

**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 September 30, 2024.

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)

<u>Colorado</u> (State or other jurisdiction of incorporation or organization)	<u>45-0897865</u> (I.R.S. Employer Identification No.)
<u>9601 South Meridian Boulevard Englewood, Colorado</u> (Address of principal executive offices)	<u>80112-5308</u> (Zip Code)
<u>(303) 723-1000</u> (Registrant's telephone number, including area code)	<u>Not Applicable</u> (Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None

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 November 1, 2024, 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.

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

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## PART I: FINANCIAL INFORMATION

### DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Unless otherwise required by the context, in this report, the words “HSSC,” the “Company,” “we,” “our” and “us” refer to Hughes Satellite Systems Corporation and its subsidiaries, “EchoStar” refers to EchoStar Corporation, our parent company, “DISH Network” refers to DISH Network Corporation, a wholly owned, indirect subsidiary of EchoStar, and its subsidiaries.

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including, in particular, statements about our plans, objectives and strategies, growth opportunities in our industries and businesses, our expectations regarding future results, financial condition, liquidity and capital requirements, our estimates regarding the impact of regulatory developments and legal proceedings, and other trends and projections. Forward-looking statements are not historical facts and may be identified by words such as “future,” “anticipate,” “intend,” “plan,” “goal,” “seek,” “believe,” “estimate,” “expect,” “predict,” “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 Quarterly Report on Form 10-Q and represent management’s current views and assumptions. Forward-looking statements are not guarantees of future performance, events or results and involve known and unknown risks, uncertainties and other factors, which may be beyond our control. 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, those summarized below:

### SUMMARY OF RISK FACTORS

- risks relating to the ability of our parent company, EchoStar, to realize the expected benefits of the merger with DISH Network;
- risks relating to EchoStar’s substantially increased leverage following completion of the merger with DISH Network;
- significant risks related to our ability to launch, 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 changes in the global business environment, including regulatory and competitive considerations;
- our ability to implement and/or realize benefits of our investments and other strategic initiatives;
- risks related to our foreign operations and other uncertainties associated with doing business internationally;
- risks related to our dependency upon third-party providers, including supply chain disruptions and inflation;
- risks related to cybersecurity incidents; 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 I, Item 1A of our most recent Annual Report on Form 10-K (the “10-K”) filed with the SEC, those discussed in “Management’s Narrative Analysis of Results of Operations” herein and in the 10-K and those discussed in other documents we file with the SEC. All cautionary statements made or referred to herein should be read as being applicable to all forward-looking statements wherever they appear. Investors should consider the risks and uncertainties described or referred to herein and should not place undue reliance on any forward-looking statements. The forward-looking statements speak only as of the date made, and we expressly disclaim any obligation to update these forward-looking statements.

**ITEM 1. FINANCIAL STATEMENTS**

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share amounts)  
(Unaudited)

	As of	
	September 30, 2024	December 31, 2023
<b>Assets</b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 168,336	\$ 1,276,623
Marketable investment securities	—	417,743
Trade accounts receivable and contract assets, net of allowance for credit losses of \$15,363 and \$20,399, respectively	239,953	233,915
Prepays and other assets	48,722	24,769
Inventory	172,235	167,236
Other current assets, net	34,412	18,562
<b>Total current assets</b>	<b>663,658</b>	<b>2,138,848</b>
<i>Non-current assets:</i>		
Property and equipment, net	1,147,419	1,250,074
Operating lease right-of-use assets	966,581	1,031,303
Regulatory authorizations, net	405,323	407,819
Other intangible assets, net	11,684	13,401
Other investments, net	25,789	54,137
Other non-current assets, net	265,764	303,962
<b>Total non-current assets</b>	<b>2,822,560</b>	<b>3,060,696</b>
<b>Total assets</b>	<b>\$ 3,486,218</b>	<b>\$ 5,199,544</b>
<b>Liabilities and Stockholder's Equity (Deficit)</b>		
<i>Current liabilities:</i>		
Trade accounts payable	\$ 99,046	\$ 101,163
Contract liabilities	74,551	116,187
Accrued interest	16,200	39,075
Accrued compensation	32,466	38,333
Accrued expenses	61,342	45,863
Operating lease liabilities, current	42,159	155,932
Other current liabilities	49,295	240,128
Current portion of long-term debt and other notes payable	7,070	5,225
<b>Total current liabilities</b>	<b>382,129</b>	<b>741,906</b>
<i>Non-current liabilities:</i>		
Long-term debt and other notes payable, net of current portion	1,534,692	1,538,978
Deferred tax liabilities, net	184,722	252,820
Operating lease liabilities, non - current	839,783	897,084
Other non-current liabilities	80,200	89,667
<b>Total non-current liabilities</b>	<b>2,639,397</b>	<b>2,778,549</b>
<b>Total liabilities</b>	<b>3,021,526</b>	<b>3,520,455</b>
Commitments and Contingencies (Note 10)		
<i>Stockholder's equity (deficit):</i>		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding at both September 30, 2024 and December 31, 2023	—	—
Common stock, \$0.01 par value, 1,000,000 shares authorized, 1,078 shares issued and outstanding at both September 30, 2024 and December 31, 2023	—	—
Additional paid-in capital	1,487,163	1,484,064
Accumulated other comprehensive income (loss)	(168,696)	(152,491)
Accumulated earnings (losses)	(908,973)	279,885
<b>Total HSSC stockholder's equity (deficit)</b>	<b>409,494</b>	<b>1,611,458</b>
Non-controlling interests	55,198	67,631
<b>Total stockholder's equity (deficit)</b>	<b>464,692</b>	<b>1,679,089</b>
<b>Total liabilities and stockholder's equity (deficit)</b>	<b>\$ 3,486,218</b>	<b>\$ 5,199,544</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands)  
(Unaudited)

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Revenue:</b>				
Service revenue	\$ 295,935	\$ 357,501	\$ 919,344	\$ 1,102,689
Equipment sales and other revenue	86,461	53,704	232,675	197,378
Total revenue	<u>382,396</u>	<u>411,205</u>	<u>1,152,019</u>	<u>1,300,067</u>
<b>Costs and expenses (exclusive of depreciation and amortization):</b>				
Cost of services	171,880	131,790	514,444	396,685
Cost of sales - equipment and other	74,242	43,125	208,905	150,961
Selling, general and administrative expenses	98,285	104,078	294,993	325,726
Depreciation and amortization	90,719	96,630	277,594	292,204
Total costs and expenses	<u>435,126</u>	<u>375,623</u>	<u>1,295,936</u>	<u>1,165,576</u>
Operating income (loss)	<u>(52,730)</u>	<u>35,582</u>	<u>(143,917)</u>	<u>134,491</u>
<b>Other income (expense):</b>				
Interest income, net	2,322	22,807	22,892	60,911
Interest expense, net of amounts capitalized	(24,695)	(22,037)	(74,139)	(66,770)
Other-than-temporary impairment losses on equity method investments	—	—	—	(33,400)
Other, net (Note 4)	(979)	(3,490)	(6,085)	737
Total other income (expense), net	<u>(23,352)</u>	<u>(2,720)</u>	<u>(57,332)</u>	<u>(38,522)</u>
Income (loss) before income taxes	(76,082)	32,862	(201,249)	95,969
Income tax benefit (provision), net	15,822	(10,546)	32,848	(43,765)
Net income (loss)	<u>(60,260)</u>	<u>22,316</u>	<u>(168,401)</u>	<u>52,204</u>
Less: Net income (loss) attributable to non-controlling interests	(2,003)	(2,712)	(8,543)	(6,005)
Net income (loss) attributable to HSSC	<u>\$ (58,257)</u>	<u>\$ 25,028</u>	<u>\$ (159,858)</u>	<u>\$ 58,209</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(In thousands)  
(Unaudited)

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net income (loss)	\$ (60,260)	\$ 22,316	\$ (168,401)	\$ 52,204
<b>Other comprehensive income (loss)</b>				
Foreign currency translation adjustments	5,679	(12,163)	(20,032)	10,387
Unrealized gains (losses) on available-for-sale securities	—	(83)	(267)	(304)
<b>Amounts reclassified to net income (loss):</b>				
Realized losses (gains) on available-for-sale debt securities	—	21	204	250
<i>Total other comprehensive income (loss), net of tax</i>	<u>5,679</u>	<u>(12,225)</u>	<u>(20,095)</u>	<u>10,333</u>
Comprehensive income (loss)	(54,581)	10,091	(188,496)	62,537
Less: Comprehensive loss (income) attributable to non-controlling interests, net of tax	<u>1,553</u>	<u>4,615</u>	<u>12,433</u>	<u>4,046</u>
Comprehensive income (loss) attributable to HSSC	<u>\$ (53,028)</u>	<u>\$ 14,706</u>	<u>\$ (176,063)</u>	<u>\$ 66,583</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
(In thousands)  
(Unaudited)

	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Losses)	Non-controlling Interests	Total
<b>Balance, December 31, 2022</b>	\$ 1,479,857	\$ (170,184)	\$ 741,754	\$ 96,436	\$ 2,147,863
Stock-based compensation	1,096	—	—	—	1,096
Other comprehensive income (loss)	—	7,240	—	1,968	9,208
Net income (loss)	—	—	27,849	(1,221)	26,628
<b>Balance, March 31, 2023</b>	\$ 1,480,953	\$ (162,944)	\$ 769,603	\$ 97,183	\$ 2,184,795
Stock-based compensation	1,043	—	—	—	1,043
Other comprehensive income (loss)	—	11,456	—	1,894	13,350
Net income (loss)	—	—	5,332	(2,072)	3,260
<b>Balance, June 30, 2023</b>	\$ 1,481,996	\$ (151,488)	\$ 774,935	\$ 97,005	\$ 2,202,448
Stock-based compensation	1,036	—	—	—	1,036
Other comprehensive income (loss)	—	(10,322)	—	(1,903)	(12,225)
Net income (loss)	—	—	25,028	(2,712)	22,316
<b>Balance, September 30, 2023</b>	\$ 1,483,032	\$ (161,810)	\$ 799,963	\$ 92,390	\$ 2,213,575
<b>Balance, December 31, 2023</b>	\$ 1,484,064	\$ (152,491)	\$ 279,885	\$ 67,631	\$ 1,679,089
Stock-based compensation	993	—	—	—	993
Dividends to EchoStar Corporation	—	—	(1,029,000)	—	(1,029,000)
Other comprehensive income (loss)	—	(7,178)	—	(1,118)	(8,296)
Net income (loss)	—	—	(45,619)	(4,647)	(50,266)
<b>Balance, March 31, 2024</b>	\$ 1,485,057	\$ (159,669)	\$ (794,734)	\$ 61,866	\$ 592,520
Stock-based compensation	1,544	—	—	—	1,544
Other comprehensive income (loss)	—	(14,256)	—	(3,222)	(17,478)
Net income (loss)	—	—	(55,982)	(1,893)	(57,875)
<b>Balance, June 30, 2024</b>	\$ 1,486,601	\$ (173,925)	\$ (850,716)	\$ 56,751	\$ 518,711
Stock-based compensation	562	—	—	—	562
Other comprehensive income (loss)	—	5,229	—	450	5,679
Net income (loss)	—	—	(58,257)	(2,003)	(60,260)
<b>Balance, September 30, 2024</b>	\$ 1,487,163	\$ (168,696)	\$ (908,973)	\$ 55,198	\$ 464,692

The accompanying notes are an integral part of these condensed consolidated financial statements.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (168,401)	\$ 52,204
<b>Adjustments to reconcile net income (loss) to cash flows provided by (used for) operating activities:</b>		
Depreciation and amortization	277,594	292,204
Losses (gains) on investments, net	(200)	(252)
Equity in losses (earnings) of unconsolidated affiliates, net	3,848	3,075
Foreign currency transaction losses (gains), net	2,323	(4,792)
Deferred tax provision (benefit), net	(64,538)	11,036
Stock-based compensation	3,099	3,175
Amortization of debt issuance costs	657	619
(Accretion of discounts) and amortization of premiums on debt investments	(939)	(20,010)
Other-than-temporary impairment losses on equity method investments	—	33,400
Other, net	—	2,430
<b>Changes in assets and liabilities, net:</b>		
Trade accounts receivable and contract assets	(3,807)	1,457
Changes in allowance for credit losses	(5,036)	1,364
Other current assets, net	(45,704)	(30,638)
Trade accounts payable	9,540	(21,338)
Contract liabilities	(41,636)	549
Accrued expenses and other current liabilities	(312,192)	4,516
Non-current assets and non-current liabilities, net	19,236	(18,964)
<b>Net cash provided by (used for) operating activities</b>	<b>(326,156)</b>	<b>310,035</b>
<b>Cash flows from investing activities:</b>		
Purchases of marketable investment securities	—	(964,388)
Sales and maturities of marketable investment securities	414,323	1,092,773
Expenditures for property and equipment	(168,097)	(142,319)
Expenditures for externally marketed software	(19,297)	(22,373)
Return of equity investment	20,000	—
Dividend received from unconsolidated affiliate	4,500	—
<b>Net cash provided by (used for) investing activities</b>	<b>251,429</b>	<b>(36,307)</b>
<b>Cash flows from financing activities:</b>		
Payment of in - orbit incentive obligations	(1,480)	(3,144)
Dividends to EchoStar Corporation	(1,029,000)	—
Other, net	895	—
<b>Net cash provided by (used for) financing activities</b>	<b>(1,029,585)</b>	<b>(3,144)</b>
Effect of exchange rates on cash and cash equivalents	(3,476)	1,524
Net increase (decrease) in cash and cash equivalents	(1,107,788)	272,108
Cash and cash equivalents, including restricted amounts, beginning of period (Note 4)	1,277,741	654,473
Cash and cash equivalents, including restricted amounts, end of period (Note 4)	<u>\$ 169,953</u>	<u>\$ 926,581</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED 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 were formed as a Colorado corporation in March 2011 to facilitate the acquisition by EchoStar (the “Hughes Acquisition”) of Hughes Communications, Inc. and its subsidiaries and related financing transactions. In connection with our formation, EchoStar contributed the assets and liabilities of its satellite services business to us, including the principal operating subsidiary of its satellite services business, EchoStar Satellite Services L.L.C. A substantial majority of the voting power of the shares of EchoStar is owned beneficially by Charles W. Ergen, our Chairman, and by certain entities established for the benefit of his family. During 2022, Hamid Akhavan joined the Company as its Chief Executive Officer and President.

We currently operate in two operating segments with one reportable segment and Corporate and Other:

- **Hughes segment** — which provides broadband services to consumer customers, which include home and small to medium-sized businesses. We also provide satellite and multi-transport technologies and managed network services to telecommunications providers, aeronautical service providers, civilian and defense government entities, and other 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 other enterprise customers. We also offer a robust suite of integrated, multi-transport solutions to enable airline and airline service providers to deliver reliable in-flight network connectivity serving both commercial and business aviation. Revenue in our satellite services business depends largely on our ability to make continuous use of our available satellite capacity on behalf of existing customers and our ability to enter into commercial relationships with new customers. We currently lease the capacity of EchoStar XXIV from an affiliate of ours, EchoStar XXIV L.L.C., effective December 2023. The EchoStar XXIV satellite began service in December 2023, bringing additional broadband capacity across North and South America and is expected to be an integral part of our satellite service business.
- **EchoStar Satellite Services segment (“ESS segment”)** — which 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. During the nine months ended September 30, 2024, the ESS operating segment did not meet the quantitative thresholds as prescribed under ASC 280, *Segment Reporting*, for separate reportable segments, and is not expected to meet the quantitative thresholds or be of continuing significance in the future. As such, the ESS operating segment is no longer considered a reportable segment and we included the ESS operating segment results in Corporate and Other for all periods as presented in *Note 11. Segment Reporting*.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

Our operations include various corporate functions (primarily Executive, Treasury, Strategic Development, Human Resources, Information Technology, Finance, Accounting, Real Estate and Legal) and other activities. Operating expenses include costs incurred in certain satellite development programs and other business development activities, and other income or expenses includes 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 as presented in *Note 11. 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 11. Segment Reporting* for further detail.

On December 31, 2023, EchoStar completed the acquisition of DISH Network pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of October 2, 2023 (the "Amended Merger Agreement"), by and among EchoStar, EAV Corp., a Nevada corporation and its wholly owned subsidiary ("Merger Sub"), and DISH Network, pursuant to which EchoStar acquired DISH Network by means of the merger of Merger Sub with and into DISH Network (the "Merger"), with DISH Network surviving the Merger as EchoStar's wholly owned subsidiary. For further information, refer to the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023.

With the Merger complete, EchoStar is currently focused on the process of integrating EchoStar's and DISH Network's business in a manner that facilitates synergies, cost savings and growth opportunities, and achieves other anticipated benefits.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

For further information, refer to the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023. Certain prior period amounts have been reclassified to conform to the current period presentation.

All amounts presented in these Condensed Consolidated Financial Statements are expressed in thousands of U.S. dollars unless otherwise noted.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**Principles of Consolidation**

We consolidate all majority owned subsidiaries, investments in entities in which we have controlling influence and VIEs where we have been determined to be the primary beneficiary. Minority interests are recorded as noncontrolling interests or redeemable noncontrolling interests. Non-consolidated investments are accounted for using the equity method when we have the ability to significantly influence the operating decisions of the investee. When we do not have the ability to significantly influence the operating decisions of an investee, these equity securities are classified as either marketable investment securities or other investments, which will be initially recorded at cost, and based on observable market prices, will be adjusted to their fair value. We record fair value adjustments in "Other, net" within "Other Income (Expense)" on our Condensed Consolidated Statements of Operations. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the current period presentation.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense for each reporting period. Estimates are based on historical experience, observable market inputs, and other reasonable assumptions in accounting for, among other things, allowances for credit losses, deferred taxes and related valuation allowances, uncertain tax positions, loss contingencies, fair value of financial instruments, fair value of options granted under EchoStar's stock based compensation plans, fair value of assets and liabilities acquired in business combinations, inputs used to recognize revenue over time, including amortization periods for deferred contract acquisition costs and relative standalone selling prices of performance obligations, finance leases, asset impairments, estimates of future cash flows used to evaluate and recognize impairments, useful lives of property, equipment and intangible assets, and incremental borrowing rate ("IBR") on lease right of use assets, nonrefundable upfront fees, independent third-party retailer incentives and subscriber lives and likelihood of certain contingent events. Economic conditions may increase the inherent uncertainty in the estimates and assumptions indicated above. Actual results may differ from previously estimated amounts, and such differences may be material to our Condensed Consolidated Financial Statements. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected prospectively in the period they occur.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**Concentration of Credit Risk**

One customer represented approximately 19% of the receivable component of “Trade accounts receivable and contract assets, net” as of December 31, 2023. As part of our quarterly assessment for credit losses, for the quarters ended March 31, 2024 and June 30, 2024, we determined that the collection of the balance owed from a significant customer was uncertain, resulting in a reduction in the “Trade accounts receivable and contract assets, net” balance on our Condensed Consolidated Balance Sheets. During the three months ended September 30, 2024 we wrote off the balance owed from this customer to bad debt expense which is a component of “Selling, general and administrative expenses” in the Condensed Consolidated Statements of Operations.

**Contract Acquisition Costs**

Our contract acquisition costs represent incremental direct costs of obtaining a contract and consist primarily of sales incentives paid to employees and third-party representatives. When we determine that our contract acquisition costs are recoverable, we defer and amortize the costs over the contract term, or over the estimated life of the customer relationship if anticipated renewals are expected and the incentives payable upon renewal are not commensurate with the initial incentive. We amortize contract acquisition costs in proportion to the revenue to which the costs relate on a straight-line basis. We expense sales incentives as incurred if the expected amortization period is one year or less. Unamortized contract acquisition costs are included in “Other non-current assets, net” in the Condensed Consolidated Balance Sheets and related amortization expense is included in “Selling, general and administrative expenses” in the Condensed Consolidated Statements of Operations.

**Advertising Costs**

We recognize advertising expense when incurred as a component of “Selling, general and administrative expenses” on our Condensed Consolidated Statements of Operations. Advertising expenses totaled \$11.1 million and \$13.1 million for the three months ended September 30, 2024 and 2023, respectively. Advertising expenses totaled \$34.6 million and \$42.9 million for the nine months ended September 30, 2024 and 2023, respectively.

**Research and Development**

Research and development costs, not incurred in connection with customer requirements, are expensed as incurred and are included as a component of “Selling, general and administrative expenses” on our Condensed Consolidated Statements of Operations. Additionally, customer-related research and development costs are incurred in connection with the specific requirements of a customer’s order; in such instances, the amounts for these customer funded development efforts are also included in “Cost of sales - equipment and other” in the Condensed Consolidated Statements of Operations.

The following table presents the research and development costs incurred:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Cost of sales - equipment and other	\$ 8,436	\$ 9,241	\$ 35,011	\$ 26,765
Research and development expenses	\$ 4,358	\$ 6,464	\$ 14,356	\$ 21,560

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**Fair Value Measurements**

We determine fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Market or observable inputs are the preferred source of values, followed by unobservable inputs or assumptions based on hypothetical transactions in the absence of market inputs. We apply the following hierarchy in determining fair value:

- Level 1, defined as observable inputs being quoted prices in active markets for identical assets;
- Level 2, defined as observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets and liabilities in active markets; and quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3, defined as unobservable inputs for which little or no market data exists, consistent with reasonably available assumptions made by other participants therefore requiring assumptions based on the best information available.

As of September 30, 2024 and December 31, 2023, the carrying amount for cash and cash equivalents, trade accounts receivable (net of allowance for credit losses) and contract assets, and current liabilities (excluding the "Current portion of long-term debt and other notes payable") was equal to or approximated fair value due to their short-term nature or proximity to current market rates.

Fair values of our marketable investment securities are measured on a recurring basis based on a variety of observable market inputs. For our investments in publicly traded equity securities and U.S. government securities, fair value ordinarily is determined based on Level 1 measurements that reflect quoted prices for identical securities in active markets. Fair values of our investments in other marketable debt securities are generally based on Level 2 measurements as the markets for such debt securities are less active. We consider trades of identical debt securities on or near the measurement date as a strong indication of fair value and matrix pricing techniques that consider par value, coupon rate, credit quality, maturity and other relevant features may also be used to determine fair value of our investments in marketable debt securities. Additionally, we use fair value measurements from time to time in connection with other investments, asset impairment testing and the assignment of purchase consideration to assets and liabilities of acquired companies. Those fair value measurements typically include significant unobservable inputs and are categorized within Level 3 of the fair value hierarchy. Transfers between levels in the fair value hierarchy are considered to occur at the beginning of the quarterly accounting period. See *Note 4. Marketable Investment Securities, Restricted Cash and Cash Equivalents, and Other Investments* for the fair value of our marketable investment securities.

Fair values for our publicly traded debt securities are based on quoted market prices, when available. The fair values of private debt are based on, among other things, available trade information, and/or an analysis in which we evaluate market conditions, related securities, various public and private offerings, and other publicly available information. In performing this analysis, we make various assumptions regarding, among other things, credit spreads, and the impact of these factors on the value of the debt securities. See *Note 9. Long-Term Debt and Other Notes Payable* for the fair value of our long-term debt.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**Government Funding**

The Company is currently participating in two government programs: New York-Connect America Fund, New York Broadband, and prior to the program's termination in June 2024, the company participated in the Affordable Connectivity Plan ("ACP"), with funding for the ACP ending in May 2024. The purpose of these programs is to provide internet and connectivity services to qualifying households in the United States. The Company is entitled to reimbursement from the government for services provided. We record gross monies received from government entities in "Service revenue," and associated expenses such as salaries and supplies are recorded in "Cost of services," or "Selling, general and administrative expenses," on our Condensed Consolidated Statement of Operations, depending on the nature of expenditure. We accrue for reimbursement requests submitted to government entities in "Trade accounts receivable and contract assets, net" on our Condensed Consolidated Balance Sheets. During the three and nine months ended September 30, 2024, the Company recognized minimal and \$6.6 million respectively, in "Service revenue" on our Condensed Consolidated Statement of Operations, respectively. As of September 30, 2024, we have trade accounts receivable of \$1.2 million related to our government programs on our Condensed Consolidated Balance Sheets.

**New Accounting Pronouncements**

*Joint Ventures.* On August 23, 2023, the FASB issued ASU 2023-05, *Business Combinations — Joint Venture Formations (Subtopic 805-60)* ("ASU 2023-05"), which requires an entity that qualifies as either a joint venture or a corporate joint venture as defined in the FASB Accounting Standards Codification (ASC) master glossary to apply a new basis of accounting upon the formation of the joint venture. This standard will be effective for all joint venture formations with a formation date on or after January 1, 2025. A joint venture that was formed before January 1, 2025 may elect to apply the amendments retrospectively if it has sufficient information. Early adoption is permitted in any interim or annual period in which financial statements have not yet been issued or made available for issuance. We plan to adopt the standard if applicable and we expect the adoption of the standard will have an immaterial impact on our disclosures.

*Segment Reporting.* On November 27, 2023, the FASB issued ASU 2023-07 *Segment Reporting (Topic 280): Improvements to Reporting Segment Disclosures* ("ASU 2023-07"), which will enhance financial reporting by providing additional information about a public company's significant segment expenses and more timely and detailed segment information reporting throughout the fiscal period. This standard will be effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We plan to adopt the standard when it becomes effective for us beginning in our fiscal year 2024 annual financial statements, and we expect the adoption of the standard will impact certain of our segment reporting disclosures.

*Income Taxes.* On December 14, 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which will enhance income tax disclosures. ASU 2023-09 requires among other items disaggregated information in a reporting entity's rate reconciliation table, clarification on uncertain tax positions and the related financial statement impact as well as information on income taxes paid on a disaggregated basis. This standard will be effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. We are evaluating the impact the adoption of ASU 2023-09 will have on our Condensed Consolidated Financial Statements and related disclosures.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**NOTE 3. SUPPLEMENTAL DATA - STATEMENTS OF CASH FLOWS**

The following table presents certain supplemental cash flow and other non-cash data. See *Note 8. Leases* for supplemental cash flow and non-cash data related to leases.

	<u>For the nine months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest, (including capitalized interest)	\$ 96,858	\$ 100,371
Cash received for interest	30,647	53,687
Cash paid for income taxes, net of (refunds) <sup>(1)</sup>	198,694	3,233
Capitalized interest	—	8,114
Accrued capital expenditures	4,356	8,209

(1) Our cash paid for income taxes, net of refunds, includes approximately \$195.6 million of income taxes paid to our parent Company, EchoStar. Substantially all of this balance relates to amounts accrued for in “Other current liabilities” as of December 31, 2023.

***EchoStar Exchange Offer***

On March 4, 2024, EchoStar commenced a tender offer to eligible employees (which excludes EchoStar’s co-founders and the non-executive/non-employee members of EchoStar’s Board of Directors) to exchange eligible stock options (which excludes the Ergen 2020 Performance Award) for new options as detailed in the Schedule TO Tender Offer Statement filed March 4, 2024 with the Securities and Exchange Commission (the “Exchange Offer”), to, among other things, further align employee incentives with the current market. The Exchange Offer expired on April 1, 2024 and EchoStar accepted for exchange 4 million stock options of employees of the Company. As a result of the Exchange Offer, the exercise price of approximately 3 million new stock options, affecting approximately 400 eligible employees of the Company, was adjusted to \$14.04. The total incremental non-cash stock-based compensation expense resulting from the Exchange Offer was \$3 million, which will be recognized over the remaining vesting period of the applicable options.

**NOTE 4. MARKETABLE INVESTMENT SECURITIES, RESTRICTED CASH AND CASH EQUIVALENTS, AND OTHER INVESTMENTS**

The following table presents our “Marketable investment securities”:

	<u>As of</u>	
	<u>September 30, 2024</u>	<u>December 31, 2023</u>
<b>Marketable investment securities:</b>		
<b>Available-for-sale debt securities:</b>		
Corporate bonds	\$ —	\$ 91,548
Commercial paper	—	282,898
Other debt securities	—	43,297
Total marketable investment securities	<u>\$ —</u>	<u>\$ 417,743</u>

During the nine months ended September 30, 2024, we liquidated our marketable investment securities portfolio to make cash distributions to our parent.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**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	
<b>As of September 30, 2024</b>				
Corporate bonds	\$ —	\$ —	\$ —	\$ —
Commercial paper	—	—	—	—
Other debt securities	—	—	—	—
Total available-for-sale debt securities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>As of December 31, 2023</b>				
Corporate bonds	\$ 91,474	\$ 79	\$ (5)	\$ 91,548
Commercial paper	282,898	—	—	282,898
Other debt securities	43,307	—	(10)	43,297
Total available-for-sale debt securities	<u>\$ 417,679</u>	<u>\$ 79</u>	<u>\$ (15)</u>	<u>\$ 417,743</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Proceeds from sales	<u>\$ —</u>	<u>\$ 71,586</u>	<u>\$ 294,292</u>	<u>\$ 203,307</u>

**Restricted Cash and Cash Equivalents**

We have restricted cash and cash equivalents of \$1.6 million and \$1.1 million as of September 30, 2024 and December 31, 2023, respectively. Our restricted cash and cash equivalents are included in “Other non-current assets, net” on our Condensed Consolidated Balance Sheets.

**Other Investments, net**

The following table presents our “Other investments, net”:

	As of	
	September 30, 2024	December 31, 2023
<b>Other investments, net:</b>		
Equity method investments (1)	\$ 14,511	\$ 42,859
Cost method investments	11,278	11,278
Total other investments, net	<u>\$ 25,789</u>	<u>\$ 54,137</u>

(1) The decrease in equity method investments primarily results from our Broadband Connectivity Solutions (Restricted) Limited investment, discussed below.

*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.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

*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. For the quarter ended September 30, 2024, BCS returned \$20 million of this investment to us.

*Cost Method Investments*

*Hughes Systique Corporation ("Hughes Systique").* We own 42% of Hughes Systique via preferred shares and contract with Hughes Systique for software development services. Prior to December 31, 2023, we consolidated Hughes Systique's financial statements into our Condensed Consolidated Financial Statements. As of December 31, 2023, we have deconsolidated the Hughes Systique results from our Condensed Consolidated Financial Statements and recorded the investment as a cost method investment in "Other investments, net" on our Condensed Consolidated Balance Sheets. See our Annual Report on Form 10-K for the year ended December 31, 2023, *Note 5. Business Combinations and Deconsolidations* for further information.

**Fair Value Measurements**

Our investments measured at fair value on a recurring basis were as follows:

	Level 1	Level 2	Total
<b>As of September 30, 2024</b>			
Cash equivalents (including restricted)	\$ 32,998	\$ 1,832	\$ 34,830
<b>Available-for-sale debt securities:</b>			
Corporate bonds	\$ —	\$ —	\$ —
Commercial paper	—	—	—
Other debt securities	—	—	—
Total marketable investment securities	\$ —	\$ —	\$ —
<b>As of December 31, 2023</b>			
Cash equivalents (including restricted)	\$ 177,009	\$ 999,347	\$ 1,176,356
<b>Available-for-sale debt securities:</b>			
Corporate bonds	\$ —	\$ 91,548	\$ 91,548
Commercial paper	—	282,898	282,898
Other debt securities	38,799	4,498	43,297
Total marketable investment securities	\$ 38,799	\$ 378,944	\$ 417,743

As of September 30, 2024 and December 31, 2023, we did not have any investments that were categorized within, or transferred into or out of, Level 3 of the fair value hierarchy.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**Gains and Losses on Sales and Changes in Carrying Amounts of Investments and Other**

“Other, net” within “Other Income (Expense)” included on our Condensed Consolidated Statements of Operations is as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2024	2023	2024	2023
<b>Other, net:</b>				
Marketable and non-marketable investment securities - realized and unrealized gains (loss)	\$ —	\$ 22	\$ 200	\$ 252
Equity in earnings (losses) of unconsolidated affiliates	(1,325)	(1,978)	(3,848)	(3,075)
Foreign currency transaction gains (losses)	473	(1,521)	(2,323)	4,792
Other	(127)	(13)	(114)	(1,232)
<b>Total</b>	<u>\$ (979)</u>	<u>\$ (3,490)</u>	<u>\$ (6,085)</u>	<u>\$ 737</u>

**NOTE 5. INVENTORY**

Inventory consisted of the following:

	<u>As of</u>	
	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Raw materials	\$ 40,525	\$ 32,492
Work-in-process	32,528	32,832
Finished goods	99,182	101,912
Total inventory	<u>\$ 172,235</u>	<u>\$ 167,236</u>

**NOTE 6. PROPERTY AND EQUIPMENT**

**Property and Equipment**

Property and equipment consisted of the following:

	<u>Depreciable Life (In Years)</u>	<u>As of</u>	
		<u>September 30, 2024</u>	<u>December 31, 2023</u>
Equipment leased to customers	2 to 4	\$ 880,709	\$ 883,565
Satellites <sup>(1)</sup>	5 to 15	1,215,037	1,506,541
Satellites acquired under finance lease agreements	15	356,432	368,384
Land	—	13,559	13,547
Buildings and improvements	1 to 40	129,364	115,354
Furniture, fixtures, equipment and other	1 to 12	991,615	977,154
Construction in progress	—	7,568	28,217
Total property and equipment		3,594,284	3,892,762
Accumulated depreciation		(2,446,865)	(2,642,688)
Property and equipment, net		<u>\$ 1,147,419</u>	<u>\$ 1,250,074</u>

(1) The Spaceway 3 satellite was deorbited in January 2024.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

Depreciation and amortization expense consisted of the following:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2024	2023	2024	2023
Equipment leased to customers	\$ 15,375	\$ 41,236	\$ 87,075	\$ 127,879
Satellites	26,357	26,973	79,902	78,818
Buildings, furniture, fixtures, equipment and other	33,690	12,770	63,767	39,405
Software and computer equipment	6,471	7,238	19,674	21,383
Intangible assets and other amortization expense	8,826	8,413	27,176	24,719
Total depreciation and amortization expense	<u>\$ 90,719</u>	<u>\$ 96,630</u>	<u>\$ 277,594</u>	<u>\$ 292,204</u>

Cost of sales and operating expense categories included in our accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) do not include depreciation and amortization expense related to satellites, equipment leased to customers, and amortization of development costs of externally marketed software.

**Satellites**

As of September 30, 2024, our satellite fleet consisted of eight satellites in geosynchronous (“GEO”) orbit, approximately 22,300 miles above the equator, four of which we own and depreciate over their estimated useful life. We also lease four satellites, three of which are accounted for as finance leases and are depreciated over their economic life and one of which is accounted for as an operating lease.

As of September 30, 2024, our satellite fleet in service consisted of the following:

<u>Satellites</u>	<u>Launch Date</u>	<u>Degree Orbital Location (Longitude)</u>	<u>Lease Termination Date</u>
<b>Owned:</b>			
EchoStar XVII	July 2012	107 W	N/A
EchoStar XIX	December 2016	97.1 W	N/A
Al Yah 3 (“AY3”) <sup>(1)</sup>	January 2018	20 W	N/A
EchoStar IX	August 2003	121 W	N/A
<b>Finance leases:</b>			
Eutelsat 65 West A	March 2016	65 W	July 2031
Telesat T19V	July 2018	63 W	August 2033
EchoStar 105/SES-11	October 2017	105 W	November 2029
<b>Operating leases:</b>			
EchoStar XXIV	July 2023	95.2 W	December 2030

(1) We own the Ka-band and Ku-band payloads on this satellite.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

*Satellite-Related Commitments*

As of September 30, 2024 and December 31, 2023 our satellite-related commitments, excluding in-orbit incentives, were \$177.7 million and \$193.3 million, respectively. These include payments pursuant to regulatory authorizations, non-lease costs associated with our finance lease 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*

Except as described above, we are not aware of any new 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 months ended September 30, 2024.

*Satellite Insurance*

We generally do not carry in-orbit insurance on our satellites or payloads because we have assessed that the cost of insurance is not economical relative to the risk of failures. Therefore, we generally bear the risk of any in-orbit failures.

Pursuant to the terms of our joint venture agreement with Yahsat, we are required to maintain insurance for the AI Yah 3 Brazilian payload during the commercial in-orbit service of such payload, subject to certain limitations on coverage. The insurance policies were procured by Yahsat, under which the Company and Yahsat are the beneficiaries of any claims in proportion to their shareholdings. An insurance claim was submitted in the second quarter of 2023 for compensation with respect to the reduction in estimated useful life of the AI Yah 3 satellite.

*Fair Value of In-Orbit Incentives*

As of September 30, 2024 and December 31, 2023, the fair values of our in-orbit incentive obligations approximated their carrying amounts of \$42.3 million and \$46.3 million, respectively.

**NOTE 7. REGULATORY AUTHORIZATIONS**

The following table presents our “Regulatory authorizations, net”:

	Finite lived			Indefinite lived	Total
	Cost	Accumulated Amortization	Total		
<b>Balance, December 31, 2022</b>	\$ 11,331	\$ (2,712)	\$ 8,619	\$ 400,000	\$ 408,619
Amortization expense	—	(1,305)	(1,305)	—	(1,305)
Currency translation adjustments	1,072	(238)	834	—	834
<b>Balance, September 30, 2023</b>	<b>\$ 12,403</b>	<b>\$ (4,255)</b>	<b>\$ 8,148</b>	<b>\$ 400,000</b>	<b>\$ 408,148</b>
<b>Balance, December 31, 2023</b>	\$ 12,754	\$ (4,935)	\$ 7,819	\$ 400,000	\$ 407,819
Amortization expense	—	(1,555)	(1,555)	—	(1,555)
Currency translation adjustments	(1,644)	703	(941)	—	(941)
<b>Balance, September 30, 2024</b>	<b>\$ 11,110</b>	<b>\$ (5,787)</b>	<b>\$ 5,323</b>	<b>\$ 400,000</b>	<b>\$ 405,323</b>
Weighted-average useful life (in years)	12				

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**NOTE 8. LEASES**

We enter into non-cancelable operating and finance leases for, among other things, satellites, satellite-related ground infrastructure, data centers, office space, warehouses and distribution centers. Substantially all of our leases have remaining lease terms from one to 13 years, some of which include renewal options, and some of which include options to terminate the leases within one year. For certain arrangements, the lease term includes the non-cancelable period plus the renewal period that we are reasonably certain to exercise.

Our Eutelsat 65 West A, Telesat T19V and EchoStar 105/SES-11 satellites are accounted for as finance leases. Substantially all of our remaining leases are accounted for as operating leases, including our EchoStar XXIV satellite lease. Refer to *Note 13. Related Party Transactions- EchoStar* for further details on the EchoStar XXIV operating lease.

The following table presents the amounts for right-of-use (“ROU”) assets and lease liabilities:

	September 30, 2024	As of December 31, 2023
<b>Right-of-use assets:</b>		
Operating	\$ 966,581	\$ 1,031,303
Finance	194,645	218,807
Total right-of-use assets	<u>\$ 1,161,226</u>	<u>\$ 1,250,110</u>
<b>Lease liabilities:</b>		
<b>Current:</b>		
Operating <sup>(1)</sup>	\$ 42,159	\$ 155,932
Finance	—	—
Total current	<u>42,159</u>	<u>155,932</u>
<b>Non-current:</b>		
Operating	839,783	897,084
Finance	—	—
Total non-current	<u>839,783</u>	<u>897,084</u>
Total lease liabilities	<u>\$ 881,942</u>	<u>\$ 1,053,016</u>

(1) The decrease in current operating lease liabilities is due to prepayments related to the EchoStar XXIV satellite, resulting in the lease liability and associated asset being remeasured. Refer to *Note 13. Related Party Transactions- EchoStar* for further details on the EchoStar XXIV operating lease prepayments.

As of September 30, 2024, we have prepaid our obligations regarding all of our finance right-of-use assets. Finance lease assets are reported net of accumulated amortization of \$161.8 million and \$149.6 million as of September 30, 2024 and December 31, 2023, respectively.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

The following table presents the components of lease cost and weighted-average lease terms and discount rates for operating and finance leases:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
<b>Lease cost:</b>				
Operating lease cost	\$ 6,538	\$ 6,940	\$ 18,733	\$ 20,039
Operating lease cost - EchoStar XXIV	47,675	—	143,025	—
Total operating lease cost	54,213	6,940	161,758	20,039
<b>Finance lease cost:</b>				
Amortization of right-of-use assets	12,714	4,312	18,027	19,927
Interest on lease liabilities	—	—	—	—
Total finance lease cost	12,714	4,312	18,027	19,927
Short-term lease cost	—	—	—	—
Variable lease cost	—	—	—	—
Total lease cost	<u>\$ 66,927</u>	<u>\$ 11,252</u>	<u>\$ 179,785</u>	<u>\$ 39,966</u>

	As of	
	September 30, 2024	December 31, 2023
<b>Lease term and discount rate:</b>		
<b>Weighted-average remaining lease term:</b>		
Finance leases	— years	— years
Operating leases	6.9 years	7.5 years
<b>Weighted-average discount rate:</b>		
Finance leases	— %	— %
Operating leases	12.0 %	12.1 %

Supplemental cash flow information related to leases was as follows:

	For the nine months ended September 30,	
	2024	2023
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	\$ 267,244	\$ 19,883
Operating cash flows from finance leases	—	—
Financing cash flows from finance leases	—	—

We obtained nominal ROU assets in exchange for lease liabilities upon commencement of operating leases during the nine months ended September 30, 2024. We did not obtain any ROU assets in exchange for lease liabilities upon commencement of operating leases during the nine months ended September 30, 2023.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

Maturities of lease liabilities as of September 30, 2024 were as follows:

	<b>Operating Leases</b>
<b>Year ending December 31,</b>	
2024 (remaining three months)	\$ 6,513
2025	173,165
2026	215,519
2027	214,095
2028	212,227
Thereafter	483,503
Total future minimum lease payments	1,305,022
Less: Interest	(423,080)
Total lease liabilities	<u>\$ 881,942</u>

**Lessor Accounting**

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

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Sales-type lease revenue:</b>				
Revenue at lease commencement	\$ 2,508	\$ 2,272	\$ 4,052	\$ 8,913
Interest income	476	501	1,555	1,502
Total sales-type lease revenue	2,984	2,773	5,607	10,415
Operating lease revenue	4,998	11,618	15,858	36,136
Total lease revenue	<u>\$ 7,982</u>	<u>\$ 14,391</u>	<u>\$ 21,465</u>	<u>\$ 46,551</u>

Substantially all of our net investment in sales-type leases consisted of lease receivables totaling \$27.6 million and \$30.4 million as of September 30, 2024 and December 31, 2023, respectively.

The following table presents future operating lease payments to be received as of September 30, 2024:

	<b>Amounts</b>
<b>December 31,</b>	
2024 (remaining three months)	\$ 7,286
2025	8,768
2026	5,978
2027	3,822
2028	847
Thereafter	448
Total lease payments to be received	<u>\$ 27,149</u>

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**(Unaudited)**

**NOTE 9. LONG-TERM DEBT AND OTHER NOTES PAYABLE**

The following table summarizes the carrying amount and fair value of our debt facilities as of September 30, 2024 and December 31, 2023:

	As of			
	September 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Senior Secured Notes:</b>				
5 1/4% Senior Secured Notes due 2026	\$ 750,000	\$ 692,993	\$ 750,000	\$ 665,678
<b>Senior Unsecured Notes:</b>				
6 5/8% Senior Unsecured Notes due 2026	750,000	645,390	750,000	591,525
Subtotal	<u>1,500,000</u>	<u>\$ 1,338,383</u>	<u>1,500,000</u>	<u>\$ 1,257,203</u>
Less: Unamortized debt issuance costs	(1,734)	—	(2,391)	—
Other notes payable	<u>43,496</u>	—	<u>46,594</u>	—
Total long-term debt and other notes payable (including current portion)	<u>\$ 1,541,762</u>		<u>\$ 1,544,203</u>	

We estimated the fair value of our publicly traded long-term debt using market prices in less active markets (Level 2).

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**NOTE 10. COMMITMENTS AND CONTINGENCIES**

**Contingencies**

**Patents and Intellectual Property**

Many entities, including some of our competitors, have, or may in the future, obtain patents and other intellectual property rights that cover or affect products or services that we offer or that we may offer in the future. We may not be aware of all intellectual property rights that our products or 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 patents 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 components of our products and services. We cannot be certain that these persons do not own the rights they claim, that our products do not infringe on these rights, and/or that these rights are not valid. Further, we cannot be certain that we would be able to obtain licenses from these persons on commercially reasonable terms or, if we were unable to obtain such licenses, that we would be able to redesign our products to avoid infringement.

**Litigation**

We are involved in a number of legal proceedings (including those described below) concerning matters arising in connection with the conduct of our business activities. Many of these proceedings are at preliminary stages, and many of these proceedings 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 or there is a reasonable possibility that a loss or an additional loss may have been incurred and to determine if accruals are appropriate. If accruals are not appropriate, we further evaluate each legal proceeding to assess whether an estimate of the possible loss or range of possible loss can be made.

For certain cases described on the following pages, management is unable to 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; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (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. For these cases, however, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material adverse effect on our financial condition, though the outcomes could be material to our operating results for any particular period, depending, in part, upon the operating results for such period.

*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 1999 government policy that eliminated fixed license fees and replaced them with license fees based on service providers' 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 both licensed and unlicensed activities.

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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 those other providers filed similar petitions 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 was 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, 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 each March 31 thereafter. As of September 30, 2024, the gross amount of fees, penalties and interest owed was approximately \$92 million with \$55 million remaining outstanding as a result of historical payments.

Pursuant to the Contribution and Membership Interest Purchase Agreement (the “Purchase Agreement”) dated December 3, 2004 between The DirecTV Group, Inc. (“DirecTV”) and certain other entities relating to DirecTV’s spinoff of certain of its subsidiaries, including HCIPL, DirecTV undertook to indemnify HCIPL for certain pre-closing tax liabilities. On March 27, 2020, HCIPL filed an indemnification complaint against DirecTV in the United States District Court for the Southern District of New York, seeking to recover certain license fees, penalties and interest owed to the Indian government as a result of the aforementioned proceedings. On November 16, 2021, the New York court granted summary judgment in favor of DirecTV, but on June 22, 2023, the United States Court of Appeals for the Second Circuit reversed, holding that, under the Purchase Agreement, HCIPL is entitled to indemnification from DirecTV. The Second Circuit remanded the case back to the trial court to determine the amount of indemnification owed. The parties have reached a conditional agreement to settle the matter, and, on October 3, 2024, at the parties’ request, the Court stayed the case pending the determination of those conditions.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
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The following table presents the components of the accrual:

	As of	
	September 30, 2024	December 31, 2023
Additional license fees	\$ 3,386	\$ 3,405
Penalties	3,475	3,495
Interest and interest on penalties	85,420	82,627
Less: Payments	(37,729)	(27,807)
Total accrual	54,552	61,720
Less: Current portion	10,074	10,130
Total long-term accrual	<u>\$ 44,478</u>	<u>\$ 51,590</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.

*Hughes Telecomunicacoes do Brasil v. State of São Paulo Treasury Department of São Paulo Treasury Department*

On December 12, 2019, Hughes Telecomunicacoes do Brasil (“HTB”) filed a tax annulment claim in the Judicial Court of São Paulo, claiming that a tax assessment from the State Treasury of São Paulo, for the period from January 2013 to December 2014, was based on an erroneous interpretation of an exemption to the ICMS (a state tax on, among other things, communications).

In June 2022, a judicial expert determined that HTB’s interpretation of the exemption was correct. Nonetheless, in July 2023, the Court entered judgment against HTB, and in October 2023, rejected HTB’s request for clarification. In November 2023, HTB filed an appeal to the Court of Justice.

We intend to vigorously defend this case. We cannot predict with any degree of certainty the outcome of the suit.

*Other*

In addition to the above actions, we are subject to various other legal proceedings and claims that arise in the ordinary course of business. In our opinion, the amount of ultimate liability with respect to any of these actions is unlikely to materially affect our financial condition, results of operations or liquidity, though the outcomes could be material to our operating results for any particular period, depending, in part, upon the operating results for such period.

**NOTE 11. SEGMENT REPORTING**

Operating segments are components of an enterprise for which separate financial information is available and regularly evaluated by the chief operating decision maker(s) of an enterprise. Earnings before interest, taxes, depreciation and amortization, and net income (loss) attributable to non-controlling interests (“EBITDA”) is the primary measure used by our chief operating decision maker to evaluate segment operating performance. We operate in two operating segments: Hughes segment and ESS segment. During the nine months ended September 30, 2024, the ESS operating segment did not meet the quantitative thresholds as prescribed under ASC 280, *Segment Reporting*, for separate reportable segments, and is not expected to meet the quantitative thresholds or be of continuing significance in the future. As such, the ESS operating segment is no longer considered a reportable segment and we included the ESS operating segment results in Corporate and Other for all periods presented.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

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

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

	Hughes	Corporate and Other	Consolidated Total
<b>For the three months ended September 30, 2024</b>			
External revenue	\$ 381,100	\$ 1,296	\$ 382,396
Capital expenditures	\$ 44,448	\$ —	\$ 44,448
EBITDA	\$ 56,386	\$ (17,373)	\$ 39,013
<b>For the three months ended September 30, 2023</b>			
External revenue	\$ 404,209	\$ 6,996	\$ 411,205
Capital expenditures	\$ 51,214	\$ 130	\$ 51,344
EBITDA	\$ 142,204	\$ (10,770)	\$ 131,434
<b>For the nine months ended September 30, 2024</b>			
External revenue	\$ 1,148,129	\$ 3,890	\$ 1,152,019
Capital expenditures	\$ 167,902	\$ 195	\$ 168,097
EBITDA	\$ 187,463	\$ (51,328)	\$ 136,135
<b>For the nine months ended September 30, 2023</b>			
External revenue	\$ 1,279,739	\$ 20,328	\$ 1,300,067
Capital expenditures	\$ 142,189	\$ 130	\$ 142,319
EBITDA	\$ 440,435	\$ (40,398)	\$ 400,037

The following table reconciles "Net income (loss)" in the Condensed Consolidated Statements of Operations to EBITDA:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ (60,260)	\$ 22,316	\$ (168,401)	\$ 52,204
Interest income, net	(2,322)	(22,807)	(22,892)	(60,911)
Interest expense, net of amounts capitalized	24,695	22,037	74,139	66,770
Income tax provision (benefit), net	(15,822)	10,546	(32,848)	43,765
Depreciation and amortization	90,719	96,630	277,594	292,204
Net loss (income) attributable to non-controlling interests	2,003	2,712	8,543	6,005
EBITDA	<u>\$ 39,013</u>	<u>\$ 131,434</u>	<u>\$ 136,135</u>	<u>\$ 400,037</u>

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
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**NOTE 12. REVENUE RECOGNITION****Contract Balances**

Contract assets arise when we recognize revenue for providing a service in advance of billing our customers. Our contract assets typically relate to our long-term contracts where we recognize revenue using the cost-based input method and the revenue recognized exceeds the amount billed to the customer.

Our contract assets also include receivables related to sales-type leases recognized over the lease term as the customer is billed. Contract assets are amortized as the customer is billed for services. Contract assets are recorded in "Trade accounts receivable and contract assets, net" on our Condensed Consolidated Balance Sheets.

Contract liabilities arise when we bill our customers and receive consideration in advance of providing the service. Contract liabilities are recognized as revenue when the service has been provided to the customer. Contract liabilities are recorded in "Contract liabilities" or "Other non-current liabilities" on our Condensed Consolidated Balance Sheets.

The following table presents the components of our contract balances:

	As of	
	September 30, 2024	December 31, 2023
Contract assets	\$ 98,241	\$ 66,095
<b>Contract liabilities:</b>		
Current	\$ 74,551	\$ 116,187
Non-current	1,175	7,401
Total contract liabilities	<u>\$ 75,726</u>	<u>\$ 123,588</u>

Our beginning of period contract liability recorded as customer contract revenue during 2024 was \$96 million.

The following table presents the activity in our allowance for credit losses:

	For the nine months ended September 30,	
	2024	
<b>Balance at beginning of period</b>	\$	20,399
Current period provision for expected losses		21,107
Write-offs charged against allowances		(25,880)
Foreign currency translation		(263)
<b>Balance at end of period</b>	<u>\$</u>	<u>15,363</u>

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
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**Contract Acquisition Costs**

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

	For the nine months ended September 30,	
	2024	2023
<b>Balance at beginning of period</b>	\$ 49,343	\$ 64,447
Additions	37,919	34,708
Amortization expense	(28,518)	(46,722)
Foreign currency translation	(865)	681
<b>Balance at end of period</b>	<u>\$ 57,879</u>	<u>\$ 53,114</u>

**Performance Obligations**

As of September 30, 2024, the remaining performance obligations for our customer contracts was approximately \$1.4 billion, compared to \$1.7 billion as of December 31, 2023, a decrease of \$314 million. This decrease resulted from the evaluation of the credit worthiness of the portfolio, and modifying certain long term agreements. Performance obligations expected to be satisfied within one year and greater than one year are 31% and 69%, respectively. This amount and percentages exclude leasing arrangements and agreements with consumer customers.

**Disaggregation of Revenue***Geographic Information*

Revenue is attributed to geographic markets based upon the billing location of the customer. Substantially all of our revenue is related to our Hughes segment. The following tables present our revenue from customer contracts disaggregated by primary geographic market:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
North America	\$ 305,610	\$ 330,594	\$ 925,163	\$ 1,055,173
South and Central America	35,524	39,843	106,840	119,528
Other	41,262	40,768	120,016	125,366
Total revenue	<u>\$ 382,396</u>	<u>\$ 411,205</u>	<u>\$ 1,152,019</u>	<u>\$ 1,300,067</u>

**HUGHES SATELLITE SYSTEMS CORPORATION**  
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*Nature of Products and Services*

The following tables present our revenue disaggregated by the nature of products and services. Substantially all of our revenue is related to our Hughes segment:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
<b>Service revenue:</b>				
Services	\$ 290,937	\$ 345,883	\$ 903,486	\$ 1,066,553
Lease revenue	4,998	11,618	15,858	36,136
Total service revenue	<u>295,935</u>	<u>357,501</u>	<u>919,344</u>	<u>1,102,689</u>
<b>Equipment and other revenue:</b>				
Equipment	46,907	24,696	130,496	72,348
Design, development and construction services	36,570	26,235	96,572	114,615
Lease revenue	2,984	2,773	5,607	10,415
Total equipment and other revenue	<u>86,461</u>	<u>53,704</u>	<u>232,675</u>	<u>197,378</u>
Total revenue	<u>\$ 382,396</u>	<u>\$ 411,205</u>	<u>\$ 1,152,019</u>	<u>\$ 1,300,067</u>

**NOTE 13. 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.

**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. 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.

**Service revenue — EchoStar**

The following table presents our "Service revenue" from EchoStar:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Service revenue - EchoStar	<u>\$ 1,233</u>	<u>\$ 1,129</u>	<u>\$ 3,652</u>	<u>\$ 3,389</u>

**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.

The following table presents the corresponding related party receivables:

	As of	
	September 30, 2024	December 31, 2023
Related party receivables - EchoStar - non-current	<u>\$ 75,021</u>	<u>\$ 61,283</u>

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
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**Operating Expenses — EchoStar**

The following table presents our operating expenses from EchoStar:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Operating expenses - EchoStar	\$ 21,479	\$ 17,167	\$ 62,080	\$ 58,314

This table does not include lease costs associated with the EchoStar XXIV lease. Refer to *Note 8. Leases* for further details on the EchoStar XXIV operating lease costs.

**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. The following table presents certain related party payables:

	As of	
	September 30, 2024	December 31, 2023
Related party payables - EchoStar - current, net	\$ 22,446	\$ 195,558
Related party payables - EchoStar - non-current	27,039	26,453
Total related party payables - EchoStar	\$ 49,485	\$ 222,011
Operating lease liabilities - EchoStar - current	25,678	138,694
Operating lease liabilities - EchoStar - non-current	701,835	755,379
Total operating lease liabilities - EchoStar	\$ 727,513	\$ 894,073

The Company settled its December 31, 2023 Related party payables - EchoStar - current, net with EchoStar in the first quarter of 2024.

**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. Advances under these agreements bear interest at annual rates of three percent. Amounts payable under these agreements are included within Related party payables - EchoStar - non-current in the table above.

**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 "Service revenue" of \$1.3 million and \$1.1 million for the three months ended September 30, 2024, and 2023, respectively, and \$3.7 million and \$3.4 million for the nine months ended September 30, 2024, and 2023, 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%. These loans are included within Related party receivables - EchoStar - non-current in the table above.

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**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. We provided 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 \$1.4 million for the three and nine months ended September 30, 2023. The EchoStar XXIV satellite was placed into service in December 2023. No costs were incurred related to these services during the three and nine months ended September 30, 2024.

**EchoStar XXIV Satellite Lease.** Effective December 2023, we lease capacity of the EchoStar XXIV satellite under an operating lease from an affiliate of ours, EchoStar XXIV L.L.C., for a term of seven years for a monthly lease charge of \$15.9 million. We prepaid \$100.0 million in lease obligations under the agreement in March 2024 which is reflected in certain of the liabilities listed above. In June 2024, we prepaid an additional \$85.0 million in lease obligations. The prepayments resulted in the lease liability and associated asset being remeasured.

**Dividends.** On February 15, 2024, 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 \$529 million. Payment of this dividend was made in the first quarter of 2024.

On March 12, 2024, our Board of Directors declared and approved payment of a cash dividend on the Company's outstanding common stock to our shareholder and parent, EchoStar, in the amount of \$500 million. Payment of the dividend was made in the first quarter of 2024.

**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 Hughes Network Systems L.L.C. ("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. We and DISH Network amended the agreements for warranty, operations, and maintenance services for TerreStar ground-based communications equipment, effective as of January 1, 2024, to extend the existing pricing and other terms through December 31, 2024.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**TerreStar Solutions.** EchoStar owns a 33% interest, on a fully diluted basis, in TerreStar Solutions, Inc. ("TSI"), an entity that provides wireless mobile communication coverage in Canada using a satellite user terminal. 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 from TSI of \$0.5 million and \$0.5 million for the three months ended September 30, 2024 and 2023, respectively, and \$1.4 million and \$1.4 million for the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, we had no trade accounts receivable from TSI.

**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"). Following the Merger, Dish Network's ownership of DBSD North America was sold to our parent company, EchoStar, such that EchoStar now owns all of the equity of 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. We and DBSD North America amended the agreements for warranty, operations, and maintenance services for DBSD's gateway and ground-based communications equipment, effective as of January 1, 2024, to extend the existing pricing and other terms through December 31, 2024.

**Transactions with DISH Network Corporation.** EchoStar and DISH Network operated as separate publicly-traded companies after 2008 (the "Spin-off") and before the closing of the Merger. A substantial majority of the voting power of the shares of each of EchoStar and DISH Network is owned beneficially by Charles W. Ergen, our Chairman, and by certain entities established for the benefit of his family. At 11:59pm EST on December 31, 2023, EchoStar and DISH Network consummated a merger with DISH Network surviving as a wholly owned subsidiary of EchoStar. See *Note 1 - Organization and Business Activities* for further details on the merger with DISH Network.

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.

**Service Revenue — DISH Network**

The following table presents our Services revenue - DISH Network:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Service revenue - DISH Network	\$ 2,170	\$ 3,015	\$ 6,911	\$ 9,620

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

The following table presents the related trade accounts receivable:

	As of	
	September 30, 2024	December 31, 2023
Trade accounts receivable - DISH Network	\$ 11,341	\$ 5,038

**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, 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.

**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. 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. 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. 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.

**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.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**Operating Expenses — DISH Network**

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Operating expenses - DISH Network	\$ 1,801	\$ 1,154	\$ 4,985	\$ 3,408

The following table presents the related trade accounts payable:

	As of	
	September 30, 2024	December 31, 2023
	\$	\$
Trade accounts payable - DISH Network	7,027	1,847

**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 Network amended and restated the Professional Services Agreement (as amended to date, 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 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, EchoStar and DISH Network further amended 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. Additionally, the amended and Restated Professional Services Agreement, as further amended, removed 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 above. The term of the Amended and Restated Professional Services Agreement is through January 1, 2025 and renews automatically for successive one-year periods thereafter, unless the agreement is terminated earlier by either party upon at least 60 days' notice. We or DISH Network 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.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**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. 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. In January 2022, we and DISH Network entered into an agreement pursuant to which DISH Network provides additional collocation and antenna space to us in Englewood, Colorado through December 2026. In March 2024, we provided a termination notice for our Spokane, Washington agreement, effective April 2024. 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 within 180 days' prior written notice. The fees for the services provided under these agreements depend on the number of racks located at the location.

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 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 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 2024 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 \$0.1 million and \$0.5 million for the three months ended September 30, 2024 and 2023, respectively, and \$0.4 million and \$1.4 million for the nine months ended September 30, 2024 and 2023, respectively.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**2019 TT&C Agreement.** In September 2019, 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”). 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. We have exercised our option to renew the 2019 TT&C Agreement on several occasions, and its current term expires in September 2025.

**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 Wireless will provide access and use of a DISH Wireless lab, technical support and integration and testing support for the 5G network test bed to be delivered by Hughes to its customer. DISH Wireless additionally has agreed to lease certain licensed wireless spectrum to Hughes in connection with the project. Between June 2022 and October 2023 the scope of the DISH Subcontract has expanded to include additional spectrum leases and construction and related services work at Whidbey Island and the Lualualei Annex.

**NOTE 14. RELATED PARTY TRANSACTIONS - OTHER**

**Deluxe/EchoStar LLC**

We own 50% of 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. Refer to *Note 4. Marketable Investment Securities, Restricted Cash and Cash Equivalents, and Other Investments* for more information.

The following table summarizes our transactions with Deluxe:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenue from Deluxe	\$ 1,331	\$ 1,445	\$ 4,080	\$ 4,233
	<u>As of</u>			
	<u>September 30, 2024</u>		<u>December 31, 2023</u>	
Trade accounts receivable from Deluxe	\$ 1,245		\$ 1,247	

In March 2024, the Company received a \$3.0 million dividend from Deluxe. In September 2024 the Company received an additional \$1.5 million dividend from Deluxe.

**HUGHES SATELLITE SYSTEMS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
**(Unaudited)**

**Broadband Connectivity Solutions (Restricted) Limited**

We own 20% of 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. During the three months ended June 30, 2023, we recorded an impairment charge of \$33 million related to our investment as a result of increased competition and the economic environment for this business. For the quarter ended September 30, 2024, BCS returned \$20 million of this investment to us. Refer to *Note 4. Marketable Investment Securities, Restricted Cash and Cash Equivalents, and Other Investments* for more information.

The following table summarizes our transactions with BCS:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2024	2023	2024	2023
Revenue from BCS	\$ 979	\$ 924	\$ 2,328	\$ 2,573
	<u>As of</u>			
	<u>September 30, 2024</u>		<u>December 31, 2023</u>	
Trade accounts receivable from BCS	\$ 2,229		\$ 3,333	

**Hughes Systique Corporation**

We own 42% of Hughes Systique via preferred shares and contract with Hughes Systique for software development services. Prior to December 31, 2023, we consolidated Hughes Systique's financial statements into our Condensed Consolidated Financial Statements. As of December 31, 2023, we have deconsolidated the Hughes Systique results from our Condensed Consolidated Financial Statements and recorded the investment as a cost method investment in "Other investments, net" on our Condensed Consolidated Balance Sheets. See our Annual Report on Form 10-K for the year ended December 31, 2023, Note 5 for further information.

The table below summarizes our transactions with Hughes Systique:

	<u>As of</u>	
	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Amounts payable to Hughes Systique	\$ 1,385	\$ 1,704
	<u>For the three months ended September 30, 2024</u>	<u>For the nine months ended September 30, 2024</u>
Purchases from Hughes Systique	\$ 4,236	\$ 13,211

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

You should read the following management's narrative analysis of results of operations together with the condensed consolidated financial statements and notes to our financial statements included elsewhere in this Quarterly Report on Form 10-Q. This management's narrative analysis is intended to help provide an understanding of our financial condition, changes in financial condition and results of our operations and contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in our Annual Report on Form 10-K for the year ended December 31, 2023 under the caption "Item 1A. Risk Factors." Furthermore, such forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any obligation to update any forward-looking statements.

### EXECUTIVE SUMMARY

#### Overview

On December 31, 2023, EchoStar completed the acquisition of DISH Network pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of October 2, 2023 (the "Amended Merger Agreement"), by and among EchoStar, EAV Corp., a Nevada corporation and its wholly owned subsidiary ("Merger Sub"), and DISH Network, pursuant to which EchoStar acquired DISH Network by means of the merger of Merger Sub with and into DISH Network (the "Merger"), with DISH Network surviving the Merger as EchoStar's wholly owned subsidiary. For further information, refer to the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023.

With the Merger complete, EchoStar is currently focused on the process of integrating EchoStar's and DISH Network's business in a manner that facilitates synergies, cost savings and growth opportunities, and achieves other anticipated benefits (the "Integration").

We currently operate in two operating segments: our Hughes segment and our 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. For the nine months ended September 30, 2024, the ESS operating segment did not meet the quantitative thresholds as prescribed under ASC 280, *Segment Reporting*, for separate reportable segments, and is not expected to meet the quantitative thresholds or be of continuing significance in the future. As such, the ESS operating segment is no longer considered a reportable segment and we included the ESS operating segment results in Corporate and Other for all periods as presented in *Note 11. Segment Reporting*.

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 in our segment reporting.

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 connectivity, networks and services. We expect demand for broadband internet access, connectivity, networking and related value-added services will continue to grow across all major end-user sectors – consumer, businesses, enterprises and government. We intend to use our expertise, technologies,

## **ITEM 2. MANAGEMENT’S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued**

capital, investments, global presence, relationships and other capabilities to continue to provide broadband internet systems, equipment, networks and managed 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.

All amounts presented in this Management’s Narrative Analysis are expressed in thousands of U.S. dollars, unless otherwise noted.

### **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 services to consumer customers, which include home and small to medium-sized businesses, and satellite, multi-transport technologies and managed network services to enterprise customers, telecommunications providers, aeronautical service providers, and government entities, including civilian and defense.

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 other enterprise customers. We also offer a robust suite of integrated, multi-transport solutions to enable airline and airline service providers to deliver reliable in-flight network connectivity serving both commercial and business aviation.

Our Hughes segment continues to focus its efforts on optimizing financial returns on our satellite portfolio. 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. Prior to the launch of EchoStar XXIV, we were nearing or had reached capacity in most areas of the U.S., which constrained growth within our consumer subscriber base. Growth within our Latin America consumer subscriber base in certain areas had also become capacity constrained. These constraints have been addressed by the EchoStar XXIV satellite.

The EchoStar XXIV satellite began service in December 2023, bringing additional broadband capacity across North and South America and is expected to be an integral part of our satellite service business. The satellite brings further consumer broadband capacity across North and South America and generate additional sales in other markets, including in-flight Wi-Fi, enterprise networking and cellular back haul for mobile network operators across the two continents. We currently lease the capacity of EchoStar XXIV from an affiliate of ours, EchoStar XXIV L.L.C., effective December 2023.

As of September 30, 2024, our Hughes segment had \$1.521 billion of contracted revenue backlog, a decrease of \$0.4 billion or 22.8% as compared to December 31, 2023. The decrease resulted from the evaluation of the credit worthiness of the portfolio and modifying certain long term agreements. We define 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

### Satellite Anomalies and Impairments

Our satellites may experience anomalies from time to time, some of which may have a significant adverse effect on their remaining useful lives, the commercial operation of the satellites, or our operating results or financial position. Other than the anomalies related to the Al Yah 3 satellite, we are not aware of any other anomalies with respect to our owned or leased satellites as of September 30, 2024. There can be no assurance, however, that undetected existing or future anomalies will not have a significant adverse effect on our operations or revenue in the future. In addition, there can be no assurance that we can recover critical transmission capacity in the event one or more of our satellites were to fail.

### Other Developments

#### *Operational Liquidity*

We primarily rely on our existing cash and marketable investment securities balances, as well as cash flow generated through our operations, to fund our business operations. Consumer revenue in our Hughes segment depends on our success in adding new and retaining existing subscribers and driving higher ARPU. Revenue in our enterprise and equipment businesses relies heavily on global economic conditions and the competitive landscape for pricing relative to competitors and alternative technologies. There can be no assurance that we will have positive cash flows from operations. If we experience negative cash flows, our existing cash and marketable investment securities balances may be further reduced. We currently anticipate that our existing cash and marketable investment securities are sufficient to fund the currently anticipated operations of our business through the next twelve months. During the nine months ended September 30, 2024, we liquidated our marketable investment securities portfolio to make cash distributions to our parent.

#### *Future Liquidity*

We have made cash distributions to partially finance the consolidated operations and debt service payment obligations of our parent company, EchoStar, and its subsidiaries. On February 15, 2024, the Company's Board of Directors declared and approved payment of a cash dividend on the Company's outstanding stock to our shareholder and parent, EchoStar, in the amount of \$529 million. On March 12, 2024, the Company's Board of Directors declared and approved payment of a cash dividend on the Company's outstanding common stock to EchoStar in the amount of \$500 million. Payment of both dividends was made in the first quarter of 2024.

While we currently do not intend to declare additional dividends on our common stock, we may elect to do so from time to time. Payment of any future dividends will depend upon our earnings, capital requirements, contractual restrictions and other factors the Board of Directors considers appropriate. We currently intend to retain our earnings, if any, to support operations, future growth and expansion. Our ability to declare dividends is affected by the covenants in our indentures.

We may make additional funds available to EchoStar in the form of prepayments for services rendered or loans to finance, in whole or in part, EchoStar's future operations and debt service obligations. Any such distributions or advances, as well as other factors including, among others, debt maturities, continuing investment in our business, financing acquisitions and other strategic transactions, will reduce the amount of our cash flows available to fund working capital requirements, capital expenditures, acquisitions, investments, debt obligations and other general corporate requirements, and may require us to refinance our existing debt agreements or raise additional capital in the future, which may not be available on favorable terms, or at all.

**ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued***Covenants and Restrictions Related to our Senior Notes*

We are subject to the covenants and restrictions set forth in the indentures related to our long-term debt. In particular, the indentures related to our outstanding senior notes and senior secured notes contain restrictive covenants that, among other things, impose limitations on our ability to: (i) incur additional indebtedness; (ii) enter into sale and leaseback transactions; (iii) pay dividends or make distributions on our capital stock or repurchase our capital stock; (iv) make certain investments; (v) create liens; (vi) enter into certain transactions with affiliates; (vii) merge or consolidate with another company; and (viii) transfer or sell assets. Should we fail to comply with these covenants, all or a portion of the debt under the senior notes, senior secured notes and our other long-term debt could become immediately payable. The senior notes and senior secured notes also provide that the debt may be required to be prepaid if certain change-in-control events occur. As of the date of filing of this Quarterly Report on Form 10-Q, we were in compliance with the covenants and restrictions related to our respective long-term debt.

**Guarantor Financial Information**

Certain of our wholly-owned subsidiaries (together, the "obligor group") have fully and unconditionally guaranteed, on a joint and several basis, the obligations of our Notes. See *Note 9. Long-term Debt and Other Notes Payable* in the Notes to our Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further information on our Notes.

The following tables include summarized financial information of the obligor group. The summarized financial information of the obligor group is presented on a combined basis with balances and transactions within the obligor group eliminated. Investments in and the equity in earnings of non-guarantor subsidiaries, which would otherwise be consolidated in accordance with GAAP, are excluded from the below summarized financial information pursuant to SEC Regulation S-X Rule 13-01.

The summarized balance sheet information for the consolidated obligor group of debt issued by HSSC is presented in the table below:

<i>(in thousands)</i>	As of	
	September 30, 2024	December 31, 2023
Total current assets	\$ 483,015	\$ 1,954,927
Total non-current assets	2,636,431	2,781,659
Total current liabilities	345,365	670,383
Total non-current liabilities	2,584,383	2,725,566
Due from related parties	18,836	12,266
Due from non-guarantors	81,293	123,822
Due to related parties	773,796	1,091,478
Due to non-guarantors	36,341	44,165

The summarized results of operations information for the consolidated obligor group of debt issued by HSSC is presented in the table below:

<i>(in thousands)</i>	For the nine months ended September 30, 2024	
Total revenue	\$	987,039
Operating income (loss)		(111,800)
Net income (loss)		(112,571)
Revenue from non-guarantors		18,216

## ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued

The indentures governing our 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 to pay dividends, make distributions, make other payments, or transfer assets.

### EXPLANATION OF KEY METRICS AND OTHER ITEMS

**Service revenue.** Service 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, and subscriber wholesale service fees for the HughesNet service.

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

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

**Cost of sales - equipment and other.** Cost of sales - equipment and other 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 bad debt expense and stock-based compensation expense. It also includes research and development expenses associated with the design and development of products to support future growth and provide new technology and innovation to our customers, professional fees (e.g., legal, information systems and accounting services), and other expenses associated with facilities and administrative services.

**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, discount accretion on debt securities, and changes in allowance for estimated credit losses on investments.

**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.

## ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued

**Other, net.** Other, net primarily includes gains and losses realized on the sale of marketable and non-marketable investment securities, impairment of marketable and non-marketable investment securities, unrealized gains and losses from changes in fair value of certain marketable and non-marketable investment securities, foreign currency transaction gains and losses, equity in earnings and losses of our affiliates, dividends received from our marketable investment securities, and other non-operating income and expense items that are not appropriately classified elsewhere in the Condensed Consolidated Statements of Operations in our Condensed Consolidated Financial Statements.

**Earnings before interest, taxes, depreciation and amortization ("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 section below. EBITDA should not be considered in isolation or as a substitute for operating income, net income or any other measure determined in accordance with 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**
**RESULTS OF OPERATIONS**
**Three Months Ended September 30, 2024 Compared to the Three Months Ended September 30, 2023**

The following table presents our consolidated results of operations for the three months ended September 30, 2024 compared to the three months ended September 30, 2023:

Statements of Operations Data <sup>(1)</sup>	For the three months ended		Variance	
	2024	2023	Amount	%
<b>Revenue:</b>				
Service revenue	\$ 295,935	\$ 357,501	\$ (61,566)	(17.2)
Equipment and other revenue	86,461	53,704	32,757	61.0
Total revenue	382,396	411,205	(28,809)	(7.0)
<b>Costs and expenses:</b>				
Cost of services	171,880	131,790	40,090	30.4
% of total service revenue	58.1 %	36.9 %		
Cost of sales - equipment and other	74,242	43,125	31,117	72.2
% of total equipment and other revenue	85.9 %	80.3 %		
Selling, general and administrative expenses	98,285	104,078	(5,793)	(5.6)
% of total revenue	25.7 %	25.3 %		
Depreciation and amortization	90,719	96,630	(5,911)	(6.1)
Total costs and expenses	435,126	375,623	59,503	15.8
Operating income (loss)	(52,730)	35,582	(88,312)	*
<b>Other income (expense):</b>				
Interest income, net	2,322	22,807	(20,485)	(89.8)
Interest expense, net of amounts capitalized	(24,695)	(22,037)	(2,658)	(12.1)
Other, net	(979)	(3,490)	2,511	(71.9)
Total other income (expense), net	(23,352)	(2,720)	(20,632)	*
Income (loss) before income taxes	(76,082)	32,862	(108,944)	*
Income tax benefit (provision), net	15,822	(10,546)	26,368	*
<b>Effective tax rate</b>	20.8 %	32.1 %		
Net income (loss)	(60,260)	22,316	(82,576)	*
Less: Net income (loss) attributable to non-controlling interests	(2,003)	(2,712)	709	26.1
Net income (loss) attributable to HSSC	<u>\$ (58,257)</u>	<u>\$ 25,028</u>	<u>\$ (83,285)</u>	*
<b>Other data:</b>				
Broadband subscribers, as of period end (in millions)	0.912	1.063	(0.151)	(14.2)
United States broadband subscribers, as of period end (in millions)	0.681	0.801	(0.120)	(15.0)
Latin America broadband subscribers, as of period end (in millions)	0.231	0.262	(0.031)	(11.8)
Broadband subscribers additions (losses), net (in millions)	(0.043)	(0.059)	0.016	27.1
United States broadband subscriber additions (losses), net (in millions)	(0.033)	(0.045)	0.012	26.7
Latin America broadband subscriber additions (losses), net (in millions)	(0.010)	(0.014)	0.004	28.6
EBITDA <sup>(2)</sup>	\$ 39,013	\$ 131,434	\$ (92,421)	(70.3)

\* 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 GAAP measure in our Condensed 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 three months ended September 30, 2024 compared to the three months ended September 30, 2023:

**Broadband Subscribers.** We lost approximately 43,000 net broadband subscribers for the three months ended September 30, 2024 compared to the loss of approximately 59,000 net broadband subscribers during the same period in 2023. The decrease in net broadband subscriber losses was primarily due to the new EchoStar XXIV satellite service launch and increased subscriber demand for our new satellite service plans. Churn of legacy subscribers has started to improve as prior churn and migrations have resulted in increased capacity availability and service satisfaction. In addition, net broadband subscriber additions for the three months ended September 30, 2024 were negatively impacted by the ACP program funding concluding on June 1, 2024. We continue to operate in a highly competitive environment, with continued pressure from satellite-based competitors and other technologies.

**Service revenue.** Service revenue totaled \$296 million for the three months ended September 30, 2024, a decrease of \$62 million, or 17.2%, as compared to the same period 2023. The decrease was primarily attributable to lower sales of broadband services to our North American and international consumer customers and our North American enterprise customers. In addition, the three months ended September 30, 2023 was positively impacted by revenue from Hughes Systique which was deconsolidated from our Condensed Consolidated Financial Statements as of December 31, 2023.

**Equipment and other revenue.** Equipment and other revenue totaled \$86 million for the three months ended September 30, 2024, an increase of \$33 million, or 61.0%, as compared to the same period in 2023. The change was primarily attributable to an increase in hardware sales to our North American and international enterprise customers.

**Cost of services.** Cost of services totaled \$172 million for the three months ended September 30, 2024, an increase of \$40 million, or 30.4%, as compared to the same period in 2023. The increase was primarily attributable to an increase in transponder lease costs from the EchoStar XXIV operating lease, partially offset by lower costs of broadband services to our North American and international consumer customers and our North American enterprise customers. Our Cost of services represented 58.1% and 36.9% of Service revenue during the three months ended September 30, 2024 and 2023 respectively. This increase primarily resulted from an increase in transponder lease costs from the EchoStar XXIV operating lease, and a change in service mix to lower margin services.

**Cost of sales - equipment and other.** Cost of sales - equipment and other totaled \$74 million for the three months ended September 30, 2024, an increase of \$31 million, or 72.2%, as compared to the same period in 2023. The increase was primarily attributable to the corresponding increase in equipment revenue.

**Selling, general and administrative expenses.** Selling, general and administrative expenses totaled \$98 million for the three months ended September 30, 2024, a decrease of \$6 million, or 5.6%, as compared to the same period in 2023. The change was primarily attributable to a decrease in costs to support the Company and lower marketing expenditures, partially offset by an increase in bad debt expense.

**Interest income, net.** Interest income, net totaled \$2 million for the three months ended September 30, 2024, a decrease of \$20 million, or 89.8% as compared to the same period in 2023. This decrease primarily resulted from lower average cash and marketable investment securities balances during the three months ended September 30, 2024.

**Income tax benefit (provision), net.** Our income tax benefit (provision), net was \$16 million benefit for the three months ended September 30, 2024, as compared to \$11 million provision for the three months ended September 30, 2023. This change was primarily related to a decrease in "Income (loss) before income taxes" and changes in our effective tax rate. Our effective tax rate during the three months ended September 30, 2024 and 2023 was impacted by federal and foreign valuation allowances related to investments and foreign losses.

**ITEM 2. MANAGEMENT’S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued**

**Net income (loss) attributable to HSSC.** The changes in Net income (loss) attributable to HSSC during the three months ended September 30, 2024 compared to the same period in 2023 were primarily a result of the factors described in connection with operating revenues and operating expenses.

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

	For the three months ended September 30,		Variance	
	2024	2023	Amount	%
Net income (loss)	\$ (60,260)	\$ 22,316	\$ (82,576)	*
Interest income, net	(2,322)	(22,807)	20,485	89.8
Interest expense, net of amounts capitalized	24,695	22,037	2,658	12.1
Income tax provision (benefit), net	(15,822)	10,546	(26,368)	*
Depreciation and amortization	90,719	96,630	(5,911)	(6.1)
Net loss (income) attributable to non-controlling interests	2,003	2,712	(709)	(26.1)
<b>EBITDA</b>	<b>\$ 39,013</b>	<b>\$ 131,434</b>	<b>\$ (92,421)</b>	<b>(70.3)</b>

\* Percentage is not meaningful.

The changes in consolidated EBITDA during the three months ended September 30, 2024 compared to the same period in 2023, were primarily a result of the factors described in connection with operating revenues and operating expenses.

**Segment Operating Results and Capital Expenditures**

The following tables present our total revenue, capital expenditures and EBITDA by segment for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023:

	Hughes	Corporate and Other	Consolidated Total
<b>For the three months ended September 30, 2024</b>			
Total revenue	\$ 381,100	\$ 1,296	\$ 382,396
Capital expenditures	44,448	—	44,448
EBITDA	56,386	(17,373)	39,013
<b>For the three months ended September 30, 2023</b>			
Total revenue	\$ 404,209	\$ 6,996	\$ 411,205
Capital expenditures	51,214	130	51,344
EBITDA	142,204	(10,770)	131,434

**ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued***Hughes Segment*

	For the three months ended September 30,		Variance	
	2024	2023	Amount	%
Total revenue	\$ 381,100	\$ 404,209	\$ (23,109)	(5.7)
Capital expenditures	44,448	51,214	(6,766)	(13.2)
EBITDA	56,386	142,204	(85,818)	(60.3)

Total revenue was \$381 million for the three months ended September 30, 2024, a decrease of \$23 million, or 5.7%, as compared to the same period in 2023. Service revenue decreased primarily due to lower sales of broadband services to our North American and international consumer customers, and to our North American enterprise customers. Equipment and other revenue increased primarily due to higher sales to our North American and international enterprise customers. The three months ended September 30, 2023 was positively impacted by revenue from Hughes Systique which was deconsolidated from our Condensed Consolidated Financial Statements as of December 31, 2023.

Capital expenditures were \$44 million for the three months ended September 30, 2024, a decrease of \$7 million, or 13.2% as compared to the same period in 2023, primarily due to decreases in expenditures related to the construction of our satellite-related ground infrastructure for the EchoStar XXIV satellite.

The changes in EBITDA during the three months ended September 30, 2024 compared to the same period in 2023, were primarily a result of the factors described in connection with operating revenues and operating expenses.

*Corporate and Other*

	For the three months ended September 30,		Variance	
	2024	2023	Amount	%
Total revenue	\$ 1,296	\$ 6,996	\$ (5,700)	(81.5)
EBITDA	(17,373)	(10,770)	(6,603)	(61.3)

Total revenue was \$1 million for the three months ended September 30, 2024, a decrease of \$6 million, or 81.5% as compared to the same period in 2023, primarily due to a decrease in satellite leasing revenue.

The changes in EBITDA during the three months ended September 30, 2024 compared to the same period in 2023, were primarily a result of the factors described in connection with operating revenues and operating expenses.

**ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued**
**Nine Months Ended September 30, 2024 Compared to the Nine Months Ended September 30, 2023**

The following table presents our consolidated results of operations for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023:

Statements of Operations Data <sup>(1)</sup>	For the nine months ended September 30,		Variance	
	2024	2023	Amount	%
<b>Revenue:</b>				
Service revenue	\$ 919,344	\$ 1,102,689	\$ (183,345)	(16.6)
Equipment and other revenue	232,675	197,378	35,297	17.9
Total revenue	<u>1,152,019</u>	<u>1,300,067</u>	<u>(148,048)</u>	(11.4)
<b>Costs and expenses:</b>				
Cost of services	514,444	396,685	117,759	29.7
% of total service revenue	<b>56.0 %</b>	<b>36.0 %</b>		
Cost of sales - equipment and other	208,905	150,961	57,944	38.4
% of total equipment and other revenue	<b>89.8 %</b>	<b>76.5 %</b>		
Selling, general and administrative expenses	294,993	325,726	(30,733)	(9.4)
% of total revenue	<b>25.6 %</b>	<b>25.1 %</b>		
Depreciation and amortization	277,594	292,204	(14,610)	(5.0)
Total costs and expenses	<u>1,295,936</u>	<u>1,165,576</u>	<u>130,360</u>	11.2
Operating income (loss)	<u>(143,917)</u>	<u>134,491</u>	<u>(278,408)</u>	*
<b>Other income (expense):</b>				
Interest income, net	22,892	60,911	(38,019)	(62.4)
Interest expense, net of amounts capitalized	(74,139)	(66,770)	(7,369)	(11.0)
Other-than-temporary impairment losses on equity method investments	—	(33,400)	33,400	*
Other, net	(6,085)	737	(6,822)	*
Total other income (expense), net	<u>(57,332)</u>	<u>(38,522)</u>	<u>(18,810)</u>	(48.8)
Income (loss) before income taxes	(201,249)	95,969	(297,218)	*
Income tax benefit (provision), net	32,848	(43,765)	76,613	*
<b>Effective tax rate</b>	<b>16.3 %</b>	<b>45.6 %</b>		
Net income (loss)	(168,401)	52,204	(220,605)	*
Less: Net income (loss) attributable to non-controlling interests	(8,543)	(6,005)	(2,538)	(42.3)
Net income (loss) attributable to HSSC	<u>\$ (159,858)</u>	<u>\$ 58,209</u>	<u>\$ (218,067)</u>	*
<b>Other data:</b>				
Broadband subscribers, as of period end (in millions)	0.912	1.063	(0.151)	(14.2)
United States broadband subscribers, as of period end (in millions)	0.681	0.801	(0.120)	(15.0)
Latin America broadband subscribers, as of period end (in millions)	0.231	0.262	(0.031)	(11.8)
Broadband subscribers additions (losses), net (in millions)	(0.092)	(0.165)	0.073	44.2
United States broadband subscriber additions (losses), net (in millions)	(0.071)	(0.130)	0.059	45.4
Latin America broadband subscriber additions (losses), net (in millions)	(0.021)	(0.035)	0.014	40.0
EBITDA <sup>(2)</sup>	\$ 136,135	\$ 400,037	\$ (263,902)	(66.0)

\* 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 GAAP measure in our Condensed 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 nine months ended September 30, 2024 compared to the nine months ended September 30, 2023:

**Broadband Subscribers.** We lost approximately 92,000 net broadband subscribers for the nine months ended September 30, 2024 compared to the loss of approximately 165,000 net broadband subscribers during the same period in 2023. The decrease in net broadband subscriber losses was primarily due to the new EchoStar XXIV satellite service launch and increased subscriber demand for our new satellite service plans. Churn of legacy subscribers has started to improve as prior churn and migrations have resulted in increased capacity availability and service satisfaction. In addition, net broadband subscriber additions for the nine months ended September 30, 2024 were negatively impacted by the ACP program funding concluding on June 1, 2024. We continue to operate in a highly competitive environment, with continued pressure from satellite-based competitors and other technologies.

**Service revenue.** Service revenue totaled \$919 million for the nine months ended September 30, 2024, a decrease of \$183 million, or 16.6%, as compared to the same period in 2023. The decrease was primarily attributable to lower sales of broadband services to our North American and international consumer customers and North American enterprise customers. In addition, the nine months ended September 30, 2023 was positively impacted by revenue from Hughes Systique which was deconsolidated from our Condensed Consolidated Financial Statements as of December 31, 2023.

**Equipment and other revenue.** Equipment and other revenue totaled \$233 million for the nine months ended September 30, 2024, an increase of \$35 million, or 17.9%, as compared to the same period in 2023. The change was primarily attributable to an increase in hardware sales to our North American and international enterprise customers, partially offset by a decrease in hardware sales to our mobile satellite system customers.

**Cost of services.** Cost of services totaled \$514 million for the nine months ended September 30, 2024, an increase of \$118 million, or 29.7%, as compared to the same period in 2023. The increase was primarily attributable to an increase in transponder lease costs from the EchoStar XXIV operating lease, partially offset by lower costs of broadband services to our North American and international consumer customers and our North American enterprise customers. Our Cost of services represented 56.0% and 36.0% of Service revenue during the nine months ended September 30, 2024 and 2023, respectively. This increase primarily resulted from an increase in transponder lease costs from the EchoStar XXIV operating lease, and a change in service mix to lower margin services.

**Cost of sales - equipment and other.** Cost of sales - equipment and other totaled \$209 million for the nine months ended September 30, 2024, an increase of \$58 million, or 38.4%, as compared to the same period in 2023. The increase was primarily attributable to the corresponding increase in equipment revenue.

**Selling, general and administrative expenses.** Selling, general and administrative expenses totaled \$295 million for the nine months ended September 30, 2024, a decrease of \$31 million, or 9.4%, as compared to the same period in 2023. The change was primarily attributable to a decrease in costs to support the Company and lower marketing expenditures, partially offset by an increase in bad debt expense.

**Interest income, net.** Interest income, net totaled \$23 million for the nine months ended September 30, 2024, a decrease of \$38 million, or 62.4% as compared to the same period in 2023. This decrease primarily resulted from lower average cash and marketable investment securities balances during the nine months ended September 30, 2024.

**Other-than-temporary impairment losses on equity method investments.** Other-than-temporary impairment losses on equity method investments was \$33 million for the nine months ended September 30, 2023, related to the impairment of our investment in Broadband Connectivity Solutions (Restricted) Limited (BCS) as a result of increased competition and the economic environment of this business.

**ITEM 2. MANAGEMENT’S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued**

**Income tax benefit (provision), net.** Our income tax benefit (provision), net was \$33 million benefit for the nine months ended September 30, 2024, as compared to \$44 million provision for the nine months ended September 30, 2023. This change was primarily related to a decrease in “Income (loss) before income taxes” and changes in our effective tax rate. Our effective tax rate during the nine months ended September 30, 2024 and 2023 was impacted by federal and foreign valuation allowances related to investments and foreign losses.

**Net income (loss) attributable to HSSC.** The changes in Net income (loss) attributable to HSSC during the nine months ended September 30, 2024 compared to the same period in 2023 were primarily a result of the factors described in connection with operating revenues and operating expenses.

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

	For the nine months ended September 30,		Variance	
	2024	2023	Amount	%
Net income (loss)	\$ (168,401)	\$ 52,204	\$ (220,605)	*
Interest income, net	(22,892)	(60,911)	38,019	62.4
Interest expense, net of amounts capitalized	74,139	66,770	7,369	11.0
Income tax provision (benefit), net	(32,848)	43,765	(76,613)	*
Depreciation and amortization	277,594	292,204	(14,610)	(5.0)
Net loss (income) attributable to non-controlling interests	8,543	6,005	2,538	42.3
<b>EBITDA</b>	<b>\$ 136,135</b>	<b>\$ 400,037</b>	<b>\$ (263,902)</b>	<b>(66.0)</b>

\* Percentage is not meaningful.

The changes in consolidated EBITDA during the nine months ended September 30, 2024 compared to the same period in 2023, were primarily a result of the factors described in connection with operating revenues and operating expenses.

**Segment Operating Results and Capital Expenditures**

The following tables present our total revenue, capital expenditures and EBITDA by segment for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023:

	Hughes	Corporate and Other	Consolidated Total
<b>For the nine months ended September 30, 2024</b>			
Total revenue	\$ 1,148,129	\$ 3,890	\$ 1,152,019
Capital expenditures	167,902	195	168,097
EBITDA	187,463	(51,328)	136,135
<b>For the nine months ended September 30, 2023</b>			
Total revenue	\$ 1,279,739	\$ 20,328	\$ 1,300,067
Capital expenditures	142,189	130	142,319
EBITDA	440,435	(40,398)	400,037

**ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued***Hughes Segment*

	<b>For the nine months ended September 30,</b>		<b>Variance</b>	
	<b>2024</b>	<b>2023</b>	<b>Amount</b>	<b>%</b>
Total revenue	\$ 1,148,129	\$ 1,279,739	\$ (131,610)	(10.3)
Capital expenditures	167,902	142,189	25,713	18.1
EBITDA	187,463	440,435	(252,972)	(57.4)

Total revenue was \$1.148 billion for the nine months ended September 30, 2024, a decrease of \$132 million, or 10.3%, as compared to the same period in 2023. Service revenue decreased primarily due to lower sales of broadband services to our North American and international consumer customers, and to our North American enterprise customers. Equipment revenue increased primarily due to an increase in hardware sales to our North American enterprise customers. The nine months ended September 30, 2023 was positively impacted by revenue from Hughes Systique which was deconsolidated from our Condensed Consolidated Financial Statements as of December 31, 2023.

Capital expenditures were \$168 million for the nine months ended September 30, 2024, an increase of \$26 million, or 18.1%, as compared to the same period in 2023, primarily due to increases in expenditures related to machinery, equipment, and leasehold improvements for our new manufacturing facility, partially offset by decreases in expenditures related to the construction of our satellite-related ground infrastructure for the EchoStar XXIV satellite.

The changes in EBITDA during the nine months ended September 30, 2024 compared to the same period in 2023, were primarily a result of the factors described in connection with operating revenues and operating expenses.

*Corporate and Other*

	<b>For the nine months ended September 30,</b>		<b>Variance</b>	
	<b>2024</b>	<b>2023</b>	<b>Amount</b>	<b>%</b>
Total revenue	\$ 3,890	\$ 20,328	\$ (16,438)	(80.9)
Capital expenditures	195	130	65	50.0
EBITDA	(51,328)	(40,398)	(10,930)	(27.1)

Total revenue was \$4 million for the nine months ended September 30, 2024, a decrease of \$16 million, or 80.9% as compared to the same period in 2023, primarily due to a decrease in satellite leasing revenue.

The changes in EBITDA during the nine months ended September 30, 2024 compared to the same period in 2023, were primarily a result of the factors described in connection with operating revenues and operating expenses.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### **Conclusion regarding disclosure controls and procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

##### **Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

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

### ITEM 1A. RISK FACTORS

Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2023 includes a detailed discussion of our risk factors.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

#### Rule 10b5-1 Trading Arrangements

None.

### ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
22 (H)	<a href="#">List of Subsidiary Guarantors</a>
31.1 (H)	<a href="#">Section 302 Certification of Chief Executive Officer</a>
31.2 (H)	<a href="#">Section 302 Certification of Principal Financial Officer</a>
32.1 (H)	<a href="#">Section 906 Certification of Chief Executive Officer</a>
32.2 (H)	<a href="#">Section 906 Certification of Principal Financial Officer</a>
101 (H)	The following materials from the Quarterly Report on Form 10-Q of Hughes Satellite Systems Corporation for the quarter ended September 30, 2024 filed on November 14, 2024 formatted in Inline eXtensible Business Reporting Language ("iXBRL"): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss) (iv) Condensed Consolidated Statements of Changes in Stockholder's Equity (Deficit), (v) Condensed Consolidated Statements of Cash Flows and (vi) related notes to these financial statements.
104 (H)	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document).

(H) Filed herewith.

(I) Furnished herewith.

+ Schedules, annexes and/or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish supplemental copies of any of the omitted schedules, annexes and/or exhibits upon request by the SEC; provided, that the Company may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") for any schedules so furnished.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**HUGHES SATELLITE SYSTEMS CORPORATION**

By: /s/ Hamid Akhavan  
Hamid Akhavan  
Chief Executive Officer and President  
*(Principal Executive Officer)*

By: /s/ Paul W. Orban  
Paul W. Orban  
Executive Vice President and Chief Financial Officer,  
DISH  
*(Principal Financial Officer and Principal Accounting Officer)*

Date: November 14, 2024

### List of Guarantor Subsidiaries

The 5 1/4% Senior Secured Notes due 2026 and 6 5/8% Senior Unsecured Notes due 2026 issued by Hughes Satellite Services Corporation (incorporated in Colorado) are jointly and severally guaranteed on a full and unconditional basis by the following 100% owned subsidiaries of Hughes Satellite Systems Corporation as of September 30, 2024:

Entity	State or Country of Incorporation
EchoStar Orbital, L.L.C.	Colorado
EchoStar Government Services, L.L.C.	Colorado
EchoStar Satellite Services L.L.C.	Delaware
HNS-India VSAT, Inc	Delaware
Hughes Network Systems, L.L.C.	Delaware
HNS License-Sub L.L.C.	Delaware
HNS Real Estate L.L.C.	Delaware
Hughes Communications, Inc.	Delaware
Hughes Network Systems International Service, Co.	Delaware
HNS Americas, L.L.C.	Delaware
HNS Americas II, L.L.C.	Delaware

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## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

## Section 302 Certification

I, Hamid Akhavan, 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: November 14, 2024

/s/ Hamid Akhavan

President and Chief Executive Officer

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**  
**Section 302 Certification**

I, Paul W. Orban, 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: November 14, 2024

*/s/ Paul W. Orban*

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Principal Financial Officer

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**  
**Section 906 Certification**

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Hughes Satellite Systems Corporation (the "Company") hereby certifies that to the best of his knowledge the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2024

Name: /s/ Hamid Akhavan

Title: President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**  
**Section 906 Certification**

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Hughes Satellite Systems Corporation (the "Company") hereby certifies that to the best of his knowledge the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated November 14, 2024

Name /s/ Paul W. Orban

Title: Principal Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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