owned by such stockholder (the "Distribution"); and (iii) immediately after the Distribution, (1) Merger Sub merged with and into BSS Corp. (the "Merger"), such that BSS Corp. became a wholly-owned subsidiary of DISH and with DISH then owning and operating the BSS Business, and (2) each issued and outstanding share of BSS Common Stock owned by EchoStar stockholders was converted into the right to receive 0.23523769 shares of DISH Class A common stock, par value \$0.001 per share ("DISH Common Stock") (i) - (iii) collectively, the "BSS Transaction").

In connection with and following the Spin-off, the Share Exchange and the BSS Transaction, EchoStar, we and certain other of EchoStar's subsidiaries and DISH Network entered into certain agreements pursuant to which we, EchoStar and certain of its other subsidiaries, on the one hand, obtain certain products, services and rights from DISH Network, on the other hand; DISH Network, on the one hand, obtains certain products, services and rights from us, EchoStar and certain of its other subsidiaries, on the other hand; and such entities indemnify each other against certain liabilities arising from their respective businesses. Generally, the amounts we and/or EchoStar and its other subsidiaries or DISH Network pay for products and services provided under the agreements are based on cost plus a fixed margin (unless noted differently below), which varies depending on the nature of the products and services provided. We and/or EchoStar and its other subsidiaries may also enter into additional agreements with DISH Network in the future.

The following is a summary of the transactions and the terms of the underlying principal agreements that have had or may have an impact on our consolidated financial condition and results of operations.

Services and Other Revenue — DISH Network

The following table presents our *Services and other revenue - DISH Network*:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Services and other revenue - DISH Network	\$ 4,519	\$ 5,667	\$ 9,331	\$ 11,394

HUGHES SATELLITE SYSTEMS CORPORATION
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(Unaudited)

The following table presents the related trade accounts receivable:

	As of	
	June 30, 2022	December 31, 2021
Trade accounts receivable - DISH Network	\$ 4,072	\$ 3,457

Satellite Capacity Leased to DISH Network. Effective January 2008, DISH Network began leasing satellite capacity from us on the EchoStar IX satellite. Subject to availability, DISH Network generally has the right to continue leasing satellite capacity from us on the EchoStar IX satellite on a month-to-month basis.

Telesat Obligation Agreement. In September 2009, we entered into an agreement with Telesat Canada to lease satellite capacity from Telesat Canada on all 32 direct broadcast satellite (“DBS”) transponders on the Nimiq 5 satellite at the 72.7 degree west longitude orbital location (the “Telesat Transponder Agreement”). In September 2009, we entered into an agreement with DISH Network, pursuant to which DISH Network leased satellite capacity from us on all 32 of the DBS transponders covered by the Telesat Transponder Agreement (the “DISH Nimiq 5 Agreement”). Under the terms of the DISH Nimiq 5 Agreement, DISH Network made certain monthly payments to us that commenced in September 2009, when the Nimiq 5 satellite was placed into service. We transferred the Telesat Transponder Agreement to DISH Network in September 2019 as part of the BSS Transaction; however, we retained certain obligations related to DISH Network’s performance under that agreement and we entered into an agreement with DISH Network whereby DISH Network compensates us for retaining such obligations.

TerreStar Agreement. In March 2012, DISH Network completed its acquisition of substantially all the assets of TerreStar Networks Inc. (“TerreStar”). Prior to DISH Network’s acquisition of substantially all the assets of TerreStar and EchoStar’s completion of the Hughes Acquisition, TerreStar and HNS entered into various agreements pursuant to which we provide, among other things, warranty, operations and maintenance and hosting services for TerreStar’s ground-based communications equipment (the “TerreStar Agreements”). In December 2017, we and DISH Network amended these agreements, effective as of January 1, 2018, to reduce certain pricing terms through December 31, 2023 and to modify certain termination provisions. DISH Network generally has the right to continue to receive warranty services from us for our products on a month-to-month basis unless terminated by DISH Network upon at least 21 days’ written notice to us. DISH Network generally has the right to continue to receive operations and maintenance services from us on a quarter-to-quarter basis unless these services are terminated by DISH Network upon at least 90 days’ written notice to us. In addition, DISH Network generally may terminate any and all services for convenience subject to providing us with prior notice and/or payment of termination charges. In March 2020, we entered into an agreement with DISH Network pursuant to which we perform certain work and provide certain credits to amounts owed to us under the TerreStar Agreements in exchange for DISH Network’s granting us rights to use certain satellite capacity under the Amended and Restated Professional Services Agreement (as defined below). As a result, we and DISH Network amended the TerreStar Agreements to suspend our provision of warranty services to DISH Network from April 2020 through December 2020. Following the expiration of this suspension, we have recommenced providing warranty services to DISH Network. In May 2022, we and DISH Network amended the agreement for the provision of hosting services to extend the term until May 2027.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Hughes Broadband Distribution Agreement. Effective October 2012, we and DISH Network entered into a distribution agreement (the "Distribution Agreement") pursuant to which DISH Network has the right, but not the obligation, to market, sell and distribute our Gen 4 HughesNet service. DISH Network pays us a monthly per subscriber wholesale service fee for our Gen 4 HughesNet service based upon a subscriber's service level and based upon certain volume subscription thresholds. The Distribution Agreement also provides that DISH Network has the right, but not the obligation, to purchase certain broadband equipment from us to support the sale of the Gen 4 HughesNet service. The Distribution Agreement had an initial term of five years with automatic renewal for successive one-year terms unless terminated by either party with a written notice at least 180 days' before the expiration of the then-current term. In February 2014, we and DISH Network entered into an amendment to the Distribution Agreement which, among other things, extended the initial term of the Distribution Agreement until March 2024. Upon expiration or termination of the Distribution Agreement, we and DISH Network will continue to provide our Gen 4 HughesNet service to the then-current DISH Network subscribers pursuant to the terms and conditions of the Distribution Agreement.

DBSD North America Agreement. In March 2012, DISH Network completed its acquisition of all of the equity of DBSD North America, Inc. ("DBSD North America"). Prior to DISH Network's acquisition of DBSD North America and EchoStar's completion of the Hughes Acquisition, DBSD North America and HNS entered into various agreements pursuant to which we provide, among other things, warranty, operations and maintenance and hosting services of DBSD North America's gateway and ground-based communications equipment. In December 2017, we and DBSD North America amended these agreements, effective as of January 1, 2018, to reduce certain pricing terms through December 31, 2023 and to modify certain termination provisions. DBSD North America has the right to continue to receive operations and maintenance services from us on a quarter-to-quarter basis, unless terminated by DBSD North America upon at least 120 days' written notice to us. In February 2019, we further amended these agreements to provide DBSD North America with the right to continue to receive warranty services from us on a month-to-month basis until December 2023, unless terminated by DBSD North America upon at least 21 days' written notice to us. The provision of hosting services will continue until February 2027 unless terminated by DBSD North America upon at least 180 days' written notice to us. In addition, DBSD North America generally may terminate any and all such services for convenience, subject to providing us with prior notice and/or payment of termination charges.

Hughes Equipment and Services Agreement. In February 2019, we and DISH Network entered into an agreement pursuant to which we will sell to DISH Network our HughesNet Service and HughesNet equipment that has been modified to meet DISH Network's internet-of-things specifications for the transfer of data to DISH Network's network operations centers. This agreement has an initial term of five years expiring February 2024 with automatic renewal for successive one-year terms unless terminated by DISH Network with at least 180 days' written notice to us or by us with at least 365 days' written notice to DISH Network.

Operating Expenses — DISH Network

The following table presents our operating expenses related to DISH Network:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Operating expenses - DISH Network	\$ 1,110	\$ 1,467	\$ 2,204	\$ 2,566

The following table presents the related trade accounts payable:

	As of	
	June 30, 2022	December 31, 2021
Trade accounts payable - DISH Network	\$ 570	\$ 587

HUGHES SATELLITE SYSTEMS CORPORATION
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(Unaudited)

Amended and Restated Professional Services Agreement. In connection with the Spin-off, EchoStar entered into various agreements with DISH Network including a transition services agreement, satellite procurement agreement and services agreement, all of which expired in January 2010 and were replaced by a professional services agreement (the "Professional Services Agreement"). In January 2010, EchoStar and DISH Network agreed that EchoStar and its subsidiaries shall continue to have the right, but not the obligation, to receive the following services from DISH Network, among others, certain of which were previously provided under a transition services agreement: information technology, travel and event coordination, internal audit, legal, accounting and tax, benefits administration, program acquisition services and other support services. Additionally, EchoStar and DISH Network agreed that DISH Network would continue to have the right, but not the obligation, to engage EchoStar and its subsidiaries to manage the process of procuring new satellite capacity for DISH Network (previously provided under a satellite procurement agreement), receive logistics, procurement and quality assurance services from EchoStar and its subsidiaries (previously provided under a services agreement) and provide other support services. In connection with the consummation of the Share Exchange, EchoStar and DISH amended and restated the Professional Services Agreement to provide that EchoStar and its subsidiaries and DISH Network shall have the right to receive additional services that either EchoStar and its subsidiaries or DISH Network may require as a result of the Share Exchange, including access to antennas owned by DISH Network for our use in performing TT&C services and maintenance and support services for our antennas (collectively, the "TT&C Antennas"). In September 2019, in connection with the BSS Transaction, EchoStar and DISH further amended the Professional Services Agreement (the "Amended and Restated Professional Services Agreement") to provide that EchoStar and its subsidiaries and DISH Network shall have the right to receive additional services that either EchoStar and its subsidiaries or DISH Network may require as a result of the BSS Transaction and to remove our access to and the maintenance and support services for the TT&C Antennas. A portion of these costs and expenses have been allocated to us in the manner described in Note 11. Related Party Transactions - EchoStar. The term of the Amended and Restated Professional Services Agreement is through January 1, 2023 and renews automatically for successive one-year periods thereafter, unless the agreement is terminated earlier by either party upon at least 60 days' notice. However, either party may generally terminate the Amended and Restated Professional Services Agreement in part with respect to any particular service it receives for any reason upon at least 30 days' notice, unless the statement of work for particular services states otherwise. Certain services provided under the Amended and Restated Professional Services Agreement may survive the termination of the agreement.

Collocation and Antenna Space Agreements. We and DISH Network entered into an agreement pursuant to which DISH Network provided us with collocation space in El Paso, Texas. This agreement was for an initial period ending in July 2015, and provided us with renewal options for four consecutive three-year terms. We exercised our first renewal option for a period commencing in August 2015 and ending in July 2018, in April 2018 we exercised our second renewal option for a period ending in July 2021, and in May 2021 we exercised our third renewal option for a period ending in July 2024. In connection with the Share Exchange, effective March 2017, we also entered into certain agreements pursuant to which DISH Network provides collocation and antenna space to EchoStar through February 2022 at the following locations: Cheyenne, Wyoming; Gilbert, Arizona; New Braunfels, Texas; Monee, Illinois; Spokane, Washington; and Englewood, Colorado. In October 2019, we provided a termination notice for our New Braunfels, Texas agreement effective May 2020. In November 2020, we provided a termination notice for one of our Englewood, Colorado agreements effective May 2021. In November 2021, we exercised our right to renew the collocation agreements at Gilbert, Arizona, Cheyenne, Wyoming, Spokane, Washington, Englewood, Colorado and Monee, Illinois for a period ending in February 2025. In August 2017, we and DISH Network also entered into certain other agreements pursuant to which DISH Network provides additional collocation and antenna space to us in Monee, Illinois and Spokane, Washington through August 2022. In May 2022, we exercised our right to renew such other agreements at Monee, Illinois and Spokane, Washington through August 2025. Generally, we may renew our collocation and antenna space agreements for three-year periods by providing DISH Network with prior written notice no more than 120 days but no less than 90 days prior to the end of the then-current term. We may terminate certain of these agreements with 180 days' prior written notice. In September 2019, in connection with the BSS Transaction, we entered into an agreement pursuant to which DISH Network provided us with certain additional collocation space in Cheyenne, Wyoming for a period that ended in September 2020. The fees for the services provided under these agreements depend on the number of racks located at the location.

Also in connection with the BSS Transaction, in September 2019, we entered into an agreement pursuant to which DISH Network provides us with antenna space and power in Cheyenne, Wyoming for a period of five years commencing in August 2020, with four three-year renewal terms, with prior written notice of renewal required no

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

more than 120 days but no less than 90 days prior to the end of the then-current term. In March 2021, we entered into additional agreements pursuant to which DISH Network provides us with antenna space and power in Cheyenne, Wyoming, and the right to use an antenna and certain space in Gilbert, Arizona. Both agreements are for a period of five years with four three-year renewal terms, with prior written notice of renewal required no more than 120 days but no less than 90 days prior to the end of the then-current term.

Hughes Broadband Master Services Agreement. In conjunction with the launch of our EchoStar XIX satellite, in March 2017, we and DISH Network entered into a master service agreement (the "Hughes Broadband MSA") pursuant to which DISH Network, among other things: (i) has the right, but not the obligation, to market, promote and solicit orders and upgrades for our Gen 5 HughesNet satellite internet service (the "HughesNet service") and related equipment and other telecommunication services and (ii) installs Gen 5 HughesNet service equipment with respect to activations generated by DISH Network. Under the Hughes Broadband MSA, we and DISH Network make certain payments to each other relating to sales, upgrades, purchases and installation services. The current term of the Hughes Broadband MSA is through March 2023 with automatic renewal for successive one-year terms. Either party has the ability to terminate the Hughes Broadband MSA, in whole or in part, for any reason upon at least 90 days' notice to the other party. Upon expiration or termination of the Hughes Broadband MSA, we will continue to provide our Gen 5 HughesNet service to subscribers and make certain payments to DISH Network pursuant to the terms and conditions of the Hughes Broadband MSA. We incurred sales incentives and other costs under the Hughes Broadband MSA totaling \$1.9 million and \$1.9 million for the three months ended June 30, 2022 and 2021, respectively, and \$3.6 million and \$3.8 million for the six months ended June 30, 2022 and 2021, respectively.

2019 TT&C Agreement. In September 2019, in connection with the BSS Transaction, we and a subsidiary of EchoStar entered into an agreement pursuant to which DISH Network provides TT&C services to us and EchoStar and its other subsidiaries for a period ending in September 2021, with the option for a subsidiary of EchoStar to renew for a one-year period upon written notice at least 90 days prior to the initial expiration (the "2019 TT&C Agreement"). In June 2021, we amended the 2019 TT&C Agreement to extend the term until September 2022 and added the option for us to renew the 2019 TT&C Agreement up to an additional three years. The fees for services provided under the 2019 TT&C Agreement are calculated at either: (i) a fixed fee or (ii) cost plus a fixed margin, which will vary depending on the nature of the services provided. Any party is able to terminate the 2019 TT&C Agreement for any reason upon 12 months' notice.

Referral Marketing Agreement. In June 2021, we and DISH Network entered into an agreement pursuant to which we will pre-qualify prospects contacting Hughes call centers and transfer those prospects to DISH Network for introduction to DISH Network's video services, for prospects that convert Hughes will receive a commission. This agreement has an indefinite term and may be terminated by either party upon 90 days' prior written notice.

Whidbey Island 5G Network Test Bed Subcontract. In June 2022, we and DISH Wireless entered into a subcontract ("DISH Subcontract") pursuant to which DISH will provide access and use of a DISH lab, technical support and integration and testing support for the 5G network test bed to be delivered by Hughes to its customer.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Other Receivables - DISH Network

Tax Sharing Agreement. Effective December 2007, EchoStar and DISH Network entered into a tax sharing agreement (the "Tax Sharing Agreement") in connection with the Spin-off. This agreement governs EchoStar and DISH and their respective subsidiaries' respective rights, responsibilities and obligations after the Spin-off with respect to taxes for the periods ending on or before the Spin-off. Generally, all pre-Spin-off taxes, including any taxes that are incurred as a result of restructuring activities undertaken to implement the Spin-off, are borne by DISH Network and DISH Network indemnifies EchoStar and its subsidiaries for such taxes. However, DISH Network is not liable for and does not indemnify EchoStar or its subsidiaries for any taxes that are incurred as a result of the Spin-off or certain related transactions failing to qualify as tax-free distributions pursuant to any provision of Section 355 or Section 361 of the Internal Revenue Code of 1986, as amended (the "Code"), because of: (i) a direct or indirect acquisition of any of EchoStar's stock, stock options or assets; (ii) any action that EchoStar or its subsidiaries take or fail to take or (iii) any action that EchoStar or its subsidiaries take that is inconsistent with the information and representations furnished to the IRS in connection with the request for the private letter ruling, or to counsel in connection with any opinion being delivered by counsel with respect to the Spin-off or certain related transactions. In such case, EchoStar and its subsidiaries will be solely liable for, and will indemnify DISH Network for any resulting taxes, as well as any losses, claims and expenses. The Tax Sharing Agreement will terminate after the later of the full period of all applicable statutes of limitations, including extensions, or once all rights and obligations are fully effectuated or performed.

In light of the Tax Sharing Agreement, among other things, and in connection with EchoStar's consolidated federal income tax returns for certain tax years prior to and for the year of the Spin-off, in September 2013, EchoStar and DISH Network agreed upon a supplemental allocation of the tax benefits arising from certain tax items resolved in the course of the IRS's examination of EchoStar's consolidated tax returns. As a result, DISH Network agreed to pay EchoStar an amount that includes the federal tax benefit DISH received as a result of our operations.

In August 2018, EchoStar and DISH Network amended the Tax Sharing Agreement and the 2013 agreements (the "Tax Sharing Amendment"). Under the Tax Sharing Amendment, DISH Network is required to compensate EchoStar for certain past and future excess California research and development tax credits generated by EchoStar and its subsidiaries and used by DISH Network.

Other Agreements

Master Transaction Agreement. In May 2019, EchoStar and BSS Corp. entered into the Master Transaction Agreement with DISH and Merger Sub with respect to the BSS Transaction. Pursuant to the terms of the Master Transaction Agreement, on September 10, 2019: (i) EchoStar and its subsidiaries and we and our subsidiaries transferred the BSS Business to BSS Corp.; (ii) EchoStar completed the Distribution; and (iii) immediately after the Distribution, (1) BSS Corp. became a wholly-owned subsidiary of DISH such that DISH owns and operates the BSS Business and (2) each issued and outstanding share of BSS Common Stock owned by EchoStar stockholders was converted into the right to receive 0.23523769 shares of DISH Common Stock. Following the consummation of the BSS Transaction, we no longer operate the BSS Business, which was a substantial portion of our ESS segment. The Master Transaction Agreement contained customary representations and warranties by the parties, including EchoStar's representations relating to the assets, liabilities and financial condition of the BSS Business, and representations by DISH Network relating to its financial condition and liabilities. EchoStar and DISH Network have agreed to indemnify each other against certain losses with respect to breaches of certain representations and covenants and certain retained and assumed liabilities, respectively.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

BSS Transaction Intellectual Property and Technology License Agreement. Effective September 2019, in connection with the BSS Transaction, we, EchoStar and DISH Network entered into an intellectual property and technology license agreement (the “BSS IPTLA”) pursuant to which we, EchoStar and its other subsidiaries and DISH Network license to each other certain intellectual property and technology. The BSS IPTLA will continue in perpetuity, unless mutually terminated by the parties. Pursuant to the BSS IPTLA, we, EchoStar and its other subsidiaries granted to DISH Network a license to our and their intellectual property and technology for use by DISH Network, among other things, in connection with its continued operation of the BSS Business acquired pursuant to the BSS Transaction, including a limited license to use the “ESS” and “ECHOSTAR SATELLITE SERVICES” trademarks during a transition period. EchoStar retains full ownership of the “ESS” and “ECHOSTAR SATELLITE SERVICES” trademarks. In addition, DISH Network granted a license back to us, EchoStar and its other subsidiaries, among other things, for the continued use of all intellectual property and technology that is used in our, EchoStar and its other subsidiaries’ retained businesses but the ownership of which was transferred to DISH Network pursuant to the BSS Transaction.

BSS Transaction Tax Matters Agreement. Effective September 2019, in connection with the BSS Transaction, EchoStar, BSS Corp. and DISH entered into a tax matters agreement. This agreement governs certain rights, responsibilities and obligations of EchoStar and its subsidiaries’ with respect to taxes of the BSS Business transferred pursuant to the BSS Transaction. Generally, EchoStar is responsible for all tax returns and tax liabilities for the BSS Business for periods prior to the BSS Transaction and DISH is responsible for all tax returns and tax liabilities for the BSS Business from and after the BSS Transaction.

Both EchoStar and DISH made certain tax-related representations and are subject to various tax-related covenants after the consummation of the BSS Transaction. Both EchoStar and DISH Network have agreed to indemnify each other for certain losses if there is a breach of any of the tax representations or violation of any of the tax covenants in the tax matters agreement and that breach or violation results in the failure of the BSS Transaction being treated as a transaction that is tax-free for EchoStar or its stockholders for U.S. federal income tax purposes. In addition, DISH Network has agreed to indemnify EchoStar if the BSS Business is acquired, either directly or indirectly (e.g., via an acquisition of DISH Network), by one or more persons, where either it took an action, or knowingly facilitated, consented to or assisted with an action by its stockholders, that resulted in the failure of the BSS Transaction being treated as a transaction that is tax-free for EchoStar and its stockholders for U.S. federal income tax purposes. This tax matters agreement supplements the Tax Sharing Agreement outlined above and the Share Exchange Tax Matters Agreement outlined below, both of which continue in full force and effect.

BSS Transaction Employee Matters Agreement. Effective September 2019, in connection with the BSS Transaction, EchoStar and DISH Network entered into an employee matters agreement that addressed the transfer of employees from us to DISH Network, including certain benefit and compensation matters and the allocation of responsibility for employee related liabilities relating to current and past employees of the BSS Business. DISH Network assumed employee-related liabilities relating to the BSS Business as part of the BSS Transaction, except that EchoStar is responsible for certain pre-BSS Transaction compensation and benefits for employees who transferred to DISH Network in connection with the BSS Transaction.

Share Exchange Agreement. In February 2017 EchoStar consummated the Share Exchange, following which EchoStar and certain of its and our subsidiaries no longer operate the transferred EchoStar Technologies businesses and the Tracking Stock was retired and is no longer outstanding and all agreements, arrangements and policy statements with respect to such Tracking Stock terminated and are of no further effect. Pursuant to the Share Exchange Agreement, EchoStar and certain of its and our subsidiaries transferred certain assets, investments in joint ventures, spectrum licenses and real estate properties and DISH Network assumed certain liabilities relating to the transferred assets and businesses. The Share Exchange Agreement contained customary representations and warranties by the parties, including representations by EchoStar related to the transferred assets, assumed liabilities and the financial condition of the transferred businesses. EchoStar and DISH Network also agreed to customary indemnification provisions whereby each party indemnifies the other against certain losses with respect to breaches of representations, warranties or covenants and certain liabilities and if certain actions undertaken by EchoStar or DISH causes the transaction to be taxable to the other party after closing.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Share Exchange Intellectual Property and Technology License Agreement. Effective March 2017, in connection with the Share Exchange, EchoStar and one of its other subsidiaries and DISH Network entered into an intellectual property and technology license agreement (“IPTLA”) pursuant to which we, EchoStar and its other subsidiaries and DISH Network license to each other certain intellectual property and technology. The IPTLA will continue in perpetuity, unless mutually terminated by the parties. Pursuant to the IPTLA, we, EchoStar and its other subsidiaries granted to DISH Network a license to our and their intellectual property and technology for use by DISH Network, among other things, in connection with its continued operation of the businesses acquired pursuant to the Share Exchange, including a limited license to use the “ECHOSTAR” trademark during a transition period. EchoStar retains full ownership of the “ECHOSTAR” trademark. In addition, DISH Network granted a license back to us, EchoStar and its other subsidiaries, among other things, for the continued use of all intellectual property and technology that is used in our, EchoStar and its other subsidiaries’ retained businesses but the ownership of which was transferred to DISH Network pursuant to the Share Exchange.

Share Exchange Tax Matters Agreement. Effective March 2017, in connection with the Share Exchange, EchoStar and DISH entered into a tax matters agreement. This agreement governs certain rights, responsibilities and obligations of EchoStar and its subsidiaries with respect to taxes of the transferred businesses pursuant to the Share Exchange. Generally, EchoStar is responsible for all tax returns and tax liabilities for the transferred businesses and assets for periods prior to the Share Exchange and DISH Network is responsible for all tax returns and tax liabilities for the transferred businesses and assets from and after the Share Exchange. Both EchoStar and DISH Network made certain tax-related representations and are subject to various tax-related covenants after the consummation of the Share Exchange. Both EchoStar and DISH Network have agreed to indemnify each other if there is a breach of any such tax representation or violation of any such tax covenant and that breach or violation results in the Share Exchange not qualifying for tax free treatment for the other party. In addition, DISH Network has agreed to indemnify EchoStar if the transferred businesses are acquired, either directly or indirectly (e.g., via an acquisition of DISH Network), by one or more persons and such acquisition results in the Share Exchange not qualifying for tax free treatment. The tax matters agreement supplements the Tax Sharing Agreement outlined above which continues in full force and effect.

NOTE 13. RELATED PARTY TRANSACTIONS - OTHER

Hughes Systique Corporation

We contract with Hughes Systique Corporation (“Hughes Systique”) for software development services. In addition to our approximately 42% ownership in Hughes Systique, Mr. Pradman Kaul, the President of our subsidiary Hughes Communications and a member of our board of directors, and his brother, who is the Chief Executive Officer and President of Hughes Systique, own in the aggregate approximately 25%, on an undiluted basis, of Hughes Systique’s outstanding shares as of June 30, 2022. Furthermore, Mr. Pradman Kaul serves on the board of directors of Hughes Systique. Hughes Systique is a variable interest entity and we are considered the primary beneficiary of Hughes Systique due to, among other factors, our ability to direct the activities that most significantly impact the economic performance of Hughes Systique. As a result, we consolidate Hughes Systique’s financial statements in these Consolidated Financial Statements.

TerreStar Solutions

DISH Network owns more than 15% of TerreStar Solutions, Inc. (“TSI”). In May 2018, we and TSI entered into an equipment and services agreement pursuant to which we design, manufacture and install upgraded ground communications network equipment for TSI’s network and provide, among other things, warranty and support services. We recognized revenue of \$0.5 million and \$0.5 million for the three months ended June 30, 2022 and 2021, respectively, and \$1.0 million and \$0.9 million for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022 we had \$0.5 million of trade accounts receivable from TSI.

HUGHES SATELLITE SYSTEMS CORPORATION
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NOTE 14. CONTINGENCIES**Patents and Intellectual Property**

Many entities, including some of our competitors, have, or may have in the future, patents and other intellectual property rights that cover or affect products or services directly or indirectly related to those that we offer. We may not be aware of all patents and other intellectual property rights that our products and services may potentially infringe. Damages in patent infringement cases can be substantial, and in certain circumstances can be tripled. Further, we cannot estimate the extent to which we may be required in the future to obtain licenses with respect to intellectual property rights held by others and the availability and cost of any such licenses. Various parties have asserted patent and other intellectual property rights with respect to our products and services. We cannot be certain that these parties do not own the rights they claim, that these rights are not valid or that our products and services do not infringe on these rights. Further, we cannot be certain that we would be able to obtain licenses from these parties on commercially reasonable terms or, if we were unable to obtain such licenses, that we would be able to redesign our products and services to avoid infringement.

Certain Arrangements with DISH Network

In connection with EchoStar's spin-off from DISH in 2008, EchoStar entered into a separation agreement with DISH Network that provides, among other things, for the division of certain liabilities, including liabilities resulting from litigation. Under the terms of the separation agreement, EchoStar assumed certain liabilities that relate to its and our business, including certain designated liabilities for acts or omissions that occurred prior to the Spin-off. Certain specific provisions govern intellectual property related claims under which EchoStar will generally only be liable for its and its subsidiaries' acts or omissions following the Spin-off and DISH Network will indemnify EchoStar for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off as well as DISH Network's acts or omissions following the Spin-off. In connection with the Share Exchange and BSS Transaction, EchoStar and certain of its and our subsidiaries entered into the Share Exchange Agreement and the Master Transaction Agreement, respectively, and other agreements which provide, among other things, for the division of certain liabilities, including liabilities relating to taxes, intellectual property and employees and liabilities resulting from litigation and the assumption of certain liabilities that relate to the transferred businesses and assets. These agreements also contain additional indemnification provisions between EchoStar and us and DISH Network for, in the case of the Share Exchange, certain pre-existing liabilities and legal proceedings and, in the case of the BSS Transaction, certain losses with respect to breaches of certain representations and covenants and certain liabilities.

Litigation

We are involved in a number of legal proceedings concerning matters arising in connection with the conduct of our business activities. Many of these proceedings are at preliminary stages and/or seek an indeterminate amount of damages. We regularly evaluate the status of the legal proceedings in which we are involved to assess whether a loss is probable and to determine if accruals are appropriate. We record an accrual for litigation and other loss contingencies when we determine that a loss is probable, and the amount of the loss can be reasonably estimated. If accruals are not appropriate, we further evaluate each legal proceeding to assess whether an estimate of possible loss or range of loss can be made. There can be no assurance that legal proceedings against us will be resolved in amounts that will not differ from the amounts of our recorded accruals. Legal fees and other costs of defending legal proceedings are charged to expense as incurred.

For certain proceedings, management is unable to predict with any degree of certainty the outcome or provide a meaningful estimate of the possible loss or range of possible loss because, among other reasons: (i) the proceedings are in various stages; (ii) damages have not been sought or specified; (iii) damages are unsupported, indeterminate and/or exaggerated in management's opinion; (iv) there is uncertainty as to the outcome of pending trials, appeals, motions or other proceedings; (v) there are significant factual issues to be resolved; and/or (vi) there are novel legal issues or unsettled legal theories to be presented or a large number of parties are involved (as with many patent-related cases). Except as described below, however, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material effect on our financial condition, operating results or cash flows, though there is no assurance that the resolution and outcomes of these

HUGHES SATELLITE SYSTEMS CORPORATION
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(Unaudited)

proceedings, individually or in the aggregate, will not be material to our financial condition, operating results or cash flows for any particular period, depending, in part, upon the operating results for such period.

We intend to vigorously defend the proceedings against us. In the event that a court, tribunal, other body or jury ultimately rules against us, we may be subject to adverse consequences, including, without limitation, substantial damages, which may include treble damages, fines, penalties, compensatory damages and/or other equitable or injunctive relief that could require us to materially modify our business operations or certain products or services that we offer to our consumers.

Shareholder Litigation

On July 2, 2019, the City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust, purporting to sue on behalf of a class of EchoStar Corporation's stockholders, filed a complaint in the District Court of Clark County, Nevada against EchoStar's directors, Charles W. Ergen, R. Stanton Dodge, Anthony M. Federico, Pradman P. Kaul, C. Michael Schroeder, Jeffrey R. Tarr, William D. Wade, and Michael T. Dugan; our chief financial officer, David J. Rayner; EchoStar; HSSC; our former subsidiary BSS Corp.; and DISH and its subsidiary Merger Sub. On September 5, 2019, the defendants filed motions to dismiss. On October 11, 2019, the plaintiffs filed an amended complaint removing Messrs. Dodge, Federico, Kaul, Schroeder, Tarr and Wade as defendants. The amended complaint alleges that Mr. Ergen, as our controlling stockholder, breached fiduciary duties to EchoStar's minority stockholders by structuring the BSS Transaction with inadequate consideration and improperly influencing our and EchoStar's boards of directors to approve the BSS Transaction. The amended complaint also alleges that the other defendants aided and abetted such alleged breaches. The plaintiffs seek equitable and monetary relief, including the issuance of additional DISH Common Stock, and other costs and disbursements, including attorneys' fees on behalf of the purported class. On November 11, 2019, we and the other defendants filed separate motions to dismiss plaintiff's amended complaint and during a hearing on January 13, 2020 the court denied these motions. On February 10, 2020, we and the other defendants filed answers to the amended complaint. The Court certified plaintiff's class on January 11, 2021. On June 18, 2021, the parties executed a settlement agreement to resolve all claims in this case. On the same day, the parties filed a joint motion for preliminary approval of the settlement agreement. The motion was granted by an order dated July 30, 2021. On December 9, 2021, the Court held a final settlement hearing. On December 10, 2021, the Court issued an Order granting final approval of the settlement agreement. The case is expected to be dismissed once the Court approves a class distribution order.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

License Fee Dispute with Government of India, Department of Telecommunications

In 1994, the Government of India promulgated a “National Telecommunications Policy” under which the government liberalized the telecommunications sector and required telecommunications service providers to pay fixed license fees. Pursuant to this policy, our subsidiary Hughes Communications India Private Limited (“HCIPL”), formerly known as Hughes Escorts Communications Limited, obtained a license to operate a data network over satellite using VSAT systems. In 2002, HCIPL’s license was amended pursuant to a new government policy that was first established in 1999. The new policy eliminated the fixed license fees and instead required each telecommunications service provider to pay license fees based on its adjusted gross revenue (“AGR”). In March 2005, the Indian Department of Telecommunications (“DOT”) notified HCIPL that, based on its review of HCIPL’s audited accounts and AGR statements, HCIPL must pay additional license fees and penalties and interest on such fees and penalties. HCIPL responded that the DOT had improperly calculated its AGR by including revenue from licensed and unlicensed activities. The DOT rejected this explanation and in 2006, HCIPL filed a petition with an administrative tribunal (the “Tribunal”), challenging the DOT’s calculation of its AGR. The DOT also issued license fee assessments to other telecommunications service providers and a number of similar petitions were filed by several other such providers with the Tribunal. These petitions were amended, consolidated, remanded and re-appealed several times. On April 23, 2015, the Tribunal issued a judgment affirming the DOT’s calculation of AGR for the telecommunications service providers but reversing the DOT’s imposition of interest, penalties and interest on such penalties as excessive. Over subsequent years, the DOT and HCIPL and other telecommunications service providers, respectively, filed several appeals of the Tribunal’s ruling. On October 24, 2019, the Supreme Court of India (“Supreme Court”) issued an order (the “October 2019 Order”) affirming the license fee assessments imposed by the DOT, including its imposition of interest, penalties and interest on the penalties, but without indicating the amount HCIPL is required to pay the DOT, and ordering payment by January 23, 2020. On November 23, 2019, HCIPL and other telecommunication service providers filed a petition asking the Supreme Court to reconsider the October 2019 Order. The petition was denied on January 20, 2020. On January 22, 2020, HCIPL and other telecommunication service providers filed an application requesting that the Supreme Court modify the October 2019 Order to permit the DOT to calculate the final amount due and extend HCIPL’s and the other telecommunication service providers’ payment deadline. On February 14, 2020, the Supreme Court directed HCIPL and the other telecommunication service providers to explain why the Supreme Court should not initiate contempt proceedings for failure to pay the amounts due. During a hearing on March 18, 2020, the Supreme Court ordered that all amounts that were due before the October 2019 Order must be paid, including interest, penalties and interest on the penalties. The Supreme Court also ordered that the parties appear for a further hearing addressing, potentially among other things, a proposal by the DOT to allow for extended or deferred payments of amounts due. On June 11, 2020, the Supreme Court ordered HCIPL and the other telecommunication service providers to submit affidavits addressing the proposal made by the DOT to extend the time frame for payment of the amounts owed and for HCIPL and the other telecommunication providers to provide security for such payments. On September 1, 2020, the Supreme Court issued a judgment permitting a 10-year payment schedule. Under this payment schedule, HCIPL is required to make an annual payment every March 31, through 2031. Following the Supreme Court of India’s October 2019 judgment, HCIPL made payments during the first quarter of 2020, and additional payments on March 31, 2021 and March 31, 2022.

The following table presents the components of the accrual:

	As of	
	June 30, 2022	December 31, 2021
Additional license fees	\$ 3,596	\$ 3,812
Penalties	3,691	3,912
Interest and interest on penalties	79,555	81,389
Less: Payments	(18,671)	(8,451)
Total accrual	<u>\$ 68,171</u>	<u>\$ 80,662</u>

Any eventual payments made with respect to the ultimate outcome of this matter may be different from our accrual and such differences could be significant.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Other

In addition to the above actions, we are subject to various other legal proceedings and claims, which arise in the ordinary course of business. As part of our ongoing operations, we are subject to various inspections, audits, inquiries, investigations and similar actions by third parties, as well as by governmental/regulatory authorities responsible for enforcing the laws and regulations to which we may be subject. Further, under the federal False Claims Act, private parties have the right to bring qui tam, or "whistleblower," suits against companies that submit false claims for payments to, or improperly retain overpayments from, the federal government. Some states have adopted similar state whistleblower and false claims provisions. In addition, we from time to time receive inquiries from federal, state and foreign agencies regarding compliance with various laws and regulations.

In our opinion, the amount of ultimate liability with respect to any of these other actions is unlikely to materially affect our financial position, results of operations or cash flows, though the resolutions and outcomes, individually or in the aggregate, could be material to our financial position, operating results or cash flows for any particular period, depending, in part, upon the operating results for such period.

We also indemnify our directors, officers and employees for certain liabilities that might arise from the performance of their responsibilities for us. Additionally, in the normal course of its business, we enter into contracts pursuant to which we may make a variety of representations and warranties and indemnify the counterparty for certain losses. Our possible exposure under these arrangements cannot be reasonably estimated as this involves the resolution of claims made, or future claims that may be made, against us or our officers, directors or employees, the outcomes of which are unknown and not currently predictable or estimable.

NOTE 15. SEGMENT REPORTING

Business segments are components of an enterprise for which separate financial information is available and regularly evaluated by our chief operating decision maker ("CODM"), who is our Chief Executive Officer. We operate in two business segments, Hughes segment and ESS segment.

The primary measure of segment profitability that is reported regularly to our CODM is earnings before interest, taxes, depreciation and amortization, and net income (loss) attributable to non-controlling interests ("EBITDA").

Total assets by segment have not been reported herein because the information is not provided to our CODM on a regular basis.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

The following table presents total revenue, capital expenditures and EBITDA for each of our business segments:

	Hughes	ESS	Corporate and Other	Consolidated Total
For the three months ended June 30, 2022				
External revenue	\$ 491,841	\$ 4,502	\$ 4,740	\$ 501,083
Intersegment revenue	—	348	(348)	—
Total revenue	<u>\$ 491,841</u>	<u>\$ 4,850</u>	<u>\$ 4,392</u>	<u>\$ 501,083</u>
Capital expenditures	\$ 64,861	\$ —	\$ —	\$ 64,861
EBITDA	<u>\$ 179,928</u>	<u>\$ 3,521</u>	<u>\$ (11,430)</u>	<u>\$ 172,019</u>
For the three months ended June 30, 2021				
External revenue	\$ 492,276	\$ 4,195	\$ 5,402	\$ 501,873
Intersegment revenue	—	88	(88)	—
Total revenue	<u>\$ 492,276</u>	<u>\$ 4,283</u>	<u>\$ 5,314</u>	<u>\$ 501,873</u>
Capital expenditures	\$ 72,187	\$ —	\$ —	\$ 72,187
EBITDA	<u>\$ 210,194</u>	<u>\$ 2,243</u>	<u>\$ (8,444)</u>	<u>\$ 203,993</u>
	Hughes	ESS	Corporate and Other	Consolidated Total
For the six months ended June 30, 2022				
External revenue	\$ 985,947	\$ 8,778	\$ 10,016	\$ 1,004,741
Intersegment revenue	—	546	(546)	—
Total revenue	<u>\$ 985,947</u>	<u>\$ 9,324</u>	<u>\$ 9,470</u>	<u>\$ 1,004,741</u>
Capital expenditures	\$ 125,882	\$ —	\$ —	\$ 125,882
EBITDA	<u>\$ 371,098</u>	<u>\$ 6,212</u>	<u>\$ (22,086)</u>	<u>\$ 355,224</u>
For the six months ended June 30, 2021				
External revenue	\$ 968,136	\$ 8,196	\$ 10,771	\$ 987,103
Intersegment revenue	—	176	(176)	—
Total revenue	<u>\$ 968,136</u>	<u>\$ 8,372</u>	<u>\$ 10,595</u>	<u>\$ 987,103</u>
Capital expenditures	\$ 154,382	\$ —	\$ —	\$ 154,382
EBITDA	<u>\$ 408,772</u>	<u>\$ 4,162</u>	<u>\$ (17,535)</u>	<u>\$ 395,399</u>

The following table reconciles *Income (loss) before income taxes* in the Consolidated Statements of Operations to EBITDA:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Income (loss) before income taxes	\$ 39,944	\$ 54,009	\$ 85,885	\$ 82,276
Interest income, net	(4,279)	(1,682)	(6,559)	(4,076)
Interest expense, net of amounts capitalized	23,096	37,083	46,474	79,005
Depreciation and amortization	109,864	112,303	223,542	234,967
Net loss (income) attributable to non-controlling interests	3,394	2,280	5,882	3,227
EBITDA	<u>\$ 172,019</u>	<u>\$ 203,993</u>	<u>\$ 355,224</u>	<u>\$ 395,399</u>

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 16. SUPPLEMENTAL FINANCIAL INFORMATION**Other Current Assets, Net and Other Non-current Assets, Net**

The following table presents the components of *Other current assets, net* and *Other non-current assets, net*:

	As of	
	June 30, 2022	December 31, 2021
Other current assets, net:		
Related party receivables - EchoStar	120,258	122,619
Inventory	110,399	102,907
Prepays and deposits	21,637	27,737
Trade accounts receivable - DISH Network	\$ 4,072	\$ 3,457
Other, net	16,318	20,124
Total other current assets	<u>\$ 272,684</u>	<u>\$ 276,844</u>
Other non-current assets, net:		
Capitalized software, net	\$ 120,421	\$ 124,701
Contract acquisition costs, net	74,702	82,986
Related party receivables - EchoStar	52,118	56,055
Deferred tax assets, net	5,302	5,411
Restricted cash	2,053	980
Contract fulfillment costs, net	1,589	1,721
Other, net	32,962	30,986
Total other non-current assets, net	<u>\$ 289,147</u>	<u>\$ 302,840</u>

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Accrued Expenses and Other Current Liabilities and Other Non-Current Liabilities

The following table presents the components of *Accrued expenses and other current liabilities* and *Other non-current liabilities*:

	As of	
	June 30, 2022	December 31, 2021
Accrued expenses and other current liabilities:		
Related party payables - EchoStar	\$ 124,382	\$ 124,578
Accrued compensation	38,336	45,630
Operating lease obligation	17,236	16,697
Accrued interest	38,334	39,289
Accrued taxes	10,959	9,790
Accrual for license fee dispute	10,699	11,178
Trade accounts payable - DISH Network	570	587
Other	58,786	61,130
Total accrued expenses and other current liabilities	<u>\$ 299,302</u>	<u>\$ 308,879</u>
Other non-current liabilities:		
Accrual for license fee dispute	57,472	69,484
Related party payables - EchoStar	\$ 23,154	\$ 24,118
Contract liabilities	9,922	10,669
Other	47,741	48,980
Total other non-current liabilities	<u>\$ 138,289</u>	<u>\$ 153,251</u>

Inventory

The following table presents the components of inventory:

	As of	
	June 30, 2022	December 31, 2021
Raw materials	\$ 21,495	\$ 13,778
Work-in-process	15,078	11,705
Finished goods	73,826	77,424
Total inventory	<u>\$ 110,399</u>	<u>\$ 102,907</u>

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Supplemental and Non-cash Investing and Financing Activities

The following table presents the supplemental and non-cash investing and financing activities:

	For the six months ended June 30,	
	2022	2021
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 49,845	\$ 75,947
Cash paid for income taxes	\$ 6,173	\$ 3,741
Non-cash investing and financing activities:		
Increase (decrease) in capital expenditures included in accounts payable, net	\$ (8,563)	\$ 8,333
Non-cash net assets received as part of the India JV formation	\$ 36,701	\$ —

NOTE 17. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

Certain of our wholly-owned subsidiaries (together, the "Guarantor Subsidiaries") have fully and unconditionally guaranteed, on a joint and several basis, the obligations of our 5 1/4% Senior Secured Notes due August 1, 2026 and 6 5/8% Senior Unsecured Notes due August 1, 2026 (collectively, the "Notes").

The indentures governing the Notes contain restrictive covenants that, among other things, impose limitations on our ability and the ability of certain of our subsidiaries to pay dividends or make distributions, incur additional debt, make certain investments, create liens or enter into sale and leaseback transactions, merge or consolidate with another company, transfer and sell assets, enter into transactions with affiliates or allow to exist certain restrictions on the ability of certain of our subsidiaries to pay dividends, make distributions, make other payments, or transfer assets to us.

In lieu of separate financial statements of the Guarantor Subsidiaries, we have prepared the accompanying consolidating financial information in accordance with Rule 3-10(f) of Regulation S-X. This includes:

- the accompanying balance sheet;
- the accompanying statement of operations and comprehensive income (loss); and
- the accompanying statement of cash flows.

This also includes consolidating financial information as follows:

- the Guarantor Subsidiaries on a combined basis;
- the non-guarantor subsidiaries of HSSC on a combined basis; and
- the eliminations necessary to arrive at the corresponding information of HSSC on a consolidated basis.

This accompanying consolidating financial information should be read in conjunction with these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Balance Sheet as of June 30, 2022

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 837,441	\$ 19,791	\$ 67,680	\$ —	\$ 924,912
Marketable investment securities	354,184	—	6,464	—	360,648
Trade accounts receivable and contract assets, net	—	158,861	65,154	—	224,015
Other current assets, net	65,548	1,204,000	217,557	(1,214,421)	272,684
Total current assets	1,257,173	1,382,652	356,855	(1,214,421)	1,782,259
Non-current assets:					
Property and equipment, net	—	1,164,939	287,523	—	1,452,462
Operating lease right-of-use assets	—	122,655	28,381	—	151,036
Goodwill	—	504,173	29,332	—	533,505
Regulatory authorizations, net	—	400,000	8,824	—	408,824
Other intangible assets, net	—	13,241	3,777	—	17,018
Other investments, net	—	8,039	78,171	—	86,210
Investment in subsidiaries	3,212,854	336,417	—	(3,549,271)	—
Other non-current assets, net	1,180	285,181	158,565	(155,779)	289,147
Total non-current assets	3,214,034	2,834,645	594,573	(3,705,050)	2,938,202
Total assets	\$ 4,471,207	\$ 4,217,297	\$ 951,428	\$ (4,919,471)	\$ 4,720,461
Liabilities and Shareholder's Equity					
Current liabilities:					
Trade accounts payable	\$ —	\$ 89,909	\$ 11,219	\$ —	\$ 101,128
Contract liabilities	—	130,241	4,615	—	134,856
Accrued expenses and other current liabilities	1,012,002	216,435	285,286	(1,214,421)	299,302
Total current liabilities	1,012,002	436,585	301,120	(1,214,421)	535,286
Non-current liabilities:					
Long-term debt, net	1,496,379	—	—	—	1,496,379
Deferred tax liabilities, net	—	337,589	12,822	(649)	349,762
Operating lease liabilities	—	112,850	23,742	—	136,592
Other non-current liabilities	—	117,980	175,439	(155,130)	138,289
Total non-current liabilities	1,496,379	568,419	212,003	(155,779)	2,121,022
Total liabilities	2,508,381	1,005,004	513,123	(1,370,200)	2,656,308
Shareholder's equity:					
Total Hughes Satellite Systems Corporation shareholder's equity	1,962,826	3,212,293	336,978	(3,549,271)	1,962,826
Non-controlling interests	—	—	101,327	—	101,327
Total shareholder's equity	1,962,826	3,212,293	438,305	(3,549,271)	2,064,153
Total liabilities and shareholder's equity	\$ 4,471,207	\$ 4,217,297	\$ 951,428	\$ (4,919,471)	\$ 4,720,461

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Balance Sheet as of December 31, 2021

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 324,764	\$ 42,550	\$ 61,854	\$ —	\$ 429,168
Marketable investment securities	854,502	—	—	—	854,502
Trade accounts receivable and contract assets, net	—	127,350	54,713	—	182,063
Other current assets, net	170,283	1,056,871	94,185	(1,044,495)	276,844
Total current assets	1,349,549	1,226,771	210,752	(1,044,495)	1,742,577
Non-current assets:					
Property and equipment, net	—	1,209,859	313,588	—	1,523,447
Operating lease right-of-use assets	—	117,912	30,309	—	148,221
Goodwill	—	504,173	6,913	—	511,086
Regulatory authorizations, net	—	400,000	8,959	—	408,959
Other intangible assets, net	—	13,984	—	—	13,984
Other investments, net	—	9,600	81,626	—	91,226
Investment in subsidiaries	3,126,926	292,211	—	(3,419,137)	—
Other non-current assets, net	1,191	299,149	97,305	(94,805)	302,840
Total non-current assets	3,128,117	2,846,888	538,700	(3,513,942)	2,999,763
Total assets	\$ 4,477,666	\$ 4,073,659	\$ 749,452	\$ (4,558,437)	\$ 4,742,340
Liabilities and Shareholder's Equity					
Current liabilities:					
Trade accounts payable	\$ —	\$ 92,156	\$ 13,321	\$ —	\$ 105,477
Contract liabilities	—	134,474	6,869	—	141,343
Accrued expenses and other current liabilities	972,936	218,463	161,975	(1,044,495)	308,879
Total current liabilities	972,936	445,093	182,165	(1,044,495)	555,699
Non-current liabilities:					
Long-term debt, net	1,495,994	—	—	—	1,495,994
Deferred tax liabilities, net	—	334,148	258	—	334,406
Operating lease liabilities	—	108,431	25,570	—	134,001
Other non-current liabilities	—	59,623	188,432	(94,804)	153,251
Total non-current liabilities	1,495,994	502,202	214,260	(94,804)	2,117,652
Total liabilities	2,468,930	947,295	396,425	(1,139,299)	2,673,351
Shareholder's equity:					
Total Hughes Satellite Systems Corporation shareholder's equity	2,008,736	3,126,364	292,774	(3,419,138)	2,008,736
Non-controlling interests	—	—	60,253	—	60,253
Total shareholder's equity	2,008,736	3,126,364	353,027	(3,419,138)	2,068,989
Total liabilities and shareholder's equity	\$ 4,477,666	\$ 4,073,659	\$ 749,452	\$ (4,558,437)	\$ 4,742,340

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended June 30, 2022

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	\$ —	\$ 340,844	\$ 81,718	\$ (6,099)	\$ 416,463
Equipment revenue	—	83,557	5,247	(4,184)	84,620
Total revenue	—	424,401	86,965	(10,283)	501,083
Costs and expenses:					
Cost of sales - services and other (exclusive of depreciation and amortization)	—	106,689	42,687	(6,760)	142,616
Cost of sales - equipment (exclusive of depreciation and amortization)	—	69,716	3,408	(3,076)	70,048
Selling, general and administrative expenses	—	84,969	22,303	(447)	106,825
Research and development expenses	—	8,680	85	—	8,765
Depreciation and amortization	—	72,661	37,203	—	109,864
Total costs and expenses	—	342,715	105,686	(10,283)	438,118
Operating income (loss)	—	81,686	(18,721)	—	62,965
Other income (expense):					
Interest income, net	3,185	1,357	1,014	(1,277)	4,279
Interest expense, net of amounts capitalized	(22,460)	955	(2,868)	1,277	(23,096)
Gains (losses) on investments, net	(3)	217	—	—	214
Equity in earnings (losses) of unconsolidated affiliates, net	—	338	(1,639)	—	(1,301)
Equity in earnings (losses) of subsidiaries, net	43,364	(25,206)	—	(18,158)	—
Foreign currency transaction gains (losses), net	—	2,910	(5,788)	—	(2,878)
Other, net	—	(216)	(23)	—	(239)
Total other income (expense), net	24,086	(19,645)	(9,304)	(18,158)	(23,021)
Income (loss) before income taxes	24,086	62,041	(28,025)	(18,158)	39,944
Income tax benefit (provision), net	4,408	(18,677)	(575)	—	(14,844)
Net income (loss)	28,494	43,364	(28,600)	(18,158)	25,100
Less: Net loss (income) attributable to non-controlling interests	—	—	3,394	—	3,394
Net income (loss) attributable to HSSC	\$ 28,494	\$ 43,364	\$ (25,206)	\$ (18,158)	\$ 28,494
Comprehensive income (loss):					
Net income (loss) from continuing operations	\$ 28,494	\$ 43,364	\$ (28,600)	\$ (18,158)	\$ 25,100
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	(39,143)	—	(39,143)
Unrealized gains (losses) on available-for-sale securities	(46)	—	—	—	(46)
Amounts reclassified to net income (loss):					
Realized losses (gains) on available-for-sale securities	3	—	—	—	3
Equity in other comprehensive income (loss) of subsidiaries, net	(32,150)	(32,150)	—	64,300	—
Total other comprehensive income (loss), net of tax	(32,193)	(32,150)	(39,143)	64,300	(39,186)
Comprehensive income (loss)	(3,699)	11,214	(67,743)	46,142	(14,086)
Less: Comprehensive loss (income) attributable to non-controlling interests	—	—	10,387	—	10,387
Comprehensive income (loss) attributable to HSSC	\$ (3,699)	\$ 11,214	\$ (57,356)	\$ 46,142	\$ (3,699)

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended June 30, 2021

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	\$ —	\$ 361,700	\$ 79,919	\$ (8,302)	\$ 433,317
Equipment revenue	—	78,619	6,148	(16,211)	68,556
Total revenue	—	440,319	86,067	(24,513)	501,873
Costs and expenses:					
Cost of sales - services and other (exclusive of depreciation and amortization)	—	105,836	41,278	(9,564)	137,550
Cost of sales - equipment (exclusive of depreciation and amortization)	—	64,342	4,694	(14,534)	54,502
Selling, general and administrative expenses	—	81,512	22,919	(415)	104,016
Research and development expenses	—	7,276	165	—	7,441
Depreciation and amortization	—	82,443	29,860	—	112,303
Total costs and expenses	—	341,409	98,916	(24,513)	415,812
Operating income (loss)	—	98,910	(12,849)	—	86,061
Other income (expense):					
Interest income, net	876	1,306	729	(1,229)	1,682
Interest expense, net of amounts capitalized	(35,484)	261	(3,089)	1,229	(37,083)
Gains (losses) on investments, net	(6)	2,100	—	—	2,094
Equity in earnings (losses) of unconsolidated affiliates, net	—	406	(1,675)	—	(1,269)
Equity in earnings (losses) of subsidiaries, net	65,004	(14,747)	—	(50,257)	—
Foreign currency transaction gains (losses), net	—	(16)	551	—	535
Other, net	(357)	2,410	(64)	—	1,989
Total other income (expense), net	30,033	(8,280)	(3,548)	(50,257)	(32,052)
Income (loss) before income taxes	30,033	90,630	(16,397)	(50,257)	54,009
Income tax benefit (provision), net	7,907	(25,626)	(630)	—	(18,349)
Net income (loss)	37,940	65,004	(17,027)	(50,257)	35,660
Less: Net loss (income) attributable to non-controlling interests	—	—	2,280	—	2,280
Net income (loss) attributable to HSSC	\$ 37,940	\$ 65,004	\$ (14,747)	\$ (50,257)	\$ 37,940
Comprehensive income (loss):					
Net income (loss) from continuing operations	\$ 37,940	\$ 65,004	\$ (17,027)	\$ (50,257)	\$ 35,660
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	42,060	—	42,060
Unrealized gains (losses) on available-for-sale securities	118	—	—	—	118
Equity in other comprehensive income (loss) of subsidiaries, net	33,720	33,720	—	(67,440)	—
Total other comprehensive income (loss), net of tax	33,838	33,720	42,060	(67,440)	42,178
Comprehensive income (loss)	71,778	98,724	25,033	(117,697)	77,838
Less: Comprehensive loss (income) attributable to non-controlling interests	—	—	(6,060)	—	(6,060)
Comprehensive income (loss) attributable to HSSC	\$ 71,778	\$ 98,724	\$ 18,973	\$ (117,697)	\$ 71,778

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Six Months Ended June 30, 2022

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	\$ —	\$ 685,122	\$ 164,401	\$ (12,119)	\$ 837,404
Equipment revenue	—	166,542	11,280	(10,485)	167,337
Total revenue	—	851,664	175,681	(22,604)	1,004,741
Costs and expenses:					
Cost of sales - services and other (exclusive of depreciation and amortization)	—	212,310	84,544	(14,884)	281,970
Cost of sales - equipment (exclusive of depreciation and amortization)	—	139,134	6,841	(6,822)	139,153
Selling, general and administrative expenses	—	175,603	43,738	(898)	218,443
Research and development expenses	—	16,216	165	—	16,381
Depreciation and amortization	—	150,967	72,575	—	223,542
Total costs and expenses	—	694,230	207,863	(22,604)	879,489
Operating income (loss)	—	157,434	(32,182)	—	125,252
Other income (expense):					
Interest income	4,311	2,702	2,087	(2,541)	6,559
Interest expense, net of amounts capitalized	(44,917)	1,779	(5,877)	2,541	(46,474)
Gains (losses) on investments, net	(3)	217	—	—	214
Equity in earnings (losses) of unconsolidated affiliates, net	—	440	(3,455)	—	(3,015)
Equity in earnings (losses) of subsidiaries, net	93,120	(35,048)	—	(58,072)	—
Foreign currency transaction gains (losses), net	—	3,807	(30)	—	3,777
Other, net	—	(271)	(157)	—	(428)
Total other income (expense), net	52,511	(26,374)	(7,432)	(58,072)	(39,367)
Income (loss) before income taxes	52,511	131,060	(39,614)	(58,072)	85,885
Income tax benefit (provision), net	9,284	(37,940)	(1,316)	—	(29,972)
Net income (loss)	61,795	93,120	(40,930)	(58,072)	55,913
Less: Net loss (income) attributable to non-controlling interests	—	—	5,882	—	5,882
Net income (loss) attributable to HSSC	\$ 61,795	\$ 93,120	\$ (35,048)	\$ (58,072)	\$ 61,795
Comprehensive income (loss):					
Net income (loss)	\$ 61,795	\$ 93,120	\$ (40,930)	\$ (58,072)	\$ 55,913
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	7,543	—	7,543
Unrealized gains (losses) on available-for-sale securities	(516)	—	—	—	(516)
Amounts reclassified to net income (loss):					
Realized losses (gains) on available-for-sale debt securities	3	—	—	—	3
Equity in other comprehensive income (loss) of subsidiaries, net	4,980	4,980	—	(9,960)	—
Total other comprehensive income (loss), net of tax	4,467	4,980	7,543	(9,960)	7,030
Comprehensive income (loss)	66,262	98,100	(33,387)	(68,032)	62,943
Less: Comprehensive loss (income) attributable to non-controlling interests	—	—	3,319	—	3,319
Comprehensive income (loss) attributable to HSSC	\$ 66,262	\$ 98,100	\$ (30,068)	\$ (68,032)	\$ 66,262

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Six Months Ended June 30, 2021

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	\$ —	\$ 725,397	\$ 157,622	\$ (16,711)	\$ 866,308
Equipment revenue	—	139,656	14,194	(33,055)	120,795
Total revenue	—	865,053	171,816	(49,766)	987,103
Costs and expenses:					
Cost of sales - services and other (exclusive of depreciation and amortization)	—	209,043	77,507	(17,588)	268,962
Cost of sales - equipment (exclusive of depreciation and amortization)	—	120,772	10,063	(31,193)	99,642
Selling, general and administrative expenses	—	165,055	44,316	(985)	208,386
Research and development expenses	—	14,634	352	—	14,986
Depreciation and amortization	—	176,695	58,272	—	234,967
Impairment of long-lived assets	—	210	—	—	210
Total costs and expenses	—	686,409	190,510	(49,766)	827,153
Operating income (loss)	—	178,644	(18,694)	—	159,950
Other income (expense):					
Interest income, net	1,912	2,593	2,010	(2,439)	4,076
Interest expense, net of amounts capitalized	(75,728)	306	(6,022)	2,439	(79,005)
Gains (losses) on investments, net	(6)	2,100	—	—	2,094
Equity in earnings (losses) of unconsolidated affiliates, net	—	625	(3,655)	—	(3,030)
Equity in earnings (losses) of subsidiaries, net	115,147	(27,364)	—	(87,783)	—
Foreign currency transaction gains (losses), net	—	(19)	(2,806)	—	(2,825)
Other, net	(1,939)	3,154	(199)	—	1,016
Total other income (expense), net	39,386	(18,605)	(10,672)	(87,783)	(77,674)
Income (loss) before income taxes	39,386	160,039	(29,366)	(87,783)	82,276
Income tax benefit (provision), net	17,131	(44,892)	(1,225)	—	(28,986)
Net income (loss)	56,517	115,147	(30,591)	(87,783)	53,290
Less: Net loss (income) attributable to non-controlling interests	—	—	3,227	—	3,227
Net income (loss) attributable to HSSC	\$ 56,517	\$ 115,147	\$ (27,364)	\$ (87,783)	\$ 56,517
Comprehensive income (loss):					
Net income (loss)	\$ 56,517	\$ 115,147	\$ (30,591)	\$ (87,783)	\$ 53,290
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	8,318	—	8,318
Unrealized gains (losses) on available-for-sale securities	30	—	—	—	30
Amounts reclassified to net income (loss):					
Equity in other comprehensive income (loss) of subsidiaries, net	5,588	5,588	—	(11,176)	—
Total other comprehensive income (loss), net of tax	5,618	5,588	8,318	(11,176)	8,348
Comprehensive income (loss)	62,135	120,735	(22,273)	(98,959)	61,638
Less: Comprehensive loss (income) attributable to non-controlling interests	—	—	497	—	497
Comprehensive income (loss) attributable to HSSC	\$ 62,135	\$ 120,735	\$ (21,776)	\$ (98,959)	\$ 62,135

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Statement of Cash Flows
For the Six months ended June 30, 2022

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities:					
Net income (loss)	\$ 61,795	\$ 93,120	\$ (40,930)	\$ (58,072)	\$ 55,913
Adjustments to reconcile net income (loss) to net cash flows from operating activities	(90,384)	142,006	86,303	58,072	195,997
Net cash provided by (used for) operating activities	(28,589)	235,126	45,373	—	251,910
Cash flows from investing activities:					
Purchases of marketable investment securities	(164,541)	—	(6,464)	—	(171,005)
Sales and maturities of marketable investment securities	662,347	—	—	—	662,347
Expenditures for property and equipment	—	(94,658)	(31,224)	—	(125,882)
Expenditures for externally marketed software	—	(11,967)	—	—	(11,967)
Distributions (contributions) and advances from (to) subsidiaries, net	143,460	—	—	(143,460)	—
India JV formation	—	(7,892)	—	—	(7,892)
Dividend received from unconsolidated affiliate	—	2,000	—	—	2,000
Net cash provided by (used for) investing activities	641,266	(112,517)	(37,688)	(143,460)	347,601
Cash flows from financing activities:					
Payment of finance lease obligations	—	—	(114)	—	(114)
Payment of in-orbit incentive obligations	—	(1,908)	—	—	(1,908)
Dividend paid to EchoStar	(100,000)	—	—	—	(100,000)
Contribution (distributions) and advances (to) from parent, net	—	(143,460)	—	143,460	—
Net cash provided by (used for) financing activities	(100,000)	(145,368)	(114)	143,460	(102,022)
Effect of exchange rates on cash and cash equivalents	—	—	(672)	—	(672)
Net increase (decrease) in cash and cash equivalents	512,677	(22,759)	6,899	—	496,817
Cash and cash equivalents, including restricted amounts, beginning of period	324,764	42,550	62,834	—	430,148
Cash and cash equivalents, including restricted amounts, end of period	<u>\$ 837,441</u>	<u>\$ 19,791</u>	<u>\$ 69,733</u>	<u>\$ —</u>	<u>\$ 926,965</u>

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Statement of Cash Flows
For the Six months ended June 30, 2021

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities:					
Net income (loss)	\$ 56,517	\$ 115,147	\$ (30,591)	\$ (87,783)	\$ 53,290
Adjustments to reconcile net income (loss) to net cash flows from operating activities	(129,770)	244,556	63,527	87,782	266,095
Net cash provided by (used for) operating activities	(73,253)	359,703	32,936	(1)	319,385
Cash flows from investing activities:					
Purchases of marketable investment securities	(816,386)	—	—	—	(816,386)
Sales and maturities of marketable investment securities	1,409,820	—	—	—	1,409,820
Expenditures for property and equipment	—	(91,630)	(62,752)	—	(154,382)
Expenditures for externally marketed software	—	(16,835)	—	—	(16,835)
Distributions (contributions) and advances from (to) subsidiaries, net	189,828	(43,591)	—	(146,237)	—
Sales of other investments	—	9,016	—	—	9,016
Net cash provided by (used for) investing activities	783,262	(143,040)	(62,752)	(146,237)	431,233
Cash flows from financing activities:					
Repurchase and maturity of the 2021 Senior Unsecured Notes	(901,818)	—	—	—	(901,818)
Payment of finance lease obligations	—	—	(476)	—	(476)
Payment of in-orbit incentive obligations	—	(1,431)	—	—	(1,431)
Contribution by non-controlling interest holder	—	—	9,880	—	9,880
Other, net	—	—	(966)	—	(966)
Contribution (distributions) and advances (to) from parent, net	—	(189,828)	43,591	146,237	—
Net cash provided by (used for) financing activities	(901,818)	(191,259)	52,029	146,237	(894,811)
Effect of exchange rates on cash and cash equivalents	—	—	(348)	—	(348)
Net increase (decrease) in cash and cash equivalents	(191,809)	25,404	21,865	(1)	(144,541)
Cash and cash equivalents, including restricted amounts, beginning of period	649,851	46,055	45,391	—	741,297
Cash and cash equivalents, including restricted amounts, end of period	<u>\$ 458,042</u>	<u>\$ 71,459</u>	<u>\$ 67,256</u>	<u>\$ (1)</u>	<u>\$ 596,756</u>

ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

Unless the context indicates otherwise, the terms "we," "us," "HSSC," the "Company" and "our" refer to Hughes Satellite Systems Corporation and its subsidiaries. The following Management's Narrative Analysis of Results of Operations ("Management's Narrative Analysis") should be read in conjunction with our accompanying Consolidated Financial Statements and notes thereto ("Consolidated Financial Statements") in Item 1 of this Quarterly Report on Form 10-Q ("Form 10-Q"). This Management's Narrative Analysis is intended to help provide an understanding of our financial condition, changes in our financial condition and our results of operations. Many of the statements in this Management's Narrative Analysis are forward-looking statements that involve assumptions and are subject to risks and uncertainties that are often difficult to predict and beyond our control. Actual results could differ materially from those expressed or implied by such forward-looking statements. Refer to the Disclosure Regarding Forward-Looking Statements in this Form 10-Q for further discussion. For a discussion of additional risks, uncertainties and other factors that could impact our results of operations or financial condition, refer to the Risk Factors in Part II, Item 1A of this Form 10-Q and in Part I, Item 1A of our most recent Annual Report on Form 10-K ("Form 10-K") filed with the Securities and Exchange Commission ("SEC"). Further, such forward-looking statements speak only as of the date of this Form 10-Q and we undertake no obligation to update them.

EXECUTIVE SUMMARY

We are a holding company and a subsidiary of EchoStar Corporation ("EchoStar" and "parent"). We were formed as a Colorado corporation in March 2011. We are an industry leader in both networking technologies and services, innovating to deliver the global solutions that power a connected future for people, enterprises and things everywhere. We provide broadband satellite technologies and broadband internet products and services for consumer customers, which include home and small to medium-sized businesses, satellite services and solutions for enterprise customers, which include aeronautical and government enterprises.

We currently operate in two business segments: Hughes segment and EchoStar Satellite Services segment ("ESS segment"). These segments are consistent with the way we make decisions regarding the allocation of resources, as well as how operating results are reviewed by our chief operating decision maker, who is the Company's Chief Executive Officer.

Our operations include various corporate functions (primarily Executive, Treasury, Strategic Development, Human Resources, Information Technology, Finance, Accounting, Real Estate and Legal) and other activities, such as costs incurred in certain satellite development programs and other business development activities, and gains or losses from certain of our investments, that have not been assigned to our business segments. These activities, costs and income, as well as eliminations of intersegment transactions, are accounted for in our Corporate and Other segment in our segment reporting.

All amounts presented in this Management's Narrative Analysis, unless otherwise noted, are expressed in thousands of U.S. dollars, except share and per share amounts and unless otherwise noted.

Highlights from our financial results are as follows:

Consolidated Results of Operations for the Six Months Ended June 30, 2022:

- Revenue of \$1.0 billion
- Operating income of \$125.3 million
- Net income of \$55.9 million
- Net income attributable to HSSC of \$61.8 million
- Earnings before interest, taxes, depreciation and amortization, and net income (loss) attributable to non-controlling interests ("EBITDA") of \$355.2 million (see reconciliation of this non-GAAP measure in Results of Operations)

Consolidated Financial Condition as of June 30, 2022:

- Total assets of \$4.7 billion

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

- Total liabilities of \$2.7 billion
- Total shareholder's equity of \$2.1 billion
- Cash and cash equivalents and marketable investment securities of \$1.3 billion

Hughes Segment

Our Hughes segment is an industry leader in both networking technologies and services, innovating to deliver the global solutions that power a connected future for people, enterprises and things everywhere. We provide broadband satellite technologies and broadband internet products and services to consumer customers. We provide broadband network technologies, managed services, equipment, hardware, satellite services and communications solutions to government and enterprise customers. We also design, provide and install gateway and terminal equipment to customers for other satellite systems. In addition, we design, develop, construct and provide telecommunication networks comprising satellite ground segment systems and terminals to mobile system operators and our enterprise customers.

Our Hughes segment incorporates advances in technology to reduce costs and to increase the functionality and reliability of our products and services. Through advanced and proprietary methodologies, technologies, software and techniques, we continue to improve the efficiency of our networks. We invest in technologies to enhance our system and network management capabilities, specifically our managed services for enterprises. We also continue to invest in next generation technologies that can be applied to our future products and services.

Our Hughes segment continues to focus its efforts on optimizing financial returns of our existing satellites while planning for new satellite capacity to be launched, leased or acquired. In addition, we are also providing wireline and wireless capacity to utilize in markets that include residential, community WiFi, backhaul, and other enterprise broadband and multi-transport services. Our consumer revenue growth depends on our success in adding new and retaining existing subscribers, as well as increasing our Average Revenue Per User/subscriber ("ARPU"). Service and acquisition costs related to ongoing support for our direct and indirect customers and partners are typically impacted most significantly by our growth. The growth of our enterprise and consumer businesses relies heavily on global economic conditions and the competitive landscape for pricing relative to competitors and alternative technologies.

Our Hughes segment currently uses capacity from our owned and leased satellites, including additional satellite capacity leased from third-party providers to provide services to our customers. We also use other multi-transport capacity that includes cable, fiber, 5G, and 4G/LTE. In most areas of the U.S. we are nearing or have reached capacity, which has resulted in our consumer subscriber base becoming increasingly limited. Our Latin America consumer subscriber base in certain areas has also become capacity constrained. These constraints are expected to be addressed by the launch of the EchoStar XXIV satellite.

To date, we have not experienced a material adverse impact from the Russia-Ukraine conflict and the associated sanctions.

In May 2019, we entered into an agreement with Bharti Airtel Limited ("BAL") and its subsidiary, Bharti Airtel Services Limited (together with BAL, "Bharti"), pursuant to which Bharti agreed to contribute its very small aperture terminal ("VSAT") telecommunications services and hardware business in India to Hughes Communications India Private Limited ("HCIPL") and its subsidiaries, our less than wholly owned Indian subsidiaries, that conduct our VSAT services and hardware business in India. On January 4, 2022, this joint venture was formed (the "India JV") and subsequent to the formation of the India JV, we hold a 67% ownership interest and Bharti holds a 33% ownership interest in HCIPL. The India JV combines the VSAT businesses of both companies to offer flexible and scalable enterprise networking solutions using satellite connectivity for primary transport, back-up and hybrid implementation in India.

In August 2017, a subsidiary of EchoStar entered into a long-term contract for the design and construction of the EchoStar XXIV satellite, a new, next-generation, high throughput geostationary satellite. The EchoStar XXIV satellite is primarily intended to provide additional capacity for our HughesNet satellite internet service (the "HughesNet service") in North, Central and South America as well as enterprise broadband services. The EchoStar

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

XXIV satellite is expected to be launched in the first half of 2023. Further delays or impediments could have a material adverse impact on our business operations, future revenues, financial position and prospects, and our planned expansion of satellite broadband services throughout North, South and Central America. In December 2020, we entered into an agreement with a launch provider for the launch of EchoStar XXIV. Capital expenditures associated with the construction and launch of the EchoStar XXIV satellite are included in EchoStar's Corporate and Other segment in its segment reporting.

Our broadband subscribers include customers that subscribe to our HughesNet services in the U.S. and Latin America through retail, wholesale and small/medium enterprise service channels.

The following table presents our approximate number of broadband subscribers:

	As of	
	June 30, 2022	March 31, 2022
United States	1,019,000	1,055,000
Latin America	327,000	351,000
Total broadband subscribers	1,346,000	1,406,000

The following table presents the approximate number of net subscriber additions:

	For the Three Months Ended	
	June 30, 2022	March 31, 2022
United States	(35,000)	(35,000)
Latin America	(25,000)	(21,000)
Total net subscriber additions	(60,000)	(56,000)

Our current capacity limitations have resulted in constraints in adding new subscribers in certain areas. Our ability to retain existing customers is being impacted by our capacity limitations as well as competitive pressure from competitors and other technologies. Challenges in meeting demand for the three months ended June 30, 2022, resulted in higher churn and lower total subscribers despite higher new subscriber additions as compared to the three months ended March 31, 2022.

Our Latin America consumer subscriber base in certain areas, similar to the U.S., continues to be capacity constrained. Our ability to retain existing customers is being impacted by adverse economic conditions in many areas of Latin America and capacity constraints limit our ability to add new subscribers. For the three months ended June 30, 2022, the lower net subscribers were due to lower gross additions primarily from more selective customer screening and continued high churn as compared to the three months ended March 31, 2022.

We continued to execute our strategy of maximizing financial returns by utilizing capacity for applications other than consumer subscribers, such as community WiFi, and for other enterprise and government opportunities in Latin America. Continued success of this strategy will further reduce the available capacity for consumer subscribers.

As of June 30, 2022, our Hughes segment had \$1.6 billion of contracted revenue backlog, an increase of 15.3%, as compared to December 31, 2021, primarily due to an increase in contracts from our domestic and international customers. We define Hughes segment contracted revenue backlog as our expected future revenue under enterprise customer contracts that are non-cancelable, including lease revenue.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

ESS Segment

Our ESS segment provides satellite services on a full-time and/or occasional-use basis to U.S. government service providers, internet service providers, broadcast news organizations, content providers and private enterprise customers. We operate our ESS business using primarily the EchoStar IX satellite and the EchoStar 105/SES-11 satellite and related infrastructure. Revenue in our ESS segment depends largely on our ability to continuously make use of our available satellite capacity with existing customers and our ability to enter into commercial relationships with new customers.

As of June 30, 2022, our ESS segment had \$16.8 million of contracted revenue backlog, an increase of 61.7%, as compared to December 31, 2021, primarily due to an increase in satellite service contracts with new and existing customers. We define contracted revenue backlog for our ESS segment as contracted future satellite lease revenue.

Other Business Opportunities

Our industry continues to evolve with the increasing worldwide demand for broadband internet access for information, entertainment and commerce. In addition to fiber and wireless systems, technologies such as geostationary high throughput satellites, low-earth orbit ("LEO") networks, medium-earth orbit ("MEO") systems and multi-transport networks using combinations of technologies are expected to continue to play significant roles in enabling global broadband access, networks and services. We intend to use our expertise, technologies, capital, investments, global presence, relationships and other capabilities to continue to provide broadband internet systems, equipment, networks and services for information, the internet-of-things, entertainment, education, remote-connectivity and commerce across industries and communities globally for consumer and enterprise customers. We are closely tracking the developments in next-generation satellite businesses, and we are seeking to utilize our services, technologies, licenses and expertise to find new commercial opportunities for our business.

We intend to continue to selectively explore opportunities to pursue investments, commercial alliances, partnerships, joint ventures, acquisitions, dispositions and other strategic initiatives and transactions, domestically and internationally, that we believe may allow us to increase our existing market share, increase our satellite capacity, expand into new satellite and other technologies, markets and customers, broaden our portfolio of services, products and intellectual property, make our business more valuable, align us for future growth and expansion, maximize the return on our investments and strengthen our business and relationships with our customers. We may allocate or dispose of significant resources for long-term value that may not have a short or medium-term or any positive impact on our revenue, results of operations, or cash flow.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

Cybersecurity

We and the third parties with whom we do business face a constantly evolving and increasingly complex landscape of systemic cybersecurity risk in which hackers and other parties use multifaceted tactics, techniques, and procedures to execute cyberattacks and leverage security breaches and vulnerabilities. Our efforts in mitigating these risks through our cybersecurity program cannot eliminate all cybersecurity risk, including the risk of events that cascade through multiple internal networks or systems, or to one or more suppliers or customers. Disturbances in our systems caused by cyberattacks, including attacks on our third-party contractors and suppliers, could materially harm our ability to conduct our operations and may result in losses that could have a material adverse effect on our financial position. This may also create adverse consequences for our suppliers, third-party service providers, customers, and other third parties that we interact with on a regular basis. In addition, these types of security events could be widely publicized and could materially and adversely affect our reputation with our customers, vendors and shareholders and could harm our competitive position. Such incidents could also result in the release of confidential information about our operations, financial position and performance or about our customers or other third parties which could result in legal claims, fines, or liabilities that may not be covered by our insurance policies and could be material. Additionally, a security compromise or ransomware incident could require us to allocate significant management resources to recovery and mitigation and compel us to expend substantial additional resources to upgrade security measures to continue to protect our confidential information against cyberattacks.

In addition to our efforts to mitigate cybersecurity risk within our business, we are making investments to alleviate potential cybersecurity risk to our products. As a result of these efforts, we could discover new vulnerabilities within our products and systems. We may not discover all such vulnerabilities due to the scale of activities on our platforms, or due to other factors, including factors outside our control.

We are not aware of any cyber-incidents with respect to our owned or leased satellites or other networks, equipment or systems that have had a material adverse effect on our business, costs, operations, prospects, results of operation or financial position during the three and six months ended June 30, 2022. There can be no assurance, however, that any such incident can be detected or thwarted or will not have such a material adverse effect in the future.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED
RESULTS OF OPERATIONS
Six Months Ended June 30, 2022 Compared to the Six Months Ended June 30, 2021

The following table presents our consolidated results of operations for the six months ended June 30, 2022 compared to the six months ended June 30, 2021:

Statements of Operations Data ⁽¹⁾	For the six months ended June 30,		Variance	
	2022	2021	Amount	%
Revenue:				
Services and other revenue	\$ 837,404	\$ 866,308	\$ (28,904)	(3.3)
Equipment revenue	167,337	120,795	46,542	38.5
Total revenue	1,004,741	987,103	17,638	1.8
Costs and expenses:				
Cost of sales - services and other	281,970	268,962	13,008	4.8
% of total services and other revenue	33.7 %	31.0 %		
Cost of sales - equipment	139,153	99,642	39,511	39.7
% of total equipment revenue	83.2 %	82.5 %		
Selling, general and administrative expenses	218,443	208,386	10,057	4.8
% of total revenue	21.7 %	21.1 %		
Research and development expenses	16,381	14,986	1,395	9.3
% of total revenue	1.6 %	1.5 %		
Depreciation and amortization	223,542	234,967	(11,425)	(4.9)
Impairment of long-lived assets	—	210	(210)	(100.0)
Total costs and expenses	879,489	827,153	52,336	6.3
Operating income (loss)	125,252	159,950	(34,698)	(21.7)
Other income (expense):				
Interest income, net	6,559	4,076	2,483	60.9
Interest expense, net of amounts capitalized	(46,474)	(79,005)	32,531	(41.2)
Gains (losses) on investments, net	214	2,094	(1,880)	(89.8)
Equity in earnings (losses) of unconsolidated affiliates, net	(3,015)	(3,030)	15	(0.5)
Foreign currency transaction gains (losses), net	3,777	(2,825)	6,602	*
Other, net	(428)	1,016	(1,444)	*
Total other income (expense), net	(39,367)	(77,674)	38,307	(49.3)
Income (loss) before income taxes	85,885	82,276	3,609	4.4
Income tax benefit (provision), net	(29,972)	(28,986)	(986)	3.4
Net income (loss)	55,913	53,290	2,623	4.9
Less: Net loss (income) attributable to non-controlling interests	5,882	3,227	2,655	82.3
Net income (loss) attributable to HSSC	\$ 61,795	\$ 56,517	\$ 5,278	9.3
Other data:				
EBITDA ⁽²⁾	\$ 355,224	\$ 395,399	\$ (40,175)	(10.2)
Subscribers, end of period	1,346,000	1,542,000	(196,000)	(12.7)

* Percentage is not meaningful.

(1) An explanation of our key metrics is included in Explanation of Key Metrics and Other Items.

(2) A reconciliation of EBITDA to Net income (loss), the most directly comparable U.S. generally accepted accounting principles ("U.S. GAAP") measure in our Consolidated Financial Statements, is included in Results of Operations. For further information on our use of EBITDA, see Explanation of Key Metrics and Other Items.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

The following discussion relates to our results of operations for the six months ended June 30, 2022 and 2021.

Services and other revenue. Services and other revenue totaled \$837.4 million for the six months ended June 30, 2022, a decrease of \$28.9 million, or 3.3%, as compared to 2021. The decrease was primarily attributable to our Hughes segment related to lower sales of broadband services to our consumer customers of \$38.1 million due to lower broadband consumer customers, partially offset by higher sales of broadband services to our enterprise customers of \$7.0 million and to our mobile satellite system and other customers of \$2.4 million. These variances reflect the negative impact of exchange rate fluctuations of \$1.3 million, primarily attributable to our enterprise customers, partially offset by our consumer customers.

Equipment revenue. Equipment revenue totaled \$167.3 million for the six months ended June 30, 2022, an increase of \$46.5 million, or 38.5%, as compared to 2021. The increase was primarily attributable to increases in hardware sales to our enterprise customers of \$47.0 million mainly associated with a certain customer in North America and to international customers, partially offset by decreases in hardware sales of \$3.1 million to our consumer customers.

Cost of sales - services and other. Cost of sales - services and other totaled \$282.0 million for the six months ended June 30, 2022, an increase of \$13.0 million, or 4.8%, as compared to 2021. The increase was attributable to a non-recurring decrease in a certain international regulatory fee of \$4.5 million in 2021 and increases in costs provided to our consumer and enterprise customers, mainly related to service delivery expenses.

Cost of sales - equipment. Cost of sales - equipment totaled \$139.2 million for the six months ended June 30, 2022, an increase of \$39.5 million, or 39.7%, as compared to 2021. The increase was primarily attributable to the corresponding increase in equipment revenue, an increase in hardware and installation support costs and change in product mix.

Selling, general and administrative expenses. Selling, general and administrative expenses totaled \$218.4 million for the six months ended June 30, 2022, an increase of \$10.1 million, or 4.8%, as compared to 2021. The increase was primarily attributable to increases in: i) bad debt expense of \$6.3 million primarily due to the recovery of bad debt reserves in 2021 and ii) other general and administrative expenses of \$5.3 million, offset by decreases in: i) legal expenses of \$0.8 million and ii) sales and marketing expenses of \$0.7 million.

Depreciation and amortization. Depreciation and amortization expenses totaled \$223.5 million for the six months ended June 30, 2022, a decrease of \$11.4 million, or 4.9%, as compared to 2021. The decrease was primarily attributable to (i) decreases in our satellite depreciation of \$9.1 million, mainly related to our SPACEWAY 3 satellite which was fully depreciated at the end of the first quarter of 2021, (ii) decreases in amortization of intangibles of \$2.1 million, and (iii) decreases in other property and equipment depreciation expense of \$5.9 million. These decreases were partially offset by increases in amortization of our capitalized software of \$4.8 million.

Interest income, net. Interest income, net totaled \$6.6 million for the six months ended June 30, 2022, an increase of \$2.5 million, or 60.9%, as compared to 2021, primarily attributable to increases in the yield on our marketable investment securities.

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized, totaled \$46.5 million for the six months ended June 30, 2022, a decrease of \$32.5 million, or 41.2%, as compared to 2021. The decrease was primarily attributable to a decrease of \$30.8 million in interest expense and the amortization of deferred financing cost as a result of the repurchases and maturity of our 7 5/8% Senior Unsecured Notes due 2021 and an increase of \$1.3 million in capitalized interest relating to the EchoStar XXIV satellite program.

Gains (losses) on investments, net. Gains (losses) on investments, net totaled \$0.2 million in gains for the six months ended June 30, 2022, as compared to \$2.1 million in gains for the six months ended June 30, 2021, a negative change of \$1.9 million. The change was related to net increased losses on marketable investment securities and other equity securities of \$1.9 million.

Foreign currency transaction gains (losses), net. Foreign currency transaction gains (losses), net totaled \$3.8 million in gains for the six months ended June 30, 2022, as compared to \$2.8 million in losses for the six

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

months ended June 30, 2021, a positive change of \$6.6 million. The change was due to the net impact of foreign exchange rate fluctuations of certain foreign currencies during the period.

Income tax benefit (provision), net. Income tax benefit (provision), net was \$(30.0) million for the six months ended June 30, 2022, as compared to \$(29.0) million for the six months ended June 30, 2021. Our effective income tax rate was 34.9% and 35.2% for the six months ended June 30, 2022 and 2021, respectively. The variations in our effective tax rate from the U.S. federal statutory rate for the six months ended June 30, 2022 were primarily due to excluded foreign losses where the Company carries a full valuation allowance and the impact of state and local taxes. The variations in our effective tax rate from the U.S. federal statutory rate for the six months ended June 30, 2021, were primarily due to excluded foreign losses where the Company carries a full valuation allowance and the impact of state and local taxes.

Net income (loss) attributable to HSSC. The following table reconciles the change in Net income (loss) attributable to HSSC:

	Amounts	
Net income (loss) attributable to HSSC for the six months ended June 30, 2021	\$	56,517
Decrease (increase) in interest expense, net of amounts capitalized		32,531
Increase (decrease) in foreign currency transaction gains (losses), net		6,602
Decrease (increase) in net income (loss) attributable to non-controlling interests		2,655
Increase (decrease) in interest income, net		2,483
Decrease (increase) in equity in earnings (losses) of unconsolidated affiliates, net		15
Decrease (increase) in income tax benefit (provision), net		(986)
Increase (decrease) in other, net		(1,444)
Increase (decrease) in gains (losses) on investments, net		(1,880)
Increase (decrease) in operating income (loss), including depreciation and amortization		(34,698)
Net income (loss) attributable to HSSC for the six months ended June 30, 2022	\$	<u>61,795</u>

EBITDA. EBITDA is a non-GAAP financial measure and is described under Explanation of Key Metrics and Other Items below. The following table reconciles EBITDA to Net income (loss), the most directly comparable U.S. GAAP measure in our Consolidated Financial Statements:

	For the six months ended June 30,		Variance	
	2022	2021	Amount	%
Net income (loss)	\$ 55,913	\$ 53,290	\$ 2,623	4.9
Interest income, net	(6,559)	(4,076)	(2,483)	60.9
Interest expense, net of amounts capitalized	46,474	79,005	(32,531)	(41.2)
Income tax provision (benefit), net	29,972	28,986	986	3.4
Depreciation and amortization	223,542	234,967	(11,425)	(4.9)
Net loss (income) attributable to non-controlling interests	5,882	3,227	2,655	82.3
EBITDA	<u>\$ 355,224</u>	<u>\$ 395,399</u>	<u>\$ (40,175)</u>	<u>(10.2)</u>

* Percentage is not meaningful.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

The following table reconciles the change in EBITDA:

	Amounts
EBITDA for the six months ended June 30, 2021	\$ 395,399
Increase (decrease) in foreign currency transaction gains (losses), net	6,602
Decrease (increase) in net loss (income) attributable to non-controlling interests	2,655
Decrease (increase) in equity in earnings (losses) of unconsolidated affiliates, net	15
Increase (decrease) in other, net	(1,444)
Increase (decrease) in gains (losses) on investments, net	(1,880)
Increase (decrease) in operating income (loss), excluding depreciation and amortization	(46,123)
EBITDA for the six months ended June 30, 2022	\$ 355,224

Segment Operating Results and Capital Expenditures

The following tables present our total revenue, capital expenditures and EBITDA by segment for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021:

	Hughes	ESS	Corporate and Other	Consolidated Total
For the six months ended June 30, 2022				
Total revenue	\$ 985,947	\$ 9,324	\$ 9,470	\$ 1,004,741
Capital expenditures	125,882	—	—	125,882
EBITDA	371,098	6,212	(22,086)	355,224
For the six months ended June 30, 2021				
Total revenue	\$ 968,136	\$ 8,372	\$ 10,595	\$ 987,103
Capital expenditures	154,382	—	—	154,382
EBITDA	408,772	4,162	(17,535)	395,399

Hughes Segment

	For the six months ended June 30,		Variance	
	2022	2021	Amount	%
Total revenue	\$ 985,947	\$ 968,136	\$ 17,811	1.8
Capital expenditures	125,882	154,382	(28,500)	(18.5)
EBITDA	371,098	408,772	(37,674)	(9.2)

Total revenue was \$985.9 million for the six months ended June 30, 2022, an increase of \$17.8 million, or 1.8%, as compared to 2021. Services and other revenue decreased primarily due to lower sales of broadband services to our consumer customers of \$38.1 million due to lower broadband consumer customers, partially offset by higher sales of broadband services to our enterprise customers of \$7.0 million and to our mobile satellite system and other customers of \$2.4 million. Equipment revenue increased primarily due to increases in hardware sales to our enterprise customers of \$47.0 million mainly associated with a certain customer in North America and to international customers, partially offset by decreases in hardware sales of \$3.1 million to our consumer customers. These variances reflect the negative impact of exchange rate fluctuations of \$1.4 million, primarily attributable to our enterprise customers.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

Capital expenditures were \$125.9 million for the six months ended June 30, 2022, a decrease of \$28.5 million, or 18.5%, as compared to 2021, primarily due to decreases in expenditures associated with our consumer business, partially offset by increased expenditures related to the construction of our satellite-related ground infrastructure.

The following table reconciles the change in the Hughes Segment EBITDA:

	Amounts
EBITDA for the six months ended June 30, 2021	\$ 408,772
Increase (decrease) in foreign currency transaction gains (losses), net	6,545
Decrease (increase) in net loss (income) attributable to non-controlling interests	2,655
Decrease (increase) in equity in earnings (losses) of unconsolidated affiliates, net	199
Increase (decrease) in gains (losses) on investments, net	(1,883)
Increase (decrease) in other, net	(3,382)
Increase (decrease) in operating income (loss), excluding depreciation and amortization	(41,808)
EBITDA for the six months ended June 30, 2022	<u>\$ 371,098</u>

ESS Segment

	For the six months ended June 30,		Variance	
	2022	2021	Amount	%
Total revenue	\$ 9,324	\$ 8,372	\$ 952	11.4
EBITDA	6,212	4,162	2,050	49.3

Total revenue was \$9.3 million for the six months ended June 30, 2022, an increase of \$1.0 million, or 11.4%, compared to 2021, primarily due to an increase in transponder services provided to third parties.

EBITDA was \$6.2 million for the six months ended June 30, 2022, an increase of \$2.1 million, or 49.3%, as compared to 2021, primarily due to the increase in overall ESS segment revenue and lower expenses.

Corporate and Other Segment

	For the six months ended June 30,		Variance	
	2022	2021	Amount	%
Total revenue	\$ 9,470	\$ 10,595	\$ (1,125)	(10.6)
EBITDA	(22,086)	(17,535)	(4,551)	26.0

The following table reconciles the change in the Corporate and Other Segment EBITDA:

	Amounts
EBITDA for the six months ended June 30, 2021	\$ (17,535)
Increase (decrease) in operating income (loss), excluding depreciation and amortization	(6,364)
Decrease (increase) in equity in earnings (losses) of unconsolidated affiliates, net	(185)
Increase (decrease) in gains (losses) on investments, net	3
Increase (decrease) in foreign currency transaction gains (losses), net	58
Increase (decrease) in other, net	1,937
EBITDA for the six months ended June 30, 2022	<u>\$ (22,086)</u>

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

EXPLANATION OF KEY METRICS AND OTHER ITEMS

Services and other revenue. Services and other revenue primarily includes the sales of consumer and enterprise broadband services, maintenance and other contracted services, revenue associated with satellite and transponder leases and services, satellite uplinking/downlinking, subscriber wholesale service fees for the HughesNet service professional services and facilities rental revenue.

Equipment revenue. Equipment revenue primarily includes broadband equipment and networks sold to customers in our consumer and enterprise markets.

Cost of sales - services and other. Cost of sales - services and other primarily includes the cost of broadband services provided to our consumer and enterprise customers, maintenance and other contracted services, costs associated with satellite and transponder leases and services, professional services and facilities rental.

Cost of sales - equipment. Cost of sales - equipment consists primarily of the cost of broadband equipment and networks provided to customers in our consumer and enterprise markets. It also includes certain other costs associated with the deployment of equipment to our customers.

Selling, general and administrative expenses. Selling, general and administrative expenses primarily include selling and marketing costs and employee-related costs associated with administrative services (e.g., information systems, human resources and other services), including stock-based compensation expense. It also includes professional fees (e.g. legal, information systems and accounting services) and other expenses associated with facilities and administrative services.

Research and development expenses. Research and development expenses primarily include costs associated with the design and development of products to support future growth and provide new technology and innovation to our customers.

Impairment of long-lived assets. Impairment of long-lived assets includes our impairment losses related to our property and equipment, goodwill, regulatory authorizations and other intangible assets.

Interest income, net. Interest income, net primarily includes interest earned on our cash, cash equivalents and marketable investment securities, and other investments including premium amortization and discount accretion on debt securities.

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized primarily includes interest expense associated with our debt and finance lease obligations (net of capitalized interest), amortization of debt issuance costs and interest expense related to certain legal proceedings.

Gains (losses) on investments, net. Gains (losses) on investments, net primarily includes changes in fair value of our marketable equity securities and other investments for which we have elected the fair value option. It may also include realized gains and losses on the sale or exchange of our available-for-sale debt securities, other-than-temporary impairment losses on our available-for-sale securities, realized gains and losses on the sale or exchange of equity securities and debt securities without readily determinable fair value and adjustments to the carrying amount of investments in unconsolidated affiliates and marketable equity securities resulting from impairments and observable price changes.

Equity in earnings (losses) of unconsolidated affiliates, net. Equity in earnings (losses) of unconsolidated affiliates, net includes earnings or losses from our investments accounted for using the equity method.

Foreign currency transaction gains (losses), net. Foreign currency transaction gains (losses), net include gains and losses resulting from the re-measurement of transactions denominated in foreign currencies.

Other, net. Other, net primarily includes dividends received from our marketable investment securities and other non-operating income and expense items that are not appropriately classified elsewhere in the Consolidated Statements of Operations in our Consolidated Financial Statements.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

Earnings before interest, taxes, depreciation and amortization, and Net income (loss) attributable to non-controlling interests ("EBITDA"). EBITDA is defined as Net income (loss) excluding Interest income and expense, net, Income tax benefit (provision), net, Depreciation and amortization, and Net income (loss) attributable to non-controlling interests. EBITDA is not a measure determined in accordance with U.S. GAAP. This non-GAAP measure is reconciled to Net income (loss) in our discussion of Results of Operations above. EBITDA should not be considered in isolation or as a substitute for operating income, net income or any other measure determined in accordance with U.S. GAAP. EBITDA is used by our management as a measure of operating efficiency and overall financial performance for benchmarking against our peers and competitors. Management believes EBITDA provides meaningful supplemental information regarding the underlying operating performance of our business and is appropriate to enhance an overall understanding of our financial performance. Management also believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to evaluate the performance of companies in our industry.

Subscribers. Subscribers include customers that subscribe to our HughesNet service, through retail, wholesale and small/medium enterprise service channels.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Form 10-Q such that the information required to be disclosed in our Securities and Exchange Commission reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the three months ended June 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We continue to review our internal control over financial reporting and may from time to time make changes aimed at enhancing its effectiveness and to ensure that our systems evolve with our business.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, refer to Part I, Item 1. Financial Statements - *Note 14. Contingencies* - Litigation in this Form 10-Q.

ITEM 1A. RISK FACTORS

Item 1A, Risk Factors, of our Form 10-K for the year ended December 31, 2021 includes a detailed discussion of our risk factors.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Financial Results

On August 3, 2022, EchoStar issued a press release (the "Press Release") announcing its financial results for the quarter ended June 30, 2022. A copy of the Press Release is furnished herewith as Exhibit 99.1. The foregoing information, including the exhibit related thereto, is furnished in response to Item 2.02 of Form 8-K and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise, and shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or into any filing or other document pursuant to the Securities Exchange Act of 1934, as amended, except as otherwise expressly stated in any such filing.

ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
31.1 (H)	Section 302 Certification of Chief Executive Officer.
31.2 (H)	Section 302 Certification of Chief Financial Officer.
32.1 (I)	Section 906 Certifications of Chief Executive Officer and Chief Financial Officer.
99.1 (I)	Press release dated August 3, 2022 issued by EchoStar Corporation regarding financial results for the period ended June 30, 2022.
101.INS	XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

(H) Filed herewith.

(I) Furnished herewith.

* Incorporated by reference.

** Constitutes a management contract or compensatory plan or arrangement.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 302 Certification

I, David J. Rayner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hughes Satellite Systems Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

By: /s/ David J. Rayner
Name: David J. Rayner
Title: Executive Vice President, Chief Financial Officer, and Treasurer
(Principal Financial and Accounting Officer)

EchoStar Announces Financial Results for the Three and Six Months Ended June 30, 2022

Englewood, CO, August 3, 2022—EchoStar Corporation (NASDAQ: SATS) announced its financial results for the three and six months ended June 30, 2022.

Three Months Ended June 30, 2022 Financial Highlights:

- Consolidated revenue of \$499.3 million.
- Net income of \$10.5 million, consolidated net income attributable to EchoStar common stock of \$13.9 million and basic and diluted earnings per share of common stock of \$0.16.
- Consolidated Adjusted EBITDA of \$167.7 million (see discussion and the reconciliation of GAAP to this non-GAAP measure below).

Six Months Ended June 30, 2022 Financial Highlights:

- Consolidated revenue of \$1,000.9 million.
- Net income of \$99.4 million, consolidated net income attributable to EchoStar common stock of \$105.3 million, and basic and diluted earnings per share of common stock of \$1.24.
- Consolidated Adjusted EBITDA of \$333.6 million (see discussion and the reconciliation of GAAP to this non-GAAP measure below).

“Once again, the EchoStar team delivered a solid performance in the second quarter,” said Hamid Akhavan, CEO and President of EchoStar. “We are focused on optimizing operations and asset yields in order to maintain our track record of excellent fiscal responsibility, and are leveraging our engineering expertise to innovate new solutions and applications across the market segments we serve.”

Three Months Ended June 30, 2022 - Additional Information:

- Consolidated revenue was flat year over year. Higher equipment sales of \$16.1 million to our domestic and international enterprise customers was offset by lower service revenues of \$16.6 million, primarily due to lower broadband consumer customers.
- Adjusted EBITDA decreased 10.2% or \$19.0 million year over year.
 - Hughes segment Adjusted EBITDA decreased \$24.9 million year over year. The decrease was driven primarily by lower gross margin due to a change in revenue mix.
 - ESS segment Adjusted EBITDA increased \$1.3 million year over year.
 - Corporate and Other segment Adjusted EBITDA increased \$4.6 million year over year. The increase was primarily due to higher earnings of unconsolidated affiliates, net, of \$2.7 million and lower legal expenses.
- Net income decreased \$24.5 million year over year. The decrease was primarily due to an unfavorable change in investments of \$53.2 million, lower operating income of \$19.4 million, and losses on foreign exchange of \$4.3 million. These items were partially offset by lower net interest expense of \$18.4 million, lower net income tax expense of \$15.8 million, and lower losses in Other, net, of \$15.4 million, which included litigation expense of \$16.8 million in the second quarter of 2021.
- Hughes broadband subscribers totaled approximately 1,346,000, declining 60,000 from March 31, 2022. Our current capacity limitations require a balancing of capacity utilization with subscriber levels in areas of high bandwidth demand. These constraints, and increased competitive pressures, are impacting our consumer subscriber levels. In Latin America, subscriber levels were also impacted by adverse economic conditions, more selective customer screening, and capacity allocation to community WiFi and enterprise opportunities.

- For the three months ended June 30, 2022, approximately 63% of Hughes segment revenue was attributable to our consumer customers with approximately 37% attributable to our enterprise customers.
- Cash, cash equivalents and current marketable investment securities were \$1.5 billion as of June 30, 2022.
- During the three months ended June 30, 2022, we purchased 1,924,875 shares of our Class A common stock in open market trades.
- The Jupiter 3/EchoStar XXIV satellite continues to progress at Maxar and is expected to be launched during the first half of 2023

Set forth below is a table highlighting certain of EchoStar's segment results for the three and six months ended June 30, 2022 and 2021 (amounts in thousands) (all US GAAP amounts reference results from operations):

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Revenue				
Hughes	\$ 491,841	\$ 492,276	\$ 985,947	\$ 968,136
EchoStar Satellite Services	4,850	4,283	9,324	8,372
Corporate and Other	2,625	3,275	5,579	5,908
Total revenue	<u>\$ 499,316</u>	<u>\$ 499,834</u>	<u>\$ 1,000,850</u>	<u>\$ 982,416</u>
Adjusted EBITDA				
Hughes	\$ 182,423	\$ 207,317	\$ 366,710	\$ 409,253
EchoStar Satellite Services	3,521	2,243	6,212	4,162
Corporate & Other:				
Corporate overhead, operating and other	(18,554)	(20,497)	(39,745)	(41,964)
Equity in earnings (losses) of unconsolidated affiliates, net	338	(2,369)	440	984
Total Corporate & Other	<u>(18,216)</u>	<u>(22,866)</u>	<u>(39,305)</u>	<u>(40,980)</u>
Total Adjusted EBITDA	<u>\$ 167,728</u>	<u>\$ 186,694</u>	<u>\$ 333,617</u>	<u>\$ 372,435</u>
Net income (loss)	<u>\$ 10,473</u>	<u>\$ 35,015</u>	<u>\$ 99,418</u>	<u>\$ 112,587</u>
Expenditures for property and equipment	<u>\$ 75,779</u>	<u>\$ 83,232</u>	<u>\$ 187,917</u>	<u>\$ 262,466</u>

Reconciliation of GAAP to Non-GAAP Measurement (amounts in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 10,473	\$ 35,015	\$ 99,418	\$ 112,587
Interest income, net	(9,072)	(5,240)	(15,494)	(11,189)
Interest expense, net of amounts capitalized	14,307	28,868	29,280	63,535
Income tax provision (benefit), net	5,390	21,152	38,172	43,299
Depreciation and amortization	116,555	118,982	236,991	248,268
Net loss (income) attributable to non-controlling interests	3,395	2,280	5,883	3,227
EBITDA	141,048	201,057	394,250	459,727
(Gains) losses on investments, net	22,538	(30,633)	(58,148)	(109,233)
Impairment of long-lived assets	711	15	711	245
Litigation Expense	—	16,800	—	16,800
License fee dispute - India, net of non-controlling interests	(211)	(236)	(444)	(446)
Loss on Debt Repurchase	—	356	—	1,938
Foreign currency transaction (gains) losses, net	3,642	(665)	(2,752)	3,404
Adjusted EBITDA	\$ 167,728	\$ 186,694	\$ 333,617	\$ 372,435

Note on Use of Non-GAAP Financial Measures

EBITDA is defined as “Net income (loss)” excluding “Interest income, net,” “Interest expense, net of amounts capitalized,” “Income tax benefit (provision), net,” “Depreciation and amortization,” and “Net income (loss) attributable to non-controlling interests.”

Adjusted EBITDA is defined as EBITDA excluding Gains and losses on investments, net, Foreign currency transaction gains (losses), net, and other non-recurring or non-operational items. EBITDA and Adjusted EBITDA are not measures determined in accordance with US GAAP. EBITDA and Adjusted EBITDA are reconciled to Net income (loss) in the table above and should not be considered in isolation or as a substitute for operating income, net income or any other measure determined in accordance with US GAAP. Our management uses EBITDA and Adjusted EBITDA as measures of our operating efficiency and overall financial performance for benchmarking against our peers and competitors. Management believes that these non-GAAP measures provide meaningful supplemental information regarding the underlying operating performance of our business and are appropriate to enhance an overall understanding of our financial performance. Management also believes that EBITDA and Adjusted EBITDA are useful to investors because they are frequently used by securities analysts, investors, and other interested parties to evaluate the performance of companies in our industry.

The consolidated financial statements of EchoStar for the periods ended June 30, 2022 and 2021 are attached to this press release. Detailed financial data and other information are available in EchoStar’s Quarterly Report on Form 10-Q for the period ended June 30, 2022 filed today with the Securities and Exchange Commission.

EchoStar will host a conference call to discuss its earnings on Thursday, August 4, 2022 at 11:00 a.m. Eastern Time. The conference call will be broadcast live in listen-only mode on EchoStar’s investor relations website at ir.echostar.com. To participate via telephone and ask a question, participants must register using an online form found at <https://register.vevent.com/register/BI6304e454ed1d4d30a1618d0a317c94a0>.

About EchoStar Corporation

EchoStar Corporation (NASDAQ: SATS) is a premier global provider of satellite communications solutions. Headquartered in Englewood, Colo., and conducting business around the globe, EchoStar is a pioneer in secure communications technologies through its Hughes Network Systems and EchoStar Satellite Services business segments.

Safe Harbor Statement under the US 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 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," "goal," "seek," "estimate," "expect," "intend," "project," "continue," "future," "will," "would," "can," "may," "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. We assume no responsibility for the accuracy of forward-looking statements or information or for updating forward-looking information or statements. These statements are subject to certain risks, uncertainties, and assumptions. See "Risk Factors" in EchoStar's Annual Report on Form 10-K for the period ended December 31, 2021 as filed with the Securities and Exchange Commission and in the other documents EchoStar files with the Securities and Exchange Commission from time to time.

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ECHOSTAR CORPORATION
Consolidated Balance Sheets
(Amounts in thousands, except share and per share amounts)

	As of	
	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 991,595	\$ 535,894
Marketable investment securities	529,854	1,010,496
Trade accounts receivable and contract assets, net	224,016	182,063
Other current assets, net	211,877	198,444
Total current assets	1,957,342	1,926,897
Non-current assets:		
Property and equipment, net	2,312,526	2,338,285
Operating lease right-of-use assets	151,967	149,198
Goodwill	533,505	511,086
Regulatory authorizations, net	464,523	469,766
Other intangible assets, net	17,018	13,984
Other investments, net	352,078	297,747
Other non-current assets, net	329,564	338,241
Total non-current assets	4,161,181	4,118,307
Total assets	\$ 6,118,523	\$ 6,045,204
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	\$ 103,680	\$ 109,338
Contract liabilities	134,856	141,343
Accrued expenses and other current liabilities	195,827	209,442
Total current liabilities	434,363	460,123
Non-current liabilities:		
Long-term debt, net	1,496,379	1,495,994
Deferred tax liabilities, net	428,600	403,684
Operating lease liabilities	137,446	134,897
Other non-current liabilities	122,179	136,426
Total non-current liabilities	2,184,604	2,171,001
Total liabilities	2,618,967	2,631,124

Commitments and contingencies

ECHOSTAR CORPORATION
Consolidated Balance Sheets
(Amounts in thousands, except share and per share amounts)

Stockholders' equity:

Preferred stock, \$0.001 par value, 20,000,000 shares authorized, none issued and outstanding at both June 30, 2022 and December 31, 2021	—	—
Common stock, \$0.001 par value, 4,000,000,000 shares authorized:		
Class A common stock, \$0.001 par value, 1,600,000,000 shares authorized, 58,604,747 shares issued and 35,885,079 shares outstanding at June 30, 2022 and 58,059,622 shares issued and 38,726,923 shares outstanding at December 31, 2021	59	58
Class B convertible common stock, \$0.001 par value, 800,000,000 shares authorized, 47,687,039 shares issued and outstanding at both June 30, 2022 and December 31, 2021	48	48
Class C convertible common stock, \$0.001 par value, 800,000,000 shares authorized, none issued and outstanding at both June 30, 2022 and December 31, 2021	—	—
Class D common stock, \$0.001 par value, 800,000,000 shares authorized, none issued and outstanding at both June 30, 2022 and December 31, 2021	—	—
Additional paid-in capital	3,355,238	3,345,878
Accumulated other comprehensive income (loss)	(204,465)	(212,102)
Accumulated earnings (losses)	761,767	656,466
Treasury shares, at cost	(514,418)	(436,521)
Total EchoStar Corporation stockholders' equity	<u>3,398,229</u>	<u>3,353,827</u>
Non-controlling interests	101,327	60,253
Total stockholders' equity	<u>3,499,556</u>	<u>3,414,080</u>
Total liabilities and stockholders' equity	<u>\$ 6,118,523</u>	<u>\$ 6,045,204</u>

ECHOSTAR CORPORATION
Consolidated Statements of Operations
(Amounts in thousands, except per share amounts)

	For the three months ended		For the six months ended June	
	June 30,		30,	
	2022	2021	2022	2021
Revenue:				
Services and other revenue	\$ 414,697	\$ 431,279	\$ 833,508	\$ 861,616
Equipment revenue	84,619	68,555	167,342	120,800
Total revenue	<u>499,316</u>	<u>499,834</u>	<u>1,000,850</u>	<u>982,416</u>
Costs and expenses:				
Cost of sales - services and other (exclusive of depreciation and amortization)	144,235	139,547	285,364	272,336
Cost of sales - equipment (exclusive of depreciation and amortization)	70,054	54,503	139,168	99,654
Selling, general and administrative expenses	113,091	114,038	231,261	228,157
Research and development expenses	8,764	7,441	16,381	14,986
Depreciation and amortization	116,555	118,982	236,991	248,268
Impairment of long-lived assets	711	15	711	245
Total costs and expenses	<u>453,410</u>	<u>434,526</u>	<u>909,876</u>	<u>863,646</u>
Operating income (loss)	<u>45,906</u>	<u>65,308</u>	<u>90,974</u>	<u>118,770</u>
Other income (expense):				
Interest income, net	9,072	5,240	15,494	11,189
Interest expense, net of amounts capitalized	(14,307)	(28,868)	(29,280)	(63,535)
Gains (losses) on investments, net	(22,538)	30,633	58,148	109,233
Equity in earnings (losses) of unconsolidated affiliates, net	(1,301)	(4,044)	(3,015)	(2,670)
Foreign currency transaction gains (losses), net	(3,642)	665	2,752	(3,404)
Other, net	2,673	(12,767)	2,517	(13,697)
Total other income (expense), net	<u>(30,043)</u>	<u>(9,141)</u>	<u>46,616</u>	<u>37,116</u>
Income (loss) before income taxes	15,863	56,167	137,590	155,886
Income tax benefit (provision), net	(5,390)	(21,152)	(38,172)	(43,299)
Net income (loss)	<u>10,473</u>	<u>35,015</u>	<u>99,418</u>	<u>112,587</u>
Less: Net loss (income) attributable to non-controlling interests	3,395	2,280	5,883	3,227
Net income (loss) attributable to EchoStar Corporation common stock	<u>\$ 13,868</u>	<u>\$ 37,295</u>	<u>\$ 105,301</u>	<u>\$ 115,814</u>
Earnings (losses) per share - Class A and B common stock:				
Basic	<u>\$ 0.16</u>	<u>\$ 0.41</u>	<u>\$ 1.24</u>	<u>\$ 1.26</u>
Diluted	<u>\$ 0.16</u>	<u>\$ 0.41</u>	<u>\$ 1.24</u>	<u>\$ 1.25</u>

ECHOSTAR CORPORATION
Consolidated Statements of Cash Flows
(Amounts in thousands)

	For the six months ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	\$ 99,418	\$ 112,587
Adjustments to reconcile net income (loss) to cash flows provided by (used for) operating activities:		
Depreciation and amortization	236,991	248,268
Impairment of long-lived assets	711	245
Losses (gains) on investments, net	(58,148)	(109,233)
Equity in losses (earnings) of unconsolidated affiliates, net	3,015	2,670
Foreign currency transaction losses (gains), net	(2,752)	3,404
Deferred tax provision (benefit), net	24,412	34,024
Stock-based compensation	5,047	3,825
Amortization of debt issuance costs	386	2,008
Other, net	27,397	6,198
Changes in assets and liabilities, net:		
Trade accounts receivable and contract assets, net	(39,271)	(3,363)
Other current assets, net	(6,113)	(1,120)
Trade accounts payable	1,793	(9,631)
Contract liabilities	(6,487)	23,251
Accrued expenses and other current liabilities	(10,119)	621
Non-current assets and non-current liabilities, net	(24,648)	(5,114)
Net cash provided by (used for) operating activities	251,632	308,640
Cash flows from investing activities:		
Purchases of marketable investment securities	(183,529)	(939,255)
Sales and maturities of marketable investment securities	669,600	1,824,332
Expenditures for property and equipment	(187,917)	(262,466)
Expenditures for externally marketed software	(11,967)	(16,835)
India JV formation	(7,892)	—
Dividend received from unconsolidated affiliate	2,000	—
Purchase of other investments	—	(50,000)
Sales of other investments	—	10,516
Net cash provided by (used for) investing activities	280,295	566,292
Cash flows from financing activities:		
Repurchase and maturity of the 2021 Senior Unsecured Notes	—	(901,818)
Payment of finance lease obligations	(114)	(476)
Payment of in-orbit incentive obligations	(1,908)	(1,431)
Proceeds from Class A common stock issued under the Employee Stock Purchase Plan	5,046	4,815
Treasury share repurchase	(77,095)	(163,822)
Contribution by non-controlling interest holder	—	9,880
Other, net	—	(966)
Net cash provided by (used for) financing activities	(74,071)	(1,053,818)
Effect of exchange rates on cash and cash equivalents	(728)	(443)
Net increase (decrease) in cash and cash equivalents	457,128	(179,329)
Cash and cash equivalents, including restricted amounts, beginning of period	536,874	896,812
Cash and cash equivalents, including restricted amounts, end of period	\$ 994,002	\$ 717,483