



Annual Report

(With Independent Auditors' Report Thereon)

Intelsat S.A. and Subsidiaries
December 31, 2022

CONFIDENTIAL

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Item 1. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our audited consolidated financial statements and notes thereto included in Item 2—Financial Statements and Supplementary Data of our Annual Report for the period ended December 31, 2022 (this “Annual Report”). Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, and, unless otherwise indicated, the other financial information contained in this Annual Report has also been prepared in accordance with U.S. GAAP. Certain monetary amounts, percentages and other figures included in this Annual Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them. Unless otherwise indicated, all references to “dollars” and “\$” in this Annual Report are to, and all monetary amounts in this Annual Report are presented in, U.S. dollars.

Special Note Regarding Forward-Looking Statements

This Management’s Discussion and Analysis of Financial Condition and Results of Operations includes statements that are, or may be deemed to be, “forward-looking statements.” These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “expects,” “intends,” “predicts,” “plans,” “project,” “may,” “will,” “could,” “should,” “future” or similar terms or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts, including but not limited to, our statements regarding the following: our belief that there is a growing worldwide demand for reliable broadband connectivity everywhere at all times; the trends that we believe will impact our revenue and operating expenses in the future; our expectations as to our ability to comply with the FCC Final Order (as defined below) regarding clearing C-band spectrum in North America, including the availability of adequate resources and funds required to comply and the receipt of accelerated clearing payments set forth in the FCC Final Order; and our expected capital expenditures this year and during the next several years. These factors should not be construed as exhaustive and should be read in conjunction with any other forward-looking statements and any other cautionary statements in future annual and quarterly reports.

These forward-looking statements are based on management’s current expectations and beliefs about future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, any forward-looking statements speak only as of the date of such statements and are not guarantees of future performance or results and are subject to risks, uncertainties, and other factors, many of which are outside of our control. These factors could cause actual results or developments to differ materially from the expectations and beliefs expressed or implied in the forward-looking statements, and as such, readers are cautioned not to place undue reliance on such forward-looking statements in this Annual Report. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

We operate one of the world’s largest satellite communication services businesses, providing a critical layer in the global communications infrastructure.

We provide diversified communications services to the world’s leading media companies, fixed and wireless telecommunications operators, data networking service providers for enterprise and mobile applications in the air and on the seas, multinational corporations and internet service providers. We are also the leading provider of commercial satellite capacity to the U.S. government and other select military organizations and their contractors.

Our customers use our global network for a broad range of communication applications, from global distribution of content for media companies, to providing the transmission layer for commercial aeronautical consumer broadband connectivity and to enabling essential network backbones for telecommunications providers in high-growth emerging regions.

Our network solutions are a critical component of our customers’ infrastructures and business models. In recent years, mobility services providers have contracted for services on our fleet that support broadband connections for passengers on commercial flights and cruise ships, connectivity that in some cases is only available through our network. In addition, our satellite neighborhoods provide our media customers with efficient and reliable broadcast distribution that maximizes audience reach, a technical and economic benefit that is difficult for terrestrial services to match. In developing regions, our satellite solutions often provide higher reliability than is available from local terrestrial telecommunications services and allow our customers to reach geographies that they would otherwise be unable to serve.

Through our acquisition of Gogo Inc.'s commercial aviation business ("Intelsat CA") in December 2020, we became a global leader in providing in-flight connectivity and wireless in-flight entertainment ("IFE") solutions to the commercial aviation industry. In-flight services provided by our Intelsat CA business include passenger connectivity, which allows passengers to connect to the Internet from their personal Wi-Fi-enabled devices; passenger entertainment, which offers passengers the opportunity to enjoy a broad selection of IFE options on their laptops and personal Wi-Fi-enabled devices; and Connected Aircraft Services ("CAS"), which offer airlines connectivity for various operations and currently include, among others, real-time credit card transaction processing, electronic flight bags and real-time weather information.

Recent Developments

Emergence from Voluntary Reorganization under Chapter 11 of the Bankruptcy Code

On May 13, 2020, Intelsat S.A. (now Reorganized ISA S.A. upon the occurrence of certain restructuring transactions, which occurred substantially contemporaneously with the Effective Date (as defined herein)) and certain of its subsidiaries (each, a "Debtor" and collectively, the "Debtors"), commenced voluntary cases (the "Chapter 11 Cases") under title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"). On December 17, 2021, the Debtors filed an amended version of the Plan—the *Fourth Amended Joint Chapter 11 Plan of Reorganization of Intelsat S.A. and Its Debtor Affiliates* (the "Final Plan")—which was then confirmed by the Bankruptcy Court. On February 23, 2022 (the "Effective Date"), the Debtors emerged from the Chapter 11 Cases.

Upon emergence from bankruptcy, we adopted fresh start accounting ("Fresh Start Accounting") in accordance with Accounting Standards Codification ("ASC") 852—*Reorganizations* ("ASC 852"). We evaluated the events between the Effective Date and February 28, 2022, and concluded that the use of an accounting convenience date of February 28, 2022 (the "Fresh Start Reporting Date") would not have a material impact on our results of operations or balance sheet. As such, the application of Fresh Start Accounting was reflected in our consolidated balance sheet as of February 28, 2022, and Fresh Start Accounting adjustments related thereto were included in our consolidated statement of operations for the two months ended February 28, 2022. References to "Predecessor" relate to the financial position of the Company prior to, and results of operations through and including, February 28, 2022. References to "Successor" relate to the financial position and results of operations of the reorganized Company as of and subsequent to February 28, 2022.

In January and February 2022, Intelsat Jackson Holdings S.A. ("Intelsat Jackson") entered into two new financing agreements to obtain debtor-in-possession financing, the proceeds of which were used to repay existing secured debt and related fees and expenses, as well as the 2021 multiple draw superpriority senior secured debtor-in-possession term loan facility, and that, upon satisfaction of certain conditions, including the effectiveness of a Chapter 11 plan of reorganization, converted into exit facilities (such financing, the "DIP-to-Exit Financing"). For additional information regarding our debt instruments, see Liquidity and Capital Resources—*Debt* below.

FCC Final Order

The accelerated clearing process of C-band spectrum set forth in the U.S. Federal Communications Commission's ("FCC") March 3, 2020 final order (the "FCC Final Order") provides for monetary enticements for fixed satellite services ("FSS") providers to clear a portion of the C-band spectrum on an accelerated basis (the "Accelerated Relocation Payments" or "ARPs"). Under the FCC Final Order, Intelsat License LLC ("Intelsat License") is eligible to receive ARPs of approximately \$1.2 billion and \$3.7 billion based on the milestone clearing certification dates of December 5, 2021 and December 5, 2023, respectively, with the associated payments expected to be received in the first half of each successive year, subject to the satisfaction of certain deadlines and other conditions set forth therein. On October 4, 2021, as subsequently amended on October 15, 2021, Intelsat License filed its Phase I Certification of Accelerated Relocation, indicating completion of required clearing activities to satisfy the December 5, 2021 deadline and requesting FCC validation to receive the \$1.2 billion Phase I ARP. The FCC validated the Phase I Certification of Accelerated Relocation on November 12, 2021. We received \$479.1 million of the Phase I ARP during the year ended December 31, 2021, and the remaining \$718.7 million of the Phase I ARP was received in January 2022. Intelsat remains on track to meet the Phase II milestone clearing date of December 5, 2023, and anticipates filing our certification of completion in the third quarter of 2023.

Satellite Launches

On October 8, 2022, Galaxy 33 and Galaxy 34 satellites were successfully launched to replace Galaxy 15 and Galaxy 12 satellites, respectively. On November 12, 2022, Galaxy 31 and Galaxy 32 satellites were successfully launched to replace Galaxy 23 and Galaxy 17 satellites, respectively. On December 13, 2022, Galaxy 35 and Galaxy 36 satellites were successfully launched to replace Galaxy 3C and Galaxy 28 satellites, respectively. These Galaxy satellite launches are part of our comprehensive plan to upgrade the entire Intelsat Galaxy fleet.

On April 7, 2023, the Intelsat 40e (“IS-40e”) satellite was successfully launched. IS-40e will provide focused coverage over North America for our commercial aviation, maritime, land mobility and networks customers, and will monitor and track air pollution across North America with NASA’s hosted payload Tropospheric Emissions: Monitoring of Pollution. For additional information regarding our satellite launches, see Item 2, Note 6—Satellites and Other Property and Equipment.

Impact of COVID-19 on the Company

The novel coronavirus (“COVID-19”) pandemic has had an adverse impact on our employees, customers, business, results of operations and financial condition. In response to COVID-19, governments around the world implemented a number of measures meant to safeguard public health, including restrictions on travel and business, which resulted in a reduction of revenue and a decreased likelihood of collection from certain mobility customers as well as customers of our Intelsat CA business. While most of these measures have since been lifted, we continue to monitor their lasting impact as well as the uncertainty about the severity, scope and duration of other indirect effects of the COVID-19 pandemic, such as those impacting supply chains and global financial markets.

Revenue

Revenue Overview

We earn revenue primarily by providing services over satellite transponder capacity to our customers. Our customers generally obtain satellite capacity from us by placing an order pursuant to one of several master customer service agreements. The master customer agreements and related service orders under which we sell services specify, among other things, the amount of satellite capacity to be provided, whether service will be non-preemptible or preemptible and the service term. Most services are full time in nature, with service terms of up to 17 years. Occasional use services used for video applications can be for much shorter periods, including increments of one hour. Our master customer service agreements offer different service types, including transponder services, managed services, and channel, which are all services that are provided on, or used to provide access to, our global network. We refer to these services as on-network services. Our customer agreements also cover services that we procure from third parties and resell, which we refer to as off-network services. These services can include transponder services and other satellite-based transmission services sourced from other operators, often in frequencies not available on our network, and other operational fees related to satellite operations provided on behalf of third-party satellites.

Our Intelsat CA business generates two types of revenue: service revenue and equipment revenue. Service revenue is primarily derived from connectivity services and, to a lesser extent, from entertainment services, CAS and maintenance services. Connectivity is provided to our customers using both air-to-ground (“ATG”) and satellite technologies. Service revenue is earned by services paid for by passengers, airlines and third parties. Equipment revenue primarily consists of the sale of ATG and satellite connectivity equipment as well as the sale of entertainment equipment. Equipment revenue also includes revenue generated by our installation of connectivity and entertainment equipment on commercial aircraft.

The following table describes our primary service types:

Service Type	Description
On-Network Revenues:	
Transponder Services	<p>Customer contracts to receive service via, or to utilize capacity on, particular designated transponders according to specified technical and commercial terms. Transponder services also include revenues from hosted payload capacity. Transponder services are marketed to each of our primary customer sets as follows:</p> <ul style="list-style-type: none"> • Network Services: fixed and wireless telecom operators, data network operators, enterprise operators of private data networks, and value-added network operators for fixed and mobile broadband network infrastructure. • Media: broadcasters (for distribution of programming and full-time contribution, or gathering, of content), programmers and direct-to-home (“DTH”) operators. • Government: civilian and defense organizations, for use in implementing private fixed and mobile networks, or for the provision of capacity or capabilities through hosted payloads.

Service Type	Description
Managed Services	<p>Hybrid services primarily using IntelsatOne, including our Intelsat Flex broadband platform, which combine satellite capacity, teleport facilities, satellite communications hardware such as broadband hubs or video multiplexers and fiber optic cable and other ground facilities to provide managed and monitored broadband, trunking, video and private network services to customers. Managed services are marketed to each of our customer sets as follows:</p> <ul style="list-style-type: none"> • Network Services: enterprises, cellular operators and fixed and mobile value-added service providers which deliver end-services such as private data networks, wireless infrastructure and maritime and aeronautical broadband. • Media: programmers outsourcing elements of their transmission infrastructure and part time occasional use services used primarily by news and sports organizations to gather content from remote locations. • Government: users seeking secured, integrated, end-to-end solutions.
Off-Network and Other Revenues:	
Transponder, Mobile Satellite Services and Other	<p>Capacity for voice, data and video services provided by third-party commercial satellite operators for which the desired frequency type or geographic coverage is not available on our network. These services include L-band mobile satellite services (“MSS”), for which Intelsat General Communications LLC is a reseller. In addition, this revenue category includes the sale of customer premises equipment and other hardware, as well as certain fees related to services provided to other satellite operators. These products are primarily marketed as follows:</p> <ul style="list-style-type: none"> • Government: direct government users, and government contractors working on programs where aggregation of capacity is required.
Satellite-related Services	<p>Services include a number of satellite-related consulting and technical services that relate to the lifecycle of satellite operations and related infrastructure, from satellite and launch vehicle procurement through tracking, telemetry and commanding (“TT&C”) services and related equipment sales. These services are typically marketed to other satellite operators.</p>

In-Flight Services Revenues:

Services	<ul style="list-style-type: none"> • Airline connectivity revenue: Connectivity is provided to our customers using both our ATG and satellite technologies. Under the airline-directed business model, the airline is our customer and we earn service revenue as connectivity services are consumed directly by the airline or indirectly by passengers. Under the turnkey business model, we earn revenue for connectivity services consumed directly by passengers. • Entertainment revenue: Entertainment revenue consists of entertainment services we provide to the airline for use by its passengers. • Connected Aircraft Services: We recognize revenue for real-time credit card transaction processing, electronic flight bags, and real-time weather information as the service is provided.
Equipment	<p>Equipment revenues primarily consist of the sale of ATG and satellite connectivity equipment as well as the sale of entertainment equipment.</p>

We market our services on a global basis, with almost every populated region of the world contributing to our revenue. The diversity of our revenue allows us to benefit from changing market conditions and lowers our risk concentration in specific service applications and geographic regions.

Trends Impacting Our Revenue

Our revenue at any given time is dependent upon a number of factors, including, but not limited to, demand for our services from existing and emerging applications; the supply of capacity available on our fleet and those of our competitors in a given region, and the substitution of competing technologies such as fiber optic cable networks. Trends in revenue can be impacted by:

- Growth in demand from wireless telecommunications companies seeking to complete or enhance broadband infrastructure, particularly those operating in developing regions or regions with geographic challenges;
- Growth in demand for broadband connectivity for enterprises and government organizations, providing fixed and mobile services and value-added applications on a global basis;
- Lower overall pricing for satellite-based services, resulting from oversupply of wide beam capacity or due to the introduction of high-throughput technology, which is designed to achieve a lower cost per unit;

- Lower demand for satellite-based solutions, resulting from fiber substitution;
- Satellite capacity needed to provide broadband connectivity for mobile networks on ships, planes and oil and gas platforms;
- Global demand for television content in standard definition, high definition and ultra-high definition television formats, which uses our satellite network and IntelsatOne terrestrial services for distribution, in some regions offset by next generation compression technologies;
- Increased popularity of “Over the Top” or “OTT” content distribution, which will increase the demand for broadband infrastructure in the developing world, but could decrease demand in developed markets over the mid to long-term as niche and ethnic programming transitions from satellite to internet distribution;
- Use of commercial satellite services by governments for military and other operations, which has partially slowed as a result of the tempo of military operations and recent changes in the U.S. budget;
- Our use of third-party or off-network services to satisfy government demand for capacity not available on our network. These services are low risk in nature, with no required upfront investment and terms and conditions of the procured capacity which typically match the contractual commitments from our customers. Demand for certain of these off-network services has declined with reductions in troop deployment in regions of conflict;
- The pace and extent of adoption of our broadband connectivity and wireless IFE services for use on domestic and international commercial aircraft by our current and new airline partners and customers;
- The number of aircraft in service in our markets, including consolidation of the airline industry or changes in fleet size by one or more of our commercial airline partners; and
- The economic environment and other trends that affect air travel, including the impact of COVID-19-related restrictions on the demand for air travel, as well as disruptions to supply chains and installations.

Pricing

Pricing of our transponder services is based upon several factors, including, but not limited to, the region served by the capacity, the power and other characteristics of the satellite beam, the amount of demand for the capacity available on a particular satellite and the total supply of capacity serving any particular region. In 2022, overall pricing trends decreased slightly from the prior year, driven mainly by networks prices. These declines in networks rates were fueled by lower pricing on high volume commitments leveraging Intelsat Epic fleets for large mobile network operators. Although the downward trend in networks prices continued, the rate of decline has slowed compared to the previous year. Mobility demand has recovered from its post COVID-19 low, and prices have remained stable across both station-kept and inclined orbit assets. Government applications continued to command a premium based on coverage capabilities, but edged down slightly relative to the prior year due partly to competition and partly due to a reduction in global conflict zones. After demanding a premium in recent years due to limited and highly coveted C-band capacity in North America, global media prices decreased slightly in 2022 reflecting ample supply from some regional operators. According to Euroconsult Group, the annual average price per transponder for regular capacity is forecasted to be on a slight downward trend globally from \$1.03 million to \$0.93 million per 36MHz transponder over the period from 2022 to 2027, reflecting increasing supply from new satellite entrants, among other factors. High-throughput satellite capacity, which is designed to attain a lower cost point, facilitating market expansion into new applications, is expected to have similar rates of yield decline over time as increased supply enters the market.

The pricing of our services is generally fixed for the duration of the service commitment. New and renewing service commitments are priced to reflect regional demand and other factors as discussed above.

Operating Expenses

Direct Costs of Revenue (Excluding Depreciation and Amortization)

Direct costs of revenue relate to costs associated with the operation and control of our satellites, our communications network and engineering support, and the purchase of off-network capacity. Direct costs of revenue consist principally of third-party capacity and equipment, salaries and related employment costs, in-orbit insurance, earth station operating costs and facilities costs. Our direct costs of revenue fluctuate based on the number and type of services offered and under development, particularly as sales of off-network transponder services and sales of customer premises equipment fluctuate. We expect our direct costs of revenue to increase as we add customers and expand our managed services and use of off-network capacity. Direct costs of revenue related to our inflight services include network-related expenses (ATG and satellite network expenses, including costs for transponder capacity and backhaul, as well as data centers, network operations centers and network technical support), aircraft operations, component assembly, portal maintenance, revenue share and transactional costs. Direct costs of revenue for our inflight equipment revenue primarily consists of the purchase costs for component parts used in the manufacture of our equipment and the production, installation, technical support and quality assurance costs associated with equipment sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses relate to costs associated with our sales and marketing staff and our administrative staff, which include legal, finance, corporate information technology and human resources. Staff expenses consist primarily of salaries and related employment costs, including stock compensation, and travel costs. Selling, general and administrative expenses also include office occupancy costs, building maintenance and rent expenses, the provision for uncollectible accounts, research and development expenses and fees for professional services.

Depreciation and Amortization

Our capital assets consist primarily of our satellites and associated ground network infrastructure. Included in capitalized satellite costs are the costs for satellite construction, satellite launch services, insurance premiums for satellite launch and the in-orbit testing period, the net present value of deferred satellite performance incentives payable to satellite manufacturers, costs directly associated with the monitoring and support of satellite construction, and capitalized interest incurred during the satellite construction period.

Capital assets are depreciated or amortized on a straight-line basis over their estimated useful lives. The remaining depreciable lives of our satellites range from less than one year to 18 years as of December 31, 2022.

Results of Operations

The following table sets forth our comparative statements of operations for the periods shown with the increase (decrease) and percentage changes, except those deemed not meaningful (“NM”), between the periods presented (in thousands, except percentages):

	Predecessor		Two Months Ended February 28, 2022	Successor	Non-GAAP Combined	Comparison of 2020 to 2021		Comparison of 2021 to 2022	
	Year Ended December 31, 2020	Year Ended December 31, 2021		Ten Months Ended December 31, 2022	Year Ended December 31, 2022	Dollar Change	Percentage Change	Dollar Change	Percentage Change
Revenue	\$ 1,913,080	\$ 2,065,385	\$ 345,668	\$ 1,738,541	\$ 2,084,209	\$ 152,305	8%	\$ 18,824	1%
Operating expenses:									
Direct costs of revenue (excluding depreciation and amortization)	450,823	700,751	128,952	675,654	804,606	249,928	55%	103,855	15%
Selling, general and administrative	314,229	455,085	74,772	359,375	434,147	140,856	45%	(20,938)	(5%)
Depreciation and amortization	653,447	658,761	104,897	461,425	566,322	5,314	1%	(92,439)	(14%)
Satellite impairment	—	—	—	5,177	5,177	—	NM	5,177	NM
Impairment of non-amortizable intangible and other assets	191,943	2,500	—	321,322	321,322	(189,443)	(99%)	318,822	NM
Other operating expense (income), net —C-band	33,642	(1,905,917)	37,359	(105,322)	(67,963)	(1,939,559)	NM	1,837,954	(96)%
Total operating expenses, net	1,644,084	(88,820)	345,980	1,717,631	2,063,611	(1,732,904)	NM	2,152,431	NM
Income (loss) from operations	268,996	2,154,205	(312)	20,910	20,598	1,885,209	NM	(2,133,607)	(99%)
Interest expense	(816,857)	(524,020)	(57,869)	(322,259)	(380,128)	292,837	(36%)	143,892	(27%)
Interest income	9,384	9,141	1,326	308,623	309,949	(243)	(3%)	300,808	NM
Other income (expense), net	(395,855)	34,768	2,780	(125,818)	(123,038)	430,623	NM	(157,806)	NM
Reorganization items	(258,917)	(379,459)	4,679,517	(33,755)	4,645,762	(120,542)	47%	5,025,221	NM
Income (loss) before income taxes	(1,193,249)	1,294,635	4,625,442	(152,299)	4,473,143	2,487,884	NM	3,178,508	NM
Income tax benefit (expense)	7,055	(4,894)	3,905	591	4,496	(11,949)	NM	9,390	NM
Net income (loss)	(1,186,194)	1,289,741	4,629,347	(151,708)	4,477,639	2,475,935	NM	3,187,898	NM
Net income attributable to noncontrolling interest	(2,393)	(2,377)	(397)	(1,908)	(2,305)	16	(1%)	72	(3%)
Net income (loss) attributable to Intelsat S.A.	\$ (1,188,587)	\$ 1,287,364	\$ 4,628,950	\$ (153,616)	\$ 4,475,334	\$ 2,475,951	NM	\$ 3,187,970	NM

Revenue

The following table sets forth our comparative revenue by service type, with Off-Network and Other Revenues shown separately from On-Network Revenues, for the periods shown (in thousands, except percentages):

	Predecessor			Successor	Non-GAAP Combined	Comparison of 2020 to 2021		Comparison of 2021 to 2022	
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022	Year Ended December 31, 2022	Increase (Decrease)	Percentage Change	Increase (Decrease)	Percentage Change
On-Network Revenues									
Transponder services	\$ 1,374,167	\$ 1,278,256	\$ 198,915	\$ 1,009,608	\$ 1,208,523	\$ (95,911)	(7%)	\$ (69,733)	(5%)
Managed services	298,638	286,345	53,765	263,639	317,404	(12,293)	(4%)	31,059	11%
Total on-network revenues	1,672,805	1,564,601	252,680	1,273,247	1,525,927	(108,204)	(6%)	(38,674)	(2%)
Off-Network and Other Revenues									
Transponder, MSS and other off-network services	182,393	166,502	37,305	128,773	166,078	(15,891)	(9%)	(424)	—%
Satellite-related services	42,297	39,544	6,251	36,458	42,709	(2,753)	(7%)	3,165	8%
Total off-network and other revenues	224,690	206,046	43,556	165,231	208,787	(18,644)	(8%)	2,741	1%
In-Flight Services Revenues									
Services	14,122	237,861	37,654	239,507	277,161	223,739	NM	39,300	17%
Equipment	1,463	56,877	11,778	60,556	72,334	55,414	NM	15,457	27%
Total in-flight services revenues	15,585	294,738	49,432	300,063	349,495	279,153	NM	54,757	19%
Total	\$ 1,913,080	\$ 2,065,385	\$ 345,668	\$ 1,738,541	\$ 2,084,209	\$ 152,305	8%	\$ 18,824	1%

Total revenue for the year ended December 31, 2022 increased by \$18.8 million, or 1%, as compared to the year ended December 31, 2021. By service type, our revenues increased or decreased due to the following:

On-Network Revenues:

- *Transponder services*—an aggregate decrease of \$69.7 million, primarily due to a \$67.3 million net decrease in revenues from media customers and a \$9.4 million net decrease in revenues from government customers, offset by a \$7.0 million net increase in revenues from network services customers. The decrease in revenue from media customers was primarily driven by non-renewals, price reductions, capacity downgrades and service transfers to managed services. The decrease in revenues from government customers was primarily driven by non-renewals and the termination of services, partially offset by new services. The increase in revenues from network services customers was primarily driven by capacity upgrades, new services and service transfers from managed services, partially offset by non-renewals.
- *Managed services*—an aggregate increase of \$31.1 million, primarily due to a \$23.2 million net increase in revenues from media customers and an \$11.1 million net increase in revenues from network services customers. The increase in revenue from media customers was mainly driven by transfers from transponder services to managed services, partially offset by transfers to transponder services. The increase in revenues from network services customers was primarily driven by new services and capacity upgrades, partially offset by non-renewals and service transfers to transponder services.

Off-network and Other Revenues:

- *Transponder, MSS and other off-network services*—an aggregate decrease of \$0.4 million, primarily due to a decrease in revenue from government customers driven by non-renewals and the termination of services, partially offset by higher equipment revenues.
- *Satellite-related services* —an aggregate increase of \$3.2 million reflecting increased revenues from professional services supporting third-party satellites.

In-flight Services Revenues:

- *Services*—an aggregate increase of \$39.3 million, primarily attributable to greater demand for travel during the year ended December 31, 2022 as compared to the year ended December 31, 2021, as COVID-19 regulations and guidance have evolved and travel availability has increased.
- *Equipment*—an aggregate increase of \$15.5 million, primarily attributable to an increase in the number of 2Ku satellite and ATG units sold.

Total revenue for the year ended December 31, 2021 increased by \$152.3 million, or 8%, as compared to the year ended December 31, 2020. By service type, our revenues increased or decreased due to the following:

On-Network Revenues:

- *Transponder services*—an aggregate decrease of \$95.9 million, primarily due to an \$82.0 million net decrease in revenue from media customers and a \$14.1 million net decrease in revenues from network services customers. The decrease in revenue from media customers was primarily driven by non-renewals, price reductions, capacity downgrades and service transfers to managed services, partially offset by new services and service transfers from managed services. The decrease in revenue from network services customers was primarily driven by the loss of 2021 revenue as a result of the acquisition of Intelsat CA in December 2020, as well as non-renewals, price reductions, capacity downgrades and service transfers to managed services, partially offset by a renegotiated contract with a maritime mobility customer for a different service mix of revenues previously classified as managed services, new services and service transfers from managed services.
- *Managed services*—an aggregate decrease of \$12.3 million, due to a \$16.3 million decrease in revenue from network services customers partially offset by a \$3.5 million increase in revenue from government customers. The decrease in revenue from network services customers was primarily driven by a renegotiated contract with a maritime mobility customer for a different service mix of revenues now classified as transponder services, non-renewals and service transfers to transponder services, partially offset by service transfers from transponder services. The increase in revenue from government customers was driven by new services, partially offset by non-renewals, price reductions and capacity downgrades.

Off-network and Other Revenues:

- *Transponder, MSS and other off-network services* —an aggregate decrease of \$15.9 million, primarily driven by greater equipment revenues recognized in 2020 as compared to 2021, as well as non-renewals, price reductions, and service contractions, partially offset by new services.

- *Satellite-related services* —an aggregate decrease of \$2.8 million reflecting decreased revenues from professional services supporting third-party satellites.

In-flight Services Revenues:

- *Services and equipment*—an aggregate increase of \$279.2 million attributable to our Intelsat CA business acquired in December 2020.

Operating Expenses

Direct Costs of Revenue (Excluding Depreciation and Amortization)

Direct costs of revenue increased by \$103.9 million, or 15%, to \$804.6 million for the year ended December 31, 2022, as compared to \$700.8 million for the year ended December 31, 2021, primarily due to the following:

- an increase of \$35.3 million in staff-related expenses;
- an increase of \$26.5 million related to our Intelsat CA business, primarily driven by an increase in satellite service-related expenses and an increase in the number of 2Ku satellite and ATG units sold;
- an increase of \$22.8 million in equipment costs; and
- an increase of \$13.2 million in office and operational expenses primarily due to computer-related costs and the significant return-to-work presence at Intelsat offices in 2022 compared to 2021.

Direct costs of revenue increased by \$249.9 million, or 55%, to \$700.8 million for the year ended December 31, 2021, as compared to \$450.8 million for the year ended December 31, 2020, primarily due to the following:

- an increase of \$246.9 million in costs attributable to our Intelsat CA business acquired in December 2020; partially offset by
- a decrease of \$6.8 million in staff-related expenses.

Selling, General and Administrative

Selling, general and administrative expenses decreased by \$20.9 million, or 5%, to \$434.1 million for the year ended December 31, 2022, as compared to \$455.1 million for the year ended December 31, 2021, primarily due to the following:

- a decrease of \$70.0 million due to a \$35.0 million litigation accrual recorded in 2021, which was subsequently reversed in 2022;
- a decrease of \$17.7 million related to a litigation settlement in 2021; and
- a decrease of \$12.4 million in expenses related to our Intelsat CA business as a result of lower amortization of equity awards that fully vested in 2021, partially offset by higher research and development expenses; partially offset by
- an increase of \$22.3 million in professional fees primarily due to an ongoing enterprise resource planning upgrade initiative;
- an increase of \$16.7 million due to the write-off of excess inventory;
- an increase of \$16.4 million in staff-related expenses;
- an increase of \$8.8 million in travel expenses due to increased travel post-COVID;
- an increase of \$8.8 million in executive insurance largely as a result of the elimination of prepaid director and officer insurance policies related to the Predecessor in accordance with the Final Plan; and
- an increase of \$6.7 million in office and operational expenses primarily due to the significant return-to-work presence at Intelsat offices in 2022 compared to 2021.

Selling, general and administrative expenses increased by \$140.9 million, or 45%, to \$455.1 million for the year ended December 31, 2021, as compared to \$314.2 million for the year ended December 31, 2020, primarily due to the following:

- an increase of \$114.6 million in costs attributable to our Intelsat CA business acquired in December 2020;
- an increase of \$35.0 million due to a litigation accrual; and
- an increase of \$19.4 million in staff-related expenses; partially offset by
- a decrease of \$23.4 million in bad debt expense largely related to a customer that filed for Chapter 11 bankruptcy protection in 2020.

Depreciation and Amortization

Depreciation and amortization expense decreased by \$92.4 million, or 14%, to \$566.3 million for the year ended December 31, 2022, as compared to \$658.8 million for the year ended December 31, 2021. Significant items impacting depreciation and amortization included:

- a decrease of \$68.9 million in depreciation expense due to the impacts of the adoption of Fresh Start Accounting, including lower fair values of satellites and other property and equipment; and
- a decrease of \$28.1 million in depreciation expense due to the timing of certain satellites becoming fully depreciated; partially offset by
- an increase of \$4.4 million in depreciation expense resulting from the impact of satellites placed into service.

Depreciation and amortization expense increased by \$5.3 million, or 1%, to \$658.8 million for the year ended December 31, 2021, as compared to \$653.4 million the year ended December 31, 2020. Significant items impacting depreciation and amortization included:

- an increase of \$24.9 million in depreciation and amortization expense attributable to our Intelsat CA business acquired in December 2020; and
- increases of \$11.1 million and \$4.2 million in depreciation expense resulting from the impact of satellite and ground segment assets placed into service, respectively; partially offset by
- a decrease of \$31.7 million in depreciation expense due to the timing of certain satellites becoming fully depreciated.

Satellite Impairment

We recognized an impairment charge of \$5.2 million for the year ended December 31, 2022 related to the Galaxy 15 satellite, with no comparable amounts for the years ended December 31, 2021 and 2020. See Item 2, Note 6—Satellites and Other Property and Equipment for further discussion.

Impairment of Non-Amortizable Intangible and Other Assets

We recognized an impairment charge of \$321.3 million for the year ended December 31, 2022 related to goodwill for the Intelsat CA reporting unit, as compared to \$2.5 million for the year ended December 31, 2021 relating to certain satellite deposits, and \$191.9 million for the year ended December 31, 2020, consisting of \$137.7 million, \$34.0 million and \$20.2 million relating to our rights to operate at certain orbital locations, certain satellite and launch vehicle deposits and the Intelsat trade name, respectively. See Item 2, Note 8—Goodwill and Other Intangible Assets for further discussion.

Other Operating Expense (Income), Net—C-band

Other operating expense (income), net—C-band consists of reimbursable and non-reimbursable costs and offsetting income associated with our C-band spectrum relocation efforts. We recognized net income of \$68.0 million, net income of \$1.9 billion and net expense of \$33.6 million for the years ended December 31, 2022, 2021 and 2020, respectively. The decrease in income of \$1.8 billion from the year ended December 31, 2021 to the year ended December 31, 2022 is primarily due to the following:

- the 2021 recognition of income of \$2.1 billion related to the transfer of control of the nonfinancial spectrum asset for Phase I as a result of the FCC's validation of the Phase I Certification of Accelerated Relocation, which did not recur in 2022; partially offset by
- income of \$169.8 million recognized in 2022 related to the completion of clearing under a contract with a third-party to which spectrum assignments are being transitioned; and
- lower expenses of \$89.3 million due to a reduction in equipment shipped to C-band customers and customer affiliates during 2022 as compared to 2021.

The increase in income of \$1.9 billion from the year ended December 31, 2020 to the year ended December 31, 2021 is primarily due to the FCC's validation of the Phase I Certification of Accelerated Relocation in 2021, as discussed above, partially offset by higher expenses of \$157.5 million due to an increase in equipment shipped to C-band customers and customer affiliates during 2021 as compared to 2020.

Interest Expense

Interest expense decreased by \$143.9 million, or 27%, to \$380.1 million for the year ended December 31, 2022, as compared to \$524.0 million for the year ended December 31, 2021, primarily due to the following:

- a decrease of \$110.0 million in interest expense primarily resulting from Chapter 11 restructuring activities, including the final settlement of all of our prepetition secured debts on February 1, 2022, and the issuance of the 2030 Jackson Secured Notes (as defined below) and 2029 Term Loans (as defined below) at lower interest rates;
- a decrease of \$18.5 million related to higher capitalized interest resulting from increased levels of satellites and related assets under construction;
- a decrease of \$10.0 million in interest expense related to the significant financing component identified in customer contracts due to lower contract balances; and
- a decrease of \$5.0 million in interest expense on capitalized performance incentives primarily due to an overall decline in performance incentive commitments in 2022.

Interest expense decreased by \$292.8 million, or 36%, to \$524.0 million for the year ended December 31, 2021, as compared to \$816.9 million for the year ended December 31, 2020, primarily due to the following:

- a decrease of \$242.0 million in interest expense primarily resulting from Chapter 11 restructuring activities, partially offset by an increase in interest expense recognized on our superpriority senior secured debtor-in-possession credit facilities and senior secured credit facilities; and
- a decrease of \$50.2 million related to higher capitalized interest resulting from increased levels of satellites and related assets under construction.

The non-cash portion of total interest expense was \$133.6 million, \$113.0 million and \$92.7 million for the years ended December 31, 2020, 2021 and 2022, respectively, primarily consisting of interest expense related to the significant financing component identified in customer contracts and the amortization and accretion of issuance costs, discounts and premiums.

Interest Income

Interest income increased by \$300.8 million to \$309.9 million for the year ended December 31, 2022, as compared to \$9.1 million for the year ended December 31, 2021, primarily due to the following:

- an increase of \$268.7 million related to the accretion of interest income associated with the Company's expected receipt of the Phase II ARP; and
- an increase of \$30.4 million due to the release of allowances for credit losses in relation to Fresh Start Accounting.

Interest income of \$9.1 million for the year ended December 31, 2021 was not materially different than interest income of \$9.4 million for the year ended December 31, 2020.

Other Income (Expense), Net

Other income (expense), net decreased by \$157.8 million to other expense of \$123.0 million for the year ended December 31, 2022, as compared to other income of \$34.8 million for the year ended December 31, 2021, primarily due to the following:

- \$152.5 million of expense for the year ended December 31, 2022 related to the change in fair value of contingent value rights; and
- decreases of \$7.7 million, \$5.7 million, \$5.3 million and \$3.0 million related to prior year gains due to a decrease in the value of an investment in a third party, the conversion of stock warrants into common stock and an amendment of loan receivables related to a newly merged public company, the sale of one of our investments, and the sale of assets, respectively, all of which occurred during the year ended December 31, 2021; partially offset by
- an increase of \$20.8 million for the year ended December 31, 2022 related to an insurance claim for the Galaxy 30 satellite anomaly.

Other income (expense), net increased by \$430.6 million to other income of \$34.8 million for the year ended December 31, 2021, as compared to other expense of \$395.9 million for the year ended December 31, 2020, primarily due to the following:

- a \$410.0 million loss from debt guarantor as a result of the commencement of the Chapter 11 Cases which triggered Intelsat Envision Holdings LLC's guarantee obligation for the 2025 Convertible Notes and related interest (see Item 2, Note 2—Emergence from Chapter 11 Proceedings and Other Related Matters for further discussion); and
- gains totaling \$21.7 million which occurred during the year ended December 31, 2021, as discussed above.

Reorganization Items

Reorganization items reflect expenses, gains and losses directly and incrementally resulting from our Chapter 11 restructuring activities. Reorganization items increased by \$5.0 billion to a gain of \$4.6 billion for the year ended December 31, 2022, as compared to expense of \$379.5 million for the year ended December 31, 2021. The increase was primarily due to the following:

- a net gain of \$5.7 billion related to the settlement of liabilities subject to compromise primarily related to a \$9.7 billion gain on the settlement of debt subject to compromise, partially offset by a \$3.6 billion loss related to the distribution of common shares to third-party creditors;
- a decrease of \$111.4 million in professional fees relating to the Chapter 11 restructuring activities; and
- an expense of \$98.0 million in 2021 due to a make-whole premium on extinguishment of debt; partially offset by
- a loss of \$702.5 million due to Fresh Start Accounting valuation adjustments; and
- an increase of \$188.5 million of adjustments related to debt discount, premium and issuance costs and financing fees primarily related to the settlement of prepetition debt and the DIP-to-Exit Financing.

Reorganization items increased by \$120.5 million, or 47%, to \$379.5 million for the year ended December 31, 2021, as compared to \$258.9 million for the year ended December 31, 2020, primarily due to higher professional fees relating to the Chapter 11 restructuring activities and a 2021 make-whole premium on extinguishment of debt, partially offset by higher adjustments of debt discounts, premiums, and issuance costs in 2020 as well as lower debtor-in-possession financing fees.

Income Tax Expense (Benefit)

Income tax expense decreased by \$9.4 million to income tax benefit of \$4.5 million for the year ended December 31, 2022, as compared to income tax expense of \$4.9 million for the year ended December 31, 2021, primarily as a result of our Chapter 11 restructuring activities and lower income from our U.S. subsidiaries.

Income tax expense increased by \$11.9 million to income tax expense of \$4.9 million for the year ended December 31, 2021, as compared to income tax benefit of \$7.1 million for the year ended December 31, 2020, primarily as a result of higher income from our U.S. subsidiaries, benefits recorded in 2020 from impacts of the Coronavirus Aid, Relief, and Economic Security Act, and a tax reserve established on certain tax benefits taken on the Base Erosion Anti-Abuse Tax.

Cash paid for income taxes, net of refunds, totaled \$5.1 million, \$1.9 million and \$12.1 million for the year ended December 31, 2021, two months ended February 28, 2022, and ten months ended December 31, 2022, respectively, as compared to cash received for income taxes, net of payments, of \$7.6 million for the year ended December 31, 2020.

EBITDA

EBITDA consists of earnings before net interest, loss (gain) on early extinguishment of debt, taxes and depreciation and amortization. Given our high level of leverage, refinancing activities are a frequent part of our efforts to manage our costs of borrowing. Accordingly, we consider loss (gain) on early extinguishment of debt an element of interest expense. EBITDA is a measure commonly used in the FSS sector, and we present EBITDA to enhance the understanding of our operating performance. We use EBITDA as one criterion for evaluating our performance relative to that of our peers. We believe that EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. However, EBITDA is not a measure of financial performance under U.S. GAAP, and our EBITDA may not be comparable to similarly titled measures of other companies. EBITDA should not be considered as an alternative to operating income (loss) or net income (loss) determined in accordance with U.S. GAAP, as an indicator of our operating performance, or as an alternative to cash flows from operating activities determined in accordance with U.S. GAAP, as an indicator of cash flows, or as a measure of liquidity.

A reconciliation of net income (loss) to EBITDA for the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022 is as follows (in thousands):

	Predecessor			Successor	Non-GAAP Combined
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022	Year Ended December 31, 2022
Net income (loss)	\$ (1,186,194)	\$ 1,289,741	\$ 4,629,347	\$ (151,708)	\$ 4,477,639
Add (Subtract):					
Interest expense	816,857	524,020	57,869	322,259	380,128
Interest income	(9,384)	(9,141)	(1,326)	(308,623)	(309,949)
Income tax expense (benefit)	(7,055)	4,894	(3,905)	(591)	(4,496)
Depreciation and amortization	653,447	658,761	104,897	461,425	566,322
EBITDA	\$ 267,671	\$ 2,468,275	\$ 4,786,882	\$ 322,762	\$ 5,109,644

Adjusted EBITDA

In addition to EBITDA, we calculate a measure called Adjusted EBITDA to assess the operating performance of the Company. Adjusted EBITDA consists of EBITDA as adjusted to exclude or include certain unusual items, certain other operating expense items and certain other adjustments as described in the table and related footnotes below. Our management believes that the presentation of Adjusted EBITDA provides useful information to investors, lenders and financial analysts regarding our financial condition and results of operations because it permits clearer comparability of our operating performance between periods. By excluding the potential volatility related to the timing and extent of non-operating activities, such as impairments of asset value and other non-recurring items, our management believes that Adjusted EBITDA provides a useful means of evaluating the success of our operating activities. We also use Adjusted EBITDA, together with other appropriate metrics, to set goals for and measure the operating performance of our business, and it is one of the principal measures we use to evaluate our management's performance in determining compensation under our incentive compensation plans. Adjusted EBITDA measures have been used historically by investors, lenders and financial analysts to estimate the value of a company, to make informed investment decisions and to evaluate performance. Our management believes that the inclusion of Adjusted EBITDA facilitates comparison of our results with those of companies having different capital structures.

Adjusted EBITDA is not a measure of financial performance under U.S. GAAP and may not be comparable to similarly titled measures of other companies. Adjusted EBITDA should not be considered as an alternative to operating income (loss) or net income (loss) determined in accordance with U.S. GAAP, as an indicator of our operating performance, as an alternative to cash flows from operating activities determined in accordance with U.S. GAAP, as an indicator of cash flows, or as a measure of liquidity.

A reconciliation of net income (loss) to EBITDA and EBITDA to Adjusted EBITDA for the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022 is as follows (in thousands):

	Predecessor			Successor	Non-GAAP Combined
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022	Year Ended December 31, 2022
Net income (loss)	\$ (1,186,194)	\$ 1,289,741	\$ 4,629,347	\$ (151,708)	\$ 4,477,639
Add (Subtract):					
Interest expense	816,857	524,020	57,869	322,259	380,128
Interest income	(9,384)	(9,141)	(1,326)	(308,623)	(309,949)
Income tax expense (benefit)	(7,055)	4,894	(3,905)	(591)	(4,496)
Depreciation and amortization	653,447	658,761	104,897	461,425	566,322
EBITDA	267,671	2,468,275	4,786,882	322,762	5,109,644
Add (Subtract):					
Compensation and benefits ⁽¹⁾	57,786	83,188	1,223	23,173	24,396
Non-recurring and non-cash items ⁽²⁾	485,910	(1,835,937)	54,740	64,783	119,523
Satellite impairment ⁽³⁾	—	—	—	5,177	5,177
Impairment of non-amortizable intangible and other assets ⁽⁴⁾	191,943	2,500	—	321,322	321,322
Reorganization items ⁽⁵⁾	258,917	379,459	(4,679,517)	33,755	(4,645,762)
Proportionate share from unconsolidated joint venture ⁽⁶⁾ :					
Interest expense, net	3,451	2,402	352	2,512	2,864
Depreciation and amortization	11,258	11,258	1,876	9,382	11,258
Adjusted EBITDA ⁽⁷⁾	\$ 1,276,936	\$ 1,111,145	\$ 165,556	\$ 782,866	\$ 948,422

- (1) Reflects non-cash expenses incurred relating to our equity compensation plans and expenses incurred relating to our employee retention incentive plans.
- (2) Reflects certain non-recurring expenses, gains and losses and non-cash items, including the following for 2020, 2021, and 2022: costs associated with our C-band spectrum clearing efforts; enterprise resource planning implementation costs; amortization of supplemental type certificates; severance, retention and relocation payments; changes in fair value and (gains) losses on sales of certain investments; certain foreign exchange gains and losses; and other various non-recurring expenses. 2020 in addition includes losses from debt guarantor and merger and acquisition costs. 2021 in addition includes legal settlement costs and merger and acquisition costs. 2022 in addition includes the following: change in fair value of contingent value rights; satellite insurance proceeds; elimination of prepaid director and officer insurance policies in accordance with the Final Plan; inventory write-downs; legal settlement costs and reversals; certain fresh start accounting adjustments.
- (3) Reflects a non-cash impairment charge for the Galaxy 15 satellite (see Item 2, Note 6—Satellites and Other Property and Equipment).
- (4) Reflects non-cash impairment charges recorded in connection with the write-off of certain satellite and launch vehicle deposits (see Item 2, Note 6—Satellites and Other Property and Equipment), our orbital locations and trade name, and goodwill assigned to the Intelsat CA reporting unit (see Item 2, Note 8—Goodwill and Other Intangible Assets).
- (5) Reflects expenses, gains and losses incurred in connection with our Chapter 11 restructuring activities (see Item 2, Note 2—Emergence from Chapter 11 Proceedings and Other Related Matters).
- (6) Reflects adjustments related to our interest in Horizons-3 Satellite LLC (see Item 2, Note 7(b)—Investments—Horizons-3 Satellite LLC).
- (7) Adjusted EBITDA included \$105.1 million, \$106.5 million, \$17.8 million and \$88.2 million for year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, respectively, of revenue relating to the significant financing component identified in customer contracts in accordance with ASC 606.

Liquidity and Capital Resources

Overview

We emerged from the Chapter 11 Cases on the Effective Date with a new capital structure consisting of significantly lower levels of long-term debt as compared to the Company's historical debt levels. The reorganization resulted in the elimination of approximately \$9.4 billion of our long-term debt and a corresponding decrease in the capital needed for debt service requirements. Following emergence, we expect that our principal uses of cash and capital resources will be to fund the cost of operations, working capital, capital expenditures and interest payments on our long-term debt.

Our contractual obligations, commitments and debt service requirements over the next several years are significant. As of December 31, 2022, the aggregate principal amount of our debt outstanding not held by affiliates was \$5.8 billion. Interest expense for the year ended December 31, 2022 was \$380.1 million, which included \$92.7 million of non-cash interest expense. At December 31, 2022, cash, cash equivalents and restricted cash were approximately \$862.2 million.

In past years and prior to the commencement of the Chapter 11 Cases, our cash flows from operations and cash on hand have been sufficient to fund interest obligations of \$634.7 million and \$406.5 million for the years ended December 31, 2020 and 2021, respectively, and significant capital expenditures of \$606.8 million and \$900.5 million for the years ended December 31, 2020 and 2021, respectively.

In connection with the Company's participation in the FCC's process for accelerated clearing of the C-band spectrum, we needed to incur significant upfront expenses for clearing activities well in advance of receiving reimbursement payments. We expect to receive reimbursement payments for certain upfront C-band spectrum clearing expenses incurred, and under the FCC Final Order, the Company is eligible to receive an ARP of approximately \$3.7 billion based on the milestone clearing certification date of December 5, 2023, with the payment expected to be received in the first half of 2024, subject to the satisfaction of certain deadlines and other conditions set forth therein. On October 4, 2021, as subsequently amended on October 15, 2021, Intelsat License filed its Phase I Certification of Accelerated Relocation, indicating completion of required clearing activities to satisfy the December 5, 2021 deadline and requesting FCC validation to receive the \$1.2 billion Phase I ARP. The FCC validated the Phase I Certification of Accelerated Relocation on November 12, 2021. We received \$479.1 million of the Phase I ARP during the year ended December 31, 2021, and the remaining \$718.7 million of the Phase I ARP was received in January 2022.

We expect total clearing costs to approximate \$1.8 billion, with \$1.7 billion incurred as of December 31, 2022, and approximately \$90.2 million expected to be incurred through 2023. We have received \$991.4 million in reimbursements through the date of this Annual Report, and expect \$1.5 billion to be received in total through 2023. Our primary source of liquidity is and will continue to be cash generated from operations, as well as existing cash. We currently expect to use cash on hand, cash flows from operations, and borrowings under the 2022 Intelsat Jackson Secured Credit Agreement (as defined in "Debt" below) to fund our most significant cash outlays, including debt service requirements and capital expenditures, in the next twelve months and beyond.

Cash Flow Items

Our cash flows consisted of the following for the periods shown (in thousands):

	Predecessor			Successor	Non-GAAP Combined
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022	Year Ended December 31, 2022
Net cash provided by operating activities	\$ 338,087	\$ 566,451	\$ 557,501	\$ 1,354,126	\$ 1,911,627
Net cash used in investing activities	(976,506)	(887,498)	(107,913)	(502,940)	(610,853)
Net cash provided by (used in) financing activities	905,087	169,559	(957,510)	(407,780)	(1,365,290)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,200)	(4,471)	(70)	(2,942)	(3,012)
Net change in cash, cash equivalents and restricted cash	\$ 263,468	\$ (155,959)	\$ (507,992)	\$ 440,464	\$ (67,528)

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased by \$1.3 billion to \$1.9 billion for the year ended December 31, 2022, as compared to \$566.5 million for the year ended December 31, 2021. The increase was due to a \$3.3 billion increase from changes in operating assets and liabilities, offset by a \$2.0 billion decrease in net income and non-cash items. The increase from changes in operating assets and liabilities was primarily due to higher inflows related to accounts receivable, primarily as a result of receiving ARPs and C-band relocation reimbursements, higher inflows related to contract liabilities, and lower outflows related to accounts payable and accrued liabilities.

Net cash provided by operating activities increased by \$228.4 million to \$566.5 million for the year ended December 31, 2021, as compared to \$338.1 million for the year ended December 31, 2020. The increase was due to a \$1.8 billion increase in net income and non-cash items, offset by a \$1.6 billion decrease from changes in operating assets and liabilities, primarily due to an increase in receivables, primarily as a result of recording receivables for ARPs and C-band relocation reimbursements.

Net Cash Used in Investing Activities

Net cash used in investing activities decreased by \$276.6 million to \$610.9 million for the year ended December 31, 2022, as compared to \$887.5 million for the year ended December 31, 2021, primarily due to decreased capital expenditures as a result of reduced spending on C-band satellites as compared to the year ended December 31, 2021.

Net cash used in investing activities decreased by \$89.0 million to \$887.5 million for the year ended December 31, 2021, as compared to \$976.5 million for the year ended December 31, 2020, primarily due to a one-time outflow of cash attributable to the 2020 acquisition of Intelsat CA, partially offset by increased capital expenditures for C-band satellites in 2021.

Net Cash Provided by (Used in) Financing Activities

Net cash used in financing activities increased by \$1.5 billion to \$1.4 billion for the year ended December 31, 2022, as compared to \$169.6 million provided by financing activities for the year ended December 31, 2021, primarily due to a \$1.4 billion increase in net payments resulting from our DIP-to-Exit Financing, issuance of new debt and principal payments on the 2029 Term Loans (as defined in “*Debt*” below). During the year ended December 31, 2022, we received an aggregate principal amount of \$6.2 billion of DIP-to-Exit Financing, the proceeds of which were used to repay \$5.7 billion of existing secured and unsecured debt, repay the \$1.3 billion New DIP Facility and pay \$223.7 million of debt issuance costs. In addition, during the year ended December 31, 2022, we made principal payments on the 2029 Term Loans aggregating to \$386.2 million.

Net cash provided by financing activities decreased by \$735.5 million to \$169.6 million for the year ended December 31, 2021 as compared to \$905.1 million for the year ended December 31, 2020, primarily due to a \$737.3 million decrease in net borrowings related to debtor-in-possession financing.

Restricted Cash

As of December 31, 2022, \$142.1 million of cash was held in escrow as a compensating balance for certain outstanding letters of credit and balances owed to the CVR holders (as defined and further discussed in Item 2, Note 2—Emergence from Chapter 11 Proceedings and Other Related Matters) until we meet accelerated C-band clearing objectives.

Debt

Intelsat Jackson 6.50% First Lien Secured Notes due 2030

On January 27, 2022, Intelsat Jackson completed an offering of \$3.0 billion aggregate principal amount of 6.50% First Lien Secured Notes due 2030 (the “2030 Jackson Secured Notes”). The 2030 Jackson Secured Notes bear interest at 6.50% annually and mature in March 2030. These notes are guaranteed by Intelsat S.A. (formerly Intelsat Emergence S.A.), other parent entities of Intelsat Jackson, and certain subsidiaries of Intelsat Jackson. Interest is payable on the 2030 Jackson Secured Notes semi-annually on March 15 and September 15, commencing on September 15, 2022. Intelsat Jackson may redeem some or all of the notes at the applicable redemption prices and criterion set forth in the indenture governing the 2030 Jackson Secured Notes. The 2030 Jackson Secured Notes are senior secured obligations of Intelsat Jackson.

2022 Intelsat Jackson Secured Credit Facilities due 2029

On February 1, 2022, Intelsat Jackson entered into a secured credit agreement (the “2022 Intelsat Jackson Secured Credit Agreement”), which included a \$3.2 billion term loan facility and a \$500.0 million revolving credit facility, and borrowed the full \$3.2 billion under the term loan facility due February 2029 (the “2029 Term Loans”). The maturity date of the revolving credit facility is February 1, 2027. The obligations under the 2022 Intelsat Jackson Secured Credit Agreement are guaranteed by Intelsat S.A. (formerly Intelsat Emergence S.A.), other parent entities of Intelsat Jackson, and certain subsidiaries of Intelsat Jackson. The 2029 Term Loans

and the revolving loans under the revolving credit facility (the “Revolving Loans”) bear interest either (i) based on a 1-month, 3-month or 6-month (or if agreed to by each lender of a loan, 12-month) secured overnight financing rate (“SOFR”) plus a related spread or (ii) at the Base Rate (as defined in the 2022 Intelsat Jackson Secured Credit Agreement), in each case, plus an applicable margin. The applicable margin for the 2029 Term Loans is 4.25% for SOFR loans and 3.25% for Base Rate loans, and the applicable margin for Revolving Loans ranges from 2.25%–2.75% for SOFR loans and 1.25%–1.75% for Base Rate loans, in each case, depending on the leverage ratio of Intelsat Jackson. The 2029 Term Loans have a SOFR floor of 0.50% and a Base Rate floor of 1.50%, and the Revolving Loans have a SOFR floor of 0.00% and a Base Rate floor of 1.00%.

Interest is payable on the SOFR loans at the end of the applicable interest period and on a quarterly basis for the Base Rate loans, and mandatory principal amortization of 0.25% with respect to the 2029 Term Loans is due at the end of each quarter. Additionally, 50% of all C-band proceeds received are required to be used to pay down the outstanding principal balance of the 2029 Term Loans within ten business days of the end of each quarter. Intelsat Jackson may redeem some or all of the 2029 Term Loans without penalty or premium unless prepaid in connection with a Repricing Transaction (as defined in the 2022 Intelsat Jackson Secured Credit Agreement) during the first six months after the effectiveness of the 2022 Intelsat Jackson Secured Credit Agreement. The 2029 Term Loans and the Revolving Loans are senior secured obligations of Intelsat Jackson.

The 2022 Intelsat Jackson Secured Credit Agreement includes customary negative covenants for loan agreements of this type, including covenants limiting the ability of Intelsat Jackson and its subsidiaries to, among other things, incur additional indebtedness, create liens on assets, make investments, loans or advances, engage in mergers, consolidations, sales of assets and acquisitions, pay dividends and distributions and make payments in respect of subordinated indebtedness, in each case subject to customary exceptions for loan agreements of this type.

The 2022 Intelsat Jackson Secured Credit Agreement also includes certain customary representations and warranties, affirmative covenants and events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, certain events under the Employee Retirement Income Security Act of 1974, as amended, and change of control.

The foregoing description of the 2022 Intelsat Jackson Secured Credit Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the 2022 Intelsat Jackson Secured Credit Agreement.

Intelsat Jackson made principal payments on the 2029 Term Loans of \$386.2 million and \$110.8 million in 2022 and 2023 through the date of this report, respectively.

Contracted Backlog

We benefit from strong visibility of our future revenues. Our contracted backlog is our expected future revenue under existing customer contracts and includes both cancelable and non-cancelable contracts. As of December 31, 2022, our contracted backlog was approximately \$5.1 billion, which we expect to earn a weighted average remaining customer contract life of approximately 3.3 years. We expect to deliver services associated with approximately \$1.5 billion, or approximately 29%, of our December 31, 2022 contracted backlog during the year ending December 31, 2023. The amount included in backlog represents the full service charge for the duration of the contract and does not include termination fees. The amount of the termination fees is generally calculated as a percentage of the remaining backlog associated with the contract. In certain cases of breach for non-payment or customer bankruptcy, we may not be able to recover the full value of certain contracts or termination fees. Our contracted backlog includes 100% of the backlog of our consolidated ownership interests, which is consistent with the accounting for our ownership interests in these entities. We believe this backlog and the resulting predictable cash flows in the FSS sector make our results less volatile than that of typical companies outside our industry.

Our contracted backlog as of December 31, 2022 was as follows (in millions):

Year Ending December 31,	Contracted Backlog
2023	\$ 1,493
2024	965
2025	738
2026	616
2027	440
Thereafter	880
Total	\$ 5,132

Our contracted backlog by service type as of December 31, 2022 was as follows (in millions, except percentages):

Service Type	Total	Percent of Total
Transponder services	\$ 3,753	73%
Managed services	668	13%
Inflight services	423	8%
Off-network and other	288	6%
Total	<u>\$ 5,132</u>	

Satellite Performance Incentives

Our cost of satellite construction includes an element of deferred consideration to satellite manufacturers referred to as satellite performance incentives. We are contractually obligated to make these payments over the lives of the satellites, provided the satellites continue to operate in accordance with contractual specifications. We capitalize the present value of these payments as part of the cost of the satellites and record a corresponding liability to the satellite manufacturers. This asset is amortized over the useful lives of the satellites. Interest expense is recognized on the deferred financing and the liability is reduced as the payments are made. Our total satellite performance incentive payment liability as of December 31, 2020, 2021 and 2022 was \$185.5 million, \$113.8 million and \$98.1 million, respectively.

Capital Expenditures

Our capital expenditures depend on our business strategies and reflect our commercial responses to opportunities and trends in our industry. Our actual capital expenditures may differ from our expected capital expenditures if, among other things, we enter into any currently unplanned strategic transactions. Levels of capital spending from one year to the next are also influenced by the nature of the satellite life cycle and by the capital-intensive nature of the satellite industry. For example, we incur significant capital expenditures during the years in which satellites are under construction. We typically procure a new satellite within a timeframe that would allow the satellite to be deployed at least one year prior to the end of the service life of the satellite to be replaced. As a result, we frequently experience significant variances in our capital expenditures from year to year. Payments for satellites and other property and equipment during the year ended December 31, 2022 were \$618.0 million. Further, we expect total C-band spectrum clearing costs to approximate \$90.2 million in 2023. However, subject to the satisfaction of certain deadlines and other conditions set forth in the FCC Final Order, the Company is eligible to receive ARPs in an amount of approximately \$3.7 billion over the next 2 years. We received \$479.1 million of the Phase I ARP during the year ended December 31, 2021, and the remaining \$718.7 million of the Phase I ARP was received in January 2022 (see Liquidity and Capital Resources—*Overview* above).

We intend to fund our capital expenditure requirements from cash on hand, cash provided from operating activities and borrowings under the 2022 Intelsat Jackson Secured Credit Agreement (see Liquidity and Capital Resources—*Debt* above).

The following table compares our satellite-related capital expenditures to total capital expenditures from 2018 through 2022 (in thousands).

Year	Satellite-Related Capital Expenditures	Total Capital Expenditures
2018	\$ 165,143	\$ 255,696
2019	134,597	229,818
2020	513,802	606,759
2021	757,195	900,470
2022	448,459	617,985
Total	<u>\$ 2,019,196</u>	<u>\$ 2,610,728</u>

Off-Balance Sheet Arrangements

Other than disclosed elsewhere in this Annual Report, we have no material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect or change on the Company's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

The following information details our commitments for obligations as of December 31, 2022, that are not included in the Notes to Consolidated Financial Statements as set forth below:

Secured Debt. Interest payments of \$434.1 million, \$441.8 million, \$439.6 million, \$434.6 million, \$431.7 million and \$780.1 million are due in the years 2023, 2024, 2025, 2026, 2027 and thereafter, respectively, on the Intelsat Jackson secured note and secured credit facilities. See Item 2, Note 9—Debt for further detail of our debt principal payments.

Income Tax Contingencies. This amount totals \$60.7 million. The timing of future cash flows from income tax contingencies cannot be reasonably estimated. See Item 2, Note 12—Income Taxes for further discussion of income tax contingencies.

For other commitments for obligations as of December 31, 2022, see the following sections of this Annual Report:

- Item 2, Note 5—Retirement Plans and Other Retiree Benefits for further detail of our pension obligations;
- Item 2, Note 10—Leases for further detail of our lease activities; and
- Item 2, Note 13—Contractual Commitments for further detail of our purchase obligations, inclusive of obligations under satellite construction and launch contracts, satellite capacity and teleport commitments, estimated payments to be made on performance incentive obligations related to certain satellites that are currently in orbit, and Horizons-3 Satellite LLC capital contributions and capacity purchase obligations.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. We consider an accounting estimate to be critical if: (1) it requires assumptions to be made that were uncertain at the time the estimate was made; and (2) changes in the estimate, or selection of different estimates, could have a material effect on our consolidated results of operations or financial condition.

We believe that some of the more important estimates and related assumptions that affect our financial condition and results of operations are in the areas of fresh start and bankruptcy accounting, revenue recognition, the allowance for credit losses, asset impairments, income taxes and pension and other postretirement benefits.

While we believe that our estimates, assessments, assumptions, and judgments are reasonable, they are based on information presently available. Actual results may differ significantly. Additionally, changes in our estimates, assessments, assumptions, or judgments as a result of unforeseen events or otherwise could have a material impact on our financial position or results of operations.

Fresh Start and Bankruptcy Accounting

Upon emergence from bankruptcy, we adopted Fresh Start Accounting in accordance with ASC 852. A newly created entity, Intelsat S.A. (formerly Intelsat Emergence S.A.) became our ultimate parent company for financial reporting purposes. We evaluated the events between the Effective Date and February 28, 2022, and concluded that the use of an accounting convenience date of February 28, 2022 would not have a material impact on our consolidated statements of operations or consolidated balance sheet. As a result, the consolidated financial statements after the Fresh Start Reporting Date are not comparable with the consolidated financial statements on or before that date. See Item 2, Note 3—Fresh Start Accounting.

During the Predecessor period, our consolidated financial statements included herein were prepared as if we were a going concern and to reflect the application of ASC 852. ASC 852 requires the financial statements, for periods subsequent to the commencement of our Chapter 11 proceedings, to distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, we classified liabilities and obligations whose treatment and satisfaction were dependent on the outcome of the reorganization under the Chapter 11 proceedings as liabilities subject to compromise on our consolidated balance sheets. In addition, we classified all income, expenses, gains or losses that were incurred or realized as a result of the Chapter 11 proceedings as reorganization items in our consolidated statements of operations. See Item 2, Note 2—Emergence from Chapter 11 Proceedings and Other Related Matters.

Upon application of Fresh Start Accounting, we allocated the reorganization value to our individual assets and liabilities, except for deferred income taxes, based on their estimated fair values as of the Fresh Start Reporting Date with the remaining excess value allocated to goodwill in conformity with ASC 805, *Business Combinations*. The amount of deferred taxes was determined in accordance with ASC 740, *Income Taxes* (“ASC 740”). The Fresh Start Reporting Date fair values of our assets and liabilities differed materially from their recorded values as reflected on our historical balance sheets. See Item 2, Note 3—Fresh Start Accounting.

Revenue Recognition, Accounts Receivable and Allowance for Credit Losses

Revenue Recognition. We earn revenue primarily from satellite utilization services and, to a lesser extent, from providing managed services to our customers. The Company's contracts for satellite utilization services often contain multiple service orders for the provision of capacity on or over different beams, satellites, frequencies, geographies or time periods. Under each separate service order, the Company's satellite services, comprised of transponder services, managed services, channel services, and occasional use managed services, are delivered in a series of time periods that are distinct from each other and have the same pattern of transfer to the customer. In each period, the Company's obligation is to make those services available to the customer. Throughout each period of services being provided, the customer simultaneously receives and consumes the benefits, resulting in revenue recognition over time. Our contract assets include unbilled amounts typically resulting from sales under our long-term contracts when the total contract value is recognized on a straight-line basis and the revenue recognized exceeds the amount billed to the customer. Contract liabilities consist of advance payments and collections in excess of revenue recognized and deferred revenue.

While the majority of our revenue transactions contain standard business terms and conditions, there are certain transactions that contain non-standard business terms and conditions. As a result, significant contract interpretation is sometimes required to determine the appropriate accounting for these transactions, including but not limited to:

- whether contracts with a prepayment contain a significant financing component;
- whether an arrangement should be reported gross as a principal versus net as an agent; and
- whether an arrangement contains a service contract or a lease.

In addition, our revenue recognition policy requires an assessment as to whether collection is reasonably assured, which requires us to evaluate the creditworthiness of our customers. Changes in judgments in making these assumptions and estimates could materially impact the timing and/or amount of revenue recognition.

Allowance for Credit Losses. Our allowance for credit losses is determined through a subjective evaluation of the aging of our accounts receivable, and considers such factors as the likelihood of collection based upon an evaluation of the customer's creditworthiness, the customer's payment history and other conditions or circumstances that may affect the likelihood of payment, such as political and economic conditions in the country in which the customer is located. If our estimate of the likelihood of collection is not accurate, we may experience lower revenue or a change in our provision for credit losses.

Asset Impairment Assessments

We account for goodwill and other non-amortizable intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other* ("ASC 350"), and have deemed these assets to have indefinite lives. Therefore, these assets are not amortized but are tested on an annual basis for impairment during the fourth quarter, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. We review our long-lived and amortizable intangible assets to assess whether an impairment has occurred in accordance with the guidance provided under ASC 360—*Property, Plant and Equipment*, whenever events or changes in circumstances indicate, in our judgment, that the carrying amount of an asset may not be recoverable.

Goodwill. For the analysis of goodwill, we applied ASC 350, which is further described in Item 2, Note 1—Background and Summary of Significant Accounting Policies. See Item 2, Note 8—Goodwill and Other Intangible Assets for discussion of the impairment charges recognized.

In estimating the undiscounted cash flows, we primarily used our internally prepared budgets and forecast information. The key assumptions included in our model were projected growth rates, cost of capital, effective tax rates, and industry and economic trends, along with the C-band Acceleration Payments expected to be received subject to the satisfaction of certain deadlines and other conditions set forth in the FCC Final Order and the discount rate applied to those cash flows.

Orbital Locations. We determined the estimated fair value of our rights to operate at orbital locations by using the build-up method to determine cash flows for the income approach, with the resulting projected cash flows discounted at an appropriate weighted average cost of capital. Under the build-up approach, the amount a reasonable investor would be willing to pay for the right to operate a satellite business using orbital locations is calculated by first estimating the cash flows that typical market participants might assume could be available from the right to operate satellites using the subject location in a similar market. It is assumed that rather than acquiring such a business as a going concern, the buyer would hypothetically start with the right to operate satellites at orbital locations and build a new business with similar attributes from the beginning. Thus, the buyer is assumed to incur the start-up costs and losses typically associated with the going concern value and pay for all other tangible and intangible assets.

The key assumptions used in estimating the fair values of our rights to operate at our orbital locations included the following: (i) market penetration leading to revenue growth, (ii) profit margin, (iii) duration and profile of the build-up period, (iv) estimated start-up costs and losses incurred during the build-up period and (v) weighted average cost of capital. See Item 2, Note 8—Goodwill and Other Intangible Assets for discussion of the historical impairment charges recognized.

Trade Name. We have implemented the relief from royalty method to determine the estimated fair value of the Intelsat trade name. The relief from royalty analysis is comprised of two major steps: (i) a determination of the hypothetical royalty rate, and (ii) the subsequent application of the royalty rate to projected revenue. In determining the hypothetical royalty rate utilized in the relief from royalty approach, we considered comparable license agreements, an excess earnings analysis to determine aggregate intangible asset earnings, and other qualitative factors, each of which is considered a Level 3 input within the fair value hierarchy under ASC 820.

The key assumptions used in our model to estimate the fair value of the Intelsat trade name included forecasted revenues, the royalty rate, the tax rate and the discount rate. See Item 2, Note 8—Goodwill and Other Intangible Assets for discussion of the historical impairment charges recognized.

Long-Lived and Other Intangible Assets. The Company evaluated the assets for potential impairment using internal projections of undiscounted cash flows expected to result from the use and eventual disposal of the assets. The key assumptions included in our model were projected growth rates, cost of capital, effective tax rates, and industry and economic trends. A change in estimated future cash flows or other assumptions could change our estimated undiscounted cash flows and result in future impairments. See Item 2, Note 6—Satellites and Other Property and Equipment for discussion of the historical impairment charges recognized.

Income Taxes

We account for income taxes in accordance with ASC 740. We are subject to income taxes in Luxembourg, as well as the United States and a number of other foreign jurisdictions. Significant judgment is required in the calculation of our tax provision and the resulting tax liabilities and in the recoverability of our deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense and net operating loss and credit carryforwards.

We regularly assess the likelihood that our deferred tax assets can be recovered. A valuation allowance is required when it is more likely than not that all or a portion of the deferred tax asset will not be realized. We evaluate the recoverability of our deferred tax assets based in part on the existence of deferred tax liabilities that can be used to realize the deferred tax assets.

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. We evaluate our tax positions to determine if it is more likely than not that a tax position is sustainable, based solely on its technical merits and presuming the taxing authorities have full knowledge of the position and access to all relevant facts and information. When a tax position does not meet the more likely than not standard, we record a liability or contra asset for the entire amount of the unrecognized tax impact. Additionally, for those tax positions that are determined more likely than not to be sustainable, we measure the tax position at the largest amount of benefit more likely than not (determined by cumulative probability) to be realized upon settlement with the taxing authority.

Pension and Other Postretirement Benefits

We maintain a noncontributory defined benefit retirement plan covering substantially all of our employees hired prior to July 19, 2001. The cost of providing benefits to eligible participants under the defined benefit retirement plan is calculated using the plan's benefit formulas, which take into account the participants' remuneration, dates of hire, years of eligible service, and certain actuarial assumptions. In addition, as part of the overall medical plan, we provide postretirement medical benefits to certain current retirees who meet the criteria under the medical plan for postretirement benefit eligibility.

Expenses for our defined benefit retirement plan and for postretirement medical benefits that are provided under our medical plan are developed from actuarial valuations. Any significant decline in the fair value of our defined benefit retirement plan assets or other adverse changes to the significant assumptions used to determine the plan's funded status would negatively impact its funded status and could result in increased funding in future periods.

Key assumptions, including discount rates used in determining the present value of future benefit payments and expected return on plan assets, are reviewed and updated on an annual basis. The discount rates reflect market rates for high-quality corporate bonds. We consider current market conditions, including changes in interest rates, in making assumptions. The Society of Actuaries ("SOA") issued new mortality and mortality improvement tables and modifies those tables each year. Our December 31, 2022 valuation used mortality and improvement tables based on the SOA tables, adjusted to reflect (1) an ultimate rate of mortality improvement consistent with both historical experience and U.S. Social Security long-term projections, and (2) a shorter transition period to reach the ultimate rate, which is consistent with historical patterns. In establishing the expected return on assets assumption, we review the asset allocations considering plan maturity and develop return assumptions based on different asset classes. The return assumptions are established after reviewing historical returns of broader market indexes, as well as historical performance of the investments in the plan.

Recently Adopted and Recently Issued Accounting Pronouncements

Refer to Item 2, Note 1—Background and Summary of Significant Accounting Policies for further information about recently adopted and recently issued accounting pronouncements.



KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

Independent Auditors' Report

To the Shareholders and Board of Directors
Intelsat S.A.:

Opinion

We have audited the consolidated financial statements of Intelsat S.A. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 (Successor) and December 31, 2021 (Predecessor) and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity (deficit), and cash flows for the ten-month period ended December 31, 2022 (Successor), two-month period ended February 28, 2022 (Predecessor), and year ended December 31, 2021 (Predecessor), and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 (Successor) and December 31, 2021 (Predecessor) and for the ten-month period ended December 31, 2022 (Successor), two-month period ended February 28, 2022 (Predecessor) and year ended December 31, 2021 (Predecessor), respectively, and the results of its operations and its cash flows for each of the periods then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,



misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the condensed consolidated information on pages 87 through 94 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Company's credit agreements which consider it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

McLean, Virginia
April 28, 2023

INTELSAT S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	<u>Predecessor</u>	<u>Successor</u>
	<u>December 31, 2021</u>	<u>December 31, 2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 900,976	\$ 720,101
Restricted cash	28,261	3,297
Receivables, net of allowances	174,688	267,071
Receivables relating to C-band	1,917,286	576,530
Contract assets, net of allowances	42,818	46,727
Inventory	125,797	140,043
Prepaid expenses and other current assets	105,177	80,807
Total current assets	3,295,003	1,834,576
Satellites and other property and equipment, net	5,021,802	4,170,410
Accelerated relocation payment rights	—	3,123,694
Goodwill	2,689,192	1,074,620
Non-amortizable intangible assets	2,295,000	1,050,000
Amortizable intangible assets, net	252,532	153,241
Contract assets, net of current portion and allowances	63,666	45,818
Other assets	762,861	869,539
Total assets	<u>\$ 14,380,056</u>	<u>\$ 12,321,898</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 409,645	\$ 259,872
Taxes payable	10,086	15,942
Employee-related liabilities	54,818	105,763
Accrued interest payable	15,035	99,850
Current maturities of long-term debt	6,165,311	115,614
Contract liabilities	154,137	186,704
Deferred satellite performance incentives	16,728	14,504
Other current liabilities	104,554	92,986
Total current liabilities	6,930,314	891,235
Long-term debt, net of current portion	—	5,688,177
Contract liabilities, net of current portion	1,256,203	1,423,080
Deferred satellite performance incentives, net of current portion	97,026	83,554
Deferred income taxes	68,653	45,532
Accrued retirement benefits, net of current portion	82,834	55,127
Other long-term liabilities	382,923	513,649
Due to related parties, net	15,107	—
Liabilities subject to compromise	10,316,039	—
Total liabilities	<u>19,149,099</u>	<u>8,700,354</u>

	<u>Predecessor</u>	<u>Successor</u>
	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Commitments and contingencies		
Shareholders' equity (deficit):		
Common shares (\$0.01 par value; 1,000,000,000 shares authorized; 500,000,000 shares issued and outstanding)	5,000	—
Common shares (\$0.01 par value; 92,599,545 shares authorized; 67,700,229 shares issued and outstanding)	—	677
Paid-in capital	2,571,055	3,729,670
Accumulated deficit	(7,298,315)	(153,616)
Accumulated other comprehensive income (loss)	(50,624)	12,884
Total Intelsat S.A. shareholders' equity (deficit)	(4,772,884)	3,589,615
Noncontrolling interest	3,841	31,929
Total liabilities and shareholders' equity (deficit)	<u>\$ 14,380,056</u>	<u>\$ 12,321,898</u>

See accompanying notes to the consolidated financial statements.

INTELSAT S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Revenue	\$ 1,913,080	\$ 2,065,385	\$ 345,668	\$ 1,738,541
Operating expenses:				
Direct costs of revenue (excluding depreciation and amortization)	450,823	700,751	128,952	675,654
Selling, general and administrative	314,229	455,085	74,772	359,375
Depreciation and amortization	653,447	658,761	104,897	461,425
Satellite impairment	—	—	—	5,177
Impairment of non-amortizable intangible and other assets	191,943	2,500	—	321,322
Other operating expense (income), net —C-band	33,642	(1,905,917)	37,359	(105,322)
Total operating expenses, net	1,644,084	(88,820)	345,980	1,717,631
Income (loss) from operations	268,996	2,154,205	(312)	20,910
Interest expense	(816,857)	(524,020)	(57,869)	(322,259)
Interest income	9,384	9,141	1,326	308,623
Other income (expense), net	(395,855)	34,768	2,780	(125,818)
Reorganization items	(258,917)	(379,459)	4,679,517	(33,755)
Income (loss) before income taxes	(1,193,249)	1,294,635	4,625,442	(152,299)
Income tax benefit (expense)	7,055	(4,894)	3,905	591
Net income (loss)	(1,186,194)	1,289,741	4,629,347	(151,708)
Net income attributable to noncontrolling interest	(2,393)	(2,377)	(397)	(1,908)
Net income (loss) attributable to Intelsat S.A.	\$ (1,188,587)	\$ 1,287,364	\$ 4,628,950	\$ (153,616)

See accompanying notes to the consolidated financial statements.

INTELSAT S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Net income (loss)	\$ (1,186,194)	\$ 1,289,741	\$ 4,629,347	\$ (151,708)
Other comprehensive income (loss), net of tax:				
Defined benefit retirement plans:				
Reclassification adjustment for amortization of unrecognized prior service credits, net of tax included in other income (expense), net	(2,504)	(2,504)	(417)	—
Reclassification adjustment for amortization of unrecognized actuarial loss, net of tax included in other income (expense), net	5,096	6,611	869	—
Actuarial and other loss arising during the year, net of tax	(19,779)	25,591	(1,111)	12,884
Other comprehensive income (loss)	(17,187)	29,698	(659)	12,884
Comprehensive income (loss)	(1,203,381)	1,319,439	4,628,688	(138,824)
Comprehensive income attributable to noncontrolling interest	(2,393)	(2,377)	(397)	(1,908)
Comprehensive income (loss) attributable to Intelsat S.A.	\$ (1,205,774)	\$ 1,317,062	\$ 4,628,291	\$ (140,732)

See accompanying notes to the consolidated financial statements.

INTELSAT S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(in thousands, except where otherwise noted)

	<u>Common Shares</u>		Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Intelsat S.A. Shareholders' Equity (Deficit)	Noncontrolling Interest
	Number of Shares (in millions)	Amount					
Balance at December 31, 2019 (Predecessor)	500.0	\$ 5,000	\$ 2,559,305	\$ (7,396,177)	\$ (63,135)	\$ (4,895,007)	\$ 11,010
Net income (loss)	—	—	—	(1,188,587)	—	(1,188,587)	2,393
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(6,400)
Contribution from parent, net	—	—	10,686	—	—	10,686	—
Postretirement/pension liability adjustment, net of tax	—	—	—	—	(17,187)	(17,187)	—
Adoption of ASU 2016-13	—	—	—	(915)	—	(915)	—
Balance at December 31, 2020 (Predecessor)	500.0	\$ 5,000	\$ 2,569,991	\$ (8,585,679)	\$ (80,322)	\$ (6,091,010)	\$ 7,003
Net income	—	—	—	1,287,364	—	1,287,364	2,377
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(5,539)
Contribution from parent, net	—	—	1,064	—	—	1,064	—
Postretirement/pension liability adjustment, net of tax	—	—	—	—	29,698	29,698	—
Balance at December 31, 2021 (Predecessor)	500.0	\$ 5,000	\$ 2,571,055	\$ (7,298,315)	\$ (50,624)	\$ (4,772,884)	\$ 3,841
Net income	—	—	—	4,628,950	—	4,628,950	397
Contribution from parent, net	—	—	175,706	—	—	175,706	—
Share-based compensation	—	—	615	—	—	615	—
Repurchase and cancellation of formation shares of Intelsat S.A. (formerly Intelsat Emergence S.A.)	—	—	34	—	—	34	—
Postretirement/pension liability adjustment, net of tax	—	—	—	—	(659)	(659)	—
Balance at February 28, 2022 (Predecessor)	500.0	\$ 5,000	\$ 2,747,410	\$ (2,669,365)	\$ (51,283)	\$ 31,762	\$ 4,238
Fresh start adjustments:							
Elimination of Predecessor common shares, paid-in capital and accumulated deficit	(500.0)	(5,000)	(2,664,365)	2,669,365	—	—	—
Elimination of accumulated other comprehensive loss	—	—	(51,283)	—	51,283	—	—
Changes in value of noncontrolling interest	—	—	(31,762)	—	—	(31,762)	31,762
Issuance of new Intelsat S.A. common shares	67.7	677	3,710,323	—	—	3,711,000	—

	<u>Common Shares</u>		<u>Paid-in Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Intelsat S.A. Shareholders' Equity (Deficit)</u>	<u>Noncontrolling Interest</u>
	<u>Number of Shares (in millions)</u>	<u>Amount</u>					
Balance at February 28, 2022 (Successor)	67.7	\$ 677	\$ 3,710,323	\$ —	\$ —	\$ 3,711,000	\$ 36,000
Net income (loss)	—	—	—	(153,616)	—	(153,616)	1,908
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(5,979)
Share-based compensation	—	—	19,347	—	—	19,347	—
Postretirement/pension liability adjustment, net of tax	—	\$ —	\$ —	\$ —	\$ 12,884	\$ 12,884	\$ —
Balance at December 31, 2022 (Successor)	67.7	\$ 677	\$ 3,729,670	\$ (153,616)	\$ 12,884	\$ 3,589,615	\$ 31,929

See accompanying notes to the consolidated financial statements.

INTELSAT S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Cash flows from operating activities:				
Net income (loss)	\$ (1,186,194)	\$ 1,289,741	\$ 4,629,347	\$ (151,708)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Non-cash reorganization items, net	68,580	—	(4,993,537)	—
Depreciation and amortization	653,447	658,761	104,897	461,425
Provision for expected credit losses	56,940	33,133	1,439	24,171
Foreign currency transaction losses (gains)	4,255	3,593	(814)	2,926
Loss on disposal of assets	14	109	28	125
Impairment of non-amortizable intangible and other assets	191,943	—	—	321,322
Satellite impairment loss	—	—	—	5,177
Accelerated relocation payment rights	—	—	—	(268,694)
Guarantee liability	409,997	—	—	—
Share-based compensation	1,733	24,491	1,279	19,347
Deferred income taxes	2,979	11,405	(11,777)	(19,635)
Amortization of discount, premium, issuance costs and related costs	22,136	10,181	1,026	154
Debtor-in-possession financing fees	59,682	46,944	—	—
Amortization of actuarial loss (gain) and prior service credits for retirement benefits	2,635	30,263	(669)	13,094
Unrealized losses on derivative financial instruments	372	—	—	—
Gains on investments and loans held-for-investment	(3,041)	(17,375)	(630)	(2,062)
Amortization of supplemental type certificate costs	1,315	9,264	1,184	—
Other non-cash items	654	(350)	—	—
Changes in operating assets and liabilities:				
Receivables	(16,893)	(1,453,469)	608,959	612,769
Prepaid expenses, contract and other assets	13,385	(5,787)	53,466	92,831
Accounts payable and accrued liabilities	79,163	182,074	56,836	42,295
Accrued interest payable	53,428	3,103	26,289	58,526
Contract liabilities	(63,242)	(193,332)	75,434	123,821
Accrued retirement benefits	(15,857)	(47,003)	(1,496)	(26,211)
Other long-term liabilities	656	(19,295)	6,240	44,453
Net cash provided by operating activities	338,087	566,451	557,501	1,354,126

	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Cash flows from investing activities:				
Capital expenditures (including capitalized interest)	(606,759)	(900,470)	(107,537)	(510,448)
Acquisition of business, net of cash acquired	(371,009)	—	—	—
Acquisition of loans held-for-investment	(2,300)	—	—	(272)
Sales (purchases) of investments, net	—	15,000	(53)	3,128
Loan amendment fees received	—	1,800	—	—
Proceeds from principal repayments on loans held-for-investment	973	315	109	13,467
Capital contribution to unconsolidated affiliate (including capitalized interest)	(2,692)	—	—	—
Acquisition of intangible assets	(344)	(4,143)	(432)	(8,815)
Other proceeds from satellites	5,625	—	—	—
Net cash used in investing activities	(976,506)	(887,498)	(107,913)	(502,940)
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	—	—	6,190,000	—
Repayments of long-term debt	—	—	(5,666,521)	(386,209)
Proceeds from debtor-in-possession financing	1,000,000	1,250,000	—	—
Repayments of debtor-in-possession financing	—	(1,000,000)	(1,250,000)	—
Proceeds from revolving credit facilities	—	—	—	65,000
Repayments of revolving credit facilities	—	—	—	(65,000)
Debt issuance costs	—	—	(223,657)	—
Debtor-in-possession financing fees	(59,682)	(46,944)	—	—
Principal payments on deferred satellite performance incentives	(28,831)	(27,958)	(7,332)	(15,592)
Dividends paid to noncontrolling interest	(6,400)	(5,539)	—	(5,979)
Net cash provided by (used in) financing activities	905,087	169,559	(957,510)	(407,780)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,200)	(4,471)	(70)	(2,942)
Net change in cash, cash equivalents and restricted cash	263,468	(155,959)	(507,992)	440,464
Cash, cash equivalents and restricted cash, beginning of period	822,228	1,085,696	929,737	421,745
Cash, cash equivalents and restricted cash, end of period	\$ 1,085,696	\$ 929,737	\$ 421,745	\$ 862,209

	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Supplemental cash flow information:				
Cash paid for reorganization items included in cash flows from operating activities	\$ 93,211	\$ 222,387	\$ 144,519	\$ 50,872
Interest paid, net of amounts capitalized	634,704	406,508	26,139	187,367
Income taxes paid (received), net of refunds	(7,566)	5,119	1,916	12,068
Supplemental disclosure of non-cash investing activities:				
Change in accrued capital expenditures	\$ 49,249	\$ 28,518	\$ 54,912	\$ (29,314)
Conversion of loans held-for-investment to equity securities	4,802	—	—	11,764
Capitalization of deferred satellite performance incentives	—	5,318	—	—
Conversion of payment-in-kind interest on loans held-for-investment	3,424	3,872	—	2,196
Fair value of contract settled as consideration in business acquisition	21,304	—	—	—
Purchase price adjustment	—	7,843	—	—
Supplemental disclosure of non-cash financing activities:				
Contribution (distribution) from (to) parent	\$ 13,522	\$ 4,114	\$ 175,706	\$ —

See accompanying notes to the consolidated financial statements.

INTELSAT S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

Note 1—Background and Summary of Significant Accounting Policies

In this Annual Report, unless otherwise indicated or the context otherwise requires, (1) the terms “we,” “us,” “our,” “the Company” and “Intelsat” refer to Intelsat S.A. (formerly Intelsat Emergence S.A.) and its subsidiaries on a consolidated basis, (2) the term “Intelsat Holdings” refers to Intelsat Holdings S.á r.l., our direct wholly-owned subsidiary, (3) the term “Intelsat Investments” refers to Intelsat Investments S.á r.l., Intelsat Holdings’ direct wholly-owned subsidiary, (4) the term “Intelsat Luxembourg” refers to Intelsat (Luxembourg) S.á r.l., Intelsat Investments’ direct wholly-owned subsidiary, (5) the term “Intelsat Envision” refers to Intelsat Envision Holdings LLC, Intelsat Luxembourg’s direct wholly-owned subsidiary, (6) the terms “Intelsat Connect” and “ICF” refer to Intelsat Connect Finance S.á r.l., Intelsat Envision’s direct wholly-owned subsidiary, (7) the term “Intelsat Jackson” refers to Intelsat Jackson Holdings S.A., Intelsat Connect’s direct wholly-owned subsidiary and (8) the term “Intelsat” may also refer to specific Intelsat-satellites. In this Annual Report, unless the context otherwise requires, all references to transponder capacity or demand refer to transponder capacity or demand in the C-band and Ku-band frequencies only.

Intelsat provides satellite communications services worldwide through a global communications network of 56 satellites and ground facilities related to the satellite operations and control, and teleport services. Further, through our December 2020 acquisition of Gogo Inc.’s commercial aviation business (“Intelsat CA”), we became one of the largest direct providers of in-flight connectivity services to commercial airlines.

Intelsat operates one of the largest, most advanced satellite fleets and connectivity infrastructures in the world. We apply our expertise and global scale to reliably and seamlessly connect people, devices and networks in even the most challenging and remote locations. We provide diversified communications services to the world’s leading media companies, fixed and wireless telecommunications operators, data networking service providers for enterprise and mobile applications in the air and on the seas, multinational corporations and internet service providers. We are also one of the leading providers of commercial satellite communication services to the U.S. government and other select military organizations and their contractors. Our network solutions are a critical component of our customers’ infrastructures and business models. In recent years, mobility services providers have contracted for services on our fleet that support broadband connections for passengers on commercial flights, cruise ships and commercial shipping, connectivity that in some cases is only available through our satellite network. In addition, our satellite neighborhoods provide our media customers with efficient and reliable broadcast distribution that maximizes audience reach, a technical and economic benefit that is difficult for terrestrial services to match. In developing regions, our satellite solutions often provide higher reliability than is available from local terrestrial telecommunications services and allow our wireless and enterprise customers access to geographies that they would otherwise be unable to serve.

Emergence from Voluntary Reorganization under Chapter 11 of the Bankruptcy Code

On May 13, 2020, Intelsat S.A. (now Reorganized ISA S.A. upon the occurrence of certain restructuring transactions, which occurred substantially contemporaneously with the Effective Date (as defined herein)) and certain of its subsidiaries (each, a “Debtor” and collectively, the “Debtors”), commenced voluntary cases (the “Chapter 11 Cases”) under title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Eastern District of Virginia (the “Bankruptcy Court”). The Debtors’ Final Plan (as defined herein) was confirmed on December 17, 2021, and the effective date of the Final Plan occurred on February 23, 2022 (the “Effective Date”). On the Effective Date, the Debtors emerged from the Chapter 11 Cases. We evaluated the events between the Effective Date and February 28, 2022 and concluded that the use of an accounting convenience date of February 28, 2022 (the “Fresh Start Reporting Date”) would not have a material impact on our consolidated statements of operations or consolidated balance sheets. As such, the application of fresh start accounting was reflected in our consolidated balance sheet as of February 28, 2022 and fresh start accounting adjustments related thereto were included in our consolidated statement of operations for the two months ended February 28, 2022. See Note 2—Emergence from Chapter 11 Proceedings and Other Related Matters.

Fresh Start and Bankruptcy Accounting

Upon emergence from bankruptcy, we adopted fresh start accounting (“Fresh Start Accounting”) in accordance with ASC 852, *Reorganizations* (“ASC 852”). A newly created entity, Intelsat S.A. (formerly Intelsat Emergence S.A.) became our ultimate parent company for financial reporting purposes. As a result, the consolidated financial statements after the Fresh Start Reporting Date are not comparable with the consolidated financial statements on or before that date as indicated by the “black line” division in the financial statements and footnote tables, which emphasizes the lack of comparability between amounts presented. References to “Predecessor” relate to the financial position of the Company prior to, and results of operations through and including, February 28, 2022. References to “Successor” relate to the financial position and results of operations of the reorganized Company as of and subsequent to February 28, 2022. See Note 3—Fresh Start Accounting.

Prior to the Effective Date, Intelsat S.A. (now Reorganized ISA S.A. upon the occurrence of certain restructuring transactions, which occurred substantially contemporaneously with the Effective Date) was the indirect ultimate parent company of Intelsat Holdings S.á r.l., and Intelsat Investment Holdings S.á r.l. was the direct parent company of Intelsat Holdings S.á r.l. On the Effective Date, Intelsat Investment Holdings S.á r.l. sold all of its shares in Intelsat Holdings S.á r.l. to Intelsat Emergence S.A. (which was subsequently renamed Intelsat S.A.) in exchange for certain intercompany claims. Concurrently, Intelsat S.A. (now Reorganized ISA S.A.) and Intelsat Investment Holdings S.á r.l. were split off from the rest of the corporate group and are now owned by certain prepetition creditors of Intelsat S.A. (now Reorganized ISA S.A.), who contributed their holdings of certain claims against certain Debtors in exchange for equity in Reorganized ISA S.A. Concurrent with those transactions, Intelsat Holdings S.á r.l. and its subsidiaries became indirectly owned by certain other prepetition creditors, which creditors directly own Intelsat Holdings S.á r.l.’s direct parent company, Intelsat Emergence S.A. (which was subsequently renamed Intelsat S.A.), through a contribution of their holdings of certain claims against certain Debtors in exchange for equity in Intelsat Emergence S.A. The consolidated financial statements presented herein include only the accounts of Intelsat S.A. (formerly Intelsat Emergence S.A.) and its subsidiaries and exclude the accounts of Intelsat Investment Holdings S.á r.l. and the entity now known as Reorganized ISA S.A. All intercompany transactions between (i) Intelsat S.A. (formerly Intelsat Emergence S.A.) and Reorganized ISA S.A. and (ii) Intelsat S.A. (formerly Intelsat Emergence S.A.) and Intelsat Investment Holdings S.á r.l. are presented herein.

During the Predecessor period, our consolidated financial statements included herein were prepared as if we were a going concern and to reflect the application of ASC 852, which requires the financial statements, for periods subsequent to the commencement of our Chapter 11 proceedings, to distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, we classified liabilities and obligations whose treatment and satisfaction were dependent on the outcome of the reorganization under the Chapter 11 proceedings as liabilities subject to compromise on our consolidated balance sheets. In addition, we classified all expenses, gains or losses that were incurred or realized as a result of the Chapter 11 proceedings as reorganization items in our consolidated statements of operations. See Note 2—Emergence from Chapter 11 Proceedings and Other Related Matters.

Upon application of Fresh Start Accounting, we allocated the reorganization value to our individual assets and liabilities, except for deferred income taxes, based on their estimated fair values as of the Fresh Start Reporting Date, with reorganization value in excess of identifiable tangible and intangible assets recorded as goodwill in conformity with ASC 805, *Business Combinations* (“ASC 805”). The amount of deferred taxes was determined in accordance with ASC 740, *Income Taxes* (“ASC 740”). The fair value of our assets and liabilities as of the Fresh Start Reporting Date differed materially from their recorded values as reflected on our historical balance sheets.

C-band Spectrum Clearing

On March 3, 2020, the U.S. Federal Communications Commission (“FCC”) issued its final order in the C-band proceeding (the “FCC Final Order”), which, among other things, provides for monetary incentives for fixed satellite services providers to clear a portion of the C-band spectrum on an accelerated basis (the “Accelerated Relocation Payments” or “ARPs”). On August 14, 2020, Intelsat License LLC (“Intelsat License”) filed its C-band spectrum transition plan with the FCC, with ongoing updates as requested by the FCC. The most recent amended transition plan was filed on September 30, 2021.

Under the FCC Final Order, Intelsat License is eligible to receive ARPs of approximately \$1.2 billion and \$3.7 billion based on the Phase I and Phase II milestone clearing certification dates of December 5, 2021 and December 5, 2023, respectively, with the associated payments expected to be received in the first half of each successive year, subject to the satisfaction of certain deadlines and other conditions. In addition, under the FCC Final Order, we are also entitled to receive reimbursement payments for certain C-band spectrum clearing expenses incurred, subject to the satisfaction of certain conditions set forth in the FCC Final Order.

The arrangement under the FCC Final Order is accounted for under ASC 610-20, *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets*. The total transaction price under the FCC Final Order is estimated at approximately \$6.6 billion, consisting of \$4.9 billion in ARPs and estimated reimbursement payments of approximately \$1.7 billion. The spectrum cleared in Phase I and the spectrum to be cleared in Phase II are considered two separate distinct nonfinancial assets for which control is transferred and the associated income is recognized at distinct points in time upon satisfaction of the Phase I and Phase II clearing milestones. The transaction price of \$6.6 billion is allocated to the Phase I and Phase II nonfinancial assets based on the estimated relative standalone selling price, resulting in approximately \$2.1 billion allocated to Phase I and approximately \$4.5 billion allocated to Phase II.

On October 4, 2021, as subsequently amended on October 15, 2021, Intelsat License filed its Phase I Certification of Accelerated Relocation, indicating completion of required clearing activities to satisfy the December 5, 2021 deadline and requesting FCC validation to receive the \$1.2 billion Phase I ARP. The FCC validated the Phase I Certification of Accelerated Relocation on November 12, 2021, and as a result, we recognized income of \$2.1 billion related to the transfer of control of the nonfinancial spectrum asset for Phase I for the year ended December 31, 2021, which is shown in “Other operating expense (income), net—C-band” on our consolidated statements of operations. We received \$479.1 million of the Phase I ARP during the year ended December 31, 2021, and we received the remaining \$718.7 million of the Phase I ARP in January 2022. The receivable as of December 31, 2021 was included within “Receivables relating to C-band” on our consolidated balance sheets. Intelsat remains on track to meet the Phase II milestone clearing date of December 5, 2023, and anticipates filing our certification of completion in the third quarter of 2023.

C-band clearing related expenditures are either (i) capitalized under ASC 360, *Property Plant and Equipment* (“ASC 360”) or other applicable accounting principles, or (ii) expensed as fulfillment costs as incurred. Fulfillment costs include costs to pay personnel or third parties to assist with customer reconfiguration and relocation, installation of filters, and program management costs.

As of December 31, 2021 and 2022, we incurred reimbursable costs associated with the FCC Final Order of \$1.2 billion and \$1.6 billion, respectively. Amounts yet to be reimbursed were included within “Receivables relating to C-band” on our consolidated balance sheets and are expected to be received in 2023. During the year ended December 31, 2021 and ten months ended December 31, 2022, we received \$6.3 million and \$940.8 million, respectively, of reimbursement for C-band clearing costs, a portion of which was used to repay certain outstanding debt, with no corresponding amounts for the two months ended February 28, 2022. See Note 9—Debt. An additional \$44.3 million was received in 2023, resulting in a total of \$991.4 million in reimbursements through the date of this Annual Report.

For the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, we incurred \$505.3 million, \$809.0 million, \$117.3 million and \$315.8 million, respectively, of C-band clearing related expenditures, of which \$471.7 million, \$617.9 million, \$79.9 million and \$251.4 million, respectively, was capitalized (see Note 6—Satellites and Other Property and Equipment) and of which \$33.6 million, \$191.1 million, \$37.4 million and \$64.4 million, respectively, was expensed and included within “Other operating expense (income), net—C-band” on our consolidated statements of operations.

Impact of COVID-19 on the Company

The novel coronavirus (“COVID-19”) pandemic has had an adverse impact on our employees, customers, business, results of operations and financial condition. In response to COVID-19, governments around the world implemented a number of measures meant to safeguard public health, including restrictions on travel and business, which resulted in a reduction of revenue and a decreased likelihood of collection from certain mobility customers as well as customers of our Intelsat CA business. While most of these measures have since been lifted, we continue to monitor their lasting impact as well as the uncertainty about the severity, scope and duration of other indirect effects of the COVID-19 pandemic, such as those impacting supply chains and global financial markets.

Banking Industry Turmoil

We have balances at a number of large financial institutions around the world. While we seek to minimize our exposure to third-party losses of our cash and cash equivalents, these institutions are subject to risk of failure. For example, in March 2023, Silicon Valley Bank (“SVB”) and Signature Bank were unable to continue their operations and the Federal Deposit Insurance Corporation was appointed as receiver for SVB and Signature Bank and created the National Bank of Santa Clara and Signature Bridge Bank to hold deposits of those banks. All of our cash and cash equivalents are held with other large financial institutions, and we do not expect these developments to have a material impact on our cash and cash equivalents balance, expected results of operations, or financial performance for the foreseeable future. However, if further failures in financial institutions occur where we hold deposits, we could experience additional risk.

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Intelsat, its wholly-owned subsidiaries, and variable interest entities (“VIE”) of which we are the primary beneficiary, and are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). We are the primary beneficiary of one VIE, as described in Note 7—Investments, and accordingly, we include in our consolidated financial statements the assets and liabilities and results of operations of the entity, even though we may not own a majority voting interest. We use the equity method to account for our investments in entities where we exercise significant influence over operating and financial policies but do not retain control under either the voting interest model (generally 20% to 50% ownership interest) or the variable interest model. In 2015, we entered into a joint venture agreement as further described in Note 7—Investments, the investment in which is accounted for using the equity method. We have eliminated all intercompany accounts and transactions.

(b) Use of Estimates

The preparation of these consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of these consolidated financial statements, the reported amounts of revenues and expenses during the reporting periods, and the disclosures of contingent liabilities. Accordingly, ultimate results could differ from those estimates.

(c) Revenue Recognition

We earn revenue primarily by providing services over satellite transponder capacity to our customers. Our customers generally obtain satellite services from us by placing an order pursuant to one of several master customer service agreements and related service orders. Our Intelsat CA revenue is primarily earned from providing connectivity and entertainment services and through sales of equipment. See Note 4—Revenue for further discussion regarding revenue recognition policies.

(d) Fair Value Measurements

We estimate the fair value of our financial instruments using available market information and valuation methodologies. The carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate their fair values because of the short maturity of these financial instruments.

ASC 820, *Fair Value Measurements and Disclosure* (“ASC 820”) defines fair value as the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 requires disclosure of the extent to which fair value is used to measure financial assets and liabilities, the inputs utilized in calculating valuation measurements, and the effect of the measurement of significant unobservable inputs on earnings or changes in net assets as of the measurement date. ASC 820 establishes a three-level valuation hierarchy based upon the transparency of inputs utilized in the measurement and valuation of financial assets or liabilities as of the measurement date. We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis.

The fair value hierarchy prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1—unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2—quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted market prices that are observable or that can be corroborated by observable market data by correlation; and
- Level 3—unobservable inputs based upon the reporting entity’s internally developed assumptions which market participants would use in pricing the asset or liability.

(e) Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less, which are generally time deposits with banks and money market funds. The carrying amount of these investments approximates fair value. Restricted cash represents legally restricted amounts held as a compensating balance for certain outstanding letters of credit and amounts held in escrow for the CVR holders (as defined and further discussed in Note 2—Emergence from Chapter 11 Proceedings and Other Related Matters).

The following table presents a reconciliation of cash, cash equivalents and restricted cash reported within our consolidated balance sheets to the total sum of these amounts reported in our consolidated statements of cash flows (in thousands):

	Predecessor	Successor
	As of December 31, 2021	As of December 31, 2022
Cash and cash equivalents	\$ 900,976	\$ 720,101
Restricted cash	28,261	3,297
Restricted cash included in other assets	500	138,811
Cash, cash equivalents and restricted cash	<u>\$ 929,737</u>	<u>\$ 862,209</u>

(f) Receivables and Allowance for Credit Losses

We provide satellite services and extend credit to numerous customers in the satellite communication, telecommunications and video markets, as well as the airline industry. We monitor our exposure to credit losses and maintain allowances for credit losses and anticipated losses. The Company's methodology to measure the provision for credit losses considers all relevant information, including, but not limited to, information about historical collectability, current economic and market conditions, and reasonable and supportable forecasts of future economic conditions. We believe we have adequate customer collateral and reserves to cover our exposure.

The following tables present a roll-forward of the allowance for credit losses related to accounts receivable reported within our consolidated balance sheets (in thousands):

	Accounts Receivable				Contract Assets			
	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions ⁽¹⁾	Balance at End of Period	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions ⁽¹⁾	Balance at End of Period
Year Ended December 31, 2021 (Predecessor)	\$ 40,785	28,258	(35,162)	\$ 33,881	\$ 3,889	4,875	—	\$ 8,764
Two Months Ended February 28, 2022 (Predecessor) ⁽²⁾	\$ 33,881	2,213	(33,836)	\$ 2,258	\$ 8,764	(774)	(2,022)	\$ 5,968
Ten Months Ended December 31, 2022 (Successor) ⁽³⁾	\$ 2,258	25,461	(5,976)	\$ 21,743	\$ 5,968	(1,290)	(1,557)	\$ 3,121

(1) Uncollectible accounts written off, net of recoveries.

(2) As of February 28, 2022, the fair value of our net accounts receivable and contract assets balances approximated their carrying values; therefore, no fair value adjustment for Fresh Start Accounting was required.

(3) Upon application of Fresh Start Accounting, the Company identified certain receivables and contract assets that met the definition of purchased financial assets with credit deterioration in accordance with ASC 326, *Financial Instruments—Credit Losses*. Therefore, the Company recognized allowances with corresponding increases to the amortized cost bases of receivables and contract assets as of the Fresh Start Reporting Date.

(g) Satellites and Other Property and Equipment

Satellites and other property and equipment are stated at historical cost, except for satellites that have been impaired. Satellites and other property and equipment acquired as part of an acquisition are recorded based on their fair value at the date of acquisition. Capitalized costs consist primarily of the costs of satellite construction and launch, including launch insurance and insurance during the period of in-orbit testing, the net present value of performance incentives that are expected to be payable to the satellite manufacturers (dependent on the continued satisfactory performance of the satellites), costs directly associated with the monitoring and support of satellite construction, and interest costs incurred during the period of satellite construction.

We depreciate satellites and other property and equipment on a straight-line basis over the following estimated useful lives:

Asset Description	Years
Buildings and improvements	10 — 40
Satellites and related costs	10 — 18
Ground segment equipment and software	4 — 15
Furniture and fixtures and computer hardware	3 — 12
Leasehold improvements ⁽¹⁾	2 — 13
Network equipment	5 — 25

(1) Leasehold improvements are depreciated over the shorter of the useful life of the improvement or the remaining lease term.

(h) Other Assets

Other assets primarily consist of investments in certain equity securities, equity method investments, loan receivables, right-of-use (“ROU”) assets, long-term deposits and other miscellaneous deferred charges and long-term assets. See Note 7—Investments for additional discussion regarding equity securities, equity method investments and loan receivable accounting policies. See Note 10—Leases and “(u) Leases” below for additional discussion regarding ROU asset accounting policies.

(i) Goodwill and Other Intangible Assets

We account for goodwill and other intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other* (“ASC 350”). Goodwill represents the excess of the consideration transferred plus the fair value of any noncontrolling interest in the acquiree at the acquisition date over the fair values of identifiable net assets of businesses acquired. Goodwill and certain other intangible assets deemed to have indefinite lives are not amortized but are tested on an annual basis for impairment during the fourth quarter, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The current guidance requires us to measure impairment using the difference between the carrying amount and the fair value of the reporting unit, if required. See Note 8—Goodwill and Other Intangible Assets.

Intangible assets arising from business combinations are initially recorded at fair value. We record other intangible assets at cost. We amortize intangible assets with determinable lives based on the expected pattern of consumption. We review these intangible assets for impairment whenever facts and circumstances indicate that the carrying amounts may not be recoverable. See Note 8—Goodwill and Other Intangible Assets.

(j) Impairment of Long-Lived Assets

We review long-lived assets, including property and equipment and acquired intangible assets with estimable useful lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of such an asset may not be recoverable. These indicators of impairment can include, but are not limited to, the following:

- satellite anomalies, such as a partial or full loss of power;
- under-performance of an asset compared to expectations; and
- shortened useful lives due to changes in the way an asset is used or expected to be used.

The recoverability of an asset to be held and used is determined by comparing the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, we record an impairment charge in the amount by which the carrying amount of the asset exceeds its fair value, which we determine by either a quoted market price, if any, or a value determined by utilizing discounted cash flow techniques.

(k) Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*. We are subject to income taxes in Luxembourg, as well as the United States and a number of other foreign jurisdictions. Significant judgment is required in the calculation of our tax provision and the resulting tax liabilities, and in the recoverability of our deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense and net operating loss and credit carryforwards.

We regularly assess the likelihood that our deferred tax assets can be recovered. A valuation allowance is required when it is more likely than not that all or a portion of the deferred tax asset will not be realized. We evaluate the recoverability of our deferred tax assets based in part on the existence of deferred tax liabilities that can be used to realize the deferred tax assets.

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. We evaluate our tax positions to determine if it is more likely than not that a tax position is sustainable, based solely on its technical merits and presuming the taxing authorities have full knowledge of the position and access to all relevant facts and information. When a tax position does not meet the more likely than not standard, we record a liability or contra asset for the entire amount of the unrecognized tax impact. Additionally, for tax positions that are determined more likely than not to be sustainable, we measure the tax position at the largest amount of benefit more likely than not (determined by cumulative probability) to be realized upon settlement with the taxing authority.

(l) Foreign Currency Translation

Our functional currency is the U.S. dollar, since substantially all customer contracts, capital expenditure contracts and operating expense obligations are denominated in U.S. dollars. Assets and liabilities recorded in currencies other than the U.S. dollar are translated at the exchange rate on the balance sheet date. Revenue and expenses are translated at average monthly rates of exchange prevailing during the period. We recognize differences on exchange arising on the settlement of the transactions denominated in currencies other than the U.S. dollar within “Other income (expense), net” in our consolidated statements of operations.

(m) Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other gains and losses affecting shareholders’ equity (deficit) that, under U.S. GAAP, are excluded from net income (loss). Such items consist primarily of the change in the market value of our pension liabilities.

(n) Share-Based Compensation

We account for share-based compensation expense in accordance with ASC 718, *Compensation—Stock Compensation* (“ASC 718”), which requires us to measure and recognize compensation expense in our financial statements based on the fair value at the date of grant for our share-based awards, which include restricted stock units (“RSUs”) and stock options granted to certain employees and RSUs granted to certain eligible directors. We recognize compensation expense for these equity-classified awards over their requisite service period and adjust for forfeitures as they occur. As a result of our Chapter 11 Cases (as defined in Note 2—Emergence from Chapter 11 Proceedings and Other Related Matters), the exercise prices of our stock options were significantly in excess of the then-current market price of Intelsat S.A.’s common shares. In addition, all of our share-based compensation awards outstanding as of December 31, 2021 were canceled as part of our reorganization proceedings. See Note 11—Share-Based and Other Compensation Plans for further details.

(o) Deferred Satellite Performance Incentives

The cost of satellite construction may include an element of deferred consideration that we are obligated to pay to satellite manufacturers over the lives of the satellites, provided the satellites continue to operate in accordance with contractual specifications. Historically, the satellite manufacturers have earned substantially all of these payments. Therefore, we account for these payments as deferred financing. We capitalize the present value of these payments as part of the cost of the satellites and record a corresponding liability due to the satellite manufacturers. Interest expense is recognized on the deferred financing and the liability is reduced as the payments are made.

(p) Derivative Instruments

We enter into derivative transactions primarily to manage our exposure to fluctuations in foreign exchange and interest rates. We employ risk management strategies, which may include the use of foreign currency swaps, interest rate swaps and interest rate caps. We measure all derivatives at fair value and recognize them as either assets or liabilities on our consolidated balance sheets. Changes in the fair value of derivative instruments not qualifying as hedges are recognized in earnings in the current period. We do not have any derivative instruments that have been designated as accounting hedges.

(q) Inventory

Inventories consist primarily of telecommunications systems and parts associated with our Intelsat CA business and are recorded at the lower of average cost or market. We evaluate the need for write-downs associated with obsolete, slow-moving and non-salable inventory by reviewing net realizable inventory values on a periodic basis.

(r) Business Combinations

The Company accounts for business combinations under ASC 805, *Business Combinations*. ASC 805 uses the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. The excess of the purchase price over the estimated fair value is recorded as goodwill. All acquisition costs are expensed as incurred. Upon acquisition, the accounts and results of operations are consolidated as of and subsequent to the acquisition date.

(s) Warranty

We provide warranties on parts and labor related to our products for Intelsat CA. Our warranty terms range from one to five years. Warranty reserves are established for costs that are estimated to be incurred after the sale, delivery and installation of the products under warranty. The warranty reserves are determined based on known product failures, historical experience and other available evidence, and are included in "Other current liabilities" in our consolidated balance sheets.

The following table provides a roll-forward of the warranty reserve reported within our consolidated balance sheets (in thousands):

	Balance at Beginning of Period	Accruals for Warranties Issued	Settlements of Warranties	Fresh Start Adjustments ⁽¹⁾	Balance at End of Period
Year Ended December 31, 2021 (Predecessor)	\$ 19,637	8,709	(9,877)	—	\$ 18,469
Two Months Ended February 28, 2022 (Predecessor)	\$ 18,469	961	(1,116)	6,480	\$ 24,794
Ten Months Ended December 31, 2022 (Successor)	\$ 24,794	9,858	(7,883)	—	\$ 26,769

(1) Reflects fair value adjustments due to the adoption of Fresh Start Accounting.

(t) Software Development Costs

For software sold as part of our equipment sales in connection with our Intelsat CA business, we capitalize software development costs once technological feasibility has been established. Capitalized software development costs are included within "Amortizable intangible assets, net" in our consolidated balance sheets. Such capitalized software costs are amortized on a product-by-product basis over the remaining estimated economic life of the product, based on the greater of the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or the straight-line method. These costs are presented within "Direct costs of revenue (excluding depreciation and amortization)" in our consolidated statements of operations.

(u) Leases

We determine if a contract is or contains a lease at inception or modification of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset.

Operating and finance lease ROU assets and lease liabilities are recognized based on the present value of future minimum lease payments over the expected lease term, at the commencement date. For leases in which the implicit rate is not readily determinable, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The expected lease terms include options to extend or terminate the lease when it is reasonably certain the Company will exercise such option. ROU assets include unpaid lease payments and exclude lease incentives and initial direct costs incurred. For our operating leases, we recognize lease expense for minimum lease payments on a straight-line basis over the lease term, and for our finance leases, we recognize interest expense on the lease liability using the effective interest method and amortization of the ROU assets on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, which are generally combined, consistent with our election of the practical expedient. For lease agreements in which the Company is the lessee, the Company accounts for the lease components (e.g. fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g. common-area maintenance costs and managed service contracts) as a single lease component for all classes of underlying assets. Leases in which the Company is the lessor are also evaluated for lease and non-lease components. In the event a sales-type lease is identified, this component is accounted for separately from lease and non-lease components that meet the practical expedient to be combined. Judgment is required in determining the allocation between lease components and also between the lease and non-lease components, as the non-lease components are the predominant components of the combined components of our sales-type leases. ASC 606, *Revenue from Contracts with Customers* (“ASC 606”) is applied to the combined lease and non-lease components. Leases with an expected term of 12 months or less are not accounted for on the balance sheet and the related lease expense is recognized on a straight-line basis over the expected lease term. See Note 10—Leases for further details.

(v) Recently Adopted Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity* (“ASU 2020-06”). The standard simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts regarding an entity’s own equity. ASU 2020-06 is part of the FASB’s simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. We adopted ASU 2020-06 in the first quarter of 2022. The adoption did not have a significant impact on the Company.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (“ASU 2021-08”), which requires an acquirer to recognize and measure contract assets and liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contracts and Customers* at the acquisition date as if the acquirer had originated the contracts rather than adjust them to fair value. We adopted ASU 2021-08 in the first quarter of 2022. The adoption did not have a material impact on the consolidated financial statements.

Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through April 28, 2023, the date at which the consolidated financial statements were available to be issued.

Note 2—Emergence from Chapter 11 Proceedings and Other Related Matters

Emergence from Voluntary Reorganization under Chapter 11

On May 13, 2020, the Debtors commenced the Chapter 11 Cases under the Bankruptcy Code in the Bankruptcy Court. Pursuant to various orders from the Bankruptcy Court, the Debtors received approval from the Bankruptcy Court to generally maintain their ordinary operations and uphold certain commitments to their stakeholders, including employees, customers, and vendors, during the restructuring process, subject to the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code.

On February 11, 2021, the Debtors entered into a plan support agreement with certain of the Debtors’ prepetition secured and unsecured creditors. After entry into such plan support agreement, the Debtors continued to engage with their stakeholders, and on August 24, 2021, the Debtors entered into an amended plan support agreement (together with all exhibits and schedules thereto, the “PSA”) with certain of the Debtors’ prepetition secured and unsecured creditors (the “Consenting Creditors” and together with the Debtors, the “PSA Parties”). The PSA contains certain covenants on the part of the PSA Parties, including, but not limited to, the Consenting Creditors voting in favor of the *Amended Joint Chapter 11 Plan of Reorganization of Intelsat S.A. and Its Debtor Affiliates* (as amended, the “Plan”), and provides that the Debtors shall achieve certain milestones (unless extended or waived in writing).

On December 17, 2021, the Debtors filed a further amended version of the Plan—the *Fourth Amended Joint Chapter 11 Plan of Reorganization of Intelsat S.A. and Its Debtor Affiliates* (the “Final Plan”) and the Bankruptcy Court entered a confirmation order (the “Confirmation Order”), which approved and confirmed the Final Plan. The Final Plan was supported by all major constituencies across the Debtors’ capital structure and contemplated distributions of new debt and equity in the reorganized enterprise, resulting in a reduction of the Debtors’ debt by more than half—from approximately \$15.7 billion to \$6.7 billion, including entering a new \$500.0 million revolving credit facility (refer to Note 9—Debt for further information on these debt transactions). The Final Plan was implemented upon the Debtors’ emergence from the Chapter 11 Cases on the Effective Date (the “Emergence”).

On June 9, 2020, Intelsat Jackson received approval from the Bankruptcy Court to enter into a multiple draw superpriority senior secured debtor-in-possession term loan facility (as amended, the “Original DIP Facility”) in an aggregate principal amount of \$1.0 billion on the terms and conditions as set forth in the DIP credit agreement (as amended, the “Original DIP Credit Agreement”), and on June 17, 2020, Intelsat Jackson and certain of its subsidiaries as guarantors (together with Intelsat Jackson, the “DIP Debtors”) entered into the final Original DIP Credit Agreement. On September 14, 2021, the DIP Debtors received approval from the Bankruptcy Court to enter into a multiple draw superpriority senior secured debtor-in-possession term loan facility (the “New DIP Facility”) in an aggregate principal amount of \$1.5 billion on the terms and conditions as set forth in the credit agreement for the New DIP Facility (the “New DIP Credit Agreement”), and on September 14, 2021, Intelsat Jackson and certain of the DIP Debtors entered into the final New DIP Credit Agreement. The New DIP Facility provided \$1.25 billion in new money at closing for Intelsat Jackson to, among other things, refinance the Original DIP Facility and provided the ability for Intelsat Jackson, at its sole discretion, to make an incremental \$250.0 million draw. In January and February 2022, Intelsat Jackson entered into two new financing agreements to obtain debtor-in-possession financing, the proceeds of which were used to repay existing secured debt and related fees and expenses, as well as the New DIP Facility, and that, upon satisfaction of certain conditions, including the effectiveness of a Chapter 11 plan of reorganization, converted into exit facilities (such financing, the “DIP-to-Exit Financing”). For additional information regarding our debt instruments, see Note 9—Debt.

Summary Treatment of Claims upon Emergence

The material terms of the Final Plan and PSA are summarized below, and are qualified in their entirety by reference to the Final Plan and PSA.

- payment in full in cash to certain holders of allowed claims with respect to Intelsat Jackson’s pre-Emergence senior secured credit facilities;
- distribution to certain holders of allowed claims with respect to Intelsat Jackson’s pre-Emergence 8.0% Senior Secured Notes due 2024 and pre-Emergence 9.5% Senior Secured Notes due 2022 of their pro rata shares of cash;
- distribution to certain holders of allowed unsecured claims against Intelsat Jackson or certain of its subsidiaries of those holders’ pro rata shares of (i) 96% of the Company’s post-Emergence common shares, (ii) 100% of Intelsat Jackson’s Series A Contingent Value Rights (“Series A CVRs”), (iii) 67.5% of Intelsat Jackson’s Series B CVRs (“Series B CVRs”, and together with the Series A CVRs, the “CVRs”), and (iv) cash;
- distribution to certain holders of allowed unsecured claims against Intelsat Connect of their pro rata shares of (i) cash, (ii) 32.5% of Series B CVRs, (iii) 4.0% of the Company’s post-Emergence common shares, (iv) 100% of New Series A Warrants (as defined herein), and (v) 46.447% of New Series B Warrants (as defined herein);
- distribution to certain holders of allowed unsecured claims against Intelsat Envision of their pro rata shares of (i) cash, and (ii) 47.301% of New Series B Warrants;
- distribution to certain holders of allowed unsecured claims against Intelsat Luxembourg of their pro rata shares of cash; and
- distribution to certain holders of allowed unsecured claims against pre-Emergence Intelsat S.A. (now Reorganized ISA S.A.) of (i) cash, and (ii) 6.252% of New Series B Warrants, and (iii) certain securities of Reorganized ISA S.A. (please see—*Reorganized ISA S.A. Securities* below for additional information).

Intelsat S.A. (formerly Intelsat Emergence S.A.) also adopted a management incentive plan upon Emergence, which provides for, among other things, the reservation of certain restricted and performance securities, as well as long-term cash incentive awards.

Reorganized ISA S.A. Securities

In addition to the terms summarized above, upon Emergence, a distribution was made to certain holders of allowed unsecured claims against pre-Emergence Intelsat S.A. (now Reorganized ISA S.A.) of 100% of Reorganized ISA S.A. common shares (subject to dilution by the exercise of certain new warrants issued by Reorganized ISA S.A., if any). All common shares of pre-Emergence Intelsat S.A. (now Reorganized ISA S.A.) outstanding immediately prior to the Effective Date were extinguished. Certain holders of pre-Emergence Intelsat S.A. (now Reorganized ISA S.A.) common shares who successfully opted into an equity group settlement obtained their pro rata shares of warrants issued by Reorganized ISA S.A. for up to 10% of Reorganized ISA S.A. common shares.

The Reorganized ISA S.A. common shares and Reorganized ISA S.A. warrants are not reflected in these financial statements.

Issuance of New Common Shares

On the Effective Date, Intelsat S.A. (formerly Intelsat Emergence S.A.) issued 67,689,250 new common shares pro rata to certain holders of allowed unsecured claims against (i) Intelsat Jackson and certain of its subsidiaries, and (ii) Intelsat Connect. As of Emergence, 146,314 new common shares of Intelsat S.A. (formerly Intelsat Emergence S.A.) were placed in escrow pending resolution of certain claims in connection with the bankruptcy proceedings.

Issuance of New Series A Warrants and New Series B Warrants

On the Effective Date, Intelsat S.A. (formerly Intelsat Emergence S.A.) issued 6,709,012 new series A warrants (“New Series A Warrants”) and 1,911,401 new series B warrants (“New Series B Warrants” and together with the New Series A Warrants, the “New Warrants”) pro rata to certain holders of pre-Emergence Intelsat S.A. (now Reorganized ISA S.A.) common shares. The New Warrants are exercisable to purchase one share of Intelsat S.A. (formerly Intelsat Emergence S.A.) new common shares per warrant, with New Series A Warrants having an initial exercise price of \$60.15, subject to further adjustments, and New Series B Warrants having an initial exercise price of \$77.22, subject to further adjustments. Each of the New Series A Warrants and New Series B Warrants expires on February 23, 2027. The Global Certificate (as defined in the Series B Warrant Agreement) mistakenly stated that 1,911,399 New Series B Warrants would be issued to subscribe to and purchase common shares, limited in aggregate number to and equal to 1,911,399 common shares. On February 21, 2023, the warranty agent and Intelsat S.A. (formerly Intelsat Emergence S.A.) entered into an amendment of the Series B Warrant Agreement to amend and correct these clerical errors to each time read 1,911,401.

Issuance of Series A and Series B CVRs

On the Effective Date, Intelsat Jackson issued 6,820,000 Series A CVRs to certain holders of allowed unsecured claims against Intelsat Jackson, and 10,103,703 Series B CVRs to certain holders of allowed unsecured claims against Intelsat Jackson and Intelsat Connect. The CVRs may entitle holders to (i) an aggregate maximum of \$65 million (for Series A CVRs) and (ii) an aggregate maximum of \$355 million (for Series B CVRs) in connection with certain consideration being actually received by Intelsat S.A. or its affiliates from a private, third-party entity in connection with certain C-band clearing contracts and upon meeting the Minimum Payment Condition (as defined in the agreements governing the CVRs). As of Emergence, 15,323 of Series A CVRs and 15,323 of Series B CVRs were held in escrow pending the resolution of certain claims in connection with the bankruptcy proceedings. All of the Company’s performance obligations under the contracts associated with the CVRs are required to be completed prior to December 31, 2022.

The CVRs were determined to have nominal value as of the Fresh Start Reporting Date. As of December 31, 2022, we determined the fair value of the CVRs to be approximately \$152.5 million, which was included within “Accounts payable and accrued liabilities” in our consolidated balance sheets. The corresponding change in fair value of \$152.5 million for the ten months ended December 31, 2022 was included within “Other income (expense), net” in our consolidated statements of operations. As of December 31, 2022, the CVR holders were entitled to \$125.5 million, which is presented within “Other assets” in our consolidated balance sheets.

Final Plan Releases and Exculpations

The Final Plan provided releases and exculpations for the benefit of the Debtors, certain of the Debtors’ creditors, backstop parties, arrangers, book-running managers, lead placement agents, or similar parties with respect to the procurement of the Successor’s new capital structure, other parties in interest and various parties related thereto, each in their official capacities, from various claims and causes of action, as further set forth in the Final Plan.

Final Plan Settlement of Claims

The Final Plan effectuated the general settlement, release, compromise, discharge, and other resolution of all outstanding claims, interests and causes of action. Additionally, the Final Plan incorporated the settlement, release, compromise, discharge, and other resolution of all known and unknown claims, interests, causes of action, and disputes, by and among the Company and the Debtors arising prior to the Effective Date, on the terms under a settlement agreement filed with the Bankruptcy Court as set forth at docket number 3156 (the “Settlement”). The Settlement was approved by the Bankruptcy Court and became effective upon entry of the Confirmation Order. The Settlement resolved numerous potential claims and issues, regarding, among other things, the Debtors’ post-Emergence organizational structure, various considerations regarding the Debtors’ Luxembourg tax profile (including, without limitation, preservation of the Luxembourg tax unity and the use of certain tax attributes), the receipt and allocation of any ARPs and related reimbursements, intercompany transactions that arose in the course of the Debtors’ business prior to May 13, 2020 (including certain transactions and/or balances that, absent the Settlement, could potentially be the subject of fact-intensive and time-consuming litigation), and the allocation of certain administrative expenses and post-petition intercompany balances. Refer to Note 13—Contractual Commitments for more information on the settlement of claims and any outstanding claims related to the Chapter 11 Cases, including the SES Claim described therein.

Liabilities Subject to Compromise

Prepetition unsecured liabilities of the Debtors subject to compromise under the Chapter 11 proceedings have been distinguished from secured liabilities not expected to be compromised and post-petition liabilities in our consolidated balance sheets. Liabilities subject to compromise have been recorded at the amounts expected to be allowed by the Bankruptcy Court. Where allowed amounts are not yet resolved, estimates of allowed amounts may be subject to further negotiation and/or litigation. However, many settlement amounts for allowed claims are now known pursuant to the terms of the Final Plan.

Liabilities subject to compromise consisted of the following (in thousands):

	Predecessor
	As of December 31, 2021
Accounts payable	\$ 10,693
Debt subject to compromise	9,379,661
Accrued interest on debt subject to compromise	334,179
Other long-term liabilities subject to compromise	23,488
Guarantee liability ⁽¹⁾	409,997
Related party note payable ⁽²⁾	150,000
Accrued interest on related party note payable ⁽²⁾	8,021
Total liabilities subject to compromise⁽³⁾	\$ 10,316,039

- (1) In June 2018, Intelsat S.A. (now Reorganized ISA S.A.) completed an offering of \$402.5 million aggregate principal amount of 4.5% Convertible Senior Notes due 2025 (the "2025 Convertible Notes"). The 2025 Convertible Notes bear interest at 4.5% annually and mature in June 2025 unless earlier repurchased, converted or redeemed, as set forth in the indenture governing the 2025 Convertible Notes. The 2025 Convertible Notes are guaranteed by Intelsat Envision. As a result of the commencement of the Chapter 11 Cases, Intelsat Envision's guarantee obligation was triggered. The guarantee liability amount is equal to the carrying value of the principal amount and related interest on the 2025 Convertible Notes and was included within "Liabilities subject to compromise" in our consolidated balance sheet as of December 31, 2021.
- (2) In June 2018, Intelsat S.A. (now Reorganized ISA S.A.) advanced \$150.0 million to Intelsat Envision through a promissory note, which bears interest at 12.5% annually and matures in 2026. The related party note payable amount, which is equal to the carrying value of the principal amount, and related interest were included within "Liabilities subject to compromise" in our consolidated balance sheet as of December 31, 2021.
- (3) All of the Company's liabilities subject to compromise that were outstanding as of December 31, 2021 have been either (1) repaid or settled and extinguished subsequent to the balance sheet date in connection with the effectiveness of the Final Plan on February 23, 2022, or (2) otherwise reduced to the estimated settlement value of such claims to the extent the allowed amount of such claims have not yet been resolved.

Reorganization Items

The expenses, gains and losses directly and incrementally resulting from the Chapter 11 Cases are separately reported as reorganization items in our consolidated statements of operations. Amounts reflected as Successor in the tables below primarily relate to professional fees incurred for Fresh Start Accounting, restructuring, and claims management activities, as well as trustee fee payments and legal expenses.

Reorganization items consisted of the following (in thousands):

	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Gain on settlement of liabilities subject to compromise	\$ —	\$ —	\$ 5,708,937	\$ —
Fresh start valuation adjustments	—	—	(702,511)	—
Adjustment of debt discount, premium and issuance costs, and debtor-in-possession financing fees	(129,712)	(46,944)	(235,402)	—
Professional fees	(129,659)	(233,907)	(88,711)	(33,747)
Make-whole premium	—	(98,032)	—	—
Other reorganization costs	454	(576)	(2,796)	(8)
Total reorganization items	\$ (258,917)	\$ (379,459)	\$ 4,679,517	\$ (33,755)

Note 3—Fresh Start Accounting

Upon Emergence, we qualified for and adopted Fresh Start Accounting in accordance with ASC 852, which resulted in a newly created entity, Intelsat S.A. (formerly Intelsat Emergence S.A.) becoming our ultimate parent company for financial reporting purposes because (1) the holders of the then-existing common shares of the Predecessor received less than 50 percent of the new common shares of the Successor outstanding upon Emergence, and (2) the reorganization value of the Company's assets immediately prior to confirmation of the Final Plan was less than the total of all post-petition liabilities and allowed claims.

Upon adoption of Fresh Start Accounting, the reorganization value derived from the range of enterprise value associated with the Final Plan was allocated to the Company's individual assets and liabilities, except for deferred income taxes, based on their estimated fair values as of the Fresh Start Reporting Date with the remaining excess value allocated to goodwill in conformity with ASC 805. The amount of deferred taxes was determined in accordance with ASC 740.

As a result of the adoption of Fresh Start Accounting and the effects of the implementation of the Final Plan, the consolidated financial statements of the Successor are not comparable to the consolidated financial statements of the Predecessor.

(a) Reorganization Value

Under ASC 852, the Successor determined a value to be assigned to the equity of the emerging entity as of the date of adoption of Fresh Start Accounting. The Final Plan confirmed by the Bankruptcy Court estimated a range of enterprise value between \$10.25 billion and \$11.75 billion, with a midpoint of \$11.0 billion. The Company deemed it appropriate to use the midpoint of the range to determine the final enterprise value of \$11.0 billion. The range of enterprise value was determined using various financial analyses, including the comparable companies analysis, discounted cash flow analysis and precedent transaction analysis.

The following table reconciles the enterprise value to the estimated fair value of our Successor common shares as of the Fresh Start Reporting Date (in thousands):

Adjusted enterprise value (\$11.0 billion mid-point, net of net present value of ARP of \$1.16 billion received prior to the Effective Date)	\$ 9,840,000
Plus: Excess cash	132,000
Less: Fair value of debt	(6,190,000)
Less: Other liabilities and adjustments including noncontrolling interest	(71,000)
Fair value of Successor equity	<u>\$ 3,711,000</u>
Fair value of Successor common shares	\$ 3,583,000
Fair value of Successor warrants	128,000
Fair value of Successor equity	<u>\$ 3,711,000</u>

The following table reconciles the enterprise value to the reorganization value of the Successor's assets to be allocated to the Company's individual assets as of the Fresh Start Reporting Date (in thousands):

Adjusted enterprise value	\$ 9,840,000
Plus: Excess cash	132,000
Less: Other liabilities and adjustments including noncontrolling interest	(71,000)
Plus: Fair value of non-debt current liabilities	674,015
Plus: Fair value of non-debt, non-current liabilities	1,972,761
Plus: Noncontrolling interest	36,000
Reorganization value of Successor's assets to be allocated	<u>\$ 12,583,776</u>

With the assistance of third-party valuation advisors, we determined the enterprise and corresponding equity value of the Successor using various valuation methods, including: (i) a calculation of the present value of future cash flows based on our financial projections, and (ii) a peer group trading analysis. The enterprise value and corresponding equity value are dependent upon achieving the future financial results set forth in our valuations and certain other assumptions. All estimates, assumptions, valuations and financial projections, including the fair value adjustments, enterprise value projections and equity value projections are inherently subject to significant uncertainties beyond our control.

Accordingly, there can be no assurances that the estimates, assumptions, valuations or financial projections will be realized, and actual results could vary materially.

(b) Valuation Process

The fair values of the Company's principal assets, as presented below, and the fair value of the Company's lease liabilities, DIP-to-Exit Financing, Series A and B Warrants, and Series A and B CVRs issued were estimated with the assistance of third-party valuation advisors.

Satellites and Other Property and Equipment

The satellite fleet comprises over 80% of the Company's property, plant and equipment under ASC 360 and has been valued using the replacement cost method, a variation of the cost approach to valuation. Current replacement costs, which include consideration for the spacecraft cost, launch cost, insurance, capital interest and capital labor, were assigned to each satellite based on size and configuration then adjusted based on the age of each satellite. An assumed earnings test was also applied to the satellites, comparing the present value of future income streams to the adjusted replacement cost. In instances where the cost approach value exceeded the income approach value, an economic obsolescence penalty was applied.

All non-satellite personal property has been valued using either an indirect cost approach or, in instances where a robust secondary market exists, a market approach.

Real property assets are comprised of building improvements and land. Building improvements were valued using the indirect cost approach primarily due to their specialized use nature. We analyzed transactions of similar properties in the respective markets to corroborate results. Land underlying building improvements was valued using the sales comparison approach.

Accelerated Relocation Payment Rights

On March 3, 2020, the FCC issued the FCC Final Order, which, among other things, provides for ARPs. The rights to the ARPs ("ARP Rights") represent the Company's entitlement to receive ARPs subject to the satisfaction of certain deadlines and other conditions. The ARP Rights were valued using the discounted cash flow method, a variation of the income approach to valuation. Under this method, we estimated the present value of the after-tax cash flows related to the ARPs that are expected to be received in the first quarter of 2024. The discount rate employed to estimate the present value was consistent with the risk inherent in the overall business of Intelsat, as the receipt of the ARPs is dependent on the Company's ability to clear a portion of the C-band spectrum on an accelerated basis, and hence aligned with the Company's operational risks. The key assumptions used to estimate the fair value of the ARP Rights included the expected amount and timing of the ARPs, tax rate and the discount rate.

Non-amortizable Intangible Assets – Orbital Slots and Trade Name

Intelsat is authorized by governments to operate satellites at certain orbital locations or longitudinal coordinates (collectively, the "Orbital Slots"). Intelsat has the right to operate satellites through these Orbital Slots and such rights can be used individually; however, since satellites and customers can be and are moved from one Orbital Slot to another, Intelsat's rights are used in conjunction with each other as a network that can be adapted to meet the changing needs of customers and market demands. Due to the interchangeable nature of Orbital Slots, the aggregate value of all of the Orbital Slots is used to measure its fair value.

We determined the estimated fair value of our rights to operate at Orbital Slots by using the Greenfield method to determine cash flows for the income approach, with the resulting projected cash flows discounted at an appropriate weighted average cost of capital. Under the Greenfield method, the amount a reasonable investor would be willing to pay for the right to operate a satellite business using the Orbital Slots is calculated by first estimating the cash flows that typical market participants might assume could be available from the right to operate satellites using the subject location in a similar market. The key assumptions used in estimating the fair values of our Orbital Slots included the following: (i) market penetration leading to revenue growth, (ii) profit margin, (iii) duration and profile of the build-up period, (iv) estimated start-up costs and losses incurred during the build-up period and (v) weighted average cost of capital.

Trade name represents a registered name for use in connection with the Company's products and services offered to its customer base. We have implemented the relief from royalty method to determine the estimated fair value of the Intelsat trade name. The relief from royalty analysis is comprised of two major steps: (i) a determination of an appropriate royalty rate, and (ii) the subsequent application of the royalty rate to projected revenue. In determining an appropriate royalty rate, we considered comparable license agreements, an excess earnings analysis to determine aggregate intangible asset earnings, and other qualitative factors. The key assumptions used to estimate the fair value of the Intelsat trade name included forecasted revenues, the royalty rate, the tax rate and the discount rate.

Amortizable Intangible Assets – Customer Relationships and Backlog

Intelsat focuses on business-to-business services that indirectly enable enterprise, government and consumer applications through their customers. Intelsat customer contracts offer different types of services: transponder services, managed services, channel services and mobile satellite services ("MSS") and other. In addition to customer relationships and contracts, Intelsat's contracted backlog represents its expected future revenue under existing customer contracts and includes both cancelable and non-cancelable

contracts. These customer relationships and backlog intangible assets were valued using the multi-period excess earnings method, a variation of the income approach to valuation. For the customer relationships asset, revenues attributable to customer assets were determined and an attrition rate based on historical customer trends was applied to estimate the expected decline anticipated from the existing customer population. The cash flows attributable to the customer relationships and backlog assets were also determined by applying appropriate costs and contributory asset charges then adjusted using a discount rate that is commensurate with the risk inherent in the customer-related intangible assets. The key assumptions used to estimate the fair value of the customer-related assets included forecasted revenues, attrition rates, profit margins, contributory asset charges, the tax rate and the discount rate.

Amortizable Intangible Assets – Software, Supplemental Type Certificates and Line Fit Certifications

Intelsat CA recognizes an asset for the costs to obtain Supplemental Type Certificates and Line Fit Certificates, which is a regulatory requirement that must be satisfied prior to installation of equipment on the aircraft and remains an operational requirement throughout the duration of the contract. For the valuation of these intangible assets, we employed the replacement cost method, a variation of the cost approach to valuation. This method refers to estimating value equaling an amount that an entity would have to pay to replace an asset at the present time, according to its current worth. In the application of this method, we also considered developer's profit and entrepreneurial incentive. The key assumptions used to estimate the fair value of these assets included historical costs, estimated replacement costs, remaining useful life, estimates of functional and economic obsolescence, reasonable profit mark-up and the required rate of return.

Equity and Debt Investments

Intelsat holds investments in certain privately held companies, including investments in debt, preferred equity, common stock and common stock warrants. Such investments do not have readily determinable fair values. In our valuation of these investments, we employed variations of the market approach and the income approach. The key assumptions used to estimate the fair value of the debt investments included the expected amount and timing of interest and principal payments and market yields. The key assumptions used to estimate the fair value of the equity-linked investments included the historical financial metrics, capitalization tables, and market multiples based on (i) comparable publicly traded companies and (ii) benchmark transactions, volatility and time to exit.

Lease Liabilities and Right of Use Assets

Lease liabilities were estimated as the present value of the remaining lease payments. The Company estimated an incremental borrowing rate and used it as the discount rate in the analysis. Right of use asset values were estimated by adjusting the lease liability estimates with estimates of off-market value of leases. Off-market (or above/below market) value was estimated as the present value of the differential between contract rates and market rates over the remaining term of a lease.

Noncontrolling Interests

Intelsat holds a noncontrolling ownership interest in Horizons Satellite Holdings LLC, which is a joint venture with JSAT International, Inc. ("JSAT") that consists of two investments: Horizons-1 Satellite LLC and Horizons-2 Satellite LLC. For the valuation of this minority, non-marketable interest, we employed the discounted cash flow analysis under the income approach to valuation. The key assumptions used to estimate the fair value of the noncontrolling interest included forecasted revenues, profit margins, the tax rate and the discount rate.

DIP-to-Exit Financing

To estimate the value of the DIP-to-Exit Financing, we employed a discounted cash flow method, a variation of the income approach to valuation. The fair value of the DIP-to-Exit Financing was estimated by calculating the present value of the projected cash flows associated with the DIP-to-Exit Financing based on a concluded yield range. The yield range was developed by applying a benchmarking analysis. The key assumptions used to estimate the fair value of the DIP-to-Exit Financing included the expected amount and timing of interest and principal payments and market yields.

Series A and Series B Warrants

The Company issued Series A and Series B Warrants as part of the Final Plan. To estimate the fair value of the Series A and Series B Warrants, we utilized the Black-Scholes-Merton ("BSM") option pricing method. In the application of the BSM method, we determined the share price by solving via an iterative process for the common shares, where the aggregate value of the Series A Warrants, Series B Warrants and remaining common shares equates to the estimated total equity value. The key valuation inputs used in the BSM method include the current equity value, time to exit, volatility, risk-free rate and the exercise price.

Series A and Series B CVRs

The Series A and Series B CVRs were determined to have nominal value as of the Fresh Start Reporting Date.

(c) Consolidated Balance Sheet

The adjustments included in the Fresh Start Accounting consolidated balance sheet set forth below reflect the effects of the transactions contemplated by the Final Plan and enacted on the Effective Date (reflected in the column “Reorganization Adjustments”), and fair value and other required accounting adjustments resulting from the adoption of Fresh Start Accounting (reflected in the column “Fresh Start Adjustments”). The explanatory notes provide additional information and significant assumptions with regard to the adjustments recorded and the methods used to determine the fair values.

	Predecessor		Successor
	February 28, 2022	Reorganization Adjustments	February 28, 2022
		(1)	Fresh Start Adjustments
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 393,406	\$ (73,679) (2)	\$ —
Restricted cash	102,018	—	102,018
Depository Trust Company (“DTC”) asset	732,121	(732,121) (3)	—
Receivables, net of allowances	198,850	(100) (4)	198,750
Receivables relating to C-band	1,283,081	—	1,283,081
Contract assets, net of allowances	48,384	—	48,384
Inventory	117,786	—	117,786
Prepaid expenses and other current assets	110,218	(665) (5)	(2,169) (16)
Total current assets	2,985,864	(806,565)	(2,169)
Satellites and other property and equipment, net	5,055,890	—	(931,534) (17)
ARP Rights	—	—	2,855,000 (18)
Goodwill	2,689,192	—	(1,293,250) (19)
Non-amortizable intangible assets	2,295,000	—	(1,245,000) (20)
Amortizable intangible assets, net	246,315	—	(67,710) (21)
Contract assets, net of current portion and allowances	52,231	—	—
Other assets	744,716	(13,458) (6)	19,254 (22)
Total assets	\$ 14,069,208	\$ (820,023)	\$ (665,409)
LIABILITIES AND SHAREHOLDERS’ DEFICIT			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 339,843	\$ (10,896) (7)	\$ —
Taxes payable	9,246	—	9,246
Employee-related liabilities	45,326	—	45,326
Accrued interest payable	41,324	—	41,324
Current maturities of long-term debt	6,183,652	(6,183,652) (8)	—
Contract liabilities	152,604	—	152,604
Deferred satellite performance incentives	18,902	—	18,902
Other current liabilities	68,128	—	9,538 (23)
Total current liabilities	6,859,025	(6,194,548)	9,538
Long-term debt	—	6,183,652 (8)	6,348 (24)
Contract liabilities, net of current portion	1,333,205	—	—
Deferred satellite performance incentives, net of current portion	94,748	—	94,748
Deferred income taxes	67,685	—	(2,725) (25)
Accrued retirement benefits, net of current portion	81,338	—	81,338
Other long-term liabilities	385,304	—	13,206 (26)
Due to related parties, net	16,378	(16,378) (9)	—
Liabilities subject to compromise	10,329,798	(10,329,798) (10)	—
Total liabilities	19,167,481	(10,357,072)	26,367

	Predecessor			Successor
	February 28, 2022	Reorganization Adjustments	(1)	Fresh Start Adjustments
				February 28, 2022
Shareholders' deficit:				
Common shares, nominal value \$0.01 per share	5,000	(5,000)	(11)	—
Common shares; Successor	—	677	(12)	677
Paid-in capital	2,569,958	182,452	(13)	(2,752,410)
Paid-in capital; Successor	—	3,710,323	(14)	3,710,323
Accumulated deficit	(7,626,186)	5,648,597	(15)	1,977,589
Accumulated other comprehensive loss	(51,283)	—		51,283
Total Intelsat S.A. shareholders' equity (deficit)	(5,102,511)	9,537,049		(723,538)
Noncontrolling interest	4,238	—		31,762
Total liabilities and shareholders' equity (deficit)	<u>\$ 14,069,208</u>	<u>\$ (820,023)</u>		<u>\$ (665,409)</u>
				<u>\$ 12,583,776</u>

(d) Reorganization Adjustments

In accordance with the Final Plan, the following adjustments were made:

- (1) Represents amounts recorded as of the Fresh Start Reporting Date for the implementation of the Final Plan, including, among other items, settlement of the Predecessor's liabilities subject to compromise, distributions of cash, conversion of the debtor-in-possession financing to the DIP-to-Exit Financing facilities, issuances of the Successor's common shares, Series A and Series B Warrants and Series A and Series B CVRs.
- (2) Changes in cash and cash equivalents includes the following (in thousands):

Cash at Intelsat S.A. (formerly Intelsat Emergence S.A.)	\$ 99
Payment of professional fees including success fees	(72,374)
Funding of reserve to make future distributions to creditors	(1,404)
Net change in cash and cash equivalents	<u>\$ (73,679)</u>
- (3) Reflects the disbursement of funds deposited with DTC to fund payments to creditors and distributions to Intelsat S.A. (now Reorganized ISA S.A.) creditors, pursuant to the Final Plan.
- (4) Changes in receivables, net includes the following (in thousands):

Elimination of amount due from Intelsat S.A. (formerly Intelsat Emergence S.A.), in consolidation	\$ (65)
Cancellation of amounts due from a third party	(35)
Net change in receivables, net	<u>\$ (100)</u>
- (5) Changes in prepaid expenses and other current assets includes the following (in thousands):

Funding of reserve to make future distributions to creditors	\$ 1,404
Elimination of prepaid directors and officers insurance policies related to the Predecessor	(2,069)
Net change in prepaid expenses and other current assets	<u>\$ (665)</u>
- (6) Changes in other assets includes the following (in thousands):

Elimination of prepaid directors and officers insurance policies related to the Predecessor	\$ (11,173)
Reduction of a deferred income tax asset related to the implementation of the Final Plan	(2,285)
Net change in other assets	<u>\$ (13,458)</u>

(7)	Changes in accounts payable and accrued liabilities includes the following (in thousands):	
	Reinstatement of liabilities	\$ 18,593
	Funding of reserve to make future distributions to creditors	1,404
	Payment of professional fees	(30,893)
	Net change in accounts payable and accrued liabilities	<u>\$ (10,896)</u>
(8)	Reflects the DIP-to-Exit Financing and the reclassification of the net carrying value of debt from current liabilities to non-current liabilities, based on the maturity of the debt.	
(9)	Reflects the settlement of amounts due to related parties, net as follows (in thousands):	
	Contribution of portion of related party, net amount from Intelsat S.A. (now Reorganized ISA S.A.)	\$ (18,782)
	Loss on forgiveness of portion of related party receivables	2,682
	Application of funds deposited with DTC to pay Intelsat S.A. (now Reorganized ISA S.A.) creditors	(278)
	Net change in amounts due to related parties, net	<u>\$ (16,378)</u>
(10)	Liabilities subject to compromise were settled in accordance with the Final Plan and the resulting gains were determined as follows (in thousands):	
	Accounts payable	\$ 10,693
	Debt subject to compromise	9,379,661
	Accrued interest on debt subject to compromise	334,179
	Other long-term liabilities subject to compromise	37,247
	Guarantee liability	409,997
	Related party note payable	150,000
	Accrued interest on related party note payable	8,021
	Total liabilities subject to compromise	<u>10,329,798</u>
	Less: Distribution of common shares to creditors	(3,583,000)
	Less: Distribution of Series A and Series B Warrants to creditors	(128,000)
	Less: Application of funds deposited with DTC to pay creditors	(731,843)
	Less: Elimination of related party note through contributions from Intelsat S.A (now Reorganized ISA S.A.)	(158,021)
	Less: Reinstatement of liabilities	(18,593)
	Less: Reserve to make future distributions to creditors	(1,404)
	Less: Distributions of Series A and Series B CVRs	—
	Gain on settlement of liabilities subject to compromise	<u>\$ 5,708,937</u>
(11)	Reflects the elimination of common shares due to the consolidation of Intelsat S.A. (formerly Intelsat Emergence S.A.), the new ultimate parent company.	
(12)	Reflects the issuance of Successor common shares, at par, to creditors.	
(13)	Change in paid-in-capital reflects the following (in thousands):	
	Elimination of related party note through contributions from Intelsat S.A. (now Reorganized ISA S.A.)	\$ 158,021
	Contribution of portion of related party, net amount from Intelsat S.A. (now Reorganized ISA S.A.)	18,782
	Elimination of common shares due to the consolidation of Intelsat S.A. (formerly Intelsat Emergence S.A.), the new ultimate parent company	5,000
	Reflects the acceleration of the vesting of equity awards upon the Effective Date	615
	Paid-in-capital related to repurchase and cancellation of formation shares issued by Intelsat S.A. (formerly Intelsat Emergence S.A.)	34
	Change in paid-in-capital	<u>\$ 182,452</u>

- (14) Change in paid-in-capital; Successor reflects the issuance of common stock and Series A and Series B Warrants to creditors pursuant to the Final Plan (in thousands):

Distribution of common shares (paid-in-capital) to creditors	\$ 3,582,323
Distribution of Series A and Series B Warrants to creditors	128,000
Change in paid-in-capital; Successor	<u>\$ 3,710,323</u>

- (15) Net change in accumulated deficit includes the following (in thousands):

Gain on settlement of liabilities subject to compromise	\$ 5,708,937
Payment of professional fees (success fees)	(41,481)
Elimination of prepaid director and officer insurance policies related to the Predecessor	(13,242)
Loss on forgiveness of portion of related party receivables	(2,682)
Recognition of net deferred tax expense related to the implementation of the Final Plan	(2,285)
Incremental compensation expense for the acceleration of the vesting of Predecessor equity awards upon the Effective Date	(615)
Cancellation of amounts due from a third party	(35)
Net change in accumulated deficit	<u>\$ 5,648,597</u>

(e) Fresh Start Adjustments

In accordance with the application of Fresh Start Accounting, the following adjustments were made:

- (16) Reflects the fair value adjustment due to the adoption of Fresh Start Accounting. The following table summarizes the components of prepaid expenses (in thousands):

	Predecessor Historical Value	Successor Fair Value
Prepaid expenses and other current assets	\$ 69,601	\$ 67,589
Deferred cost of sales excluding C-band - current portion	23,965	23,808
Deferred cost of sales C-band - current portion	15,987	15,987
Total prepaid expenses and other current assets	<u>\$ 109,553</u>	<u>\$ 107,384</u>

- (17) Changes in satellites and other property and equipment reflect the fair value adjustment due to the adoption of Fresh Start Accounting. The following table summarizes the components of satellites and other property and equipment (in thousands):

	Predecessor Historical Value	Successor Fair Value
Satellites and launch vehicles	\$ 11,225,338	\$ 3,433,243
Information systems and ground segment	1,208,463	421,424
Buildings and other	334,824	269,689
Total cost	12,768,625	4,124,356
Less: accumulated depreciation	(7,712,735)	—
Total satellites and other property and equipment	<u>\$ 5,055,890</u>	<u>\$ 4,124,356</u>

- (18) Reflects the fair value adjustment related to the ARPs the Company expects to receive in the first half of 2024.

- (19) Reflects the adjustment to goodwill for the excess of the reorganization value of the assets over the fair value of identifiable tangible and intangible assets.

- (20) Changes in non-amortizable intangible assets reflect the fair value adjustment due to the adoption of Fresh Start Accounting. The following table summarizes the components of non-amortizable intangible assets (in thousands):

	Predecessor Historical Value	Successor Fair Value
Orbital Slots	\$ 2,250,000	\$ 1,000,000
Trade name	45,000	50,000
Total non-amortizable intangible assets	<u>\$ 2,295,000</u>	<u>\$ 1,050,000</u>

- (21) Changes in amortizable intangible assets, net reflects the fair value adjustment due to the adoption of Fresh Start Accounting. The following table summarizes the components of the amortizable intangible assets (in thousands):

	Predecessor Historical Value	Successor Fair Value
Backlog and other	\$ 744,760	\$ 70,009
Customer relationships	534,030	44,670
Software	50,383	63,926
Total amortizable intangible assets, gross	1,329,173	178,605
Less: accumulated amortization	(1,082,858)	—
Total amortizable intangible assets, net	<u>\$ 246,315</u>	<u>\$ 178,605</u>

- (22) Changes in other assets reflect fair value adjustments due to the adoption of Fresh Start Accounting based on the valuation methodology discussed above. The following table summarizes the components of other assets as of the Fresh Start Reporting Date (in thousands):

	Predecessor Historical Value	Successor Fair Value
Fair value of equity investments (excluding Horizons-3 Satellite LLC)	\$ 37,061	\$ 55,803
Investment in Horizons-3 Satellite LLC	103,586	110,000
Deferred cost of sales excluding C-band - non-current portion	51,907	43,324
Deferred cost of sales C-band - non-current portion	24,827	24,827
Right of use assets	294,407	355,890
Fair value of debt instruments	75,173	55,967
Deferred tax assets	14,697	22,707
Other assets	129,600	81,994
Total other assets	<u>\$ 731,258</u>	<u>\$ 750,512</u>

- (23) Changes in other current liabilities reflect the fair value adjustment for lease liabilities due to the adoption of Fresh Start Accounting.
- (24) Reflects the elimination of Predecessor debt issuance costs.
- (25) Changes in deferred income taxes reflects the adjustment due to the adoption of Fresh Start Accounting.
- (26) Changes in other long-term liabilities reflect the fair value adjustment for lease liabilities due to the adoption of Fresh Start Accounting.

- (27) Reflects the cumulative impact of Fresh Start Accounting adjustments discussed above and below and the elimination of Predecessor accumulated deficit and accumulated other comprehensive loss (in thousands):

ARP Rights fair value adjustments	\$ 2,855,000
Other assets fair value adjustments (excluding deferred taxes)	11,244
Prepaid expenses and other current assets fair value adjustments	(2,169)
Long-term debt fair value adjustments	(6,348)
Other current liabilities fair value adjustments	(9,538)
Other long-term liabilities fair value adjustments	(13,206)
Amortizable intangible assets, net fair value adjustments	(67,710)
Satellites and other property and equipment, net fair value adjustments	(931,534)
Non-amortizable intangible assets fair value adjustments	(1,245,000)
Goodwill recognition	(1,293,250)
Fresh start valuation adjustments	(702,511)
Deferred income taxes, net	10,735
Elimination of predecessor paid-in-capital	2,752,410
Fresh start valuation adjustment for noncontrolling interest	(31,762)
Elimination of Predecessor other comprehensive loss	(51,283)
Elimination of Predecessor retained deficit	<u>\$ 1,977,589</u>

Note 4—Revenue

(a) Revenue Recognition

We earn revenue primarily by providing services to our customers using our satellite transponder capacity. Our customers generally obtain satellite capacity from us by placing an order pursuant to one of several master customer service agreements. On-network services are comprised primarily of services delivered on our owned network infrastructure, as well as commitments for third-party capacity, generally long-term in nature, that we integrate and market as part of our owned infrastructure. In the case of third-party services in support of government applications, the commitments for third-party capacity are shorter and matched to the government contracting period, and thus remain classified as off-network services. Off-network services can include transponder services and other satellite-based transmission services such as mobile satellite services (“MSS”), which are sourced from other operators, often in frequencies not available on our network. Within the category Off-Network and Other Revenues, we also include revenues from consulting and other services. Our Intelsat CA revenue is primarily earned from providing connectivity and entertainment services and through sales of equipment.

For each service type, the price per unit in our contracts is generally fixed for each defined time period. While the number of units or price per unit in our multi-year contracts may be different by year or another time period, the number of units and price per unit are fixed for each defined time period and the total contract price is fixed. To determine the proper revenue recognition method for contracts, we evaluate whether two or more services should be combined and accounted for as a single performance obligation.

Certain Intelsat CA contracts may be based on a fixed monthly fee per aircraft or a variable fee based on the volume of connectivity activity, or a combination of both. Examples of variable consideration within our contracts include megabyte overages and pay-per-use sessions. We constrain our estimates to reduce the probability of a significant revenue reversal in future periods, allocate such variable consideration to the identified performance obligations and recognize revenue in the period the services are provided. Our estimates are based on historical experience, anticipated future performance, market conditions and our best judgment at the time.

A significant change in one or more of these estimates could affect our estimated contract value, and we regularly review and update our estimates and recognize adjustments under the cumulative catch-up model. Any adjustment under this method is recorded as a cumulative adjustment in the period identified and revenue for future periods is recognized using the new adjusted estimate.

Our specific revenue recognition policies are as follows:

Satellite Utilization Charges

The Company’s contracts for satellite utilization services often contain multiple service orders for the provision of capacity on or over different beams, satellites, frequencies, geographies or time periods. Under each separate service order, the Company’s satellite services, comprised of transponder services, managed services, channel services, and occasional use managed services, are delivered in a series of time periods that are distinct from each other and have the same pattern of transfer to the customer. In each period, the

Company's obligation is to make those services available to the customer. Throughout each service period, the Company provides services that are able to be used continuously, and the customer simultaneously receives and consumes the benefits provided by the Company. We believe that, given that our services are stand-ready obligations that are available continuously, the passage of time most faithfully reflects our satisfaction of the performance obligation. We also have certain obligations, including providing spare or substitute capacity if available, in the event of satellite service failure under certain long-term agreements. While we are generally not obligated to refund satellite utilization payments previously made, credits may be granted for sustained service outages in certain limited circumstances.

Similar to satellite utilization charges, we have determined that the customer simultaneously receives and consumes benefits provided by the Company for satellite related consulting and technical services, tracking, telemetry and commanding services ("TT&C") and in-orbit backup services, as detailed below. Therefore, we believe that the passage of time most faithfully reflects our satisfaction of the performance obligation for these services:

Satellite-Related Consulting and Technical Services. We recognize revenue from the provision of consulting services as those services are performed. We recognize revenue for consulting services with specific performance obligations, such as transfer orbit support services or training programs over the service period.

TT&C. We earn TT&C services revenue from providing operational services to other satellite owners and from certain customers on our satellites. TT&C agreements entered into in connection with our satellite utilization contracts are typically for the period of the related service agreement. We recognize this revenue over the term of the service agreement.

In-Orbit Backup Services. We provide back-up transponder capacity that is held on reserve for certain customers on agreed-upon terms. We recognize revenues for in-orbit protection services over the term of the related agreement.

Revenue Share Arrangements. We recognize revenues under revenue share agreements for satellite-related services either on a gross or net basis in accordance with principal versus agent considerations.

Airline connectivity revenue. Connectivity is provided to our customers using both our air-to-ground ("ATG") and satellite technologies. Under the airline-directed business model, the airline is our customer and we earn service revenue as connectivity services are consumed directly by the airline or indirectly by passengers. Under the turnkey business model, we earn revenue for connectivity services consumed directly by passengers.

Entertainment revenue. Entertainment revenue consists of entertainment services we provide to the airline for use by its passengers. Revenue is recognized as the services are provided to the airline.

Connected Aircraft Services. We recognize revenue for real-time credit card transaction processing, electronic flight bags, and real-time weather information as the service is provided.

Equipment Revenue. Equipment revenue primarily consists of the sale of ATG and satellite connectivity equipment and the sale of entertainment equipment. Equipment revenue is recognized when we transfer control of the equipment to our customers, which generally occurs upon shipment.

We occasionally sell products or services individually or in some combination to our customers. When products or services are sold together, we allocate revenue for each performance obligation based on each obligation's relative selling price. In these arrangements, revenue for products is recognized when the transfer of control passes to the customer, while service revenue is recognized over the service term.

Contract Assets

Contract assets include unbilled amounts typically resulting from sales under our long-term contracts when the total contract value is recognized on a straight-line basis and the revenue recognized exceeds the amount billed to the customer. Contract assets also result from revenue contracts with multiple performance obligations when the allocated revenue recognized from satisfied performance obligations exceeds the amount billed to the customer.

Contract Liabilities

Contract liabilities consist of advance payments and collections in excess of revenue recognized and deferred revenue. A limited number of our contracts contain prepayment terms that range from one month to seventeen years in advance of providing the service. If we expect at contract inception that the period of time between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, as a practical expedient, we do not adjust the promised amount of consideration for the effects of a significant financing component. For the small subset of contracts with advance payments that contain prepayment terms greater than one year, we assess whether a significant financing component exists by considering the difference between the amount of promised consideration and the cash selling price of the promised services. The prepayment amount is generally based on a standard methodology that discounts the total of the standard monthly charges over the service term to determine the prepayment amount, resulting in a difference between the amount of promised consideration and the

cash selling price of the promised services. The Company considers the timing difference between payment and the promised transfer of services, combined with the Company's incremental borrowing rates, to determine whether a significant financing component exists. When a significant financing component exists, the amount of revenue recognized exceeds the amount of cash received from the customer. After receiving cash from the customer but prior to the Company providing services, the Company records additional contract liabilities as well as offsetting interest expense to reflect the upfront financing the Company is effectively receiving from the customer. Once the Company begins providing services, additional interest expense is recorded each period using the effective interest method, as well as corresponding additional revenue, which is recognized ratably over the service period.

As of December 31, 2021 and December 31, 2022, \$305.7 million and \$583.8 million, respectively, related to reimbursable costs associated with the FCC Final Order were included within "Contract liabilities, net of current portion" in our consolidated balance sheets.

For the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, we recognized revenues of \$237.4 million, \$243.1 million, \$60.2 million and \$170.1 million, respectively, that were included in the contract liability balances as of the beginning of each respective year.

Assets Recognized from the Costs to Obtain a Customer Contract

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that our sales incentive program meets the requirements to be capitalized due to the incremental nature of the costs and the expectation that the Company will recover such costs. The assets recognized from the costs to obtain a customer contract are amortized over a period that is consistent with the transfer to the customer of the services to which the asset relates. For the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, we capitalized \$5.9 million, \$11.9 million, \$1.0 million and \$10.5 million of costs to obtain a customer contract, respectively, and amortized \$5.0 million, \$4.9 million, \$0.7 million and \$1.7 million, respectively. As of December 31, 2021 and 2022, capitalized costs to obtain a customer contract amounted to \$17.3 million and \$8.9 million, respectively, and were included within "Other assets" in our consolidated balance sheets.

Contract Modifications

Contracts are often modified to account for changes in contract specifications or requirements. We consider contract modifications to exist when the modification either creates new or changes existing enforceable rights and obligations of either party. Most of our contract modifications are for goods and services that are distinct from the existing contract, as they consist of additional months of service priced at the Company's standalone selling prices of the additional services and are therefore treated as separate contracts. When contract modifications are for goods and services that are distinct from the existing contract but not priced at the Company's standalone selling prices, the modification is accounted for as a termination of the existing contract and the creation of a new contract. For contract modifications that do not result in additional distinct goods or services, the effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue.

Significant Judgments

We occasionally enter into certain contracts in which the customer makes payments in advance of services to be delivered, which may be years in the future. The reasons for the prepayments in these contracts vary, but generally can be either for the customer's benefit or for the Company's benefit (such as the ability to use the cash received from the customer to pay for the construction of a satellite asset). The determination of whether contracts with a prepayment provision contain a significant financing component requires judgment. The Company makes this determination based on various factors, including the differences between the amount of promised consideration and cash selling prices, the length of time between payment and the transfer of services and prevailing interest rates in the market.

While most satellite utilization contracts contain multiple performance obligations for each transponder service on different satellites, the service period for the different satellite utilization performance obligations is generally the same time period. In the event that the time period for multiple performance obligations is not the same, we allocate the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling price of the promised good or service underlying such performance obligation. Judgment is required to determine the standalone selling price for each distinct performance obligation. In order to estimate standalone selling prices, we use an adjusted market assessment approach which involves an evaluation of the market and an estimate of the price that our customers are willing to pay, or an expected cost plus a margin approach.

When more than one party is involved in providing goods or services to a customer, we generally recognize the transaction on a gross basis due to the level of control that we have prior to the transfer of the good or service. These arrangements include instances where we procure equipment from vendors and sell to third-party customers, when we enter into revenue sharing arrangements with other parties and when we purchase capacity for voice, data and video services provided by third-party commercial satellite operators for which the desired frequency type or geographic coverage is not available on our network. Our third-party capacity arrangements (off-network) are more significant and, in determining whether we are the principal or the agent in these arrangements, we consider whether or not we control the service before it is transferred to the customer. In this determination, we consider the definition of control as set forth in ASC 606-10-25-25. When we purchase satellite transponder capacity from a third party, we have the ability to direct the use of and obtain substantially all of the remaining benefits from the purchased capacity. We obtain the right to the service to be performed by the third party, which gives the Company the ability to direct that party to provide the service to the customer on the Company's behalf. No other third party can direct the use of or obtain any benefits from the capacity.

We also considered the factors in ASC 606-10-55-39 in the Company's determination of control. In the vast majority of cases, when we resell capacity to third party customers, we are primarily responsible for the fulfillment of the services and acceptability of the service. Additionally, the Company has full discretion in establishing the pricing for transponder services with the customer and assumes the credit risk associated with capacity purchased from the third party. In the event the service is not acceptable to the customer, we are required to identify an alternative solution. Based on these considerations, we have concluded that we are the principal in the transaction for these arrangements. When these factors are not met, the Company recognizes revenue for third-party capacity arrangements on a net basis.

Judgment is required in determining whether we are the principal or the agent in transactions involving third parties.

Remaining Performance Obligation

Our remaining performance obligation is our expected future revenue under existing customer contracts and includes both cancelable and non-cancelable contracts. Our remaining performance obligation was approximately \$5.0 billion as of December 31, 2022. We assess the contract term of our cancelable contracts as the full stated term of the contract assuming each contract is not canceled since the termination penalty upon cancellation is substantive. As of December 31, 2022, the weighted average remaining customer contract life was approximately 3.2 years. Approximately 49%, 26%, and 25% of our total remaining performance obligation as of December 31, 2022 is expected to be recognized as revenue during 2023 and 2024, 2025 and 2026, and 2027 and thereafter, respectively. The amount included in the remaining performance obligation represents the full-service charge for the duration of the contract and does not include termination fees. The amount of the termination fees, which is not included in the remaining performance obligation amount, is generally calculated as a percentage of the remaining performance obligation associated with the contract. In certain cases of breach for non-payment or customer financial distress or bankruptcy, we may not be able to recover the full value of certain contracts or termination fees. Our remaining performance obligation includes 100% of the remaining performance obligation of our consolidated ownership interests, which is consistent with the accounting for our ownership interest in these entities.

(b) Business and Geographic Segment Information

We provide satellite and other communications services to our customers around the world. Our revenues are disaggregated by billing region, service type and customer set. Revenue by region is based on the locations of customers to which services are billed. Our satellites are in geosynchronous orbit, and consequently are not attributable to any geographic location. Of our remaining assets, substantially all are located in the United States. Intelsat CA revenues are allocated to the geographic location where the airline customer is domiciled.

The following tables disaggregate revenue by billing region (in thousands, except percentages):

	Predecessor						Successor	
	Year Ended December 31, 2020		Year Ended December 31, 2021		Two Months Ended February 28, 2022		Ten Months Ended December 31, 2022	
North America	\$ 1,019,248	53%	\$ 1,163,090	56%	\$ 198,336	58%	\$ 979,675	56%
Europe	214,573	11%	230,880	11%	34,086	10%	177,740	10%
Latin America and Caribbean	210,510	11%	203,246	10%	35,858	10%	173,212	10%
Africa and Middle East	238,305	12%	230,410	11%	38,498	11%	202,871	12%
Asia-Pacific	230,444	12%	237,759	12%	38,890	11%	205,043	12%
Total	<u>\$ 1,913,080</u>		<u>\$ 2,065,385</u>		<u>\$ 345,668</u>		<u>\$ 1,738,541</u>	

The following tables disaggregate revenue by type of service (in thousands, except percentages):

	Predecessor						Successor	
	Year Ended December 31, 2020		Year Ended December 31, 2021		Two Months Ended February 28, 2022		Ten Months Ended December 31, 2022	
On-Network Revenues								
Transponder services	\$ 1,374,167	72%	\$ 1,278,256	62%	\$ 198,915	57%	\$ 1,009,608	58%
Managed services	298,638	15%	286,345	14%	53,765	16%	263,639	15%
Total on-network revenues	1,672,805	87%	1,564,601	76%	252,680	73%	1,273,247	73%
Off-Network and Other Revenues								
Transponder, MSS and other off-network services	182,393	10%	166,502	8%	37,305	11%	128,773	8%
Satellite-related services	42,297	2%	39,544	2%	6,251	2%	36,458	2%
Total off-network and other revenues	224,690	12%	206,046	10%	43,556	13%	165,231	10%
In-Flight Services Revenues								
Services	14,122	1%	237,861	12%	37,654	11%	239,507	14%
Equipment	1,463	—%	56,877	3%	11,778	3%	60,556	3%
Total in-flight services revenues	15,585	1%	294,738	14%	49,432	14%	300,063	17%
Total	<u>\$ 1,913,080</u>		<u>\$ 2,065,385</u>		<u>\$ 345,668</u>		<u>\$ 1,738,541</u>	

The following tables disaggregate revenue by type of customer application (in thousands, except percentages):

	Predecessor						Successor	
	Year Ended December 31, 2020		Year Ended December 31, 2021		Two Months Ended February 28, 2022		Ten Months Ended December 31, 2022	
Network services	\$ 677,380	35%	\$ 925,507	45%	\$ 151,597	44%	\$ 840,324	49%
Media	812,528	42%	731,477	35%	129,790	38%	569,790	33%
Government	392,560	21%	379,925	18%	59,819	17%	303,405	17%
Satellite-related services	30,612	2%	28,476	1%	4,462	1%	25,022	1%
Total	<u>\$ 1,913,080</u>		<u>\$ 2,065,385</u>		<u>\$ 345,668</u>		<u>\$ 1,738,541</u>	

Our largest customer for each period accounted for approximately 14%, 11%, 14% and 11% of our revenue during the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, respectively. Our ten largest customers for each period accounted for approximately 42%, 41%, 42% and 40% of our revenue during the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, respectively.

Note 5—Retirement Plans and Other Retiree Benefits

(a) Pension and Other Postretirement Benefits

We maintain a noncontributory defined benefit retirement plan covering substantially all of our employees hired prior to July 19, 2001. The cost of providing benefits to eligible participants under the defined benefit retirement plan is calculated using the plan's benefit formulas, which take into account the participants' remuneration, dates of hire, years of eligible service and certain actuarial assumptions. In addition, as part of the overall medical plan, we provide postretirement medical benefits to certain current retirees who meet the criteria under the medical plan for postretirement benefit eligibility. In 2015, we amended the defined benefit retirement plan to end the accrual of additional benefits for the remaining active participants.

The defined benefit retirement plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). We expect that our future contributions to the defined benefit retirement plan will be based on the minimum funding requirements of the Internal Revenue Code of 1986, as amended (the "IRC"), and on the plan's funded status. Any significant decline in the fair value of our defined benefit retirement plan assets or other adverse changes to the significant assumptions used to determine the plan's funded status would negatively impact its funded status and could result in increased funding in future years. The impact on the funded status is determined based upon market conditions in effect when we completed our annual valuation. We anticipate that our contributions to the defined benefit retirement plan in 2023 will be approximately \$3.4 million. We fund the postretirement medical benefits throughout the year based on benefits paid. We anticipate that our contributions to fund postretirement medical benefits in 2023 will be approximately \$2.5 million.

Prior service credits and actuarial losses are reclassified from accumulated other comprehensive loss to net periodic pension benefit costs, which are included in "Other income (expense), net" on our consolidated statements of operations. All amounts recorded in accumulated other comprehensive loss are being recognized as net periodic benefit cost or benefit over the average remaining life expectancy of plan participants.

Reconciliation of Funded Status and Accumulated Benefit Obligation. Intelsat uses December 31 as the measurement date for its defined benefit retirement plan. As part of Fresh Start Accounting, we remeasured our Pension and Other Postretirement Benefits as of February 28, 2022. See the applicable sections below for further discussion. The following table summarizes the projected benefit obligations, plan assets and funded status of the defined benefit retirement plan, as well as the projected benefit obligations of the postretirement medical benefits provided under our medical plan (in thousands, except percentages):

	Predecessor				Successor	
	Year Ended December 31, 2021		Two Months Ended February 28, 2022		Ten Months Ended December 31, 2022	
	Pension Benefits	Other Post-retirement Benefits	Pension Benefits	Other Post-retirement Benefits	Pension Benefits	Other Post-retirement Benefits
Change in benefit obligation						
Benefit obligation at beginning of period	\$ 451,953	\$ 36,833	\$ 424,511	\$ 32,775	\$ 407,427	\$ 30,679
Interest cost	8,121	596	1,608	115	9,884	704
Employee contributions	—	121	—	30	—	96
Plan amendments	—	65	—	—	—	—
Benefits paid	(22,728)	(1,993)	(3,911)	(377)	(25,538)	(1,804)
Actuarial net gain ⁽¹⁾	(12,835)	(2,847)	(14,781)	(1,864)	(63,012)	(3,886)
Benefit obligation at end of period	<u>\$ 424,511</u>	<u>\$ 32,775</u>	<u>\$ 407,427</u>	<u>\$ 30,679</u>	<u>\$ 328,761</u>	<u>\$ 25,789</u>
Change in plan assets						
Plan assets at beginning of period	\$ 356,075	\$ —	\$ 371,580	\$ —	\$ 354,366	\$ —
Employer contributions	5,472	1,872	965	347	3,078	1,709
Employee contributions	—	121	—	30	—	96
Actual return on plan assets	32,761	—	(14,268)	—	(35,414)	—
Benefits paid	(22,728)	(1,993)	(3,911)	(377)	(25,538)	(1,804)
Plan assets at fair value at end of period	<u>\$ 371,580</u>	<u>\$ —</u>	<u>\$ 354,366</u>	<u>\$ —</u>	<u>\$ 296,492</u>	<u>\$ —</u>
Accrued benefit costs and funded status of the plans	<u>\$ (52,931)</u>	<u>\$ (32,775)</u>	<u>\$ (53,061)</u>	<u>\$ (30,679)</u>	<u>\$ (32,269)</u>	<u>\$ (25,789)</u>
Accumulated benefit obligation	<u>\$ 424,511</u>		<u>\$ 407,427</u>		<u>\$ 328,761</u>	
Weighted average assumptions used to determine accumulated benefit obligation and accrued benefit costs						
Discount rate	2.80%	2.70%	3.42%	3.34%	5.42%	5.42%
Weighted average assumptions used to determine net periodic benefit costs						
Discount rate	2.41%	2.28%	2.80%	2.70%	3.42%	3.34%
Expected rate of return on plan assets	7.15%	—%	6.50%	—%	6.50%	—%
Amounts in accumulated other comprehensive loss recognized in net periodic benefit cost						
Actuarial net (gain) loss, net of tax	\$ 8,049	\$ (1,363)	\$ (1,148)	\$ (264)	\$ —	\$ —
Prior service credits, net of tax	—	(2,503)	—	(424)	—	—
Total	<u>\$ 8,049</u>	<u>\$ (3,866)</u>	<u>\$ (1,148)</u>	<u>\$ (688)</u>	<u>\$ —</u>	<u>\$ —</u>
Amounts in accumulated other comprehensive loss not yet recognized in net periodic benefit cost						
Actuarial net (gain) loss, net of tax	\$ 96,938	\$ (19,120)	\$ 98,754	\$ (20,278)	\$ (9,061)	\$ (3,823)
Prior service credits, net of tax	(344)	(25,004)	(343)	(25,004)	—	—
Total	<u>\$ 96,594</u>	<u>\$ (44,124)</u>	<u>\$ 98,411</u>	<u>\$ (45,282)</u>	<u>\$ (9,061)</u>	<u>\$ (3,823)</u>

(1) The actuarial gains for the periods presented were primarily due to increases in the discount rates during the respective periods as compared to the respective prior periods.

As part of Fresh Start Accounting, we eliminated all Predecessor accumulated other comprehensive loss as of February 28, 2022. See Note 3—Fresh Start Accounting. In addition, we revalued our net pension obligation as of February 28, 2022. In revaluing the pension benefit obligation, the assumed discount rate was 3.42% and the assumed rate of return on plan assets was 6.50%. The discount rate increased compared to the 2.80% discount rate used in the December 31, 2021 valuation. This revaluation, as well as other changes in certain assumptions, led to a pension obligation decrease of \$14.6 million.

Our benefit obligations are determined by discounting each future year's expected benefit cash flow using the corresponding spot rates along a yield curve that is derived from the monthly bid-price data of bonds that are rated high grade by either Moody's Investor Service or Standard and Poor's Rating Services. The bond types included are noncallable bonds, bonds that are callable at par within 6 months of maturity where the time to maturity is 10 years or greater, private placement bonds that are traded among qualified institutional buyers and are at least two years from date of issuance, bonds with a make-whole provision, and bonds issued by foreign corporations that are denominated in U.S. dollars. Excluded are bonds that are callable, sinkable and puttable as well as those for which the quoted yield-to-maturity is zero. For bonds in this universe that have a yield higher than the regression mean yield curve for the full universe, regression analysis is used to determine the best-fitting curve, which gives a good fit to the data at both long and short maturities. The resulting regressed coupon yield curve is smoothed continuously along its entire length and represents an unbiased average of the observed market data.

Interest rates used in these valuations are key assumptions, including discount rates used in determining the present value of future benefit payments and expected return on plan assets, which are reviewed and updated on an annual basis. The discount rates reflect market rates for high-quality corporate bonds. We consider current market conditions, including changes in interest rates, in making assumptions. The Society of Actuaries published mortality tables for private retirement plans ("Pri-2012") and a mortality improvement scale in 2021 ("MP-2021"). Accordingly, our December 31, 2022 valuation is based on Pri-2012 and MP-2021, adjusted to reflect (1) an ultimate rate of mortality improvement consistent with both historical experience and U.S. Social Security long-term projections, and (2) a shorter transition period to reach the ultimate rate, which is consistent with historical patterns.

In establishing the expected return on assets assumption, we review the asset allocations considering plan maturity and develop return assumptions based on different asset classes. The return assumptions are established after reviewing historical returns of broader market indexes, as well as historical performance of the investments in the plan. Our pension plan assets are managed in accordance with an investment policy, as discussed below.

The value of our pension plan assets decreased by \$17.2 million, from \$371.6 million at December 31, 2021 to \$354.4 million at February 28, 2022. This decrease primarily resulted from an unfavorable return on plan assets of \$14.3 million and benefit payments to plan participants of \$3.9 million. The value of our pension plan assets then decreased by \$57.9 million, from \$354.4 million at February 28, 2022 to \$296.5 million at December 31, 2022. This decrease primarily resulted from an unfavorable return on plan assets of \$35.4 million and benefit payments to plan participants of \$25.5 million.

Plan Assets. The investment policy of the plan includes target allocation percentages of approximately 15% for investments in equity securities (11% U.S. equities and 4% non-U.S. equities), 70% for investments in fixed income securities and 15% for investments in other securities, which is broken down further into 5% for investments in hedge fund of funds and 10% for investments in real estate fund of funds. Plan assets include investments in both U.S. and non-U.S. equity funds. Fixed income investments include an intermediate duration bond fund, zero coupon U.S. Treasury securities and a long duration bond fund. The funds in which the plan's assets are invested are institutionally managed and have diversified exposures into multiple asset classes implemented. The guidelines and objectives of the funds are congruent with the Intelsat investment policy statement.

The target and actual asset allocation of our pension plan assets were as follows:

	Predecessor		Successor	
	As of December 31, 2021		As of December 31, 2022	
	Target Allocation	Actual Allocation	Target Allocation	Actual Allocation
Equity securities	36 %	33 %	15 %	10 %
Debt securities	49 %	48 %	70 %	66 %
Other securities	15 %	19 %	15 %	24 %
Total	100 %	100 %	100 %	100 %

The fair values of our pension plan assets by asset category were as follows (in thousands):

	Predecessor Fair Value Measurement at December 31, 2021	Successor Fair Value Measurement at December 31, 2022
Equity Securities		
U.S. Large-Cap ⁽¹⁾	\$ 54,867	\$ 21,789
U.S. Small/Mid-Cap ⁽²⁾	13,234	—
World Equity Ex-U.S. ⁽³⁾	54,961	7,870
Fixed Income Securities		
Intermediate Duration Bonds ⁽⁴⁾	93,448	83,429
Long Duration Bonds ⁽⁵⁾	41,808	54,790
High Yield Bonds ⁽⁶⁾	6,865	—
Emerging Market Fixed Income (Non-U.S.) ⁽⁷⁾	6,848	—
U.S. Treasuries ⁽⁸⁾	27,321	56,526
Other Securities		
Hedge Funds ⁽⁹⁾	23,545	22,674
Core Property Fund ⁽¹⁰⁾	48,351	48,940
Cash and income earned but not yet received	332	474
Total	\$ 371,580	\$ 296,492

- (1) U.S. Large-Cap Equity includes investments in funds that invest primarily in a portfolio of common stocks included in the S&P 500 Index, as well as other equity securities and derivative instruments whose value is derived from the performance of the S&P 500. The fair values of these assets are determined using Level 1 inputs.
- (2) U.S. Small/Mid-Cap includes investments in funds that (1) invest primarily in U.S. small- and mid-cap stocks with market capitalization ranges similar to those found in the FTSE Russell 2500 Index, or (2) aim to produce investment results that correspond to the performance of the FTSE/Russell Small Cap Completeness Index. The fair values of these assets are determined using Level 1 inputs.
- (3) World Equity Ex-U.S. includes an investment in a fund that invests primarily in common stocks and other equity securities whose issuers comprise a broad range of capitalizations and that are located outside of the U.S. The fund invests primarily in developed countries but may also invest in emerging markets. The fair values of these assets are determined using Level 1 inputs.
- (4) Intermediate Duration Bonds include an investment in a fund that seeks to provide current income consistent with the preservation of capital through investment in investment-grade U.S. dollar-denominated fixed-income instruments. This primarily includes U.S. and foreign corporate obligations; fixed-income securities issued by sovereigns or agencies in both developed and emerging foreign markets; obligations of supranational entities; debt obligations issued by state, provincial, county, or city governments or other municipalities, as well as those of public utilities, universities and other quasi-governmental bodies; and securities issued or guaranteed by the U.S. Government and its agencies and instrumentalities. The fair values of these assets are determined using Level 1 inputs.
- (5) Long Duration Bonds includes an investment in a fund that invests primarily in (i) U.S. and foreign corporate obligations; (ii) fixed income securities issued by sovereigns or agencies in both developed and emerging foreign markets; (iii) obligations of supranational entities; (iv) debt obligations issued by state, provincial, county, or city governments or other municipalities, as well as those of public utilities, universities and other quasi-governmental bodies; and (v) securities issued or guaranteed by the U.S. Government and its agencies and instrumentalities. The fair values of these assets are determined using Level 1 inputs.
- (6) High Yield Bonds includes an investment in a fund that seeks to maximize return by investing primarily in a diversified portfolio of higher yielding, lower rated fixed income securities. The fund will invest primarily in securities rated below investment grade, including corporate bonds, convertible and preferred securities and zero coupon obligations. The fair values of these assets are determined using Level 1 inputs.
- (7) Emerging Markets Fixed Income (Non-U.S.) includes an investment in a fund that seeks to maximize return by investing in fixed income securities of emerging markets issuers. The fund will invest primarily in U.S. dollar denominated debt securities of government, government-related and corporate issuers in emerging market countries, as well as entities organized to restructure the outstanding debt of such issuers. The fair values of these assets are determined using Level 1 inputs.
- (8) U.S. Treasuries include Treasury STRIPS (Separate Trading of Registered Interest and Principal of Securities) representing zero coupon Treasury securities with long-term maturities. The fair values of these assets are determined using Level 2 inputs.
- (9) Hedge Funds includes an investment in a collective trust fund that seeks to provide returns that are different from (less correlated with) investments in more traditional asset classes. The fund will pursue its investment objective by investing substantially all of its assets in various hedge funds. The fund has semi-annual redemptions in June and December with a pre-notification period of 95 days, and a two year lock-up on all purchases which have expired.
- (10) The Core Property Fund is a collective trust fund that invests in direct commercial property funds primarily in the U.S. The fund is meant to provide current income-oriented returns, diversification, and modest inflation protection to an overall investment portfolio. Total returns are expected to be somewhere between stocks and bonds, with moderate volatility and low correlation to public markets. The fund has quarterly redemptions with a pre-notification period of 95 days, and no lock-up period.

Our plan assets are measured at fair value. ASC 820 prioritizes the inputs used in valuation techniques including Level 1, Level 2 and Level 3 (see Note 1—Background and Summary of Significant Accounting Policies).

The majority of our plan assets are valued following the market approach, using measurement inputs which include unadjusted prices in active markets, and we have therefore classified all of these assets as Level 1 assets, with the exception of our U.S. Treasuries, which use pricing models for similar securities, and we have therefore classified them as Level 2 within the fair value hierarchy. Our other securities include Hedge Funds and Core Property Funds, which are measured at fair value using the net asset value per share practical expedient, and are not classified in the fair value hierarchy.

The following tables present the components of net periodic pension benefit income (in thousands). These amounts are recognized in “Other income (expense), net” in the consolidated statements of operations.

	Pension Benefits			
	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Interest cost	\$ 11,850	\$ 8,121	\$ 1,608	\$ 9,884
Expected return on plan assets	(23,242)	(22,367)	(3,507)	(18,389)
Amortization of unrecognized net loss	6,399	8,182	1,148	—
Net periodic benefit income	\$ (4,993)	\$ (6,064)	\$ (751)	\$ (8,505)

We had accrued benefit costs at December 31, 2021 and 2022 of \$52.9 million and \$32.3 million, respectively, related to pension benefits, of which \$0.7 million and \$0.6 million were recorded within “Other current liabilities” as of December 31, 2021 and 2022, respectively, and \$52.2 million and \$31.6 million were recorded in “Other long-term liabilities,” respectively, on our consolidated balance sheets.

As part of Fresh Start Accounting, we remeasured our other postretirement benefit obligation as of February 28, 2022. The assumed discount rate for this remeasurement increased from 2.70% to 3.34%, resulting in a reduction of our postretirement benefit obligation by approximately \$1.9 million. The total postretirement benefit obligation was reduced from \$32.8 million as of December 31, 2021 to \$30.7 million as of February 28, 2022.

Net periodic other postretirement benefit costs (income) included the following components (in thousands):

	Other Postretirement Benefits			
	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Interest cost	\$ 1,064	\$ 596	\$ 115	\$ 704
Amortization of unrecognized prior service credits	(2,545)	(2,545)	(423)	—
Amortization of unrecognized net gain	(1,220)	(1,386)	(264)	—
Net periodic benefit expense (income)	\$ (2,701)	\$ (3,335)	\$ (572)	\$ 704

We had accrued benefit costs at December 31, 2021 and 2022 of \$32.8 million and \$25.8 million, respectively, related to the other postretirement benefits, of which \$2.5 million and \$2.5 million were recorded within “Other current liabilities” as of December 31, 2021 and 2022, respectively, and \$30.3 million and \$23.3 million were recorded in “Other long-term liabilities,” respectively, in our consolidated balance sheets.

Depending on our actual future health care claims, our actual costs may vary significantly from those projected above. As of December 31, 2022, the assumed health care cost trend rate for retirees who are not eligible for Medicare was 6.1%. This rate is expected to decrease annually to an ultimate rate of 3.9% by December 31, 2047.

Effective January 1, 2019, Medicare eligible retirees and spouses receive an annual stipend in the form of a contribution to a health retirement account to be used as a reimbursement for qualified health care costs. Therefore, the value of the benefits provided to these participants is not affected by the assumed health care cost trend rate. While the terms of the plan do not guarantee increases to the stipend, the Company intends to evaluate the stipend annually. When valuing the benefit obligation as of December 31, 2022, we assumed an increase of 8.8% in 2023, then gradually decreases to 4.0% for 2024, 3.5% for 2025, and 3.0% thereafter.

The benefits expected to be paid in each of the next five years and in the aggregate for the five years thereafter are as follows (in thousands):

Year(s) Ended December 31,	Pension Benefits	Other Post- retirement Benefits
2023	\$ 39,046	\$ 2,539
2024	28,557	2,518
2025	27,911	2,454
2026	27,327	2,384
2027	26,893	2,321
2028 to 2032	123,763	10,494
Total	<u>\$ 273,497</u>	<u>\$ 22,710</u>

(b) Other Retirement Plans

We maintain a defined contribution retirement plan qualified under the provisions of Section 401(k) of the IRC for our employees in the United States. We recognized compensation expense for this plan of \$8.9 million, \$13.3 million, \$2.3 million and \$12.1 million for the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, respectively. We also maintain other defined contribution retirement plans in several non-U.S. jurisdictions, but such plans are not material to our financial position or results of operations.

Note 6—Satellites and Other Property and Equipment

(a) Satellites and Other Property and Equipment, net

Satellites and other property and equipment, net were comprised of the following (in thousands):

	Predecessor	Successor
	As of December 31, 2021	As of December 31, 2022
Satellites and launch vehicles	\$ 11,106,202	\$ 3,752,842
Information systems and ground segment	1,196,643	559,476
Buildings and other	333,259	286,649
Total cost	12,636,104	4,598,967
Less: accumulated depreciation	(7,614,302)	(428,557)
Total	<u>\$ 5,021,802</u>	<u>\$ 4,170,410</u>

Satellites and other property and equipment are stated at historical cost, except for satellites that have been impaired. Satellites and other property and equipment acquired as part of an acquisition are stated based on their fair value at the date of acquisition. Upon the adoption of Fresh Start Accounting, we adjusted our satellites and other property and equipment balances to fair value. See Note 3—Fresh Start Accounting.

Satellites and other property and equipment, net of accumulated depreciation as of December 31, 2021 and 2022, included construction-in-progress of \$1.4 billion and \$1.5 billion, respectively. These amounts relate primarily to satellites under construction and related launch services. As of December 31, 2022, we have capitalized C-band clearing related expenditures totaling \$1.4 billion. Of this capitalized amount, \$1.4 billion and \$46.5 million were capitalized as “Satellites and other property and equipment, net of accumulated depreciation”, and “Other current assets”, respectively, in the consolidated balance sheets. An estimated \$1.3 billion of the capitalized costs is expected to be reimbursable under the FCC Final Order. We have received \$947.1 million of reimbursements as of December 31, 2022, with an additional \$15.8 million received in the first quarter of 2023.

Interest costs of \$35.0 million, \$85.1 million, \$20.9 million and \$82.7 million were capitalized for the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, respectively. Additionally, depreciation expense was \$618.5 million, \$615.4 million, \$98.6 million and \$428.6 million, for the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, respectively.

We have entered into contracts for the launch of both specified and unspecified future satellites. Each of these launch contracts may be terminated at our option, subject to payment of a termination fee that increases as the applicable launch date approaches.

During the second quarter of 2020 and fourth quarter of 2021, the Company deemed it unlikely that it will be able to utilize certain satellite and launch vehicle deposits prior to their respective expiration dates. As a result, the Company recorded non-cash impairment charges of \$34.0 million and \$2.5 million for the years ended December 31, 2020 and 2021, respectively, related to the impairment of the carrying values of the deposits, which is included within “Impairment of non-amortizable intangible and other assets” in the consolidated statements of operations.

(b) Galaxy 30 Anomaly

Galaxy 30, the first satellite in Intelsat’s Galaxy fleet refresh plan, was successfully launched on August 15, 2020 and entered into service in February 2021. In September 2021, the Company was notified by the satellite manufacturer that two satellite thrusters were damaged during launch due to a fairing anomaly. As a result, the estimated end of service life for Galaxy 30 was updated from 2035 to 2033. The Company filed an insurance claim related to the anomaly in October 2021 for \$20.8 million, which was received in full during the ten months ended December 31, 2022. These amounts are included within “Other income (expense), net” in our consolidated statements of operations.

(c) Galaxy 15 Anomaly

In April 2010, our Galaxy 15 satellite experienced an anomaly resulting in our inability to command the satellite or to receive telemetry, and in December 2010, we recovered command of the spacecraft and have subsequently uploaded flight software code to protect against future anomalies of this type.

On August 10, 2022, the Galaxy 15 satellite experienced an anomaly, likely during space weather activity, resulting in our inability to command the satellite. A failure review board convened with the satellite’s manufacturer, Northrop Grumman (formerly Orbital Sciences Corporation), and concluded that the anomaly is similar to the one encountered in April 2010.

The Company and the satellite manufacturer have implemented several safeguards to ensure the satellite will not disrupt services on other satellites. On August 31, 2022, the Company shut down the Galaxy 15 payload, reducing the risk of interference with other spacecraft, and continues to monitor the drift of the satellite from its geostationary orbital slot in order to minimize any potential risk of interference with other satellites or operators.

We recorded an impairment charge of the full carrying value of approximately \$5.2 million in the third quarter of 2022. There has been no impact to customer services, and we have migrated all customers originally on Galaxy 15 to other satellites in our network. The Galaxy 15 satellite was replaced by the Galaxy 33 satellite in the fourth quarter of 2022.

On March 7, 2023, we recovered command and telemetry of the Galaxy 15 satellite and were able to stop the drift of the satellite across the geostationary orbit. We plan to de-orbit the satellite in the second or third quarter of 2023.

(d) Satellite Launches

Galaxy 33 was successfully launched on October 8, 2022. Galaxy 33 replaced Galaxy 15 at the 133°W location and is in service as of November 4, 2022. This satellite provides service continuity for distribution to cable headends throughout the United States with full C-band capabilities in addition to steerable Ka-band and Ku-band beams.

Galaxy 34 was successfully launched on October 8, 2022. Galaxy 34 replaced Galaxy 12 at the 129°W location and is in service as of December 12, 2022. This satellite serves as the new restoration payload for Intelsat’s Galaxy cable distribution customers, allowing the previous restoration role at the 121°W location to be converted to a core cable distribution satellite.

Galaxy 31 was successfully launched on November 12, 2022. Galaxy 31 replaced Galaxy 23 at the 121°W location and is in service as of February 2, 2023. This satellite will provide distribution services to cable headends throughout the United States.

Galaxy 32 was successfully launched on November 12, 2022. Galaxy 32 replaced the C-band payload of Galaxy 17 at the 91°W location and is in service as of February 21, 2023. This satellite will provide service continuity for media customers with high-performance distribution to viewers in North America.

Galaxy 35 and Galaxy 36 were successfully launched on December 13, 2022. Galaxy 35 will replace Galaxy 3C at the 95°W location in early 2023 and Galaxy 36 replaced Galaxy 28 at the 89°W location and is in service as of February 24, 2023. These satellites will provide contribution services for broadcasters in North America. They will provide dedicated links to broadcasters allowing them to air live events and programs, including sports, entertainment and breaking news coverage, and they will also offer in-orbit protection for select customers in the broadcast arc serving North America.

The Galaxy 33, Galaxy 34, Galaxy 31, Galaxy 32, Galaxy 35 and Galaxy 36 satellite launches are part of our comprehensive plan to upgrade the entire Intelsat Galaxy fleet.

Intelsat 40e (“IS-40e”) was successfully launched on April 7, 2023. IS-40e is expected to be operational at the 91°W location in the second quarter of 2023 and was designed to provide a large amount of capacity over North America for Intelsat’s commercial aviation, mobility and network services customers. Intelsat envisions that IS-40e will deliver a wide range of services and coverage, including the following: incremental high-throughput capacity will be added into Intelsat’s commercial aviation network, providing passengers with an enhanced user experience from coast-to-coast; high-speed connectivity will be added into Intelsat’s Flex network to support growth for on-the-go industrial operations, rapid response missions, maritime, offshore communications, inflight connectivity for business jets and government aviation; enterprise customers will see higher speeds and better coverage for strengthening software-defined wide area network and other network services; and cellular customers will be able to leverage more capacity to deliver 4G/LTE and 5G services for rural and remote areas and where seasonal demand and disaster recovery service is needed. In addition, IS-40e hosts NASA’s Tropospheric Emissions: Monitoring of Pollution (“TEMPO”) payload. Operated by Intelsat, the TEMPO instrument will monitor and track air pollution across North America on an hourly basis with the ability to stay over a region of interest during a natural disaster like a major fire or volcano eruption.

Note 7—Investments

We have an ownership interest in two entities that meet the criteria of a VIE: Horizons Satellite Holdings LLC (“Horizons Holdings”) and Horizons-3 Satellite LLC (“Horizons 3”), which are discussed in further detail below, including our analyses of the primary beneficiary determination as required under ASC 810, *Consolidation* (“ASC 810”). We also own noncontrolling investments in equity securities and loan receivables as discussed further below.

(a) Horizons Holdings

Horizons Holdings is a joint venture with JSAT that consists of two investments: Horizons-1 Satellite LLC and Horizons-2 Satellite LLC. We have determined that this joint venture meets the criteria of a VIE under ASC 810, and we have concluded that we are the primary beneficiary because decisions relating to any future relocation of the Horizons 2 satellite, the most significant asset of the joint venture, are effectively controlled by us. In accordance with ASC 810, as the primary beneficiary, we consolidate Horizons Holdings within our consolidated financial statements.

We have a revenue sharing agreement with JSAT related to services sold on the Horizons 1 and Horizons 2 satellites. We are responsible for billing and collection for such services, and remitting 50% of the revenue, less applicable fees and commissions, to JSAT. Amounts payable to JSAT related to the revenue sharing agreement, net of applicable fees and commissions, from the Horizons 1 and Horizons 2 satellites were \$2.3 million and \$2.9 million as of December 31, 2021 and 2022, respectively.

Total assets of Horizons Holdings included in our consolidated balance sheets were \$9.0 million and \$13.3 million as of December 31, 2021 and 2022, respectively. Total liabilities included in our consolidated balance sheets were \$1.3 million and \$5.5 million as of December 31, 2021 and 2022, respectively.

(b) Horizons 3

Horizons 3, which is 50% owned by each of Intelsat and JSAT, was set up with a joint share of management authority and equal rights to profits and revenues from the joint venture. We have determined that this joint venture meets the criteria of a VIE under ASC 810; however, we have concluded that we are not the primary beneficiary because we and JSAT equally share control over the operations of the joint venture and also equally share exposure to risk of losses or gains, and therefore we do not consolidate Horizons 3 within our consolidated financial statements.

Similar to Horizons Holdings, we have a revenue sharing agreement with JSAT related to services sold on the Horizons 3e satellite wherein we are responsible for billing and collection for such services, and remitting 50% of the revenue, less applicable fees and commissions, to JSAT. Amounts payable to JSAT related to the revenue sharing agreement, net of applicable fees and commissions, from the Horizons 3e satellite were \$4.3 million and \$9.4 million as of December 31, 2021 and 2022, respectively.

In connection with our investment in Horizons 3, we entered into a capital contribution and subscription agreement, which requires us to fund our 50% share of the amounts due in order to maintain our respective 50% interest in the joint venture. We made contributions of \$2.7 million and received distributions of \$9.0 million during the year ended December 31, 2020 and did not make any contributions nor receive any distributions during the year ended December 31, 2021, two months ended February 28, 2022 or ten months ended December 31, 2022. In addition, our indirect subsidiary that holds our investment in Horizons 3 has entered into a security and pledge agreement with Horizons 3, pursuant to which it has granted a security interest in all of the assets of Horizons 3. Further, our indirect subsidiary has granted a security interest to Horizons 3 in its customer capacity contracts and its ownership interest in its wholly-owned subsidiary that holds the FCC license required for the joint venture’s operations.

The Company purchases satellite capacity and related services from the Horizons 3 joint venture, and then sells that capacity to its customers. We incurred direct costs of revenue related to these purchases of \$19.0 million, \$17.9 million, \$2.9 million and \$15.5 million during the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, respectively. The Company also sells managed ground network services to the Horizons 3 joint venture and provides program management services for a fee. We recorded an offset to direct costs of revenue related to the provision of these services of \$7.0 million, \$6.9 million, \$1.1 million and \$5.8 million, during the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, respectively.

Our investment, included within “Other assets” in our consolidated balance sheets, is accounted for using the equity method of accounting. As of December 31, 2021, the investment balance, which is equivalent to our maximum exposure to loss, was \$103.6 million, exceeding our equity in the net assets of Horizons 3 by \$10.2 million. Upon the adoption of Fresh Start Accounting, the investment balance was adjusted to fair value with an increase of \$6.4 million (see Note 3—Fresh Start Accounting). As of December 31, 2022, the investment balance, which is equivalent to our maximum exposure to loss, was \$110.5 million. We recognized a nominal amount of equity in losses of Horizons 3, which is presented within “Other income (expense), net” on our consolidated statements of operations for all periods presented.

(c) Horizons 4

On October 12, 2020, we entered into a new master agreement with JSAT relating to developing, launching, managing, operating and owning a Ku-band payload portion on the Galaxy 37 satellite, for which the costs incurred are included in “Satellites and other property and equipment, net” on our consolidated balance sheets. The parties intend for the Ku-band payload to be owned and held by a limited liability company named Horizons-4 Satellite LLC (“Horizons 4”) that will ultimately be jointly owned by JSAT and Intelsat. Under the master agreement, upon the completion of in-orbit testing of the Galaxy 37 satellite, JSAT shall purchase a 50% equity membership interest in Horizons 4 from Intelsat. The Galaxy 37 satellite, which includes the Horizons 4 Ku-band payload, is projected to launch in the third quarter of 2023 and expected to enter into service later that year.

(d) Investments in Equity Securities

The Company holds noncontrolling equity investments in three separate privately and publicly held companies, including investments in equity securities without readily determinable fair values.

In accordance with ASC 321, *Investments—Equity Securities*, we use the measurement alternative to measure the fair value of our investments in equity securities without readily determinable fair values. Accordingly, these investments are measured at cost, less any impairment, and are adjusted for changes in fair value resulting from observable transactions for identical or similar investments of the same issuer. Upon the adoption of Fresh Start Accounting, the Company elected the fair value option for one of its existing convertible loan receivables related to one of its investments with a cost value of \$19.1 million as of December 31, 2021. Excluding the cost value of the convertible loan receivable transferred to investments, we recognized an increase of \$11.6 million for the year ended December 31, 2021, a decrease of \$0.4 million for the two months ended February 28, 2022 and an increase of \$1.7 million for the ten months ended December 31, 2022, with no comparable amounts for the year ended December 31, 2020. In March of 2022, we sold all of our interest in one of our investments for \$3.4 million, resulting in a loss of \$1.0 million, which was recognized in “Other income (expense), net” in our consolidated statements of operations. In December of 2022, we converted a portion of one of our investments with a basis of \$24.9 million into preferred shares in the investment and redeemed the remainder, resulting in a loss of \$4.7 million, which was recognized in “Other income (expense), net” in our consolidated statements of operations, and \$13.1 million of cash proceeds. These investments were recorded in “Other assets” in our consolidated balance sheets and had a total carrying value of \$37.1 million and \$40.0 million as of December 31, 2021 and 2022, respectively.

(e) Loan Receivables

The Company had loan receivables of \$76.4 million and \$56.4 million as of December 31, 2021 and 2022, respectively, from two other privately held companies that it is holding for long-term investment, which are presented within “Other assets” on our consolidated balance sheets at amortized cost, net of the allowance for credit losses. As of December 31, 2021 and 2022, \$2.0 million and \$0.9 million, respectively, of accrued interest related to our loan receivables was recorded in “Prepaid expenses and other current assets” in our consolidated balance sheets. We recognized interest income related to our loan receivables of \$3.9 million, \$4.2 million, \$0.7 million and \$2.4 million for the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, respectively.

The fair value of loan receivables is evaluated on a loan-by-loan basis, and is determined based on assessments of discounted cash flows that are considered probable of collection. We consider these inputs to be Level 3 within the fair value hierarchy under ASC 820, *Fair Value Measurements and Disclosure* (“ASC 820”). The cumulative fair value of our loan receivables as of December 31, 2021 and 2022 was \$79.0 million and \$57.2 million, respectively.

Note 8—Goodwill and Other Intangible Assets

We account for goodwill and other non-amortizable intangible assets in accordance with ASC 350 and have deemed these assets to have indefinite lives. Therefore, these assets are not amortized but are tested on an annual basis for impairment during the fourth quarter, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Upon the adoption of Fresh Start Accounting, our intangible asset balances were adjusted to fair value. See Note 3—Fresh Start Accounting.

(a) Goodwill

Intelsat had two reporting units for purposes of the analysis of goodwill: Intelsat Legacy (which consists of Intelsat S.A. excluding Intelsat CA) and Intelsat CA. For both reporting units, we used a qualitative approach to identify and consider the significance of relevant key factors, events, and circumstances that affect the fair value of the reporting unit. We make our qualitative evaluation considering, among other things, general macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant entity-specific events.

During the qualitative assessment of the Intelsat CA reporting unit in the second quarter of 2022, we identified that events existed which indicated it was more likely than not that the fair value of the reporting unit was less than its carrying amount. Specifically, Intelsat CA agreed to accept the termination of a significant customer contract. Consequently, we performed a quantitative analysis to determine the fair value of the reporting unit. In estimating the fair value, we used an income approach utilizing a discounted cash flow model. Based on the results of the quantitative analysis, we determined that the fair value of the Intelsat CA reporting unit was approximately \$342.0 million as compared to its carrying amount of \$585.0 million, resulting in the recognition of goodwill impairment of \$243.0 million in the second quarter of 2022, which is included within “Impairment of non-amortizable intangible and other assets” in our consolidated statements of operations.

Based on our examination of the qualitative factors as of December 31, 2022, we identified that conditions and events existed which indicated it was more likely than not that the fair value of the Intelsat CA reporting unit was less than its carrying amount. Specifically, there was an increase in the risk-free rate as a result of an increase of the treasury rate by the Federal Reserve, combined with challenging macroeconomic and geopolitical conditions and delays in the reporting unit’s expected cash flows. Consequently, we performed a quantitative analysis to determine the fair value of the reporting unit. In estimating the fair value, we used an income approach utilizing a discounted cash flow model. Based on the results of the quantitative analysis, we determined that the fair value of the Intelsat CA reporting unit was less than its carrying amount, resulting in the recognition of goodwill impairment limited to the remaining amount of goodwill allocated to the reporting unit of \$78.3 million in the fourth quarter of 2022, which is included within “Impairment of non-amortizable intangible and other assets” in our consolidated statements of operations.

Determining the fair value of a reporting unit often involves the use of estimates and assumptions that require significant judgment, and that could have a substantial impact on whether or not an impairment charge is recognized and the magnitude of any such charge. Estimates of fair value are primarily determined using discounted cash flows and market transactions. These estimates involve making significant estimates and assumptions, including projected future cash flows (including timing), discount rates reflecting the risks inherent in future cash flows, perpetual growth rates, and the determination of appropriate market comparisons.

The carrying amounts of goodwill consisted of the following (in thousands):

	<u>Predecessor</u>	<u>Successor</u>
	<u>As of December 31, 2021</u>	<u>As of December 31, 2022</u>
Goodwill	\$ 6,849,392	\$ 1,395,942
Accumulated impairment losses	(4,160,200)	(321,322)
Net carrying amount	<u>\$ 2,689,192</u>	<u>\$ 1,074,620</u>

(b) Other Intangible Assets

ARP Rights. The ARP Rights represent the Company’s entitlement to receive the Phase II ARP of \$3.7 billion subject to the satisfaction of certain deadlines and other conditions, as further discussed in Note 1—Background and Summary of Significant Accounting Policies, *C-band Spectrum Clearing*. Under Fresh Start Accounting, the ARP Rights were valued using the discounted cash flow method, a variation of the income approach to valuation. Under this method, we estimated the present value of the after-tax cash flows related to the ARPs, using the assumption that they will be received in the first quarter of 2024. The discount rate employed to estimate the present value was consistent with the risk inherent in the overall business of Intelsat, as the receipt of the ARPs is dependent on the Company’s ability to clear a portion of the C-band spectrum on an accelerated basis, and hence aligned with the Company’s operational risks. The key assumptions used to estimate the fair value of the ARP Rights included the expected amount and timing of the ARPs, tax rate and the discount rate. The value of the ARP Rights will accrete over time, using the effective interest method, until the FCC has validated the Phase II Certification of Accelerated Relocation once filed by Intelsat License.

We recognized interest income on the ARP Rights of \$268.7 million for the ten months ended December 31, 2022. As of December 31, 2022, the carrying amount of the ARP Rights was \$3.1 billion. The Company expects to complete its required clearing activities in the fourth quarter of 2023, which is in alignment with the contractually identified timing. Upon FCC validation of our Phase II Certification of Accelerated Relocation, the ARP Rights will be reclassified to “Receivables relating to C-band” on our consolidated balance sheets.

Orbital Locations. Intelsat is authorized by governments to operate satellites at certain orbital locations—i.e., longitudinal coordinates along the Clarke Belt. The Clarke Belt is the part of space approximately 35,800 kilometers above the plane of the equator where geostationary orbit may be achieved. Various governments acquire rights to these orbital locations through filings made with the International Telecommunication Union, a sub-organization of the United Nations. We will continue to have rights to operate satellites at our orbital locations so long as we maintain our authorizations to do so.

Our rights to operate at orbital locations can be used and sold individually; however, since satellites and customers can be and are moved from one orbital location to another, our rights are used in conjunction with each other as a network that can be adapted to meet the changing needs of our customers and market demands. Due to the interchangeable nature of orbital locations, the aggregate value of all of the orbital locations is used to measure the extent of impairment, if any.

During the year ended December 31, 2020, we concluded that the fair value of our rights to operate at certain orbital locations was less than its carrying value, resulting in an impairment charge of \$137.7 million, which is included within “Impairment of non-amortizable intangible and other assets” in our consolidated statements of operations.

Trade Name. During the year ended December 31, 2020, we recorded impairments of our trade name intangible asset of \$20.2 million which is included within “Impairment of non-amortizable intangible and other assets” in our consolidated statements of operations.

The carrying amounts of acquired intangible assets not subject to amortization consisted of the following (in thousands):

	Predecessor	Successor
	As of December 31, 2021	As of December 31, 2022
Orbital slots	\$ 2,250,000	\$ 1,000,000
Trade name	45,000	50,000
Total non-amortizable intangible assets	<u>\$ 2,295,000</u>	<u>\$ 1,050,000</u>

Other Intangible Assets. The carrying amounts and accumulated amortization of acquired intangible assets subject to amortization consisted of the following (in thousands):

	Predecessor			Successor		
	As of December 31, 2021			As of December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Backlog and other	\$ 744,760	\$ (731,825)	\$ 12,935	\$ 70,008	\$ (13,100)	\$ 56,908
Customer relationships	534,030	(329,951)	204,079	44,670	(4,313)	40,357
Software and supplemental type certificates	49,951	(14,433)	35,518	72,742	(16,766)	55,976
Total	<u>\$ 1,328,741</u>	<u>\$ (1,076,209)</u>	<u>\$ 252,532</u>	<u>\$ 187,420</u>	<u>\$ (34,179)</u>	<u>\$ 153,241</u>

Intangible assets are amortized based on the expected pattern of consumption. Amortization expense was \$33.0 million, \$42.2 million, \$6.6 million and \$34.2 million for the year ended December 31, 2020, year ended December 31, 2021, two months ended February 28, 2022 and ten months ended December 31, 2022, respectively.

Scheduled amortization charges for intangible assets over the next five years are as follows (in thousands):

Year Ending December 31,	Amount
2023	\$ 35,528
2024	27,017
2025	17,371
2026	13,965
2027	11,522

Our policy is to expense all costs incurred to renew or extend the terms of our intangible assets.

Note 9—Debt

As discussed in Note 2—Emergence from Chapter 11 Proceedings and Other Related Matters, the filing of the Chapter 11 Cases constituted an event of default that accelerated substantially all of our obligations under the documents governing the prepetition indebtedness of Intelsat S.A. (now Reorganized ISA S.A.), Intelsat Luxembourg, Intelsat Connect and Intelsat Jackson. As such, we reclassified all such debt obligations, other than debt subject to compromise, to “Current maturities of long-term debt” on our consolidated balance sheet as of December 31, 2021.

All of the Company’s debt that was outstanding as of December 31, 2021 has been repaid or settled and extinguished in connection with the 2022 debt transactions as described below under the “2022 Debt Transactions” section and the effectiveness of the Final Plan on February 23, 2022, as applicable. All debt that is currently outstanding is the new debt, which consists of the 2030 Jackson Secured Notes (as defined below) and the debt facilities under the 2022 Intelsat Jackson Secured Credit Agreement (as defined below).

The carrying values and fair values of our notes payable and debt were as follows (in thousands):

	Predecessor	
	As of December 31, 2021	
	Carrying Value	Fair Value
<i>Intelsat Luxembourg:</i>		
7.75% Senior Notes due June 2021 ⁽¹⁾	\$ 421,219	\$ 2,106
8.125% Senior Notes due June 2023 ⁽¹⁾	1,000,000	—
12.5% Senior Notes due November 2024 ⁽¹⁾	403,350	—
<i>Total Intelsat Luxembourg obligations</i>	<u>1,824,569</u>	<u>2,106</u>
<i>Intelsat Connect:</i>		
9.5% Senior Notes due February 2023 ⁽¹⁾	1,250,000	187,500
<i>Total Intelsat Connect obligations</i>	<u>1,250,000</u>	<u>187,500</u>
<i>Intelsat Jackson:</i>		
9.5% Senior Secured Notes due September 2022	490,000	563,500
Unamortized prepaid debt issuance costs and discount on 9.5% Senior Secured Notes	(3,380)	—
8% Senior Secured Notes due February 2024	1,349,678	1,359,801
Unamortized prepaid debt issuance costs and premium on 8% Senior Secured Notes	(2,171)	—
5.5% Senior Notes due August 2023 ⁽¹⁾	1,985,000	893,250
9.75% Senior Notes due July 2025 ⁽¹⁾	1,885,000	857,675
8.5% Senior Notes due October 2024 ⁽¹⁾	2,950,000	1,371,750
Senior Secured Credit Facilities due November 2023	2,000,000	1,990,000
Unamortized prepaid debt issuance costs and discount on Senior Secured Credit Facilities	(11,450)	—
Senior Secured Credit Facilities due January 2024	395,000	393,025
Unamortized prepaid debt issuance costs and discount on Senior Secured Credit Facilities	(853)	—
6.625% Senior Secured Credit Facilities due January 2024	700,000	696,500
Unamortized prepaid debt issuance costs and discount on Senior Secured Credit Facilities	(1,513)	—
Superpriority Senior Secured DIP Credit Facilities due July 2022	1,250,000	1,248,438
<i>Total Intelsat Jackson obligations</i>	<u>12,985,311</u>	<u>9,373,939</u>
<i>Eliminations:</i>		
8.125% Senior Notes of Intelsat Luxembourg due June 2023 owned by Intelsat Jackson ⁽¹⁾	(111,663)	—
12.5% Senior Notes of Intelsat Luxembourg due November 2024 owned by Intelsat Connect, Intelsat Jackson and Intelsat Envision ⁽¹⁾	(403,245)	—
<i>Total eliminations:</i>	<u>(514,908)</u>	<u>—</u>
<i>Total Intelsat debt</i>	<u>15,544,972</u>	<u>9,563,545</u>

Less: current maturities of long-term debt	6,165,311	6,251,264
Less: debt included in liabilities subject to compromise	9,379,661	3,312,281
<i>Total Intelsat long-term debt</i>	<u>\$ —</u>	<u>\$ —</u>

	Successor	
	As of December 31, 2022	
	Carrying Value	Fair Value
6.50% First Lien Secured Notes due March 2030	\$ 3,000,000	\$ 2,692,500
Secured Credit Facilities due February 2029	2,803,791	2,719,677
<i>Total Intelsat debt</i>	<u>5,803,791</u>	<u>5,412,177</u>
Less: current maturities of long-term debt	115,614	112,146
<i>Total Intelsat long-term debt</i>	<u>\$ 5,688,177</u>	<u>\$ 5,300,031</u>

(1) In connection with the Chapter 11 Cases, these balances were reclassified as “Liabilities subject to compromise” in our consolidated balance sheet as of December 31, 2021. As of April 15, 2020, the Company ceased making principal and interest payments, and as of May 13, 2020, ceased accruing interest expense in relation to this long-term debt that was reclassified as “Liabilities subject to compromise.” These balances have been settled and extinguished as part of the Emergence.

The fair value for publicly traded instruments is determined using quoted market prices, and the fair value for non-publicly traded instruments is based upon composite pricing from a variety of sources, including market leading data providers, market makers and leading brokerage firms. Substantially all of the inputs used to determine the fair value of our debt are classified as Level 2 inputs within the fair value hierarchy from ASC 820, except Intelsat Luxembourg’s 8.125% Senior Notes due 2023 and 12.5% Senior Notes due 2024, the inputs for which are classified as Level 3.

Required principal repayments of debt over the next five years and thereafter as of December 31, 2022 were as follows (in thousands):

Year Ending December 31,	Amount
2023	\$ 115,614
2024	31,900
2025	31,900
2026	31,900
2027	31,900
Thereafter	5,560,577
Total principal payments and Intelsat debt	<u>\$ 5,803,791</u>

Intelsat Jackson 6.50% First Lien Secured Notes due 2030

On January 27, 2022, Intelsat Jackson completed an offering of \$3.0 billion aggregate principal amount of 6.50% First Lien Secured Notes due 2030 (the “2030 Jackson Secured Notes”). The 2030 Jackson Secured Notes bear interest at 6.50% annually and mature in March 2030. These notes are guaranteed by Intelsat S.A. (formerly Intelsat Emergence S.A.), other parent entities of Intelsat Jackson, and certain subsidiaries of Intelsat Jackson. Interest is payable on the 2030 Jackson Secured Notes semi-annually on March 15 and September 15, commencing on September 15, 2022. Intelsat Jackson may redeem some or all of the notes at the applicable redemption prices and criterion set forth in the indenture governing the 2030 Jackson Secured Notes. The 2030 Jackson Secured Notes are senior secured obligations of Intelsat Jackson.

2022 Intelsat Jackson Secured Credit Facilities due 2029

On February 1, 2022, Intelsat Jackson entered into a secured credit agreement (the “2022 Intelsat Jackson Secured Credit Agreement”), which included a \$3.2 billion term loan facility and a \$500.0 million revolving credit facility, and borrowed the full \$3.2 billion under the term loan facility due February 2029 (the “2029 Term Loans”). The maturity date of the revolving credit facility is February 1, 2027. The obligations under the 2022 Intelsat Jackson Secured Credit Agreement are guaranteed by Intelsat S.A. (formerly Intelsat Emergence S.A.), other parent entities of Intelsat Jackson, and certain subsidiaries of Intelsat Jackson. The 2029 Term Loans and the revolving loans under the revolving credit facility (the “Revolving Loans”) bear interest either (i) based on a 1-month, 3-month or 6-month (or if agreed to by each lender of a loan, 12-month) secured overnight financing rate (“SOFR”) plus a related spread or (ii) at the Base Rate (as defined in the 2022 Intelsat Jackson Secured Credit Agreement), in each case, plus an applicable margin. The applicable margin for the 2029 Term Loans is 4.25% for SOFR loans and 3.25% for Base Rate loans, and the applicable margin for Revolving Loans ranges from 2.25%–2.75% for SOFR loans and 1.25%–1.75% for Base Rate loans, in each case, depending on

the leverage ratio of Intelsat Jackson. The 2029 Term Loans have a SOFR floor of 0.50% and a Base Rate floor of 1.50%, and the Revolving Loans have a SOFR floor of 0.00% and a Base Rate floor of 1.00%.

Interest is payable on the SOFR loans at the end of the applicable interest period and on a quarterly basis for the Base Rate loans, and mandatory principal amortization of 0.25% with respect to the 2029 Term Loans is due at the end of each quarter. Additionally, 50% of all C-band proceeds received are required to be used to pay down the outstanding principal balance of the 2029 Term Loans within ten business days of the end of each quarter. Intelsat Jackson may redeem some or all of the 2029 Term Loans without penalty or premium unless prepaid in connection with a Repricing Transaction (as defined in the 2022 Intelsat Jackson Secured Credit Agreement) during the first six months after the effectiveness of the 2022 Intelsat Jackson Secured Credit Agreement. The 2029 Term Loans and the Revolving Loans are senior secured obligations of Intelsat Jackson.

The 2022 Intelsat Jackson Secured Credit Agreement includes customary negative covenants for loan agreements of this type, including covenants limiting the ability of Intelsat Jackson and its subsidiaries to, among other things, incur additional indebtedness, create liens on assets, make investments, loans or advances, engage in mergers, consolidations, sales of assets and acquisitions, pay dividends and distributions and make payments in respect of subordinated indebtedness, in each case subject to customary exceptions for loan agreements of this type.

The 2022 Intelsat Jackson Secured Credit Agreement also includes certain customary representations and warranties, affirmative covenants and events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, certain events under ERISA, and change of control.

The foregoing description of the 2022 Intelsat Jackson Secured Credit Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the 2022 Intelsat Jackson Secured Credit Agreement.

Intelsat Jackson made principal payments on the 2029 Term Loans of \$386.2 million and \$110.8 million in 2022 and 2023 through the date of this report, respectively.

Note 10—Leases

Lessee

We lease corporate and branch offices, various facilities, land and equipment, specifically third-party teleport and circuit/dark fiber. Certain leases include one or more options to renew, with renewal terms that can extend the lease term from one year to fifteen years. The exercise of lease renewal options is at our sole discretion. Our lease agreements generally do not include options to purchase the leased property. The depreciable life of leasehold improvements is limited by the expected lease term in the absence of a transfer of title or purchase option reasonably certain of exercise.

Certain of our lease agreements include rental payments with escalation provisions as defined in the contracts. These escalation provisions are included in the calculation of the present value of the lease payments for purposes of determining the value of the respective ROU asset and lease liability. Our lease agreements do not contain any material residual value guarantees or materially restrictive covenants. We rent, license or sublease certain office space and land to third parties.

The following table sets forth supplemental balance sheet information related to ROU assets and lease liabilities (in thousands):

	Classification	Predecessor	Successor
		As of December 31, 2021	As of December 31, 2022
Assets			
Operating	Other assets	\$ 287,884	\$ 360,911
Finance	Other assets ⁽¹⁾	10,634	10,480
Total leased assets		\$ 298,518	\$ 371,391
Liabilities			
Current			
Operating	Other current liabilities	\$ 30,733	\$ 36,890
Finance	Other current liabilities	3,331	3,329
Long-term			
Operating	Other long-term liabilities	221,782	234,112
Finance	Other long-term liabilities	14,027	11,726
Total lease liabilities		\$ 269,873	\$ 286,057

(1) Net of accumulated amortization of \$4.1 million and \$1.7 million as of December 31, 2021 and 2022, respectively.

The following table sets forth supplemental information related to the components of lease expense (in thousands):

Classification	Predecessor			Successor	
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022	
Operating lease cost	Direct costs of revenue	\$ 24,770	\$ 34,957	\$ 6,229	\$ 43,254
Operating lease cost	Selling, general and administrative expenses	7,420	14,461	2,378	14,839
Operating lease cost	Other operating expense (income), net—C-band	—	3,359	1,680	9,200
Finance lease cost					
Amortization of leased assets	Depreciation and amortization	1,953	1,645	285	2,340
Interest on lease liabilities	Interest expense	1,708	1,398	213	824
Sublease income	Other income (expense), net	(953)	(1,249)	(64)	(303)
Net lease cost		\$ 34,898	\$ 54,571	\$ 10,721	\$ 70,154

The following table sets forth future minimum lease payments together with the present value of lease liabilities under leases as of December 31, 2022 for future periods (in thousands):

Year Ending December 31,	Operating Leases	Finance Leases	Total
2023	\$ 51,345	\$ 3,993	\$ 55,338
2024	59,047	2,486	61,533
2025	49,071	2,165	51,236
2026	34,939	2,165	37,104
2027	31,679	2,165	33,844
Thereafter	111,381	4,978	116,359
Total lease payments	\$ 337,462	\$ 17,952	\$ 355,414
Less: Imputed interest ⁽¹⁾	(66,460)	(2,897)	(69,357)
Present value of lease liabilities	\$ 271,002	\$ 15,055	\$ 286,057

(1) Calculated using the incremental borrowing rate assessed for each lease.

In September 2022, the Company entered into a finance lease for a portion of a third-party satellite that is currently in development. The lease will commence when the satellite becomes operational, which is expected to take place in the third quarter of 2023. The ROU asset and lease liability associated with the lease at commencement is expected to be \$257.8 million and \$239.2 million, respectively, which will be recognized over a term of twelve years.

The following table sets forth supplemental cash flow information related to leases (in thousands):

	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 32,993	\$ 73,366	\$ 7,702	\$ 40,838
Leased assets obtained in exchange for new operating lease liabilities	63,444	169,681	1,003	113,122
Leased assets obtained in exchange for new finance lease liabilities	3,127	2,419	—	—
Additions to ROU assets due to modifications or renewals of operating leases	—	—	2,461	1,497
Reductions in ROU assets due to modifications, renewals, and terminations of operating leases	(8,669)	(10,673)	—	—

The following table sets forth the weighted average remaining lease term and weighted average discount rate under leases:

	<u>As of December 31, 2022</u>
Weighted average remaining lease term (years):	
Operating leases	7.03
Finance leases	6.47
Weighted average discount rate:	
Operating leases	6.1 %
Finance leases	5.8 %

(1) Discount rate is the incremental borrowing rate assessed for each lease.

Lessor

We have certain operating and sales-type leases that generate insignificant operating lease income and interest income, respectively. The lease expiration dates range from 2022 to 2038, and are primarily related to managed service contracts and teleport usage.

In February 2022, the Company entered into a sales-type lease with an expiration date of February 14, 2027, with two one-year renewal options. We evaluated the lease and determined that it contains lease and non-lease components. The leased assets are not expected to have any residual value, and no interest income will be recognized under the lease as consideration was received upfront. For the two months ended February 28, 2022, the Company recorded revenue and direct costs of revenue of \$12.3 million and \$9.5 million, respectively, resulting in net income at commencement of the sales-type lease of approximately \$2.8 million.

The Company recorded a cumulative net investment in sales-type leases of approximately \$9.7 million as of December 31, 2022, of which \$1.3 million was included within “Prepaid expenses and other current assets” and \$8.4 million was included within “Other assets” in the consolidated balance sheets. The carrying value of the lease receivables approximates the net investments in the leases. As of December 31, 2022, the Company expects to receive approximately \$9.7 million of lease payments over the remaining term of the service agreements, of which \$1.3 million, \$1.3 million, \$1.3 million, \$1.3 million, \$1.3 million, and \$3.2 million are expected to be received in 2023, 2024, 2025, 2026, 2027 and thereafter, respectively.

Note 11—Share-Based and Other Compensation Plans

As a part of our reorganization proceedings, all of our share-based compensation awards outstanding as of December 31, 2021 were canceled, which resulted in the recognition of any previously unamortized expense related to the canceled awards on the date of cancellation. Share-based compensation for the Predecessor and Successor Periods is not comparable.

Predecessor Share-Based Compensation

In April 2013, our board of directors adopted the amended and restated Intelsat Global, Ltd. 2008 Share Incentive Plan (as amended, the “2008 Equity Plan”). Also in April 2013, our board of directors adopted the Intelsat S.A. 2013 Equity Incentive Plan (the “2013 Equity Plan”). No new awards may be granted under the 2008 Equity Plan.

The 2013 Equity Plan provides for a variety of equity-based awards, including incentive stock options (within the meaning of Section 422 of the United States Internal Revenue Service Tax Code), restricted shares, restricted stock units, and other share-based awards and performance compensation awards. Effective June 16, 2016, we increased the aggregate number of common shares authorized for issuance under the 2013 Equity Plan to 20.0 million common shares.

The Predecessor Share-Based awards that were outstanding and cancelled upon Emergence were as follows:

- Stock Options—Stock options generally expire 10 years from the date of grant. In some cases, options have been granted which expire 15 years from the date of grant.
- RSUs—Time-based RSUs vest over periods from one to three years from the date of grant.
- PSUs—Performance-based restricted stock units (“PSUs”) vest after three years from the date of grant upon achievement of certain performance metrics. These grants are subject to vesting upon achievement of an adjusted EBITDA target or achievement of a relative shareholder return (“RSR”), which is based on the Company’s relative shareholder return percentile ranking versus the S&P 900 Index as defined in the grant agreement.

Successor Share-Based Compensation

Post-Emergence, Intelsat S.A. provides the opportunity for employees to acquire equity interest in the Company and other incentive compensation such as stock options and cash-based awards to align the interest of key personnel with those of the Company's shareholders.

The Intelsat S.A. 2022 Equity Incentive Plan (the "Incentive Plan") provides for, among other things, the grant of RSUs and PSUs to employees, officers and directors of the Company. The Plan has vesting provisions predicated upon the death, termination or disability of the grantee.

The Plan was effective as of February 23, 2022 and will expire on the tenth anniversary of the Effective Date.

We account for share-based compensation expense in accordance with ASC 718, which requires us to measure and recognize compensation expense in our financial statements based on the fair value at the date of grant for our share-based awards. We recognize compensation expense for these equity-classified awards over their requisite service period and adjust for forfeitures as they occur.

The following summarizes the activity under our Incentive Plan related to RSUs for the ten months ended December 31, 2022.

	Number of RSUs (in thousands)	Weighted-Average Grant Date Fair Value
Balance at February 28, 2022	—	\$ —
Granted	1,316	50.00
Vested	29	50.00
Cancelled and forfeited	60	50.00
Balance at December 31, 2022	<u>1,227</u>	50.00

The following summarizes the activity under our Incentive Plan related to PSUs for the ten months ended December 31, 2022:

	Number of PSUs (in thousands)	Weighted-Average Grant Date Fair Value
Balance at February 28, 2022	—	\$ —
Granted	496	27.75
Vested	—	—
Cancelled and forfeited	26	21.89
Balance at December 31, 2022	<u>470</u>	28.08

During the successor period in 2022, the Company granted 496 thousand shares of PSUs and 1.3 million shares of RSUs in accordance with the Incentive Plan. RSUs will be vested based on the satisfaction of service obligations. The vesting is contingent upon each participant's continued employment through the applicable vesting date. PSUs shall vest upon the satisfaction of prescribed service and market performance obligations. As of December 31, 2022, total unrecognized compensation costs related to unvested employee stock options with respect to PSUs were \$11.2 million. These costs are expected to be recognized over a weighted-average period of approximately 4.1 years; total unrecognized compensation costs related to unvested employee stock options with respect to RSUs were \$45.6 million. These costs are expected to be recognized over a weighted-average period of approximately 1.6 years.

The fair value of RSUs were determined to be \$50.00 per unit which will also vest over a 3-year period. The \$50.00 per unit was based on the equity value at emergence and the target number of units issued. The fair value of PSUs with vesting conditions dependent upon market performance and service requirements is determined using a Monte Carlo simulation in risk-neutral framework, which the simulated payouts measured at the end of the periods are discounted with the risk-free interest rate to estimate the award fair values as of the estimate date. Share-based compensation expense is recognized on a straight-line basis over the service period or over our best estimate of the period over which the performance condition will be met, as applicable. The following table presents the assumptions used to estimate the fair values of the stock options granted in the periods presented. The total fair value of RSUs and PSUs were \$61.4 million and \$13.2 million respectively, as of December 31, 2022. The range of assumptions used in the Monte Carlo simulation valuation approach is as follows:

	As of February 23, 2022
Expected stock volatility ⁽¹⁾	45%
Expected dividend yield ⁽²⁾	— %
Risk-free interest rate ⁽³⁾	1.71% - 3.38%
Expected life ⁽⁴⁾	4.8 - 5.0 years

- (1) Management estimates volatility based on the historical trading volatility of a public company peer group and the implied volatility of our assets and current leverage.
- (2) We have not issued dividends to date and do not anticipate issuing dividends.
- (3) Based on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent expected term.
- (4) Represents the period that our share-based awards are expected to be outstanding. Management uses the simplified method for our estimation of the expected life as we do not have adequate historical data.

Share-Based Compensation Amortization Expense

We recognized the following compensation costs, net of actual forfeitures, related to share-based compensation for the periods presented:

	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Direct costs of revenue (excluding depreciation and amortization)	\$ 2,216	\$ 1,056	\$ 214	\$ 5,197
Selling, general and administrative	8,699	4,368	1,055	13,435
Total share-based compensation	\$ 10,915	\$ 5,424	\$ 1,269	\$ 18,632

Note 12—Income Taxes

The Company measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid.

In response to COVID-19, on March 18, 2020, the Families First Coronavirus Response Act (the “FFCR Act”) was enacted, and on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted. The FFCR Act and the CARES Act contain numerous income tax provisions, such as increasing the 30 percent adjusted taxable income threshold to 50 percent for taxable years beginning in 2019 and 2020 for purposes of determining allowable business interest expense deductions. The CARES Act repeals the 80 percent limitation for taxable years beginning before January 1, 2021 (enacted by the U.S. Tax Cut and Jobs Act), and it further specifies that net operating losses arising in a taxable year beginning after December 31, 2017, and before January 1, 2021, are allowed as a carryback to each of the five taxable years preceding the taxable year of such losses. Modifications to the tax rules for the carryback of net operating losses and business interest limitations resulted in a federal tax refund of approximately \$49.7 million as of December 31, 2021. In addition, the CARES Act includes refundable payroll tax credits and deferral of employment side social security payments. As of December 31, 2022, Intelsat’s payroll deferral amount of \$6.7 million was fully paid.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022 (the "Inflation Reduction Act"), which includes, among other provisions, changes to the U.S. corporate income tax system, including a 15% minimum tax based on average adjusted financial statement income exceeding \$1.0 billion for any three consecutive years preceding the tax year and a 1% excise tax on net repurchases of stock in excess of \$1.0 million after December 31, 2022. We do not anticipate a material financial impact from the Inflation Reduction Act during 2023.

The following table summarizes our total income (loss) before income taxes (in thousands):

	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Domestic income (loss) before income taxes	\$ (891,769)	\$ 1,343,625	\$ 3,806,832	\$ 269,396
Foreign income (loss) before income taxes	(24,557)	(48,990)	818,610	(343,373)
Total income (loss) before income taxes	\$ (916,326)	\$ 1,294,635	\$ 4,625,442	\$ (73,977)

The provision for (benefit from) income taxes consisted of the following (in thousands):

	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Current income tax provision (benefit):				
Domestic	\$ —	\$ —	\$ —	\$ —
Foreign	(10,034)	(6,511)	5,585	19,063
Total	(10,034)	(6,511)	5,585	19,063
Deferred income tax provision (benefit):				
Domestic	—	—	—	—
Foreign	2,979	11,405	(9,490)	(19,654)
Total	2,979	11,405	(9,490)	(19,654)
Total income tax provision (benefit):	\$ (7,055)	\$ 4,894	\$ (3,905)	\$ (591)

The income tax provision (benefit) was different from the amount computed using the Luxembourg statutory income tax rate of 24.94% for all periods presented for the reasons set forth in the following table (in thousands):

	Predecessor			Successor
	Year Ended December 31, 2020	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Expected tax provision (benefit) at Luxembourg statutory income tax rate	\$ (228,532)	\$ 322,882	\$ 1,153,585	\$ (18,450)
Foreign income tax differential	4,320	49,506	1,227	22,123
Luxembourg financing activities	66,772	27,759	5,435	18,300
Changes in unrecognized tax benefits	8,595	11,449	3,987	(1,217)
Changes in valuation allowance	792,487	(372,358)	436,801	292,290
Foreign tax credits	(8,754)	5,952	108	17,120
U.S. State tax expense	21,764	5,526	(573)	(4,898)
Internal reorganization	36,151	21,017	(1,602,929)	(292,157)
Impairment to intercompany investments in Luxembourg subsidiaries	(693,263)	(8,520)	(1,728)	(32,376)
Net operating loss carryback	(6,227)	(21,518)	—	(5,596)
Research and development credits	—	(5,897)	—	2,621
Permanent establishment income	—	(31,617)	—	—
Other	(368)	713	182	1,649
Total income tax provision (benefit)	\$ (7,055)	\$ 4,894	\$ (3,905)	\$ (591)

The majority of our operations are located in taxable jurisdictions, including Luxembourg, the U.S. and the United Kingdom (“UK”). Due to our cumulative losses in recent years, and the inherent uncertainty associated with the realization of taxable income in the foreseeable future, we recorded a full valuation allowance against the cumulative net operating losses generated in Luxembourg. The difference between “Income tax benefit (expense)” reported in the consolidated statements of operations and tax computed at statutory rates is attributable to the valuation allowance on losses generated in Luxembourg, the provision for foreign taxes, which were principally in the U.S. and the UK, as well as withholding taxes on revenue earned in some of the foreign markets in which we operate, and a tax reserve established on certain tax benefits taken on the Base Erosion and Anti-Abuse Tax.

The following table details the composition of the net deferred tax balances on our consolidated balance sheets as of December 31, 2021 and 2022 (in thousands):

	<u>Predecessor</u> As of December 31, 2021	<u>Successor</u> As of December 31, 2022
Long-term deferred taxes, net	\$ 16,879	\$ 22,703
Other assets	(68,652)	(45,531)
Net deferred taxes	<u>\$ (51,773)</u>	<u>\$ (22,828)</u>

The components of the net deferred tax liability were as follows (in thousands):

	<u>Predecessor</u> As of December 31, 2021	<u>Successor</u> As of December 31, 2022
Deferred tax assets:		
Accruals and advances	\$ 2,959	\$ 21,968
Amortizable intangible assets	790,963	958,342
Non-amortizable intangible assets	16,577	324,527
Customer deposits	2,611	2,602
Bad debt reserve	4,848	3,300
Disallowed interest expense carryforward	60,933	65,565
Net operating loss carryforward	1,930,502	2,126,710
Tax credits	17,708	9,933
Tax basis differences in investments and affiliates	44,500	23,279
Satellites and other property and equipment	241,028	374,079
Capital loss carryforward	5,717	2,757
Operating lease liabilities	16,563	14,164
Other	324	84,697
Total deferred tax assets	<u>3,135,233</u>	<u>4,011,923</u>
Deferred tax liabilities:		
Amortizable intangible assets	(3,854)	(3,855)
Non-amortizable intangible assets	(31,702)	(40,184)
Tax basis differences in investments and affiliates	(353,548)	(381,056)
Operating lease ROU asset	(14,306)	—
Basis difference in indebtedness	(281,830)	—
Other	(3,171)	(12,563)
Total deferred tax liabilities	<u>(688,411)</u>	<u>(437,658)</u>
Valuation allowance	<u>(2,498,577)</u>	<u>(3,597,093)</u>
Total net deferred tax liabilities	<u>\$ (51,755)</u>	<u>\$ (22,828)</u>

As of December 31, 2021 and 2022, our consolidated balance sheets included a deferred tax asset in the amount of \$1.9 billion and \$2.1 billion, respectively, attributable to the future benefit from the utilization of certain net operating loss carryforwards. In addition, our balance sheets as of December 31, 2021 and 2022 included \$17.7 million and \$9.9 million of deferred tax assets, respectively, attributable to the future benefit from the utilization of tax credit carryforwards. As of December 31, 2022, we had tax-effected U.S. federal, state and other foreign tax net operating loss carryforwards of \$105.9 million, of which \$59.0 million is expiring between 2024 and 2038, with the remaining \$46.9 million having an indefinite life. In addition, as of December 31, 2022, we had Luxembourg tax-effected net operating loss carryforwards of \$2.0 billion and of this amount \$1.0 billion expires between 2035 and 2039. These Luxembourg net operating loss carryforwards were caused primarily by our interest expense, satellite depreciation and amortization and impairment charges related to investments in subsidiaries, goodwill and other intangible assets. Our research and development credit of \$1.5 million may be carried forward to 2037. Our foreign tax credit of \$8.4 million as of December 31, 2022 is fully valued.

Our valuation allowance as of December 31, 2021 and 2022 was \$2.5 billion and \$3.6 billion, respectively. Almost all of the valuation allowance relates to Luxembourg net operating loss carryforwards and deferred tax assets created by differences between the U.S. GAAP and the Luxembourg tax basis in our assets. Certain operations of our subsidiaries are controlled by various intercompany agreements which provide these subsidiaries with predictable operating profits. Other subsidiaries, principally Luxembourg and U.S. subsidiaries, are subject to the risks of our overall business conditions which make their earnings less predictable. Our valuation allowance as of December 31, 2022 also relates to certain deferred tax assets in our U.S. subsidiaries, including foreign tax credit carryforward and disallowed interest expense carryforward.

The following table summarizes the activity related to our unrecognized tax benefits (in thousands):

	Predecessor		Successor
	Year Ended December 31, 2021	Two Months Ended February 28, 2022	Ten Months Ended December 31, 2022
Balance at beginning of period	\$ 51,402	\$ 63,039	\$ 67,275
Increases (decreases) related to current year tax positions	5,711	4,092	(1,032)
Increases related to prior year tax positions	8,352	150	462
Decreases related to prior year tax positions	(14)	(6)	(78)
Expiration of statute of limitations for the assessment of taxes	(2,412)		(560)
Balance at end of period	\$ 63,039	\$ 67,275	\$ 66,067

As of December 31, 2021 and 2022, our gross unrecognized tax benefits were \$63.0 million and \$66.1 million, respectively (including interest and penalties), of which \$59.0 million and \$56.5 million, respectively, if recognized, would affect our effective tax rate. As of December 31, 2021 and 2022, we recorded reserves for interest and penalties in the amounts of \$0.3 million and \$2.6 million, respectively. We continue to recognize interest and, to the extent applicable, penalties with respect to the unrecognized tax benefits as income tax expense. Since December 31, 2021, the change in the balance of unrecognized tax benefits has consisted of an increase of \$4.1 million and a decrease of \$1.0 million related to current year tax positions for the two months ended February 28, 2022 and ten months ended December 31, 2022, respectively, and net increases of \$0.1 million and \$0.4 million related to prior year tax positions for the two months ended February 28, 2022 and ten months ended December 31, 2022, respectively. The increase in gross unrecognized tax benefits was partially offset by \$0.6 million related to the expiration of the statute of limitations on the assessment of certain tax positions during the ten months ended December 31, 2022.

We operate in various taxable jurisdictions throughout the world, and our tax returns are subject to audit and review from time to time. We consider Luxembourg, the U.S. and the UK to be our significant tax jurisdictions. Our subsidiaries in these jurisdictions are subject to income tax examination for periods after December 31, 2016. We believe that there are no jurisdictions in which the outcome of unresolved tax issues or claims is likely to be material to our results of operations, financial position or cash flows within the next twelve months.

Effective January 31, 2020, the UK formally exited the European Union (“EU”). As a result of the withdrawal, existing tax reliefs and exemptions on intra-European transactions will likely cease to apply to transactions between UK entities and EU entities. In addition, transactions with non-EU countries, such as the U.S., may also be affected. As of December 31, 2022, all relevant tax laws and treaties remained unchanged and the tax consequences were unknown. Therefore, we have not recognized any impacts of the withdrawal in the income tax provision as of December 31, 2022. We will recognize any impacts to the tax provision when changes in tax laws or treaties between the UK and the EU or individual EU member states are enacted.

As described in Note 9—Debt, in accordance with the Final Plan, all of the Company’s debt that was outstanding as of December 31, 2021 has been repaid or settled and extinguished. The IRC provides that a debtor in a Chapter 11 bankruptcy case may exclude cancellation of debt income (“CODI”) from taxable income but must reduce certain of its tax attributes by the amount of any CODI realized as a result of the consummation of a plan of reorganization. The amount of CODI realized by a taxpayer is determined based on the fair market value of the consideration received by the creditors in settlement of outstanding indebtedness. Upon emergence from Chapter 11 bankruptcy proceedings, CODI may reduce some or all of the amount of prior U.S. tax attributes, which can include net operating losses, general business credits, capital losses, and tax basis in assets. The actual reduction in tax attributes occurred effective December 31, 2022. The Company’s amount of remaining U.S. deferred tax assets, against which a partial valuation exists, will be limited under IRC Section 382 due to the change in control resulting from the Final Plan.

The Company has evaluated the impact of the reorganization, including the change in control, resulting from its emergence from bankruptcy. The post-Emergence Company was able to fully absorb the CODI realized by the pre-Emergence Company in connection with the reorganization as an offset to current year operating losses without impacting its net historical operating losses, general business credits, capital losses, and tax basis in assets. It is more likely than not that the post-Emergence Company will not fully realize future income tax benefits related to its remaining U.S. net deferred tax asset based on the IRC Section 382 limitation, historical results, and expected market conditions known on the date of measurement, and the Company has therefore maintained a partial valuation allowance against the remaining U.S. net deferred tax asset. This is periodically reassessed and could change in the future.

Note 13—Contractual Commitments

In the further development and operation of our commercial global communications satellite system, significant additional expenditures are anticipated. In connection with these and other expenditures, we have a significant amount of debt, as described in Note 9—Debt, and lease commitments, as described in Note 10—Leases. In addition to these debt and related interest obligations and lease commitments, we have expenditures represented by other contractual commitments. The additional expenditures as of December 31, 2022 and the expected year of payment are as follows (in thousands):

Year Ended December 31,	Satellite Construction and Launch Obligations	Satellite Capacity and Teleport Commitments	Satellite Performance Incentive Obligations	Horizons-3 Satellite LLC Contribution and Purchase Obligations ⁽¹⁾	Total
2023	\$ 338,526	\$ 199,729	\$ 26,478	\$ 36,698	\$ 601,431
2024	225,188	136,910	21,189	36,978	420,265
2025	58,961	131,161	19,318	41,298	250,738
2026	6,465	119,339	15,985	29,062	170,851
2027	5,770	112,206	14,447	15,313	147,736
Thereafter	59,896	395,587	42,965	110,326	608,774
Total contractual commitments	\$ 694,806	\$ 1,094,932	\$ 140,382	\$ 269,675	\$ 2,199,795

(1) Includes commitments to make capital contributions to and purchase satellite capacity from Horizons 3. See Note 7—Investments.

(a) Satellite Construction and Launch Obligations

As of December 31, 2022, we had approximately \$694.8 million of expenditures remaining under our existing satellite construction and launch contracts, including expected orbital performance incentive payments for satellites currently in the construction phase. Included in this number is the procurement and launch of one new satellite in connection with the C-band clearing process. The Company expects to receive reimbursement payments for certain upfront C-band spectrum clearing expenses incurred, subject to the satisfaction of certain deadlines and other conditions set forth in the FCC Final Order.

These contracts typically require that we make progress payments during the period of the satellites' construction and contain provisions that allow us to cancel the contracts for or without cause. If cancelled without cause, we could be subject to substantial termination penalties, including the forfeiture of progress payments made to-date and additional penalty payments. If cancelled for cause, we are entitled to recover progress payments made to-date and liquidated damages as specified in the contracts.

(b) Satellite Performance Incentive Obligations

Satellite construction contracts also typically require that we make orbital incentive payments (plus interest as defined in each agreement with the satellite manufacturer) over the orbital life of the satellite. The incentive obligations may be subject to reduction or refund if the satellite fails to meet specific technical operating standards. As of December 31, 2022, we had \$140.4 million of satellite performance incentive obligations, including future interest payments, for satellites currently in orbit.

(c) Satellite Capacity and Teleport Commitments

We have agreements with vendors to provide us with transponder and teleport satellite services. These agreements vary in length and amount. As of December 31, 2022, we had approximately \$1.1 billion of expenditures remaining under our existing commitments.

Note 14—Contingencies

On May 13, 2020, the Debtors commenced the Chapter 11 Cases under title 11 of the Bankruptcy Code in the Bankruptcy Court. As a result of such bankruptcy filings, substantially all proceedings pending against the Debtors were stayed and prepetition liabilities are subject to compromise. The stay was ended upon the occurrence of the Effective Date. See Note 2—Emergence from Chapter 11 Proceedings and Other Related Matters.

SES Claim

On July 14, 2020, SES Americom, Inc. ("SES") filed a proof of claim in the Bankruptcy Court in the amount of \$1.8 billion against each of the Debtors. SES asserts that the Debtors owe money (or will owe money) to SES pursuant to certain contractual and fiduciary obligations made in the context of the consortium agreement entered into in September of 2018 among Intelsat US LLC, SES, and other satellite operators (the "Consortium Agreement"). SES claims that it is entitled to 50% of the combined payments that

may eventually be payable to the Debtors and SES pursuant to the FCC Final Order, which provides for ARPs subject to the satisfaction of certain deadlines and other conditions set forth therein. SES's proof of claim alleges that the Debtors breached the Consortium Agreement by taking the position that the Debtors are not required to split ARPs with SES and the other members of the consortium. The proof of claim also alleged breach of fiduciary duties and unjust enrichment and seeks monetary and punitive damages. We disputed the allegations in the proof of claim and on October 19, 2020, filed an objection to the proof of claim and have vigorously litigated our position. SES also filed an objection to the Debtors' Plan in connection with the confirmation hearing. Intelsat settled SES's Plan objection and as part of the settlement SES agreed to: (1) eliminate any punitive damage claims; (2) limit their breach of contract and unjust enrichment claims to three Debtor entities; and (3) limit damages under their "constructive trust" theory to a maximum of \$200.0 million, even if SES wins. Trial on the SES claim concluded on February 15, 2022, proposed findings of fact and conclusions of law were filed on March 18, 2022, and the Bankruptcy Court heard closing arguments on April 19, 2022.

On September 30, 2022, the Bankruptcy Court ruled in the Debtors' favor on all relevant issues, awarding SES nothing. The Debtors had accrued an estimate of this liability in accordance with ASC 450, *Contingencies* as of December 31, 2021 for which we recognized a benefit during the three months ended September 30, 2022. SES filed a Notice of Appeal on October 14, 2022. The appeal was briefed and argued before the U.S. District Court for the Eastern District of Virginia ("District Court") on March 20, 2023. The District Court judge has asked the parties to submit to mediation to settle the appeal.

On September 8, 2020, SES also filed a series of proofs of claim in the amount of approximately \$11.6 million for costs it contends were associated with the Agreement (the "Cost Claims"). In January 2023, the parties settled the Cost Claims and Intelsat's motion to receive expense reimbursements related to the trial of the ARP claim. Intelsat and SES stipulated that (1) the Cost Claims are withdrawn with prejudice and will receive no recovery; and (2) Intelsat will be paid \$100,000 following the final judgement (and exhaustion of all appeals) if the Bankruptcy Court's decision rejecting SES's ARP claim is affirmed.

On March 20, 2023, an oral argument was held in the U.S. District Court for the Eastern District of Virginia, Richmond Division addressing the appeal filed by SES. The court requested a mediation session be held on May 16, 2023 before it rules on the case.

Note 15—Related Party Transactions

(a) Indemnification Agreements

We have entered into agreements with our executive officers and directors to provide contractual indemnification in addition to the indemnification provided for in our articles of association.

(b) Intelsat S.A. (now Reorganized ISA S.A.) and Intelsat Investment Holdings S.á r.l.

As of December 31, 2021, Intelsat recorded a net related party payable of \$15.1 million, which is included within "Due to related parties, net" on our consolidated balance sheets. This amount was settled in accordance with the Final Plan.

SUPPLEMENTARY INFORMATION

Supplemental Consolidating Financial Information

The following presents our unaudited condensed consolidating balance sheets as of December 31, 2022 (Successor), unaudited condensed consolidating statements of operations for the two months ended February 28, 2022 (Predecessor) and ten months ended December 31, 2022 (Successor), changes in shareholders' equity (deficit) for the ten months ended December 31, 2022 (Successor), and unaudited condensed consolidating statement of cash flows for the two months ended February 28, 2022 (Predecessor) and ten months ended December 31, 2022 (Successor). Investments in subsidiaries in the following unaudited condensed consolidating financial information are accounted for under the equity method of accounting. Consolidating adjustments include eliminations of the following:

- investments in subsidiaries;
- intercompany accounts;
- intercompany sales and expenses; and
- intercompany equity balances.

INTELSAT S.A. AND SUBSIDIARIES

**UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2022 (SUCCESSOR)
(in thousands)**

	Intelsat S.A. and Other Parent Companies	Intelsat Luxembourg	Intelsat Envision	Intelsat Connect Finance	Intelsat Jackson and Subsidiaries	Consolidation and Eliminations	Consolidated
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 512	\$ 10	\$ 9	\$ 988	\$ 718,582	\$ —	\$ 720,101
Restricted cash	—	—	—	—	3,297	—	3,297
Receivables, net of allowances	560	6	—	10	266,495	—	267,071
Receivables relating to C-band	—	—	—	—	576,530	—	576,530
Contract assets, net of allowances	—	—	—	—	46,727	—	46,727
Inventory	—	—	—	—	140,043	—	140,043
Prepaid expenses and other current assets	5,241	—	—	1,198	74,368	—	80,807
Intercompany receivables	—	—	—	—	1,321,558	(1,321,558)	—
Total current assets	<u>6,313</u>	<u>16</u>	<u>9</u>	<u>2,196</u>	<u>3,147,600</u>	<u>(1,321,558)</u>	<u>1,834,576</u>
Satellites and other property and equipment, net	—	—	—	—	4,170,410	—	4,170,410
Accelerated relocation payment rights	—	—	—	—	3,123,694	—	3,123,694
Goodwill	—	—	—	—	1,074,620	—	1,074,620
Non-amortizable intangible assets	—	—	—	—	1,050,000	—	1,050,000
Amortizable intangible assets, net	—	—	—	—	153,241	—	153,241
Contract assets, net of current portion and allowances	—	—	—	—	45,818	—	45,818
Investment in affiliates	4,207,539	4,230,608	4,257,768	4,260,720	—	(16,956,635)	—
Other assets	88	—	—	—	869,451	—	869,539
Total assets	<u>\$ 4,213,940</u>	<u>\$ 4,230,624</u>	<u>\$ 4,257,777</u>	<u>\$ 4,262,916</u>	<u>\$ 13,634,834</u>	<u>\$ (18,278,193)</u>	<u>\$ 12,321,898</u>

	Intelsat S.A. and Other Parent Companies	Intelsat Luxembourg	Intelsat Envision	Intelsat Connect Finance	Intelsat Jackson and Subsidiaries	Consolidation and Eliminations	Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 442	\$ (248)	\$ 15	\$ 2,144	\$ 257,519	\$ —	\$ 259,872
Taxes payable	—	—	—	—	15,942	—	15,942
Employee-related liabilities	(1)	—	—	—	105,764	—	105,763
Accrued interest payable	—	—	—	—	99,850	—	99,850
Current maturities of long-term debt	—	—	—	—	115,614	—	115,614
Contract liabilities	—	—	—	—	186,704	—	186,704
Deferred satellite performance incentives	—	—	—	—	14,504	—	14,504
Other current liabilities	—	—	—	—	98,597	(5,611)	92,986
Intercompany payables	592,005	23,333	27,154	3,004	670,451	(1,315,947)	—
Total current liabilities	592,446	23,085	27,169	5,148	1,564,945	(1,321,558)	891,235
Long-term debt, net of current portion	—	—	—	—	5,688,177	—	5,688,177
Contract liabilities, net of current portion	—	—	—	—	1,423,080	—	1,423,080
Deferred satellite performance incentives, net of current portion	—	—	—	—	83,554	—	83,554
Deferred income taxes	—	—	—	—	45,532	—	45,532
Accrued retirement benefits, net of current portion	—	—	—	—	55,127	—	55,127
Other long-term liabilities	(50)	—	—	—	513,699	—	513,649
Intercompany notes payable	—	514,908	—	—	—	(514,908)	—
Total liabilities	592,396	537,993	27,169	5,148	9,374,114	(1,836,466)	8,700,354
Shareholders' equity (deficit):							
Predecessor common shares	—	7,202	—	227,396	236,996	(471,594)	—
Successor common shares	677	—	—	—	—	—	677
Other shareholders' equity (deficit)	3,620,867	3,685,429	4,230,608	4,030,372	4,023,724	(15,970,133)	3,620,867
Total shareholders' equity (deficit)	3,621,544	3,692,631	4,230,608	4,257,768	4,260,720	(16,441,727)	3,621,544
Total liabilities and shareholders' equity (deficit)	\$ 4,213,940	\$ 4,230,624	\$ 4,257,777	\$ 4,262,916	\$ 13,634,834	\$ (18,278,193)	\$ 12,321,898

(Certain totals may not sum due to rounding)

INTELSAT S.A. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE TWO MONTHS ENDED FEBRUARY 28, 2022 (PREDECESSOR)
(in thousands)

	Intelsat S.A. and Other Parent Companies	Intelsat Luxembourg	Intelsat Envision	Intelsat Connect Finance	Intelsat Jackson and Subsidiaries	Consolidation and Eliminations	Consolidated
Revenue	\$ 5,690	\$ —	\$ —	\$ —	\$ 394,429	\$ (54,451)	\$ 345,668
Operating expenses:							
Direct costs of revenue (excluding depreciation and amortization)	2	—	—	—	183,401	(54,451)	128,952
Selling, general and administrative	2,014	137	(67)	905	71,783	—	74,772
Depreciation and amortization	—	—	—	—	104,897	—	104,897
Other operating expense—C-band	176	—	—	—	37,183	—	37,359
Total, net	2,192	137	(67)	905	397,264	(54,451)	345,980
Income (loss) from operations	3,498	(137)	67	(905)	(2,835)	—	(312)
Interest expense	—	—	—	—	(57,869)	—	(57,869)
Interest income	—	—	2	1	1,323	—	1,326
Equity in earnings (losses) of affiliates	4,605,328	3,248,924	2,888,064	1,933,773	—	(12,676,089)	—
Other income (expense), net	(1)	—	—	—	2,781	—	2,780
Reorganization items	20,125	1,356,541	360,791	955,195	1,986,865	—	4,679,517
Income (loss) before income taxes	4,628,950	4,605,328	3,248,924	2,888,064	1,930,265	(12,676,089)	4,625,442
Income tax benefit	—	—	—	—	3,905	—	3,905
Net income (loss)	4,628,950	4,605,328	3,248,924	2,888,064	1,934,170	(12,676,089)	4,629,347
Net income attributable to noncontrolling interest	—	—	—	—	(397)	—	(397)
Net income (loss) attributable to Intelsat S.A.	\$ 4,628,950	\$ 4,605,328	\$ 3,248,924	\$ 2,888,064	\$ 1,933,773	\$ (12,676,089)	\$ 4,628,950

(Certain totals may not sum due to rounding)

INTELSAT S.A. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE TEN MONTHS ENDED DECEMBER 31, 2022 (SUCCESSOR)
(in thousands)

	Intelsat S.A. and Other Parent Companies	Intelsat Luxembourg	Intelsat Envision	Intelsat Connect Finance	Intelsat Jackson and Subsidiaries	Consolidation and Eliminations	Consolidated
Revenue	\$ —	\$ —	\$ —	\$ —	\$ 1,974,791	\$ (236,250)	\$ 1,738,541
Operating expenses:							
Direct costs of revenue (excluding depreciation and amortization)	12	4	—	4	911,884	(236,250)	675,654
Selling, general and administrative	2,363	22	—	21	356,969	—	359,375
Depreciation and amortization	—	—	—	—	461,425	—	461,425
Satellite impairment	—	—	—	—	5,177	—	5,177
Impairment of non-amortizable intangible and other assets	—	—	—	—	321,322	—	321,322
Other operating expense (income), net—C- band	—	—	—	—	(105,322)	—	(105,322)
Total, net	2,375	26	—	25	1,951,455	(236,250)	1,717,631
Income (loss) from operations	(2,375)	(26)	—	(25)	23,336	—	20,910
Interest expense	(20,000)	—	—	—	(302,259)	—	(322,259)
Interest income	5	—	—	—	308,618	—	308,623
Equity in earnings (losses) of affiliates	(131,211)	(131,666)	(131,732)	(133,668)	—	528,277	—
Other income (expense), net	(1)	—	—	(7)	(125,810)	—	(125,818)
Reorganization items	(34)	481	66	1,968	(36,236)	—	(33,755)
Income (loss) before income taxes	(153,616)	(131,211)	(131,666)	(131,732)	(132,351)	528,277	(152,299)
Income tax expense	—	—	—	—	591	—	591
Net income (loss)	(153,616)	(131,211)	(131,666)	(131,732)	(131,760)	528,277	(151,708)
Net income attributable to noncontrolling interest	—	—	—	—	(1,908)	—	(1,908)
Net income (loss) attributable to Intelsat S.A.	<u>\$ (153,616)</u>	<u>\$ (131,211)</u>	<u>\$ (131,666)</u>	<u>\$ (131,732)</u>	<u>\$ (133,668)</u>	<u>\$ 528,277</u>	<u>\$ (153,616)</u>

(Certain totals may not sum due to rounding)

INTELSAT S.A. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(in thousands, except where otherwise noted)

	Entity	Common Shares of Predecessor		Common Shares of Successor		Other Shareholders' Equity (Deficit)	Total Shareholders' Equity (Deficit)
		Number of Shares (in millions)	Amount	Number of Shares (in millions)	Amount		
Balance at December 31, 2022 (Successor)	Intelsat S.A. & Subsidiaries	—	\$ —	67.7	\$ 677	\$ 3,620,867	\$ 3,621,544
Common shares of other entities	All other entities ⁽¹⁾	(23,459.8)	(234,598)	(67.7)	(677)	—	(235,275)
Other shareholders' deficit	All other entities ⁽¹⁾	—	—	—	—	(15,567,276)	(15,567,276)
Consolidation and eliminations	Eliminations	47,159.4	471,594	—	—	15,970,133	16,441,727
Balance at December 31, 2022 (Successor)	Intelsat Jackson & Subsidiaries	23,699.6	\$ 236,996	—	\$ —	\$ 4,023,724	\$ 4,260,720

(1) Represents Intelsat S.A. (formerly Intelsat Emergence S.A.) and other parent companies, Intelsat Luxembourg, Intelsat Envision and Intelsat Connect.

(Certain totals may not sum due to rounding)

INTELSAT S.A. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE TWO MONTHS ENDED FEBRUARY 28, 2022 (PREDECESSOR)
(in thousands)

	Intelsat S.A. and Other Parent Companies	Intelsat Luxembourg	Intelsat Envision	Intelsat Connect Finance	Intelsat Jackson and Subsidiaries	Consolidated
Net cash provided by (used in) operating activities	\$ 97	\$ (13)	\$ (81,316)	\$ (86,987)	\$ 725,720	\$ 557,501
Cash flows from investing activities:						
Capital expenditures (including capitalized interest)	—	—	—	—	(107,537)	(107,537)
Purchase of investment	—	—	—	—	(53)	(53)
Proceeds from principal repayments on loans held-for-investment	—	—	—	—	109	109
Acquisition of intangible assets	—	—	—	—	(432)	(432)
Net cash used in investing activities	—	—	—	—	(107,913)	(107,913)
Cash flows from financing activities:						
Proceeds from issuance of long-term debt	—	—	—	—	6,190,000	6,190,000
Repayments of long-term debt	—	—	—	—	(5,666,521)	(5,666,521)
Repayments of debtor-in-possession financing	—	—	—	—	(1,250,000)	(1,250,000)
Debt issuance costs	—	—	—	—	(223,657)	(223,657)
Principal payments on deferred satellite performance incentives	—	—	—	—	(7,332)	(7,332)
Net cash used in financing activities	—	—	—	—	(957,510)	(957,510)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2)	—	—	—	(68)	(70)
Net change in cash, cash equivalents and restricted cash	95	(13)	(81,316)	(86,987)	(339,771)	(507,992)
Cash, cash equivalents and restricted cash, beginning of period	518	21	81,117	88,192	759,889	929,737
Cash, cash equivalents and restricted cash, end of period	\$ 613	\$ 8	\$ (199)	\$ 1,205	\$ 420,118	\$ 421,745

(Certain totals may not sum due to rounding)

INTELSAT S.A. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE TEN MONTHS ENDED DECEMBER 31, 2022 (SUCCESSOR)
(in thousands)

	Intelsat S.A. and Other Parent Companies	Intelsat Luxembourg	Intelsat Envision	Intelsat Connect Finance	Intelsat Jackson and Subsidiaries	Consolidated
Net cash provided by operating activities	\$ (99)	\$ 2	\$ 208	\$ (210)	\$ 1,354,225	\$ 1,354,126
Cash flows from investing activities:						
Capital expenditures (including capitalized interest)	—	—	—	—	(510,448)	(510,448)
Acquisition of loans held-for-investment	—	—	—	—	(272)	(272)
Sales (purchases) of investments, net	—	—	—	—	3,128	3,128
Proceeds from principal repayments on loans held-for-investment	—	—	—	—	13,467	13,467
Acquisition of intangible assets	—	—	—	—	(8,815)	(8,815)
Net cash used in investing activities	—	—	—	—	(502,940)	(502,940)
Cash flows from financing activities:						
Repayments of long-term debt	—	—	—	—	(386,209)	(386,209)
Proceeds from revolving credit facilities	—	—	—	—	65,000	65,000
Repayments of revolving credit facilities	—	—	—	—	(65,000)	(65,000)
Principal payments on deferred satellite performance incentives	—	—	—	—	(15,592)	(15,592)
Dividends paid to noncontrolling interest	—	—	—	—	(5,979)	(5,979)
Net cash used in financing activities	—	—	—	—	(407,780)	(407,780)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2)	—	—	(7)	(2,933)	(2,942)
Net change in cash, cash equivalents and restricted cash	(101)	2	208	(217)	440,572	440,464
Cash, cash equivalents and restricted cash, beginning of period	613	8	(199)	1,205	420,118	421,745
Cash, cash equivalents and restricted cash, end of period	\$ 512	\$ 10	\$ 9	\$ 988	\$ 860,690	\$ 862,209

(Certain totals may not sum due to rounding)