

Edgar Filing: EchoStar CORP - Form 10-Q

EchoStar CORP

Form 10-Q

November 08, 2018

false--12-31Q320182018-09-3010-Q0001415404YesfalseLarge Accelerated FilerEchoStar
CORPfalse01390000021P5YP1YP1YP1YP5YP4YP3Y00.0010.0010.0010.0010.0010.0010.0010.00140000000008
0001415404 2018-01-01 2018-09-30 0001415404 us-gaap:CommonClassBMember 2018-10-31 0001415404
us-gaap:CommonClassAMember 2018-10-31 0001415404 2018-09-30 0001415404 2017-12-31 0001415404
us-gaap:CommonClassBMember 2018-09-30 0001415404 us-gaap:CommonClassAMember 2018-09-30 0001415404
us-gaap:CommonClassAMember 2017-12-31 0001415404 us-gaap:CommonClassCMember 2018-09-30 0001415404
us-gaap:CommonClassBMember 2017-12-31 0001415404 sats:CommonClassDMember 2017-12-31 0001415404
us-gaap:CommonClassCMember 2017-12-31 0001415404 sats:CommonClassDMember 2018-09-30 0001415404
us-gaap:PreferredStockMember 2018-09-30 0001415404 us-gaap:PreferredStockMember 2017-12-31 0001415404
2018-07-01 2018-09-30 0001415404 2017-01-01 2017-09-30 0001415404 2017-07-01 2017-09-30 0001415404
us-gaap:ServiceMember 2017-07-01 2017-09-30 0001415404 us-gaap:ServiceMember 2018-07-01 2018-09-30
0001415404 us-gaap:ServiceMember sats:DISHNetworkMember 2018-01-01 2018-09-30 0001415404
us-gaap:ProductMember 2018-07-01 2018-09-30 0001415404 us-gaap:ProductMember 2018-01-01 2018-09-30
0001415404 us-gaap:ProductMember 2017-07-01 2017-09-30 0001415404 us-gaap:ServiceMember 2018-01-01
2018-09-30 0001415404 us-gaap:ServiceMember 2017-01-01 2017-09-30 0001415404 us-gaap:ServiceMember
sats:DISHNetworkMember 2018-07-01 2018-09-30 0001415404 us-gaap:ProductMember 2017-01-01 2017-09-30
0001415404 us-gaap:ServiceMember sats:DISHNetworkMember 2017-07-01 2017-09-30 0001415404
us-gaap:ServiceMember sats:DISHNetworkMember 2017-01-01 2017-09-30 0001415404
us-gaap:CommonStockMember 2017-09-30 0001415404 sats:OtherNoncontrollingInterestsMember 2018-07-01
2018-09-30 0001415404 us-gaap:CommonStockMember 2017-07-01 2017-09-30 0001415404
us-gaap:AdditionalPaidInCapitalMember 2018-07-01 2018-09-30 0001415404
us-gaap:AdditionalPaidInCapitalMember 2017-07-01 2017-09-30 0001415404
sats:OtherNoncontrollingInterestsMember 2018-06-30 0001415404 us-gaap:RetainedEarningsMember 2017-06-30
0001415404 us-gaap:TreasuryStockMember 2018-09-30 0001415404 2017-06-30 0001415404
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-09-30 0001415404
us-gaap:AdditionalPaidInCapitalMember 2017-09-30 0001415404 2017-09-30 0001415404
sats:OtherNoncontrollingInterestsMember 2018-09-30 0001415404 us-gaap:TreasuryStockMember 2017-06-30
0001415404 us-gaap:CommonStockMember 2018-09-30 0001415404 us-gaap:TreasuryStockMember 2017-09-30
0001415404 us-gaap:CommonStockMember 2017-06-30 0001415404 us-gaap:CommonStockMember 2018-06-30
0001415404 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-06-30 0001415404
us-gaap:AdditionalPaidInCapitalMember 2018-09-30 0001415404 us-gaap:AdditionalPaidInCapitalMember
2018-06-30 0001415404 us-gaap:RetainedEarningsMember 2017-07-01 2017-09-30 0001415404
sats:OtherNoncontrollingInterestsMember 2017-06-30 0001415404 sats:OtherNoncontrollingInterestsMember
2017-09-30 0001415404 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-07-01 2017-09-30
0001415404 us-gaap:RetainedEarningsMember 2018-07-01 2018-09-30 0001415404 us-gaap:TreasuryStockMember
2018-06-30 0001415404 us-gaap:RetainedEarningsMember 2018-06-30 0001415404
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-06-30 0001415404
us-gaap:RetainedEarningsMember 2017-09-30 0001415404 us-gaap:RetainedEarningsMember 2018-09-30
0001415404 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-09-30 0001415404
sats:OtherNoncontrollingInterestsMember 2017-07-01 2017-09-30 0001415404 2018-06-30 0001415404
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-07-01 2018-09-30 0001415404
us-gaap:AdditionalPaidInCapitalMember 2017-06-30 0001415404 us-gaap:CommonStockMember 2017-12-31
0001415404 us-gaap:AdditionalPaidInCapitalMember 2018-01-01 0001415404
us-gaap:NoncontrollingInterestMember 2017-01-01 0001415404 us-gaap:AdditionalPaidInCapitalMember
2018-01-01 2018-09-30 0001415404 us-gaap:RetainedEarningsMember 2017-01-01 2017-01-01 0001415404
us-gaap:RetainedEarningsMember 2017-01-01 2017-09-30 0001415404 2016-12-31 0001415404
us-gaap:AdditionalPaidInCapitalMember 2016-12-31 0001415404 us-gaap:AdditionalPaidInCapitalMember
2017-01-01 0001415404 sats:OtherNoncontrollingInterestsMember 2017-01-01 2017-09-30 0001415404

Edgar Filing: EchoStar CORP - Form 10-Q

sats:PreferredTrackingStockMember 2017-01-01 0001415404 2017-01-01 2017-01-01 0001415404
sats:OtherNoncontrollingInterestsMember 2016-12-31 0001415404 us-gaap:AdditionalPaidInCapitalMember
2017-01-01 2017-09-30 0001415404 us-gaap:CommonStockMember 2017-01-01 0001415404
sats:OtherNoncontrollingInterestsMember 2017-01-01 0001415404 sats:PreferredTrackingStockMember 2018-09-30
0001415404 us-gaap:RetainedEarningsMember 2018-01-01 2018-01-01 0001415404 us-gaap:CommonStockMember
2016-12-31 0001415404 us-gaap:CommonStockMember 2017-01-01 2017-09-30 0001415404
us-gaap:TreasuryStockMember 2016-12-31 0001415404 2018-01-01 2018-01-01 0001415404
us-gaap:NoncontrollingInterestMember 2016-12-31 0001415404 us-gaap:CommonStockMember 2018-01-01
0001415404 2017-01-01 0001415404 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01
0001415404 sats:OtherNoncontrollingInterestsMember 2017-12-31 0001415404
us-gaap:AdditionalPaidInCapitalMember 2017-12-31 0001415404 us-gaap:NoncontrollingInterestMember
2017-12-31 0001415404 us-gaap:RetainedEarningsMember 2016-12-31 0001415404
us-gaap:NoncontrollingInterestMember 2017-01-01 2017-09-30 0001415404
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-09-30 0001415404
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-09-30 0001415404
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0001415404
sats:PreferredTrackingStockMember 2017-09-30 0001415404 us-gaap:NoncontrollingInterestMember 2017-09-30
0001415404 sats:OtherNoncontrollingInterestsMember 2018-01-01 0001415404
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-01-01 0001415404
sats:OtherNoncontrollingInterestsMember 2018-01-01 2018-09-30 0001415404 us-gaap:RetainedEarningsMember
2018-01-01 2018-09-30 0001415404 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-12-31
0001415404 2018-01-01 0001415404 sats:PreferredTrackingStockMember 2017-12-31 0001415404
us-gaap:RetainedEarningsMember 2017-01-01 0001415404 us-gaap:NoncontrollingInterestMember 2018-09-30
0001415404 sats:PreferredTrackingStockMember 2017-01-01 2017-09-30 0001415404
sats:PreferredTrackingStockMember 2016-12-31 0001415404 us-gaap:RetainedEarningsMember 2018-01-01
0001415404 us-gaap:TreasuryStockMember 2018-01-01 0001415404 sats:PreferredTrackingStockMember
2018-01-01 0001415404 us-gaap:NoncontrollingInterestMember 2018-01-01 0001415404
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 0001415404 us-gaap:TreasuryStockMember
2017-12-31 0001415404 us-gaap:RetainedEarningsMember 2017-12-31 0001415404 us-gaap:TreasuryStockMember
2017-01-01 0001415404 sats:DISHNetworkMember sats:EchoStarTechnologiesBusinessMember
sats:ShareExchangeAgreementMember 2017-02-28 0001415404 sats:DISHNetworkMember
sats:PreferredTrackingStockMember sats:HughesRetailGroupMember
sats:SatelliteAndTrackingStockTransactionMember 2017-02-28 2017-02-28 0001415404
sats:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606AndAccountingStandardsUpdate201601Member
2018-01-01 2018-09-30 0001415404 us-gaap:AccountingStandardsUpdate201601Member 2018-01-01 2018-09-30
0001415404 us-gaap:AccountingStandardsUpdate201409Member
us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-01-01 2018-09-30
0001415404 us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-01-01 2018-09-30
0001415404 sats:AccountingStandardsUpdate201409And201601Member
sats:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606AndAccountingStandardsUpdate201601Member
2018-01-01 2018-09-30 0001415404 us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-01-01
2018-09-30 0001415404 us-gaap:AccountingStandardsUpdate201409Member
us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-01-01 0001415404
us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2017-12-31 0001415404
sats:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606AndAccountingStandardsUpdate201601Member
2017-12-31 0001415404 us-gaap:AccountingStandardsUpdate201601Member 2018-01-01 0001415404
srt:MaximumMember us-gaap:SoftwareDevelopmentMember 2018-01-01 2018-09-30 0001415404
srt:MaximumMember us-gaap:ComputerSoftwareIntangibleAssetMember 2018-01-01 2018-09-30 0001415404
us-gaap:AccountingStandardsUpdate201409Member us-gaap:RetainedEarningsMember
us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-01-01 0001415404
us-gaap:AccountingStandardsUpdate201601Member us-gaap:RetainedEarningsMember 2018-01-01 0001415404

Edgar Filing: EchoStar CORP - Form 10-Q

us-gaap:AccountingStandardsUpdate201409Member
us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-07-01 2018-09-30 0001415404
sats:AccountingStandardsUpdate201409And201601Member
sats:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606AndAccountingStandardsUpdate201601Member
2018-07-01 2018-09-30 0001415404 us-gaap:AccountingStandardsUpdate201409Member
us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-07-01 2018-09-30
0001415404 us-gaap:ServiceMember us-gaap:AccountingStandardsUpdate201409Member
us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-07-01 2018-09-30
0001415404 us-gaap:AccountingStandardsUpdate201601Member 2018-07-01 2018-09-30 0001415404
us-gaap:ServiceMember us-gaap:AccountingStandardsUpdate201409Member
us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-07-01 2018-09-30 0001415404
sats:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606AndAccountingStandardsUpdate201601Member
2018-07-01 2018-09-30 0001415404 us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member
2018-07-01 2018-09-30 0001415404 us-gaap:ServiceMember us-gaap:AccountingStandardsUpdate201409Member
us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-01-01 2018-09-30 0001415404
us-gaap:AccountingStandardsUpdate201409Member
us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-01-01 2018-09-30 0001415404
us-gaap:ServiceMember us-gaap:AccountingStandardsUpdate201409Member
us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-01-01 2018-09-30
0001415404 sats:AccountingStandardsUpdate201409And201601Member
sats:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606AndAccountingStandardsUpdate201601Member
2018-09-30 0001415404 us-gaap:AccountingStandardsUpdate201409Member
us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-09-30 0001415404
us-gaap:AccountingStandardsUpdate201409Member
us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-09-30 0001415404
us-gaap:AccountingStandardsUpdate201601Member 2018-09-30 0001415404 sats:LeaseReceivableMember
2018-09-30 0001415404 us-gaap:TradeAccountsReceivableMember 2018-01-01 0001415404
us-gaap:TradeAccountsReceivableMember 2018-09-30 0001415404 sats:LeaseReceivableMember 2018-01-01
0001415404 us-gaap:SegmentDiscontinuedOperationsMember 2017-12-31 0001415404
us-gaap:SegmentDiscontinuedOperationsMember 2017-01-01 2017-09-30 0001415404
us-gaap:SegmentDiscontinuedOperationsMember 2017-07-01 2017-09-30 0001415404
us-gaap:StockCompensationPlanMember 2018-01-01 2018-09-30 0001415404
us-gaap:StockCompensationPlanMember 2017-01-01 2017-09-30 0001415404
us-gaap:StockCompensationPlanMember 2018-07-01 2018-09-30 0001415404
us-gaap:StockCompensationPlanMember 2017-07-01 2017-09-30 0001415404
us-gaap:AccumulatedTranslationAdjustmentMember 2018-09-30 0001415404
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-01-01 2017-09-30 0001415404
us-gaap:AccumulatedTranslationAdjustmentMember 2017-01-01 2017-09-30 0001415404
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-12-31 0001415404
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-01-01 0001415404
us-gaap:AccumulatedTranslationAdjustmentMember 2018-01-01 2018-09-30 0001415404
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-12-31 0001415404
us-gaap:AccumulatedTranslationAdjustmentMember 2016-12-31 0001415404
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-01-01 2018-01-01 0001415404
us-gaap:AccumulatedTranslationAdjustmentMember 2017-09-30 0001415404
us-gaap:AccumulatedTranslationAdjustmentMember 2018-01-01 2018-01-01 0001415404
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-09-30 0001415404
us-gaap:AccumulatedTranslationAdjustmentMember 2018-01-01 0001415404
us-gaap:AccumulatedTranslationAdjustmentMember 2017-12-31 0001415404
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-09-30 0001415404
us-gaap:CorporateBondSecuritiesMember 2017-12-31 0001415404 us-gaap:OtherDebtSecuritiesMember 2018-09-30

Edgar Filing: EchoStar CORP - Form 10-Q

0001415404 us-gaap:OtherDebtSecuritiesMember 2017-12-31 0001415404 us-gaap:CorporateBondSecuritiesMember 2018-09-30 0001415404 sats:DebtSecuritiesExcludingFairValueOptionMember 2018-09-30 0001415404 sats:CorporateBondSecuritiesExcludingFairValueOptionMember 2018-09-30 0001415404 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0001415404 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0001415404 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0001415404 us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0001415404 us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0001415404 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0001415404 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateBondSecuritiesMember 2018-09-30 0001415404 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateBondSecuritiesMember 2018-09-30 0001415404 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateBondSecuritiesMember 2018-09-30 0001415404 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2017-12-31 0001415404 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2018-09-30 0001415404 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateBondSecuritiesMember 2017-12-31 0001415404 us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2018-09-30 0001415404 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2018-09-30 0001415404 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateBondSecuritiesMember 2017-12-31 0001415404 us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2017-12-31 0001415404 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateBondSecuritiesMember 2017-12-31 0001415404 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2017-12-31 0001415404 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CorporateBondSecuritiesMember 2017-12-31 0001415404 us-gaap:EquitySecuritiesMember us-gaap:OtherNonoperatingIncomeExpenseMember 2017-01-01 2017-09-30 0001415404 us-gaap:EquitySecuritiesMember us-gaap:GainLossOnInvestmentsMember1 2018-01-01 2018-09-30 0001415404 us-gaap:EquitySecuritiesMember 2017-12-31 0001415404 us-gaap:CorporateBondSecuritiesMember 2018-01-01 2018-09-30 0001415404 us-gaap:CorporateBondSecuritiesMember 2017-09-30 0001415404 us-gaap:EquitySecuritiesMember us-gaap:GainLossOnInvestmentsMember1 2017-07-01 2017-09-30 0001415404 us-gaap:CorporateBondSecuritiesMember 2018-07-01 2018-09-30 0001415404 us-gaap:EquitySecuritiesMember us-gaap:GainLossOnInvestmentsMember1 2018-07-01 2018-09-30 0001415404 us-gaap:EquitySecuritiesMember 2017-09-30 0001415404 us-gaap:EquitySecuritiesMember us-gaap:GainLossOnInvestmentsMember1 2017-01-01 2017-09-30 0001415404 us-gaap:FairValueInputsLevel3Member 2018-09-30 0001415404 us-gaap:FairValueInputsLevel3Member 2017-12-31 0001415404 sats:SatellitesLeasedMember 2018-09-30 0001415404 sats:SatellitesMember 2018-01-01 2018-09-30 0001415404 sats:EchoStarXMMember 2017-01-01 2017-11-30 0001415404 sats:EchoStarXMMember 2018-07-01 2018-09-30 0001415404 sats:SatellitesOwnedMember 2018-01-01 2018-09-30 0001415404 us-gaap:OtherCurrentAssetsMember sats:EchoStar105SES11Member 2017-10-01 2017-10-31 0001415404 sats:EchoStarXMMember 2018-01-01 2018-09-30 0001415404 sats:EchoStarXMMember 2017-12-01 2017-12-31 0001415404 sats:EchoStarXMMember 2017-12-31 0001415404 sats:ProgressAmountsForSatelliteConstructionIncludingPrepaymentsUnderCapitalLeasesAndLaunchCostsMember 2017-12-31 0001415404 sats:SatelliteRelatedEquipmentMember 2018-09-30 0001415404 sats:ConstructionInProgressOtherMember 2018-09-30 0001415404 sats:SatelliteRelatedEquipmentMember 2017-12-31 0001415404 sats:ProgressAmountsForSatelliteConstructionIncludingPrepaymentsUnderCapitalLeasesAndLaunchCostsMember 2018-09-30 0001415404 sats:ConstructionInProgressOtherMember 2017-12-31 0001415404 us-gaap:LandMember 2018-09-30 0001415404 sats:FurnitureFixturesEquipmentAndOtherMember 2017-12-31 0001415404 sats:SatellitesMember 2018-09-30 0001415404 us-gaap:BuildingAndBuildingImprovementsMember 2018-09-30 0001415404 sats:CustomerRentalEquipmentMember 2017-12-31 0001415404 sats:CustomerRentalEquipmentMember 2018-09-30 0001415404 sats:SatellitesMember 2017-12-31 0001415404

Edgar Filing: EchoStar CORP - Form 10-Q

sats:FurnitureFixturesEquipmentAndOtherMember 2018-09-30 0001415404
us-gaap:BuildingAndBuildingImprovementsMember 2017-12-31 0001415404
us-gaap:ConstructionInProgressMember 2018-09-30 0001415404 us-gaap:ConstructionInProgressMember
2017-12-31 0001415404 us-gaap:AssetsHeldUnderCapitalLeasesMember 2017-12-31 0001415404
us-gaap:AssetsHeldUnderCapitalLeasesMember 2018-09-30 0001415404 us-gaap:LandMember 2017-12-31
0001415404 sats:CustomerRentalEquipmentMember 2017-07-01 2017-09-30 0001415404 sats:SatellitesMember
2018-07-01 2018-09-30 0001415404 sats:FurnitureFixturesEquipmentAndOtherMember 2017-07-01 2017-09-30
0001415404 us-gaap:BuildingAndBuildingImprovementsMember 2017-01-01 2017-09-30 0001415404
sats:FurnitureFixturesEquipmentAndOtherMember 2017-01-01 2017-09-30 0001415404
sats:FurnitureFixturesEquipmentAndOtherMember 2018-01-01 2018-09-30 0001415404 sats:SatellitesMember
2017-07-01 2017-09-30 0001415404 us-gaap:BuildingAndBuildingImprovementsMember 2018-07-01 2018-09-30
0001415404 us-gaap:BuildingAndBuildingImprovementsMember 2018-01-01 2018-09-30 0001415404
sats:SatellitesMember 2017-01-01 2017-09-30 0001415404 sats:CustomerRentalEquipmentMember 2017-01-01
2017-09-30 0001415404 sats:CustomerRentalEquipmentMember 2018-07-01 2018-09-30 0001415404
us-gaap:BuildingAndBuildingImprovementsMember 2017-07-01 2017-09-30 0001415404
sats:FurnitureFixturesEquipmentAndOtherMember 2018-07-01 2018-09-30 0001415404
sats:CustomerRentalEquipmentMember 2018-01-01 2018-09-30 0001415404 srt:MinimumMember
us-gaap:AssetsHeldUnderCapitalLeasesMember 2018-01-01 2018-09-30 0001415404 srt:MaximumMember
sats:FurnitureFixturesEquipmentAndOtherMember 2018-01-01 2018-09-30 0001415404 srt:MinimumMember
sats:FurnitureFixturesEquipmentAndOtherMember 2018-01-01 2018-09-30 0001415404 srt:MaximumMember
us-gaap:BuildingAndBuildingImprovementsMember 2018-01-01 2018-09-30 0001415404 srt:MinimumMember
sats:CustomerRentalEquipmentMember 2018-01-01 2018-09-30 0001415404 srt:MaximumMember
us-gaap:AssetsHeldUnderCapitalLeasesMember 2018-01-01 2018-09-30 0001415404 srt:MinimumMember
sats:SatellitesMember 2018-01-01 2018-09-30 0001415404 srt:MinimumMember
us-gaap:BuildingAndBuildingImprovementsMember 2018-01-01 2018-09-30 0001415404 srt:MaximumMember
sats:SatellitesMember 2018-01-01 2018-09-30 0001415404 srt:MaximumMember
sats:CustomerRentalEquipmentMember 2018-01-01 2018-09-30 0001415404 sats:EchoStar105SES11Member
2017-12-31 0001415404 sats:Telesat19VsatelliteMember 2015-09-30 0001415404
us-gaap:OtherIntangibleAssetsMember 2017-12-31 0001415404 us-gaap:OtherIntangibleAssetsMember 2018-09-30
0001415404 sats:FiniteLivedRegulatoryAuthorizationsMember 2018-09-30 0001415404
sats:FiniteLivedRegulatoryAuthorizationsMember 2017-12-31 0001415404
sats:IndefiniteLivedRegulatoryAuthorizationsMember 2018-09-30 0001415404
sats:IndefiniteLivedRegulatoryAuthorizationsMember 2017-12-31 0001415404
sats:FiniteLivedRegulatoryAuthorizationsMember 2018-01-01 2018-09-30 0001415404
sats:InvidiTechnologiesCorporationMember 2017-01-01 2017-01-31 0001415404
sats:InvidiTechnologiesCorporationMember 2017-01-01 2017-09-30 0001415404
sats:InvidiTechnologiesCorporationMember 2017-01-31 0001415404
sats:SeniorUnsecuredNotes6.625PercentDue2026Member 2017-12-31 0001415404
sats:SeniorSecuredNotes5.250PercentDue2026Member 2018-09-30 0001415404
sats:SeniorSecuredNotes6.50PercentDue2019Member 2018-09-30 0001415404
sats:SeniorNotes7.625PercentDue2021Member 2017-12-31 0001415404
sats:SeniorSecuredNotes5.250PercentDue2026Member 2017-12-31 0001415404
sats:SeniorSecuredNotes6.50PercentDue2019Member 2017-12-31 0001415404
sats:UnamortizedDebtIssuanceCostsMember 2017-12-31 0001415404 sats:SeniorNotes7.625PercentDue2021Member
2018-09-30 0001415404 sats:SeniorUnsecuredNotes6.625PercentDue2026Member 2018-09-30 0001415404
sats:UnamortizedDebtIssuanceCostsMember 2018-09-30 0001415404
us-gaap:ResearchAndDevelopmentExpenseMember 2017-07-01 2017-09-30 0001415404
us-gaap:ResearchAndDevelopmentExpenseMember 2018-01-01 2018-09-30 0001415404
us-gaap:SellingGeneralAndAdministrativeExpensesMember 2017-07-01 2017-09-30 0001415404
us-gaap:SellingGeneralAndAdministrativeExpensesMember 2018-07-01 2018-09-30 0001415404
us-gaap:SellingGeneralAndAdministrativeExpensesMember 2018-01-01 2018-09-30 0001415404

Edgar Filing: EchoStar CORP - Form 10-Q

us-gaap:ResearchAndDevelopmentExpenseMember 2018-07-01 2018-09-30 0001415404
us-gaap:SellingGeneralAndAdministrativeExpensesMember 2017-01-01 2017-09-30 0001415404
us-gaap:ResearchAndDevelopmentExpenseMember 2017-01-01 2017-09-30 0001415404
sats:EmployeeAndNonEmployeeStockOptionMember 2017-01-01 2017-09-30 0001415404
sats:EmployeeAndNonEmployeeStockOptionMember 2018-07-01 2018-09-30 0001415404
sats:EmployeeAndNonEmployeeStockOptionMember 2018-01-01 2018-09-30 0001415404
sats:EmployeeAndNonEmployeeStockOptionMember 2017-07-01 2017-09-30 0001415404
us-gaap:EmployeeStockOptionMember 2017-04-01 2017-04-01 0001415404 us-gaap:EmployeeStockOptionMember
2017-04-24 2017-04-24 0001415404 sats:SatelliteRelatedObligationMember 2017-12-31 0001415404
sats:SatelliteRelatedObligationMember 2018-09-30 0001415404 sats:HughesNetworkSystemsMember
srt:SubsidiariesMember sats:ElbitMember 2018-09-30 0001415404 sats:HughesNetworkSystemsMember
sats:EchoStarCorporationMember sats:RealtimeDataLLCMember 2018-09-30 0001415404
sats:HughesNetworkSystemsMember srt:SubsidiariesMember sats:ElbitMember 2017-08-07 2017-08-07 0001415404
sats:HughesNetworkSystemsMember srt:SubsidiariesMember sats:ElbitMember 2017-11-01 2017-11-30 0001415404
sats:HughesNetworkSystemsMember sats:EchoStarCorporationMember sats:RealtimeDataLLCMember 2017-02-14
2017-02-14 0001415404 sats:HughesNetworkSystemsMember srt:SubsidiariesMember sats:ElbitMember 2018-01-01
2018-09-30 0001415404 sats:RealtimeDataLLCMember sats:Patent728Member 2018-02-13 2018-02-13 0001415404
sats:HughesNetworkSystemsMember srt:SubsidiariesMember sats:ElbitMember 2017-12-31 0001415404
us-gaap:OperatingSegmentsMember
sats:RevenuefromContractwithCustomersDesignDevelopmentandConstructionServicesNetMember
sats:EchoStarSatelliteServicesBusinessMember 2018-01-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember sats:RevenuefromContractswithCustomersServicesNetMember
sats:EchoStarSatelliteServicesBusinessMember 2018-01-01 2018-09-30 0001415404
us-gaap:MaterialReconcilingItemsMember sats:AllOtherSegmentsAndEliminationsMember 2018-07-01 2018-09-30
0001415404 us-gaap:MaterialReconcilingItemsMember sats:AllOtherSegmentsAndEliminationsMember 2018-01-01
2018-09-30 0001415404 us-gaap:MaterialReconcilingItemsMember
sats:RevenuefromContractwithCustomersDesignDevelopmentandConstructionServicesNetMember
sats:AllOtherSegmentsAndEliminationsMember 2018-01-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember sats:EchoStarSatelliteServicesBusinessMember 2018-01-01 2018-09-30
0001415404 us-gaap:OperatingSegmentsMember
sats:RevenuefromContractwithCustomersDesignDevelopmentandConstructionServicesNetMember
sats:EchoStarSatelliteServicesBusinessMember 2018-07-01 2018-09-30 0001415404
sats:RevenuefromContractswithCustomersServicesNetMember 2018-01-01 2018-09-30 0001415404
sats:RevenuefromContractwithCustomersEquipmentNetMember 2018-07-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember sats:RevenuefromContractwithCustomersEquipmentNetMember
sats:EchoStarSatelliteServicesBusinessMember 2018-07-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember sats:HughesBusinessSegmentMember 2018-01-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember sats:HughesBusinessSegmentMember 2018-07-01 2018-09-30 0001415404
sats:RevenuefromContractwithCustomersDesignDevelopmentandConstructionServicesNetMember 2018-01-01
2018-09-30 0001415404 sats:RevenuefromContractswithCustomersServicesNetMember 2018-07-01 2018-09-30
0001415404 us-gaap:OperatingSegmentsMember sats:RevenuefromContractwithCustomersEquipmentNetMember
sats:EchoStarSatelliteServicesBusinessMember 2018-01-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember sats:RevenuefromContractswithCustomersServicesNetMember
sats:HughesBusinessSegmentMember 2018-01-01 2018-09-30 0001415404 us-gaap:OperatingSegmentsMember
sats:RevenuefromContractswithCustomersServicesNetMember sats:HughesBusinessSegmentMember 2018-07-01
2018-09-30 0001415404 us-gaap:OperatingSegmentsMember
sats:RevenuefromContractwithCustomersDesignDevelopmentandConstructionServicesNetMember
sats:HughesBusinessSegmentMember 2018-07-01 2018-09-30 0001415404 us-gaap:OperatingSegmentsMember
sats:RevenuefromContractswithCustomersServicesNetMember sats:EchoStarSatelliteServicesBusinessMember
2018-07-01 2018-09-30 0001415404 us-gaap:MaterialReconcilingItemsMember
sats:RevenuefromContractswithCustomersServicesNetMember sats:AllOtherSegmentsAndEliminationsMember

Edgar Filing: EchoStar CORP - Form 10-Q

2018-07-01 2018-09-30 0001415404 us-gaap:OperatingSegmentsMember
sats:EchoStarSatelliteServicesBusinessMember 2018-07-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember
sats:RevenuefromContractwithCustomersDesignDevelopmentandConstructionServicesNetMember
sats:HughesBusinessSegmentMember 2018-01-01 2018-09-30 0001415404 us-gaap:OperatingSegmentsMember
sats:RevenuefromContractwithCustomersEquipmentNetMember sats:HughesBusinessSegmentMember 2018-01-01
2018-09-30 0001415404
sats:RevenuefromContractwithCustomersDesignDevelopmentandConstructionServicesNetMember 2018-07-01
2018-09-30 0001415404 us-gaap:MaterialReconcilingItemsMember
sats:RevenuefromContractswithCustomersServicesNetMember sats:AllOtherSegmentsAndEliminationsMember
2018-01-01 2018-09-30 0001415404 us-gaap:MaterialReconcilingItemsMember
sats:RevenuefromContractwithCustomersEquipmentNetMember sats:AllOtherSegmentsAndEliminationsMember
2018-01-01 2018-09-30 0001415404 us-gaap:MaterialReconcilingItemsMember
sats:RevenuefromContractwithCustomersEquipmentNetMember sats:AllOtherSegmentsAndEliminationsMember
2018-07-01 2018-09-30 0001415404 us-gaap:MaterialReconcilingItemsMember
sats:RevenuefromContractwithCustomersDesignDevelopmentandConstructionServicesNetMember
sats:AllOtherSegmentsAndEliminationsMember 2018-07-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember sats:RevenuefromContractwithCustomersEquipmentNetMember
sats:HughesBusinessSegmentMember 2018-07-01 2018-09-30 0001415404
sats:RevenuefromContractwithCustomersEquipmentNetMember 2018-01-01 2018-09-30 0001415404
us-gaap:MaterialReconcilingItemsMember country:US sats:AllOtherSegmentsAndEliminationsMember 2018-07-01
2018-09-30 0001415404 sats:AllOtherGeographicSegmentsMember 2018-07-01 2018-09-30 0001415404
sats:NorthAmericaOtherThanUSMember 2018-01-01 2018-09-30 0001415404
us-gaap:MaterialReconcilingItemsMember sats:NorthAmericaOtherThanUSMember
sats:AllOtherSegmentsAndEliminationsMember 2018-07-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember country:US sats:HughesBusinessSegmentMember 2018-07-01 2018-09-30
0001415404 us-gaap:OperatingSegmentsMember sats:AllOtherGeographicSegmentsMember
sats:HughesBusinessSegmentMember 2018-07-01 2018-09-30 0001415404 us-gaap:OperatingSegmentsMember
country:US sats:HughesBusinessSegmentMember 2018-01-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember sats:NorthAmericaOtherThanUSMember
sats:EchoStarSatelliteServicesBusinessMember 2018-01-01 2018-09-30 0001415404 country:US 2018-01-01
2018-09-30 0001415404 us-gaap:MaterialReconcilingItemsMember country:US
sats:AllOtherSegmentsAndEliminationsMember 2018-01-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember sats:AllOtherGeographicSegmentsMember
sats:HughesBusinessSegmentMember 2018-01-01 2018-09-30 0001415404 us-gaap:OperatingSegmentsMember
sats:NorthAmericaOtherThanUSMember sats:EchoStarSatelliteServicesBusinessMember 2018-07-01 2018-09-30
0001415404 sats:NorthAmericaOtherThanUSMember 2018-07-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember country:US sats:EchoStarSatelliteServicesBusinessMember 2018-07-01
2018-09-30 0001415404 us-gaap:OperatingSegmentsMember sats:AllOtherGeographicSegmentsMember
sats:EchoStarSatelliteServicesBusinessMember 2018-07-01 2018-09-30 0001415404
us-gaap:MaterialReconcilingItemsMember sats:NorthAmericaOtherThanUSMember
sats:AllOtherSegmentsAndEliminationsMember 2018-01-01 2018-09-30 0001415404
us-gaap:MaterialReconcilingItemsMember sats:AllOtherGeographicSegmentsMember
sats:AllOtherSegmentsAndEliminationsMember 2018-07-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember country:US sats:EchoStarSatelliteServicesBusinessMember 2018-01-01
2018-09-30 0001415404 us-gaap:OperatingSegmentsMember sats:NorthAmericaOtherThanUSMember
sats:HughesBusinessSegmentMember 2018-01-01 2018-09-30 0001415404 us-gaap:OperatingSegmentsMember
sats:AllOtherGeographicSegmentsMember sats:EchoStarSatelliteServicesBusinessMember 2018-01-01 2018-09-30
0001415404 us-gaap:OperatingSegmentsMember sats:NorthAmericaOtherThanUSMember
sats:HughesBusinessSegmentMember 2018-07-01 2018-09-30 0001415404
sats:AllOtherGeographicSegmentsMember 2018-01-01 2018-09-30 0001415404

Edgar Filing: EchoStar CORP - Form 10-Q

us-gaap:MaterialReconcilingItemsMember sats:AllOtherGeographicSegmentsMember
sats:AllOtherSegmentsAndEliminationsMember 2018-01-01 2018-09-30 0001415404 country:US 2018-07-01
2018-09-30 0001415404 us-gaap:IntersegmentEliminationMember sats:HughesBusinessSegmentMember 2018-07-01
2018-09-30 0001415404 us-gaap:OperatingSegmentsMember sats:EchoStarSatelliteServicesBusinessMember
2017-07-01 2017-09-30 0001415404 us-gaap:IntersegmentEliminationMember sats:HughesBusinessSegmentMember
2017-01-01 2017-09-30 0001415404 us-gaap:OperatingSegmentsMember
sats:EchoStarSatelliteServicesBusinessMember 2017-01-01 2017-09-30 0001415404
us-gaap:IntersegmentEliminationMember sats:EchoStarSatelliteServicesBusinessMember 2018-01-01 2018-09-30
0001415404 sats:AllOtherSegmentsAndEliminationsMember 2018-07-01 2018-09-30 0001415404
us-gaap:OperatingSegmentsMember sats:HughesBusinessSegmentMember 2017-07-01 2017-09-30 0001415404
us-gaap:MaterialReconcilingItemsMember sats:AllOtherSegmentsAndEliminationsMember 2017-01-01 2017-09-30
0001415404 us-gaap:IntersegmentEliminationMember sats:EchoStarSatelliteServicesBusinessMember 2017-01-01
2017-09-30 0001415404 sats:EchoStarSatelliteServicesBusinessMember 2018-01-01 2018-09-30 0001415404
us-gaap:IntersegmentEliminationMember sats:AllOtherSegmentsAndEliminationsMember 2017-07-01 2017-09-30
0001415404 us-gaap:MaterialReconcilingItemsMember sats:AllOtherSegmentsAndEliminationsMember 2017-07-01
2017-09-30 0001415404 us-gaap:OperatingSegmentsMember sats:HughesBusinessSegmentMember 2017-01-01
2017-09-30 0001415404 us-gaap:IntersegmentEliminationMember sats:AllOtherSegmentsAndEliminationsMember
2018-07-01 2018-09-30 0001415404 us-gaap:IntersegmentEliminationMember
sats:AllOtherSegmentsAndEliminationsMember 2018-01-01 2018-09-30 0001415404
sats:AllOtherSegmentsAndEliminationsMember 2017-07-01 2017-09-30 0001415404
us-gaap:IntersegmentEliminationMember sats:EchoStarSatelliteServicesBusinessMember 2018-07-01 2018-09-30
0001415404 sats:AllOtherSegmentsAndEliminationsMember 2017-01-01 2017-09-30 0001415404
sats:HughesBusinessSegmentMember 2018-01-01 2018-09-30 0001415404
sats:EchoStarSatelliteServicesBusinessMember 2018-07-01 2018-09-30 0001415404
sats:HughesBusinessSegmentMember 2017-01-01 2017-09-30 0001415404
sats:EchoStarSatelliteServicesBusinessMember 2017-01-01 2017-09-30 0001415404
us-gaap:IntersegmentEliminationMember sats:EchoStarSatelliteServicesBusinessMember 2017-07-01 2017-09-30
0001415404 us-gaap:IntersegmentEliminationMember sats:HughesBusinessSegmentMember 2018-01-01 2018-09-30
0001415404 sats:HughesBusinessSegmentMember 2018-07-01 2018-09-30 0001415404
sats:EchoStarSatelliteServicesBusinessMember 2017-07-01 2017-09-30 0001415404
sats:AllOtherSegmentsAndEliminationsMember 2018-01-01 2018-09-30 0001415404
sats:HughesBusinessSegmentMember 2017-07-01 2017-09-30 0001415404 us-gaap:IntersegmentEliminationMember
sats:AllOtherSegmentsAndEliminationsMember 2017-01-01 2017-09-30 0001415404
us-gaap:IntersegmentEliminationMember sats:HughesBusinessSegmentMember 2017-07-01 2017-09-30 0001415404
sats:RelatedPartyTransactionsLessorOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:A100InvernessLeaseAgreementMember 2018-01-01 2018-09-30 0001415404 sats:DeluxeEchoStarLLCMember
2018-07-01 2018-09-30 0001415404 sats:TerreStarSolutionsInc.Member 2018-09-30 0001415404
sats:DishMexicoMember 2018-09-30 0001415404 sats:DISHNetworkMember us-gaap:SubsequentEventMember
sats:DBSDNorthAmericaAgreementMember 2022-02-01 2022-02-28 0001415404 sats:DISHNetworkMember
sats:HughesBroadbandDistributionAgreementMember 2018-01-01 2018-09-30 0001415404
sats:DeluxeEchoStarLLCMember 2018-09-30 0001415404 sats:DeluxeEchoStarLLCMember 2018-01-01 2018-09-30
0001415404 sats:TelesatCanadaMember sats:Nimiq5Member sats:SatelliteCapacityLeaseAgreementMember
2009-09-30 0001415404 sats:GlobalIPRevenueMember 2017-12-31 0001415404 sats:DISHNetworkMember
sats:TerreStarAgreementMember 2018-01-01 2018-09-30 0001415404 sats:DISHNetworkMember
sats:DBSDNorthAmericaAgreementMember 2012-03-31 0001415404 sats:QuetzSat1Member
sats:DISHNetworkMember sats:SatelliteCapacityLeaseAgreementMember 2008-11-30 0001415404
sats:RelatedPartyTransactionsLessorOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:MeridianLeaseAgreementMember 2018-01-01 2018-09-30 0001415404 sats:SESLatinAmericaMember
sats:QuetzSat1Member sats:SatelliteCapacityLeaseAgreementMember 2008-11-30 0001415404
sats:DISHNetworkMember sats:DBSDNorthAmericaAgreementMember 2018-01-01 2018-09-30 0001415404
sats:DISHNetworkMember sats:RUSServiceImplementationAgreementMember 2010-09-30 0001415404

Edgar Filing: EchoStar CORP - Form 10-Q

sats:RelatedPartyTransactionsLessorOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:MeridianLeaseAgreementMember 2017-12-31 0001415404 sats:GlobalIPRevenueMember 2018-01-01
2018-09-30 0001415404 sats:TerreStarSolutionsInc.Member 2018-01-01 2018-09-30 0001415404
sats:DISHNetworkMember sats:AmendedandRestatedProfessionalServicesAgreementMember 2018-01-01
2018-09-30 0001415404 srt:MinimumMember sats:DISHNetworkMember
sats:CollocationandAntennaSpaceAgreementsMember 2018-01-01 2018-09-30 0001415404 sats:DishMexicoMember
2018-01-01 2018-09-30 0001415404 sats:GlobalIPRevenueMember 2017-01-01 2017-09-30 0001415404
sats:DISHNetworkMember sats:HughesBroadbandMasterServicesAgreementMember 2018-01-01 2018-09-30
0001415404 sats:HughesSystiqueCorporationMember 2018-01-01 2018-09-30 0001415404 sats:AsiaSatMember
2017-01-01 2017-09-30 0001415404 sats:GlobalIPRevenueMember 2017-07-01 2017-09-30 0001415404
sats:RelatedPartyTransactionsLesseeOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:CheyenneLeaseAgreementMember 2018-08-31 0001415404
sats:RelatedPartyTransactionsLesseeOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:CheyenneLeaseAgreementMember 2018-01-01 2018-09-30 0001415404 sats:DISHNetworkMember
sats:PatentCrossLicenseAgreementsMember 2016-12-01 2016-12-31 0001415404 sats:DeluxeEchoStarLLCMember
2017-01-01 2017-09-30 0001415404 sats:GlobalIPRevenueMember 2018-07-01 2018-09-30 0001415404
srt:MaximumMember sats:DISHNetworkMember sats:CollocationandAntennaSpaceAgreementsMember 2018-01-01
2018-09-30 0001415404 sats:DeluxeEchoStarLLCMember 2017-12-31 0001415404 sats:GlobalIPRevenueMember
2018-09-30 0001415404 sats:TerreStarSolutionsInc.Member 2018-07-01 2018-09-30 0001415404
sats:DeluxeEchoStarLLCMember 2017-07-01 2017-09-30 0001415404 sats:DISHNetworkMember
sats:PatentCrossLicenseAgreementsMember 2011-12-01 2011-12-31 0001415404 sats:DISHNetworkMember
sats:TelemetryTrackingAndControlAgreementMember 2016-11-01 2016-11-30 0001415404
sats:DishMexicoMember 2017-12-31 0001415404 sats:DISHNetworkMember
sats:HughesBroadbandMasterServicesAgreementMember 2018-07-01 2018-09-30 0001415404
sats:DISHNetworkMember sats:HughesBroadbandMasterServicesAgreementMember 2017-03-01 2017-03-31
0001415404 sats:DISHNetworkMember sats:HughesBroadbandDistributionAgreementMember 2012-10-01
2012-10-31 0001415404 sats:DISHNetworkMember sats:TelemetryTrackingAndControlAgreementMember
2018-01-01 2018-09-30 0001415404 sats:DishMexicoMember 2018-07-01 2018-09-30 0001415404
sats:Nimiq5Member sats:DISHNetworkMember sats:SatelliteCapacityLeaseAgreementMember 2009-09-30
0001415404 sats:DISHNetworkMember sats:SatelliteAndTrackingStockTransactionMember 2014-03-01 2014-03-31
0001415404 sats:RelatedPartyTransactionsLesseeOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:GilbertLeaseAgreementMember 2018-01-01 2018-09-30 0001415404
sats:RelatedPartyTransactionsLessorOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:MeridianLeaseAgreementMember 2016-12-31 0001415404
sats:RelatedPartyTransactionsLessorOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:SantaFeLeaseAgreementMember 2016-12-31 0001415404 sats:DISHNetworkMember
sats:HughesBroadbandMasterServicesAgreementMember 2017-07-01 2017-09-30 0001415404
sats:RelatedPartyTransactionsLessorOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:SantaFeLeaseAgreementMember 2018-01-01 2018-09-30 0001415404 sats:EchoStarXVIMember
sats:DISHNetworkMember sats:SatelliteCapacityLeaseAgreementMember 2012-12-01 2012-12-31 0001415404
sats:DISHNetworkMember sats:OrangeNewJerseyMember 2016-10-01 2016-10-31 0001415404
sats:RelatedPartyTransactionsLessorOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:SantaFeLeaseAgreementMember 2017-12-31 0001415404 sats:EchoStarXVIMember sats:DISHNetworkMember
sats:SatelliteCapacityLeaseAgreementMember 2016-07-01 2016-07-31 0001415404 sats:DISHNetworkMember
sats:TelemetryTrackingAndControlAgreementMember 2017-12-01 2017-12-31 0001415404
sats:RelatedPartyTransactionsLesseeOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:GilbertLeaseAgreementMember 2018-08-31 0001415404 sats:DISHNetworkMember
sats:CollocationandAntennaSpaceAgreementsMember 2018-01-01 2018-09-30 0001415404
sats:RelatedPartyTransactionsLessorOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:CheyenneLeaseAgreementMember 2018-01-01 2018-09-30 0001415404 sats:AsiaSatMember 2017-07-01
2017-09-30 0001415404 sats:QuetzSat1Member sats:DISHNetworkMember

Edgar Filing: EchoStar CORP - Form 10-Q

sats:SatelliteCapacityLeaseAgreementMember 2013-02-28 0001415404 sats:DISHNetworkMember
sats:HughesBroadbandMasterServicesAgreementMember 2017-01-01 2017-09-30 0001415404
sats:EchoStarAndHughesSatelliteSystemsCorporationMember sats:DISHNetworkMember
sats:SatelliteAndTrackingStockTransactionMember 2014-03-01 2014-03-31 0001415404
sats:RelatedPartyTransactionsLesseeOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:AmericanForkOccupancyLicenseAgreementMember 2017-08-31 0001415404 sats:EchoStarXVIMember
sats:DISHNetworkMember sats:SatelliteCapacityLeaseAgreementMember 2018-01-01 2018-09-30 0001415404
sats:RelatedPartyTransactionsLesseeOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:CheyenneLeaseAgreementMember 2018-09-30 0001415404 sats:EchoStarXVIMember
sats:DISHNetworkMember sats:SatelliteCapacityLeaseAgreementMember 2016-07-31 0001415404
sats:EchoStarXVIMember sats:DISHNetworkMember sats:SatelliteCapacityLeaseAgreementMember 2009-12-31
0001415404 sats:RelatedPartyTransactionsLesseeOperatingLeaseRealEstateMember sats:DISHNetworkMember
sats:GilbertLeaseAgreementMember 2018-09-30 0001415404 sats:DISHNetworkMember
sats:CollocationandAntennaSpaceAgreementsMember 2015-08-01 2015-08-31 0001415404
sats:CielSatelliteHoldingsIncMember sats:SatelliteCapacityLeaseAgreementMember 2012-05-31 0001415404
sats:EchoStarXVIMember sats:DISHNetworkMember sats:SatelliteCapacityLeaseAgreementMember 2017-05-31
0001415404 sats:DishMexicoMember 2017-07-01 2017-09-30 0001415404 sats:DishMexicoMember 2017-01-01
2017-09-30 0001415404 us-gaap:CostOfSalesMember 2018-01-01 2018-09-30 0001415404
us-gaap:CostOfSalesMember 2018-07-01 2018-09-30 0001415404 us-gaap:CostOfSalesMember 2017-07-01
2017-09-30 0001415404 us-gaap:CostOfSalesMember 2017-01-01 2017-09-30 0001415404
us-gaap:OtherNoncurrentAssetsMember 2017-01-01 2017-09-30 0001415404 sats:ContractAcquisitionCostsMember
2018-07-01 2018-09-30 0001415404 us-gaap:OtherNoncurrentAssetsMember 2018-01-01 2018-09-30 0001415404
us-gaap:FairValueInputsLevel2Member 2018-09-30 0001415404 us-gaap:OtherNoncurrentAssetsMember
2018-09-30 0001415404 us-gaap:OtherNoncurrentAssetsMember 2017-07-01 2017-09-30 0001415404
us-gaap:OtherNoncurrentAssetsMember 2018-07-01 2018-09-30 0001415404
us-gaap:OtherNoncurrentAssetsMember 2017-12-31 0001415404 sats:ContractAcquisitionCostsMember 2018-09-30
0001415404 us-gaap:FairValueInputsLevel2Member 2017-12-31 0001415404 sats:ContractFulfillmentCostsMember
2018-09-30 0001415404 sats:ContractAcquisitionCostsMember 2018-01-01 2018-09-30 0001415404
srt:WeightedAverageMember 2018-01-01 2018-09-30 iso4217:USD iso4217:USD xbrli:shares sats:segment
xbrli:shares xbrli:pure sats:satellite sats:transponder sats:claim sats:patent sats:solar_array_circuit sats:parcel utreg:mi
sats:term

[Table of Contents](#)

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

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018.**

OR

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

Commission File Number: 001-33807

EchoStar Corporation

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

26-1232727

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

100 Inverness Terrace East, Englewood, Colorado 80112-5308

(Address of principal executive offices)

(Zip Code)

(303) 706-4000

(Registrant's telephone number, including area code)

Not Applicable

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

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

outstanding common stock consisted of 48,548,092 shares of Class A common stock and 47,687,039 shares of Class B common stock, each \$0.001 par value.

Table of Contents**TABLE OF CONTENTS**

| | |
|---|-----------|
| <u>Disclosure Regarding Forward-Looking Statements</u> | i |
| <u>PART I - FINANCIAL INFORMATION</u> | |
| <u>Item 1. Financial Statements</u> | <u>1</u> |
| <u>Condensed Consolidated Balance Sheets as of September 30, 2018 (unaudited) and December 31, 2017 (audited)</u> | <u>1</u> |
| <u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017 (unaudited)</u> | <u>2</u> |
| <u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2018 and 2017 (unaudited)</u> | <u>3</u> |
| <u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the three months ended September 30, 2018 and 2017 (unaudited)</u> | <u>4</u> |
| <u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2018 and 2017 (unaudited)</u> | <u>5</u> |
| <u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 (unaudited)</u> | <u>6</u> |
| <u>Notes to Condensed Consolidated Financial Statements (unaudited)</u> | <u>7</u> |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>50</u> |
| <u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u> | <u>74</u> |
| <u>Item 4. Controls and Procedures</u> | <u>76</u> |
| <u>PART II - OTHER INFORMATION</u> | |
| <u>Item 1. Legal Proceedings</u> | <u>77</u> |
| <u>Item 1A. Risk Factors</u> | <u>77</u> |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>79</u> |
| <u>Item 3. Defaults Upon Senior Securities</u> | <u>79</u> |
| <u>Item 4. Mine Safety Disclosures</u> | <u>79</u> |
| <u>Item 5. Other Information</u> | <u>79</u> |
| <u>Item 6. Exhibits</u> | <u>80</u> |
| <u>Signatures</u> | <u>81</u> |

Table of Contents

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

- significant risks related to the construction, launch and operation of our satellites, such as the risk of not being able to timely complete the construction of or material malfunction on one or more of our satellites, risks resulting from potentially missing our regulatory milestones, changes in the space weather environment that could interfere with the operation of our satellites and our general lack of commercial insurance coverage on our satellites;
- our reliance on DISH Network Corporation and its subsidiaries (“DISH Network”) for a significant portion of our revenue;
- our ability to realize the anticipated benefits of our current satellites and any future satellite we may construct or acquire;
- our ability to implement and realize benefits of our domestic and/or international investments, commercial alliances, partnerships, joint ventures, acquisitions and other strategic initiatives;
- the failure of third-party providers of components, manufacturing, installation services and customer support services to appropriately deliver the contracted goods or services;
- our ability to bring advanced technologies to market to keep pace with our customers and competitors; and
- risk related to our foreign operations and other uncertainties associated with doing business internationally, including changes in foreign exchange rates between foreign currencies and the United States (“U.S.”) dollar, economic instability and political disturbances.

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

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

required by law.

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

i

Table of Contents

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

ii

Table of Contents**PART I — FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ECHOSTAR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share amounts)

| | As of | |
|---|-------------------------------|------------------------------|
| | September 30, 2018 | December 31, 2017 |
| | (Unaudited) | (Audited) |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,597,295 | \$ 2,431,456 |
| Marketable investment securities, at fair value | 1,842,875 | 814,161 |
| Trade accounts receivable and contract assets, net (Note 3) | 217,524 | 196,840 |
| Trade accounts receivable - DISH Network | 11,065 | 43,295 |
| Inventory | 70,061 | 83,595 |
| Prepays and deposits | 56,149 | 54,533 |
| Other current assets | 17,222 | 91,671 |
| Total current assets | 3,812,191 | 3,715,551 |
| Noncurrent assets: | | |
| Property and equipment, net | 3,442,537 | 3,465,471 |
| Regulatory authorizations, net | 525,595 | 536,936 |
| Goodwill | 504,173 | 504,173 |
| Other intangible assets, net | 47,912 | 58,955 |
| Investments in unconsolidated entities | 160,669 | 161,427 |
| Other receivables - DISH Network | 94,503 | 92,687 |
| Other noncurrent assets, net | 262,866 | 214,814 |
| Total noncurrent assets | 5,038,255 | 5,034,463 |
| Total assets | \$ 8,850,446 | \$ 8,750,014 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 119,235 | \$ 108,406 |
| Trade accounts payable - DISH Network | 1,411 | 4,753 |
| Current portion of long-term debt and capital lease obligations | 1,030,088 | 40,631 |
| Contract liabilities | 74,135 | 65,959 |
| Accrued interest | 57,589 | 47,616 |
| Accrued compensation | 41,341 | 47,756 |
| Accrued taxes | 16,681 | 16,122 |
| Accrued expenses and other | 72,464 | 82,647 |
| Total current liabilities | 1,412,944 | 413,890 |
| Noncurrent liabilities: | | |
| Long-term debt and capital lease obligations, net | 2,582,819 | 3,594,213 |
| Deferred tax liabilities, net | 471,259 | 436,023 |
| Other noncurrent liabilities | 124,694 | 128,503 |
| Total noncurrent liabilities | 3,178,772 | 4,158,739 |
| Total liabilities | 4,591,716 | 4,572,629 |
| Commitments and contingencies (Note 15) | | |

Edgar Filing: EchoStar CORP - Form 10-Q

Stockholders' equity:

| | | | |
|---|-------------|---|-------------|
| Preferred stock, \$.001 par value, 20,000,000 shares authorized, none issued and outstanding at each of September 30, 2018 and December 31, 2017 | — | | — |
| Common stock, \$.001 par value, 4,000,000,000 shares authorized: | | | |
| Class A common stock, \$.001 par value, 1,600,000,000 shares authorized, 54,080,228 shares issued and 48,547,910 shares outstanding at September 30, 2018 and 53,663,859 shares issued and 48,131,541 shares outstanding at December 31, 2017 | 54 | | 54 |
| Class B convertible common stock, \$.001 par value, 800,000,000 shares authorized, 47,687,039 shares issued and outstanding at each of September 30, 2018 and December 31, 2017 | 48 | | 48 |
| Class C convertible common stock, \$.001 par value, 800,000,000 shares authorized, none issued and outstanding at each of September 30, 2018 and December 31, 2017 | — | | — |
| Class D common stock, \$.001 par value, 800,000,000 shares authorized, none issued and outstanding at each of September 30, 2018 and December 31, 2017 | — | | — |
| Additional paid-in capital | 3,694,682 | | 3,669,461 |
| Accumulated other comprehensive loss | (160,947 |) | (130,154) |
| Accumulated earnings | 808,330 | | 721,316 |
| Treasury stock, at cost | (98,162 |) | (98,162) |
| Total EchoStar Corporation stockholders' equity | 4,244,005 | | 4,162,563 |
| Other noncontrolling interests | 14,725 | | 14,822 |
| Total stockholders' equity | 4,258,730 | | 4,177,385 |
| Total liabilities and stockholders' equity | \$8,850,446 | | \$8,750,014 |

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

Table of Contents**ECHOSTAR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

(Unaudited)

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|-----------|--|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue: | | | | |
| Services and other revenue - DISH Network | \$87,859 | \$111,135 | \$291,835 | \$339,824 |
| Services and other revenue - other | 388,248 | 310,973 | 1,118,733 | 865,817 |
| Equipment revenue | 56,846 | 59,125 | 150,134 | 173,819 |
| Total revenue | 532,953 | 481,233 | 1,560,702 | 1,379,460 |
| Costs and expenses: | | | | |
| Cost of sales - services and other (exclusive of depreciation and amortization) | 152,011 | 143,048 | 451,913 | 416,463 |
| Cost of sales - equipment (exclusive of depreciation and amortization) | 46,318 | 47,644 | 127,254 | 141,839 |
| Selling, general and administrative expenses | 107,490 | 91,003 | 313,839 | 263,820 |
| Research and development expenses | 6,544 | 8,302 | 20,328 | 23,444 |
| Depreciation and amortization | 150,555 | 134,822 | 444,558 | 379,939 |
| Total costs and expenses | 462,918 | 424,819 | 1,357,892 | 1,225,505 |
| Operating income | 70,035 | 56,414 | 202,810 | 153,955 |
| Other income (expense): | | | | |
| Interest income | 21,349 | 12,012 | 56,237 | 30,342 |
| Interest expense, net of amounts capitalized | (62,086) | (55,646) | (186,371) | (156,498) |
| Gains and losses on investments, net | 4,693 | 20,090 | 33,426 | 30,664 |
| Equity in earnings (losses) of unconsolidated affiliates, net | 416 | 4,381 | (2,651) | 15,620 |
| Other, net | (5,069) | 4,686 | (5,201) | 8,211 |
| Total other income (expense), net | (40,697) | (14,477) | (104,560) | (71,661) |
| Income from continuing operations before income taxes | 29,338 | 41,937 | 98,250 | 82,294 |
| Income tax provision, net | (12,836) | (6,082) | (25,235) | (9,073) |
| Net income from continuing operations | 16,502 | 35,855 | 73,015 | 73,221 |
| Net income (loss) from discontinued operations | — | (654) | — | 6,454 |
| Net income | 16,502 | 35,201 | 73,015 | 79,675 |
| Less: Net income attributable to noncontrolling interests | 450 | 532 | 1,292 | 351 |
| Net income attributable to EchoStar Corporation | 16,052 | 34,669 | 71,723 | 79,324 |
| Less: Net loss attributable to Hughes Retail Preferred Tracking Stock (Note 1) | — | — | — | (1,209) |
| Net income attributable to EchoStar Corporation common stock | \$16,052 | \$34,669 | \$71,723 | \$80,533 |
| Earnings per share - Class A and B common stock: | | | | |
| Basic earnings from continuing operations per share | \$0.17 | \$0.37 | \$0.75 | \$0.78 |
| Total basic earnings per share | \$0.17 | \$0.36 | \$0.75 | \$0.84 |
| Diluted earnings from continuing operations per share | \$0.17 | \$0.36 | \$0.74 | \$0.77 |
| Total diluted earnings per share | \$0.17 | \$0.36 | \$0.74 | \$0.83 |

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

2

Table of Contents**ECHOSTAR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(In thousands)

(Unaudited)

| | For the three months ended September 30, 2018 | | For the nine months ended September 30, 2017 | |
|--|--|-----------|---|-----------|
| Comprehensive income (loss): | | | | |
| Net income | \$16,502 | \$35,201 | \$73,015 | \$79,675 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments | (7,405) | 9,373 | (42,540) | 33,162 |
| Unrealized gains (losses) on available-for-sale securities and other | (120) | (12,037) | (105) | 2,369 |
| Amounts reclassified to net income: | | | | |
| Realized gains on available-for-sale securities | (1) | — | (4) | (2,758) |
| Other-than-temporary impairment loss on available-for-sale securities | — | — | — | 3,298 |
| Total other comprehensive income (loss), net of tax | (7,526) | (2,664) | (42,649) | 36,071 |
| Comprehensive income | 8,976 | 32,537 | 30,366 | 115,746 |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | (140) | 532 | (97) | 351 |
| Comprehensive income attributable to EchoStar Corporation | \$9,116 | \$32,005 | \$30,463 | \$115,395 |

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

3

Table of Contents

ECHOSTAR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(In thousands)

(Unaudited)

| | Class A and B Common Stock | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Earnings | Treasury Stock | Other Noncontrolling Interests | Total |
|--|-------------------------------------|----------------------------------|--|-------------------------|-------------------|--------------------------------------|-------------|
| Balance, June 30, 2017 | \$ 101 | \$3,654,139 | \$(86,068) | \$ 373,410 | \$(98,162) | \$ 13,304 | \$3,856,724 |
| Issuances of Class A common stock: | | | | | | | |
| Exercise of stock options | 1 | 1,155 | — | — | — | — | 1,156 |
| Employee Stock Purchase Plan | — | 2,398 | — | — | — | — | 2,398 |
| Stock-based compensation | — | 3,261 | — | — | — | — | 3,261 |
| R&D tax credits utilized by DISH Network | — | (257) | — | — | — | — | (257) |
| Other comprehensive loss | — | — | (2,664) | — | — | — | (2,664) |
| Net income | — | — | — | 34,669 | — | 532 | 35,201 |
| Balance, September 30, 2017 | \$ 102 | \$3,660,696 | \$(88,732) | \$ 408,079 | \$(98,162) | \$ 13,836 | \$3,895,819 |
| Balance, June 30, 2018 | \$ 102 | \$3,689,180 | \$(154,011) | \$ 792,278 | \$(98,162) | \$ 14,865 | \$4,244,252 |
| Issuances of Class A common stock: | | | | | | | |
| Exercise of stock options | — | 360 | — | — | — | — | 360 |
| Employee Stock Purchase Plan | — | 2,542 | — | — | — | — | 2,542 |
| Stock-based compensation | — | 2,661 | — | — | — | — | 2,661 |
| R&D tax credits utilized by DISH Network | — | (61) | — | — | — | — | (61) |
| Other comprehensive loss | — | — | (6,936) | — | — | (590) | (7,526) |
| Net income | — | — | — | 16,052 | — | 450 | 16,502 |
| Balance, September 30, 2018 | \$ 102 | \$3,694,682 | \$(160,947) | \$ 808,330 | \$(98,162) | \$ 14,725 | \$4,258,730 |

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

4

Table of Contents

ECHOSTAR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(In thousands)

(Unaudited)

| | Class A and B Common Stock | Hughes Preferred Tracking Stock | Retail Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Earnings | Treasury Stock | Noncontrolling Interest in HSS Tracking Stock | Other Noncontrolling Interests | Total |
|---|-------------------------------------|--|--|--|-------------------------|-------------------|--|--------------------------------------|--------------|
| Balance, December 31, 2016 | \$ 100 | \$ 6 | \$ 3,828,677 | \$ (124,803) | \$ 314,247 | \$ (98,162) | \$ 73,910 | \$ 12,830 | \$ 4,006,805 |
| Cumulative effect of adoption of ASU No. 2016-09 as of January 1, 2017 | — | — | — | — | 14,508 | — | — | — | 14,508 |
| Balance, January 1, 2017 | 100 | 6 | 3,828,677 | (124,803) | 328,755 | (98,162) | 73,910 | 12,830 | 4,021,313 |
| Issuances of Class A common stock: | | | | | | | | | |
| Exercise of stock options | 2 | — | 34,104 | — | — | — | — | — | 34,106 |
| Employee benefits | — | — | 11,200 | — | — | — | — | — | 11,200 |
| Employee Stock Purchase Plan | — | — | 6,938 | — | — | — | — | — | 6,938 |
| Stock-based compensation | — | — | 7,169 | — | — | — | — | — | 7,169 |
| Reacquisition and retirement of Tracking Stock pursuant to Share Exchange Agreement (Note 1) | — | (6) | (226,815) | — | — | — | (73,255) | — | (300,076) |
| R&D tax credits utilized by DISH Network | — | — | (577) | — | — | — | — | — | (577) |
| Other comprehensive income | — | — | — | 36,071 | — | — | — | — | 36,071 |
| Net income (loss) | — | — | — | — | 79,324 | — | (655) | 1,006 | 79,675 |
| Balance, September 30, 2017 | \$ 102 | \$ — | \$ 3,660,696 | \$ (88,732) | \$ 408,079 | \$ (98,162) | \$ — | \$ 13,836 | \$ 3,895,819 |
| Balance, December 31, 2017 | \$ 102 | \$ — | \$ 3,669,461 | \$ (130,154) | \$ 721,316 | \$ (98,162) | \$ — | \$ 14,822 | \$ 4,177,385 |
| Cumulative effect of adoption of ASU No. 2014-09 and ASU No. 2016-01 as of January 1, 2018 (Note 2) | — | — | — | 10,467 | 14,658 | — | — | — | 25,125 |
| Balance, January 1, 2018 | 102 | — | 3,669,461 | (119,687) | 735,974 | (98,162) | — | 14,822 | 4,202,510 |
| Issuances of Class A common stock: | | | | | | | | | |
| Exercise of stock options | — | — | 4,405 | — | — | — | — | — | 4,405 |
| Employee benefits | — | — | 7,605 | — | — | — | — | — | 7,605 |
| Employee Stock Purchase Plan | — | — | 7,428 | — | — | — | — | — | 7,428 |
| Stock-based compensation | — | — | 7,771 | — | — | — | — | — | 7,771 |
| R&D tax credits utilized by DISH Network | — | — | (1,859) | — | — | — | — | — | (1,859) |
| Other comprehensive loss | — | — | — | (41,260) | — | — | — | (1,389) | (42,649) |
| Net income | — | — | — | — | 71,723 | — | — | 1,292 | 73,015 |
| Other | — | — | (129) | — | 633 | — | — | — | 504 |
| Balance, September 30, 2018 | \$ 102 | \$ — | \$ 3,694,682 | \$ (160,947) | \$ 808,330 | \$ (98,162) | \$ — | \$ 14,725 | \$ 4,258,730 |

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

Table of Contents**ECHOSTAR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

| | For the nine months ended September 30, | |
|--|--|-------------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income | \$ 73,015 | \$ 79,675 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Depreciation and amortization | 444,558 | 391,598 |
| Equity in (earnings) losses of unconsolidated affiliates, net | 2,651 | (14,461) |
| Amortization of debt issuance costs | 5,910 | 5,479 |
| Gains and losses on investments, net | (33,524) | (30,664) |
| Stock-based compensation | 7,771 | 7,169 |
| Deferred tax provision | 22,357 | 7,924 |
| Dividends received from unconsolidated entity | 5,000 | 15,000 |
| Proceeds from sale of trading securities | — | 8,922 |
| Changes in current assets and current liabilities, net: | | |
| Trade accounts receivable, net | (35,811) | 5,088 |
| Trade accounts receivable - DISH Network | 32,323 | 225,963 |
| Inventory | 10,667 | (26,231) |
| Other current assets | (5,569) | (11,392) |
| Trade accounts payable | 2,536 | (64,553) |
| Trade accounts payable - DISH Network | (3,342) | 2,534 |
| Accrued expenses and other | 19,450 | 13,268 |
| Changes in noncurrent assets and noncurrent liabilities, net | (16,123) | (23,474) |
| Other, net | 12,043 | 91 |
| Net cash flows from operating activities | 543,912 | 591,936 |
| Cash flows from investing activities: | | |
| Purchases of marketable investment securities | (2,323,090) | (319,912) |
| Sales and maturities of marketable investment securities | 1,331,225 | 375,890 |
| Expenditures for property and equipment | (415,253) | (422,661) |
| Refunds and other receipts related to property and equipment | 77,524 | — |
| Sale of investment in unconsolidated entity | 1,558 | 17,781 |
| Expenditures for externally marketed software | (24,568) | (25,447) |
| Other | (991) | — |
| Net cash flows from investing activities | (1,353,595) | (374,349) |
| Cash flows from financing activities: | | |
| Repayment of debt and capital lease obligations | (27,764) | (26,394) |
| Net proceeds from Class A common stock options exercised | 4,424 | 33,156 |
| Net proceeds from Class A common stock issued under the Employee Stock Purchase Plan | 7,428 | 6,938 |
| Cash exchanged for Tracking Stock (Note 1) | — | (651) |
| Repayment of in-orbit incentive obligations | (4,601) | (4,583) |
| Other, net | (530) | 201 |
| Net cash flows from financing activities | (21,043) | 8,667 |
| Effect of exchange rates on cash and cash equivalents | (3,449) | 1,014 |
| Net increase (decrease) in cash and cash equivalents, including restricted amounts | (834,175) | 227,268 |

Edgar Filing: EchoStar CORP - Form 10-Q

| | | |
|--|--------------|--------------|
| Cash and cash equivalents, including restricted amounts, beginning of period | 2,432,249 | 2,571,866 |
| Cash and cash equivalents, including restricted amounts, end of period | \$ 1,598,074 | \$ 2,799,134 |

Supplemental disclosure of cash flow information:

| | | |
|--|------------|------------|
| Cash paid for interest, net of amounts capitalized | \$ 170,303 | \$ 137,955 |
| Cash paid for income taxes | \$ 3,369 | \$ 10,071 |

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

6

Table of Contents

ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. ORGANIZATION AND BUSINESS ACTIVITIES

Principal Business

EchoStar Corporation (which, together with its subsidiaries, is referred to as “EchoStar,” the “Company,” “we,” “us” and/or “our”) is a holding company that was organized in October 2007 as a corporation under the laws of the State of Nevada. We are a global provider of broadband satellite technologies, broadband internet services for home and small office customers, satellite operations and satellite services. We also deliver innovative network technologies, managed services and various communications solutions for aeronautical, enterprise and government customers. Our Class A common stock is publicly traded on the Nasdaq Global Select Market under the symbol “SATS.”

We primarily operate in the following two business segments:

Hughes — which provides broadband satellite technologies and broadband internet services to domestic and international home and small office customers and broadband network technologies, managed services, equipment, hardware, satellite services and communication solutions to domestic and international consumers and aeronautical, enterprise and government customers. The Hughes segment also designs, provides and installs gateway and terminal equipment to customers for other satellite systems. In addition, our Hughes segment designs, develops, constructs and provides telecommunication networks comprising satellite ground segment systems and terminals to mobile system operators and our enterprise customers.

EchoStar Satellite Services (“ESS”) — which uses certain of our owned and leased in-orbit satellites and related licenses to provide satellite operations and satellite services on a full-time and/or occasional-use basis primarily to DISH Network, Dish Mexico, S. de R.L. de C.V., a joint venture we entered into in 2008 (“Dish Mexico”), U.S. government service providers, internet service providers, broadcast news organizations, content providers and private enterprise customers.

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

EchoStar Corporation and DISH Network Corporation (“DISH”) have operated as separate publicly-traded companies since DISH Network completed its distribution to us in 2008 of its digital set-top box business, certain infrastructure, and other assets and related liabilities, including certain satellites, uplink and satellite transmission assets and real estate (the “Spin-off”). A substantial majority of the voting power of the shares of each of EchoStar Corporation and DISH is owned beneficially by Charles W. Ergen, our Chairman, and by certain entities established by Mr. Ergen for the benefit of his family.

On January 31, 2017, EchoStar Corporation and certain of our subsidiaries entered into a Share Exchange Agreement (the “Share Exchange Agreement”) with DISH and certain of its subsidiaries. Pursuant to the

Share Exchange Agreement, on February 28, 2017, among other things, we received all of the shares of the Hughes Retail Preferred Tracking Stock issued by EchoStar Corporation (the “EchoStar Tracking Stock”) and the Hughes Retail Preferred Tracking Stock issued by our subsidiary Hughes Satellite Systems Corporation (“HSS”) (the “HSS Tracking Stock”, together with the EchoStar Tracking Stock, the “Tracking Stock”) in exchange for 100% of the equity interests of certain EchoStar subsidiaries that held substantially all of our former EchoStar Technologies businesses and certain other assets (collectively, the “Share Exchange”). The EchoStar Technologies businesses designed, developed and distributed secure end-to-end video technology solutions including digital set-top boxes and related products and technology, primarily for satellite TV service providers and telecommunication companies, and provided digital broadcast operations, including satellite uplinking/downlinking, transmission services, signal processing, conditional

7

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

access management and other services. The Tracking Stock tracked the economic performance of the residential retail satellite broadband business of our Hughes segment, including certain operations, assets and liabilities attributed to such business (collectively, the “Hughes Retail Group”), and represented an aggregate 80.0% economic interest in the Hughes Retail Group. Following the consummation of the Share Exchange, we no longer operate the EchoStar Technologies businesses, the Tracking Stock was retired and is no longer outstanding, and all agreements, arrangements and policy statements with respect to the Tracking Stock terminated. As a result of the Share Exchange, the operating results of the EchoStar Technologies businesses have been presented as discontinued operations and as such, have been excluded from continuing operations and segment results for all periods presented in our accompanying condensed consolidated financial statements. See Note 4 for further discussion of our discontinued operations.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. (“U.S. GAAP”) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these financial statements do not include all of the information and notes required for complete financial statements prepared in conformity with U.S. GAAP. In our opinion, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. However, our results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the consolidated financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2017.

Principles of Consolidation

We consolidate all entities in which we have a controlling financial interest. We are deemed to have a controlling financial interest in variable interest entities where we are the primary beneficiary. We are deemed to have a controlling financial interest in other entities when we own more than 50% of the outstanding voting shares and other shareholders do not have substantive rights to participate in management. For entities we control but do not wholly own, we record a noncontrolling interest within stockholders’ equity for the portion of the entity’s equity attributed to the noncontrolling ownership interests. Prior to consummation of the Share Exchange, noncontrolling interests consisted primarily of the HSS Tracking Stock owned by DISH Network as described in Notes 1 and 4. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassification

Certain prior period amounts have been reclassified to conform with the current period presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheets,

the reported amounts of revenue and expense for each reporting period and certain information disclosed in the notes to our financial statements. Estimates are used in accounting for, among other things, (i) amortization periods for deferred contract acquisition costs, (ii) inputs used to recognize revenue over time, (iii) allowances for doubtful accounts, (iv) warranty obligations, (v) self-insurance obligations, (vi) deferred taxes and related valuation allowances, (vii) uncertain tax positions, (viii) loss contingencies, (ix) fair value of financial instruments, (x) fair value of stock-based compensation awards, (xi) fair value of assets and liabilities acquired in business combinations, (xii) lease classifications, (xiii) asset impairment testing and (xiv) useful lives and methods for depreciation and amortization of long-lived assets.

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

Fair Value Measurements

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

Level 1 - Defined as observable inputs being quoted prices in active markets for identical assets;

Level 2 - Defined as observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

Level 3 - Defined as unobservable inputs for which little or no market data exists, consistent with characteristics of the asset or liability that would be considered by market participants in a transaction to purchase or sell the asset or liability.

Fair values of our marketable investment securities are based on a variety of observable market inputs. For our investments in publicly traded equity securities and U.S. government securities, fair value ordinarily is determined based on Level 1 measurements that reflect quoted prices for identical securities in active markets. Fair values of our investments in other marketable debt securities are generally based on Level 2 measurements, as the markets for such debt securities are less active. We consider trades of identical debt securities on or near the measurement date as a strong indication of fair value and matrix pricing techniques that consider par value, coupon rate, credit quality, maturity and other relevant features may also be used to determine fair value of our investments in marketable debt securities. Fair values for our outstanding debt (see Note 12) are based on quoted market prices in less active markets and are categorized as Level 2 measurements. Additionally, we use fair value measurements from time to time in connection with asset impairment testing and the assignment of purchase consideration to assets and liabilities of acquired companies. Those fair value measurements typically include significant unobservable inputs and are categorized within Level 3 of the fair value hierarchy.

Transfers between levels in the fair value hierarchy are considered to occur at the beginning of the quarterly accounting period. There were no transfers between levels for each of the nine-month periods ended September 30, 2018 and 2017.

As of September 30, 2018 and December 31, 2017, the carrying amounts of our cash and cash equivalents, trade and other receivables, net of allowance for doubtful accounts, accounts payable and

accrued liabilities were equal to or approximated their fair value due to their short-term nature or proximity to current market rates.

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Revenue Recognition

Overview

We account for our sales and services revenue in accordance with *Accounting Standards Codification Topic 606, Revenue from Contracts with Customers* (“*Topic 606*”), which we adopted on January 1, 2018, using the modified retrospective approach to contracts not completed as of the adoption date. Topic 606 provides a five-step revenue recognition model that we apply to our customer contracts. Under this model we (i) identify the contract with the customer, (ii) identify our performance obligations in the contract, (iii) determine the transaction price for the contract, (iv) allocate the transaction price to our performance obligations and (v) recognize revenue when or as we satisfy our performance obligations.

Revenue is recognized upon transfer of control of the promised goods or our performance of the services to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We enter into contracts that may include various combinations of products and services, which are generally distinct and accounted for as separate performance obligations.

Additionally, a significant portion of our revenue is derived from leases of property and equipment that is reported in *Services and other revenue - other* and *Services and other revenue - DISH Network* in our Condensed Consolidated Statements of Operations. Certain of our customer contracts contain embedded equipment leases, which we separate from non-lease components of the contract based on the relative standalone selling prices of the lease and non-lease components.

Hughes

Our Hughes segment provides various communication and networking services to consumer and enterprise customers in both domestic and international markets. Our service contracts typically obligate us to provide substantially the same services on a recurring basis in exchange for fixed recurring fees over the term of the contract. We satisfy such performance obligations over time and generally recognize revenue ratably as services are rendered over the service period. Certain of our contracts with service obligations provide for fees based on usage, capacity or volume. We satisfy these performance obligations and generally recognize the related revenue at the point in time or over the period when the services are rendered. Our Hughes segment also sells and leases communications equipment to its customers. Revenue from equipment sales generally is recognized upon shipment of the equipment. Our equipment sales contracts typically include standard product warranties, but generally do not provide for returns or refunds. Revenue for extended warranties is generally recognized ratably over the extended warranty period. For contracts with multiple performance obligations, we typically allocate the contract’s transaction price to each performance obligation based on their relative standalone selling prices. When the standalone selling price is not observable, our primary method used to estimate standalone selling price is the expected cost plus a margin. Our contracts generally require customer payments to be made at or shortly after the time we transfer control of goods or perform the services.

In addition to equipment and service offerings, our Hughes segment also enters into long-term contracts to design, develop, construct and install complex telecommunication networks to customers in its enterprise and mobile satellite systems markets. Revenue from such contracts is generally recognized over time at a measure of progress that depicts the transfer of control of the goods or services to the customer.

Depending on the nature of the arrangement, we measure progress toward contract completion using an appropriate input method or output method. Under the input method, we recognize the transaction price as revenue based on the ratio of costs incurred to estimated total costs at completion. Under the output method, revenue and cost of sales are recognized as products are delivered based on the expected profit for the entire agreement. Profit margins on long-term contracts generally are based on estimates of revenue and costs at completion. We review and revise our estimates periodically and recognize related adjustments in the period in which the revisions are made. Estimated losses on contracts are recorded in the period in which they are identified. We generally receive interim payments as work progresses, although for some contracts, we may be entitled to receive an advance payment.

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

ESS

Our ESS segment provides satellite operations through leasing arrangements and satellite services on a full-time and/or occasional-use basis to DISH Network and Dish Mexico, as well as government service providers, internet service providers, broadcast news organizations, content providers and private enterprise customers. Our ESS segment also provides telemetry, tracking and control (“TT&C”) services for satellites owned by DISH Network and technical consulting services that are billed by the hour. Generally, our service contracts with customers contain a single performance obligation and therefore there is no need to allocate the transaction price. We transfer control and recognize revenue for satellite services at the point in time or over the period when the services are rendered.

Other

Sales and Value Added Taxes, Universal Service Fees and other taxes that we collect concurrent with revenue producing activities are excluded from revenue.

Shipping and handling costs associated with outbound freight are accounted for as a fulfillment cost after control over a product has transferred to the customer and are included in *Cost of sales - equipment* at the time of shipment.

Contract Balances

Trade Accounts Receivable

Trade accounts receivable includes amounts billed and currently due from customers and represents our unconditional rights to consideration arising from our performance under our customer contracts. Trade accounts receivable also includes amounts due from customers under our leasing arrangements. We make ongoing estimates relating to the collectibility of our trade accounts receivable and maintain an allowance for estimated losses resulting from the inability of our customers to make the required payments. In determining the amount of the allowance, we consider historical levels of credit losses and make judgments about the creditworthiness of our customers based on ongoing credit evaluations. Past due trade accounts receivable balances are written off when our internal collection efforts have been unsuccessful. Bad debt expense related to our trade accounts receivable and other contract assets is included in *Selling, general and administrative expenses* in our Condensed Consolidated Statements of Operations.

Contract Assets and Contract Liabilities

Contract assets represent revenue that we have recognized in advance of billing the customer and are included in *Trade accounts receivable and contract assets, net* or *Other noncurrent assets, net* in our Condensed Consolidated Balance Sheets based on the expected timing of customer payment. Our contract assets include amounts that we referred to as Contracts in Process in prior periods. Our contract assets typically relate to our long-term contracts where we recognize revenue using the cost-based input method and the revenue recognized exceeds the amount billed to the customer.

Contract liabilities consist of advance payments and billings in excess of revenue recognized under customer contracts and are included in *Contract liabilities* or *Other noncurrent liabilities* in our Condensed Consolidated Balance Sheets based on the timing of when we expect to recognize revenue. *Contract liabilities* include amounts that we referred to as deferred revenue in prior periods. We recognize contract liabilities as revenue after all revenue recognition criteria have been met.

Table of Contents

ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Contract Acquisition and Fulfillment Costs

Contract Acquisition Costs

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

Contract Fulfillment Costs

We recognize costs to fulfill a contract as an asset when the costs relate directly to a specific contract, the costs generate or enhance our resources that will be used in satisfying future performance obligations and the costs are expected to be recovered. We may incur such costs on certain contracts that require initial setup activities in advance of the transfer of goods or services to the customer. We amortize these costs in proportion to the revenue to which the costs relate. Unamortized contract fulfillment costs are included in *Other noncurrent assets, net* in our Condensed Consolidated Balance Sheets and related amortization expense is included in *Cost of sales - services and other* in our Condensed Consolidated Statements of Operations.

Capitalized Software Costs

Internal-Use Software

Costs related to the procurement and development of software for internal-use are capitalized and amortized using the straight-line method over the estimated useful life of the software, not in excess of five years. Capitalized costs of internal-use software are included in *Property and equipment, net* in our Condensed Consolidated Balance Sheets.

Externally Marketed Software

Costs related to the procurement and development of software for externally marketed software are capitalized and amortized using the straight-line method over the estimated useful life of the software, not in excess of five years. Capitalized costs of externally marketed software are included in *Other noncurrent assets, net* in our Condensed Consolidated Balance Sheets. Externally marketed software generally is installed in the equipment we sell to customers. We conduct software program reviews for externally marketed capitalized software costs at least annually, or as events and circumstances warrant such a review, to determine if capitalized software development costs are recoverable and to ensure that costs associated with programs that are no longer generating revenue are expensed.

Marketable Investment Securities

Our marketable investment securities portfolio consists of investments in debt and equity instruments with readily determinable fair values.

Debt Securities

We classify all of our debt securities as available for sale based on our investment strategy for the securities. Generally, we recognize periodic changes in the difference between fair value and amortized cost in *Unrealized gains (losses) on available-for-sale securities and other* in our Condensed Consolidated Statements of Comprehensive Income (Loss).

12

Table of Contents

EHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Realized gains and losses upon sales of debt securities are reclassified from other comprehensive income (loss) and recognized on the trade date in *Gains and losses on investments, net* in our Condensed Consolidated Statements of Operations. We use the first-in, first-out method to determine the cost basis on sales of debt securities. Interest income from debt securities is reported in *Interest income* in our Condensed Consolidated Statements of Operations. We could realize proceeds from certain investments prior to their contractual maturity if we actually sell these securities before such maturity.

We evaluate our available-for-sale debt securities portfolio periodically to determine whether declines in the fair value of these securities are other than temporary. Our evaluation considers, among other things, the length of time and the extent to which the fair value of such security has been lower than amortized cost, market and company-specific factors related to the security and our intent and ability to hold the investment to maturity or when it recovers its value. We generally consider a decline to be other than temporary when: (i) we intend to sell the security, (ii) it is more likely than not that we will be required to sell the security before maturity or when it recovers its value, or (iii) we do not expect to recover the amortized cost of the security at maturity. Declines in the fair value of available-for-sale debt securities that are determined to be other than temporary are reclassified from other comprehensive income (loss) and recognized in net income, thus establishing a new cost basis for the investment.

From time to time we make strategic investments in corporate debt securities. Generally, we elect to account for these debt securities using the fair value option because it results in consistency in accounting for unrealized gains and losses for all securities in our portfolio of strategic investments. When we elect the fair value option for investments in debt securities, we recognize periodic changes in fair value of these securities in *Gains (losses) on investments, net* in our Condensed Consolidated Statements of Operations. Interest income from these securities is reported in *Interest income* in our Condensed Consolidated Statements of Operations.

Equity Securities

Prior to January 1, 2018, we classified our marketable equity securities as available for sale or trading securities, depending on our investment strategy for the securities. For available-for-sale securities, we recognized periodic changes in the difference between fair value and cost in *Unrealized gains (losses) on available-for-sale securities and other* in our Condensed Consolidated Statements of Comprehensive Income (Loss). Realized gains and losses upon sale of available-for-sale securities were reclassified from other comprehensive income (loss) and recognized on the trade date in *Gains and losses on investments, net* in our Condensed Consolidated Statements of Operations. We used the first-in, first-out method to determine the cost basis on sales of available-for-sale securities. For trading securities, we recognized periodic changes in the fair value of the securities in *Gains and losses on investments, net* in our Condensed Consolidated Statements of Operations.

Effective January 1, 2018, we adopted *Accounting Standards Update ("ASU") No. 2016-01, Financial Instruments (the "New Investment Standard")*, which established new requirements for investments in equity securities in *ASC Topic 321, Investments - Equity Securities*. Accordingly, beginning in 2018, we recognize periodic changes in the fair value of all of our equity securities with a readily determinable fair value that are not accounted for using the equity method in *Gains and losses on investments, net* in our Condensed Consolidated Statements of Operations. We recognize dividend income on equity securities on the ex-dividend date and report such income in *Other, net* in our Condensed Consolidated Statements of

Operations.

Restricted Marketable Investment Securities

Restricted marketable investment securities that are pledged as collateral for our letters of credit or surety bonds are included in *Other noncurrent assets, net* in our Condensed Consolidated Balance Sheets.

13

Table of Contents

ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Investments in Unconsolidated Entities

Our investments in unconsolidated entities consist of investments in equity securities that are not publicly traded and do not have readily determinable fair values.

Equity Method

We use the equity method to account for investments when we have the ability to exercise significant influence on the operating decisions of the investee. Such investments in unconsolidated entities are initially recorded at cost and subsequently adjusted for our proportionate share of the net earnings or loss of the investee, which is reported in *Equity in earnings (losses) of unconsolidated affiliates, net* in our Condensed Consolidated Statements of Operations. The carrying amount of such investments may include a component of goodwill if the cost of our investment exceeds the fair value of the underlying identifiable assets and liabilities of the investee. Dividends received from equity method investees reduce the carrying amount of the investment.

We defer, to the extent of our ownership interest in the investee, recognition of intra-entity profits on sales of equipment to the investee until the investee has charged the cost of the equipment to expense in a subsequent sale to a third party or through depreciation. In these circumstances, we report the gross amounts of revenue and cost of sales in the Condensed Consolidated Statements of Operations and include the intra-entity profit eliminations within *Equity in earnings (losses) of unconsolidated affiliates, net*.

Other Investments

Prior to January 1, 2018, we accounted for other investments without a readily determinable fair value using the cost method. In connection with our adoption of the New Investment Standard as of January 1, 2018, we have elected to measure such investments at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. We consider information in periodic financial statements and other documentation provided by our investees and we may make inquiries of investee management to determine whether observable price changes have occurred.

Impairment Considerations

We evaluate all of our investments in unconsolidated entities periodically to determine whether events or changes in circumstances have occurred that may have a significant adverse effect on the fair value of the investment. As part of our evaluation, we review available information such as business plans and current financial statements of these companies for factors that may indicate an impairment of our investments. Such factors may include, but are not limited to, unprofitable operations, negative cash flow, material litigation, violations of debt covenants, bankruptcy and changes in business strategy. When we determine that an investment is impaired, we adjust the carrying amount of the investment to its estimated fair value and recognize the impairment loss in *Gains and losses on investments, net*.

Research and Development

Costs incurred in research and development activities are generally expensed as incurred. A significant portion of our research and development costs are incurred in connection with the specific requirements of a customer's order. In such instances, the amounts for these customer funded development efforts are included in *Cost of sales - equipment*.

Other Significant Accounting Policies

See Note 2, Summary of Significant Accounting Policies to our consolidated financial statements included in our Form 10-K for the year ended December 31, 2017 for a summary of our other significant accounting policies.

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Recently Adopted Accounting Pronouncements

Revenue Recognition and Financial Instruments

On January 1, 2018, we adopted *ASU No. 2014-09, Revenue from Contracts with Customers and related amendments (collectively, the "New Revenue Standard")*. The New Revenue Standard established a comprehensive new model for revenue recognition, which is codified in Topic 606 (see Revenue Recognition above), and provided guidance for certain costs associated with customer contracts. We adopted the New Revenue Standard using the modified retrospective method for contracts that were not completed as of January 1, 2018. Accordingly, comparative information for prior periods has not been restated and continues to be reported under the accounting standards in effect for those periods. Upon adoption of the New Revenue Standard, we recognized the cumulative effect of its initial application as a net increase to accumulated earnings of \$25.1 million, net of related income taxes. The adoption of the New Revenue Standard also impacted the timing of recognition of certain fees charged to our customers in our consumer markets; however, the adoption has not had, and we do not expect it to have, a material impact on the overall timing or amount of revenue recognition.

The primary impacts of the New Revenue Standard on our operating results relate to how we account for sales incentive costs. Historically, we charged sales incentives to expense as incurred, except for incentives related to the consumer business in our Hughes segment, which were initially deferred and subsequently amortized over the related service agreement term. Under the New Revenue Standard, we continue to defer incentives for our consumer business; however, we now amortize those incentives over the estimated customer life, which includes expected contract renewal periods. In addition, we now defer certain sales incentives related to other businesses in our Hughes segment and amortize those incentives over the related service agreement term. As a result of these changes, we have recognized additional contract assets on our Condensed Consolidated Balance Sheets and the costs generally are recognized as expenses over a longer period of time in our Condensed Consolidated Statements of Operations. The adoption of the New Revenue Standard by one of our unconsolidated entities had a similar impact on our investment in the unconsolidated entity, which we account for using the equity method.

Additionally, on January 1, 2018, we prospectively adopted the applicable requirements of the New Investment Standard. The New Investment Standard substantially revises standards for the recognition, measurement and presentation of financial instruments, including requiring all equity investments, except for investments in consolidated subsidiaries and investments accounted for using the equity method, to be measured at fair value with changes in the fair value recognized through earnings. The New Investment Standard permits an entity to elect to measure an equity security without a readily determinable fair value at its cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. It also amends certain disclosure requirements associated with equity investments and the fair value of financial instruments. Upon adoption of the New Investment Standard on January 1, 2018, we recorded a \$10.5 million charge to accumulated earnings to include net unrealized losses on our marketable equity securities then designated as available for sale, which previously were recorded in *Accumulated other comprehensive loss* in our Condensed Consolidated Balance Sheets. For our equity investments without a readily determinable fair value that were previously accounted for using the cost method, we have elected to measure such securities at cost, adjusted for impairments and observable price changes. We expect our future net income or loss to be more volatile as a result of these changes in accounting for our investments in equity securities that were

previously accounted for as available for sale or using the cost method.

Table of Contents
ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The cumulative effects of changes to the impacted line items on our Condensed Consolidated Balance Sheet as of January 1, 2018 for the adoption of these standards were as follows:

| | Balance at December 31, 2017 | Adjustments Due to | | Balance at January 1, 2018 |
|--|------------------------------------|----------------------------|-------------------------------|----------------------------------|
| | | New Revenue Standard | New Investment Standard | |
| (In thousands) | | | | |
| Assets: | | | | |
| Trade accounts receivable and contract assets, net | \$ 196,840 | \$(7,103) | \$ — | \$ 189,737 |
| Other current assets | \$ 91,671 | \$ 533 | \$ — | \$ 92,204 |
| Investments in unconsolidated entities | \$ 161,427 | \$ 6,917 | \$ — | \$ 168,344 |
| Other noncurrent assets, net | \$ 214,814 | \$ 22,545 | \$ — | \$ 237,359 |
| Total assets | \$ 8,750,014 | \$ 22,892 | \$ — | \$ 8,772,906 |
| Liabilities: | | | | |
| Contract liabilities | \$ 65,959 | \$(1,542) | \$ — | \$ 64,417 |
| Accrued expenses and other | \$ 82,647 | \$ 255 | \$ — | \$ 82,902 |
| Deferred tax liabilities, net | \$ 436,023 | \$ 3,122 | \$ — | \$ 439,145 |
| Other noncurrent liabilities | \$ 128,503 | \$(4,068) | \$ — | \$ 124,435 |
| Total liabilities | \$ 4,572,629 | \$(2,233) | \$ — | \$ 4,570,396 |
| Stockholders' Equity: | | | | |
| Accumulated other comprehensive income (loss) | \$(130,154) | \$ — | \$ 10,467 | \$(119,687) |
| Accumulated earnings (losses) | \$ 721,316 | \$ 25,125 | \$(10,467) | \$ 735,974 |
| Total EchoStar Corporation stockholders' equity | \$ 4,177,385 | \$ 25,125 | \$ — | \$ 4,202,510 |
| Total liabilities and stockholders' equity | \$ 8,750,014 | \$ 22,892 | \$ — | \$ 8,772,906 |

Our adoption of these standards impacted the referenced line items on our Condensed Consolidated Balance Sheet, Statement of Operations and Statements of Comprehensive Income (Loss) as follows:

| Balance Sheet | As of September 30, 2018 | | | |
|--|--------------------------|---|-------------------------------|--|
| | As Reported | Adjustments Due to the New Revenue Standard | New Investment Standard | Balances If We Had Not Adopted the New Standards |
| (In thousands) | | | | |
| Assets: | | | | |
| Trade accounts receivable and contract assets, net | \$ 217,524 | \$ 8,511 | \$ — | \$ 226,035 |
| Other current assets | \$ 17,222 | \$(533) | \$ — | \$ 16,689 |
| Investments in unconsolidated entities | \$ 160,669 | \$(6,071) | \$ — | \$ 154,598 |
| Other noncurrent assets, net | \$ 262,866 | \$(33,310) | \$ — | \$ 229,556 |
| Total assets | \$ 8,850,446 | \$(31,403) | \$ — | \$ 8,819,043 |
| Liabilities: | | | | |
| Contract liabilities | \$ 74,135 | \$ 971 | \$ — | \$ 75,106 |
| Accrued expenses and other | \$ 72,464 | \$(255) | \$ — | \$ 72,209 |
| Deferred tax liabilities, net | \$ 471,259 | \$(4,713) | \$ — | \$ 466,546 |
| Other noncurrent liabilities | \$ 124,694 | \$ 2,234 | \$ — | \$ 126,928 |
| Total liabilities | \$ 4,591,716 | \$(1,763) | \$ — | \$ 4,589,953 |
| Stockholders' Equity: | | | | |

Edgar Filing: EchoStar CORP - Form 10-Q

| | | | | |
|---|--------------|-------------|-------------|--------------|
| Accumulated other comprehensive loss | \$(160,947) | \$— | \$ 40,407 | \$(120,540) |
| Accumulated earnings | \$808,330 | \$(29,640) | \$(40,407) | \$738,283 |
| Total EchoStar Corporation stockholders' equity | \$4,258,730 | \$(29,640) | \$— | \$4,229,090 |
| Total liabilities and stockholders' equity | \$8,850,446 | \$(31,403) | \$— | \$8,819,043 |

Table of Contents
ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

| | For the three months ended September 30, 2018 | | | |
|---|--|-------------------------------|----------|---|
| | As Reported | Adjustments Due to the | | Balances If We Had Not Adopted the New Standards |
| Statement of Operations | New Revenue Standard | New Investment Standard | | |
| | (In thousands) | | | |
| Revenue: | | | | |
| Services and other revenue - other | \$388,248 | \$(99) | \$ — | \$ 388,149 |
| Total revenue | \$532,953 | \$(99) | \$ — | \$ 532,854 |
| Costs and expenses: | | | | |
| Cost of sales - services and other (exclusive of depreciation and amortization) | \$152,011 | \$951 | \$ — | \$ 152,962 |
| Selling, general and administrative expenses | \$107,490 | \$970 | \$ — | \$ 108,460 |
| Total costs and expenses | \$462,918 | \$1,921 | \$ — | \$ 464,839 |
| Operating income (loss) | \$70,035 | \$(2,020) | \$ — | \$ 68,015 |
| Other income (expense): | | | | |
| Interest expense, net of amounts capitalized | \$(62,086) | \$156 | \$ — | \$(61,930) |
| Gains and losses on investments, net | \$4,693 | \$— | \$(217) | \$ 4,476 |
| Equity in earnings (losses) of unconsolidated affiliates, net | \$416 | \$169 | \$ — | \$ 585 |
| Total other income (expense), net | \$(40,697) | \$325 | \$(217) | \$(40,589) |
| Income (loss) from continuing operations before income taxes | \$29,338 | \$(1,695) | \$(217) | \$ 27,426 |
| Income tax benefit (provision) | \$(12,836) | \$394 | \$ — | \$(12,442) |
| Net income (loss) | \$16,502 | \$(1,301) | \$(217) | \$ 14,984 |
| Net income (loss) attributable to EchoStar Corporation common stock | \$16,052 | \$(1,301) | \$(217) | \$ 14,534 |
| Earnings (losses) per share: | | | | |
| Basic | \$0.17 | \$(0.01) | \$ — | \$ 0.15 |
| Diluted | \$0.17 | \$(0.01) | \$ — | \$ 0.15 |

| | For the three months ended September 30, 2018 | | | |
|--|--|-------------------------------|----------|---|
| | As Reported | Adjustments Due to the | | Balances If We Had Not Adopted the New Standards |
| Statement of Comprehensive Income (Loss) | New Revenue Standard | New Investment Standard | | |
| | (In thousands) | | | |
| Net income (loss) | \$16,502 | \$(1,301) | \$(217) | \$ 14,984 |
| Other comprehensive income (loss), net of tax: | | | | |
| Unrealized gains (losses) on available-for-sale securities and other | \$(120) | \$— | \$ 217 | \$ 97 |
| Total other comprehensive income (loss), net of tax | \$(7,526) | \$— | \$ 217 | \$(7,309) |
| Comprehensive income (loss) | \$8,976 | \$(1,301) | \$ — | \$ 7,675 |
| Comprehensive income (loss) attributable to EchoStar Corporation | \$9,116 | \$(1,301) | \$ — | \$ 7,815 |

Table of Contents**ECHOSTAR CORPORATION**
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the nine months ended September 30, 2018

| Statement of Operations | As Reported | Adjustments Due to | | Balances If We Had Not Adopted the New Standards |
|---|-------------|----------------------|-------------------------|--|
| | | New Revenue Standard | New Investment Standard | |
| (In thousands) | | | | |
| Revenue: | | | | |
| Services and other revenue - other | \$1,118,733 | \$1,927 | \$— | \$1,120,660 |
| Total revenue | \$1,560,702 | \$1,927 | \$— | \$1,562,629 |
| Costs and expenses: | | | | |
| Cost of sales - services and other (exclusive of depreciation and amortization) | \$451,913 | \$3,428 | \$— | \$455,341 |
| Selling, general and administrative expenses | \$313,839 | \$5,825 | \$— | \$319,664 |
| Total costs and expenses | \$1,357,892 | \$9,253 | \$— | \$1,367,145 |
| Operating income (loss) | \$202,810 | \$(7,326) | \$— | \$195,484 |
| Other income (expense): | | | | |
| Interest expense, net of amounts capitalized | \$(186,371) | \$374 | \$— | \$(185,997) |
| Gains and losses on investments, net | \$33,426 | \$— | \$(50,874) | \$(17,448) |
| Equity in earnings (losses) of unconsolidated affiliates, net | \$(2,651) | \$846 | \$— | \$(1,805) |
| Total other income (expense), net | \$(104,560) | \$1,220 | \$(50,874) | \$(154,214) |
| Income (loss) from continuing operations before income taxes | \$98,250 | \$(6,106) | \$(50,874) | \$41,270 |
| Income tax benefit (provision) | \$(25,235) | \$1,591 | \$— | \$(23,644) |
| Net income (loss) | \$73,015 | \$(4,515) | \$(50,874) | \$17,626 |
| Net income (loss) attributable to EchoStar Corporation common stock | \$71,723 | \$(4,515) | \$(50,874) | \$16,334 |
| Earnings (losses) per share: | | | | |
| Basic | \$0.75 | \$(0.05) | \$(0.53) | \$0.17 |
| Diluted | \$0.74 | \$(0.05) | \$(0.52) | \$0.17 |

For the nine months ended September 30, 2018

| Statement of Comprehensive Income (Loss) | As Reported | Adjustments Due to | | Balances If We Had Not Adopted the New Standards |
|---|-------------|----------------------|-------------------------|--|
| | | New Revenue Standard | New Investment Standard | |
| (In thousands) | | | | |
| Net income (loss) | \$73,015 | \$(4,515) | \$(50,874) | \$17,626 |
| Other comprehensive income (loss), net of tax: | | | | |
| Unrealized gains (losses) on available-for-sale securities and other | \$(105) | \$— | \$13,858 | \$13,753 |
| Other-than-temporary impairment loss on available-for-sale securities in net income | \$— | \$— | \$37,016 | \$37,016 |
| Total other comprehensive income (loss), net of tax | \$(42,649) | \$— | \$50,874 | \$8,225 |
| Comprehensive income (loss) | \$30,366 | \$(4,515) | \$— | \$25,851 |
| Comprehensive income (loss) attributable to EchoStar Corporation | \$30,463 | \$(4,515) | \$— | \$25,948 |

Restricted Cash and Cash Equivalents

ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash requires restricted cash and restricted cash equivalents to be included with cash and cash equivalents in our Statement of Cash Flows. We adopted ASU No. 2016-18 as of January 1, 2018. As a result, the beginning and ending balances of cash and cash equivalents presented in our Condensed Consolidated Statements of Cash Flows include amounts for restricted cash and cash equivalents, which historically were not included in such balances, and receipts and payments of restricted cash and cash equivalents, exclusive of transfers to and from unrestricted accounts, are reported in our Condensed Consolidated Statements of Cash Flows. The adoption of this accounting standard d

Table of Contents

EHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

id not have a material impact on our Statements of Cash Flows and related disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

Lease Standard

In February 2016, the Financial Accounting Standards Board (“FASB”) issued *ASU No. 2016-02, Leases (Topic 842)*. This standard requires lessees to recognize assets and liabilities for all leases with lease terms more than 12 months, including leases classified as operating leases. The standard also modifies the definition of a lease and the criteria for classifying leases as operating leases or finance leases and requires certain additional disclosures. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. The new standard, as amended in July 2018, may be applied either on a modified retrospective basis to the earliest period presented in our consolidated financial statements or as of the adoption date without restating prior periods, with certain practical expedients available. We plan to adopt the new standard as of January 1, 2019 without restating prior periods. We expect to elect certain transitional practical expedients upon adoption.

We anticipate this new standard will have a material impact on our consolidated balance sheets and may have a material impact on our consolidated income statements. While we are continuing to assess the potential impacts of the new standard, we currently expect the most significant impact will be the recognition of right-of-use assets and lease liabilities for operating leases. We expect our accounting for capital leases to remain substantially unchanged. We also expect in certain circumstances that our classifications of new and modified leases may be impacted by the new standard and affect our future operating results. We continue to evaluate the impact of this new standard on our consolidated financial statements and related disclosures and are not able to reasonably estimate such impacts at this time.

Credit Losses

In June 2016, the FASB issued *ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments*, which introduces a new approach to estimate credit losses on certain types of financial instruments based on expected losses instead of incurred losses. It also modifies the impairment model for available-for-sale debt securities and provides a simplified accounting model for purchased financial assets with credit deterioration since their origination. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. We are currently assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

Callable Debt Securities

In March 2017, the FASB issued *ASU No. 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*, which shortens the amortization period of premiums on certain purchased callable debt securities to the earliest call date, effectively reducing interest income on such securities prior to the earliest call date. ASU No. 2017-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. We are assessing the impact of adopting this new accounting standard on our

consolidated financial statements and related disclosures.

[Table of Contents](#)

ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 3. REVENUE RECOGNITION**Information About Contract Balances**

The following table provides information about our contract balances with customers, including amounts for certain embedded leases.

| | As of | |
|--|----------------------|-------------------|
| | September 30, | January 1, |
| | 2018 | 2018 |
| | (In thousands) | |
| Trade accounts receivable: | | |
| Sales and services | \$163,707 | \$156,794 |
| Leasing | 9,102 | 10,355 |
| Total | 172,809 | 167,149 |
| Contract assets | 57,172 | 34,615 |
| Allowance for doubtful accounts | (12,457) | (12,027) |
| Total trade accounts receivable and contract assets, net | \$217,524 | \$189,737 |
| Trade accounts receivable - DISH Network: | | |
| Sales and services | \$9,372 | \$16,118 |
| Leasing | 1,693 | 27,177 |
| Total trade accounts receivable - DISH Network, net | \$11,065 | \$43,295 |
| Contract liabilities: | | |
| Current | \$74,135 | \$64,417 |
| Noncurrent | 11,903 | 13,036 |
| Total contract liabilities | \$86,038 | \$77,453 |

For the nine months ended September 30, 2018, we recognized revenue of \$54.2 million that was previously included in the contract liability balance at January 1, 2018.

Our bad debt expense was \$8.0 million and \$2.7 million for the three months ended September 30, 2018 and 2017, respectively, and \$14.8 million and \$8.4 million for the nine months ended September 30, 2018 and 2017, respectively.

Transaction Price Allocated to Remaining Performance Obligations

As of September 30, 2018, the remaining performance obligations for our customer contracts with original expected durations of more than one year was \$1.00 billion. We expect to recognize approximately 38.0% of our remaining performance obligations of these contracts as revenue in the next twelve months. This amount excludes agreements with consumer customers in our Hughes segment and our leasing arrangements.

Table of Contents**ECHOSTAR CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****NOTE 4. DISCONTINUED OPERATIONS**

On January 31, 2017, EchoStar Corporation and certain of our subsidiaries entered into the Share Exchange Agreement, pursuant to which on February 28, 2017, among other things, we received all of the shares of the Tracking Stock in exchange for 100% of the equity interests of certain EchoStar subsidiaries that held substantially all of our former EchoStar Technologies businesses and certain other assets. Following the consummation of the Share Exchange, we no longer operate the EchoStar Technologies businesses, the Tracking Stock was retired and is no longer outstanding, and all agreements, arrangements and policy statements with respect to the Tracking Stock terminated.

As a result of the Share Exchange, the historical financial results of our EchoStar Technologies segment prior to the closing of the Share Exchange are reflected in our accompanying Condensed Consolidated Financial Statements as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented. The noncontrolling interest in HSS Tracking Stock, as reflected in our stockholders' equity, was extinguished as of February 28, 2017 as a result of the Share Exchange.

We have had de minimis activity from our discontinued operations for the three and nine months ended September 30, 2018. The following table presents the operating results of our discontinued operations for the three and nine months ended September 30, 2017:

| | For the three months ended September 30, 2017 | For the nine months ended September 30, 2017 |
|---|--|---|
| | (In thousands) | |
| Revenue: | | |
| Equipment, services and other revenue - DISH Network | \$— | \$ 143,063 |
| Equipment, services and other revenue - other | (45) | 10,344 |
| Total revenue | (45) | 153,407 |
| Costs and expenses: | | |
| Cost of equipment, services and other | 19 | 121,973 |
| Selling, general and administrative expenses | (590) | 5,502 |
| Research and development expenses | — | 4,635 |
| Depreciation and amortization | — | 11,659 |
| Total costs and expenses | (571) | 143,769 |
| Operating income (expense) | 526 | 9,638 |
| Other income (expense): | | |
| Interest expense | — | (15) |
| Equity in losses of unconsolidated affiliates, net | — | (1,159) |
| Other, net | 2 | (61) |
| Total income (expense), net | 2 | (1,235) |
| Income from discontinued operations before income taxes | 528 | 8,403 |
| Income tax provision, net | (1,182) | (1,949) |

| | | |
|--|----------|----------|
| Net income (loss) from discontinued operations | \$ (654) | \$ 6,454 |
|--|----------|----------|

Expenditures for property and equipment from our discontinued operations totaled \$12.5 million for the nine months ended September 30, 2017.

21

Table of Contents

ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Total assets and total liabilities of the discontinued operations were \$0.1 million and \$0.5 million, respectively, as of December 31, 2017.

NOTE 5. EARNINGS PER SHARE

We present basic earnings or losses per share (“EPS”) and diluted EPS for our Class A and Class B common stock. Basic EPS for our Class A and Class B common stock excludes potential dilution and is computed by dividing *Net income attributable to EchoStar Corporation common stock* by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if shares of common stock were issued pursuant to our stock-based compensation awards. The potential dilution from common stock awards was computed using the treasury stock method based on the average market value of our Class A common stock during the period. The calculation of our diluted weighted-average common shares outstanding excluded options to purchase shares of our Class A common stock, whose effect would be anti-dilutive, of 2.2 million and 1.0 million shares for the three months ended September 30, 2018 and 2017, respectively, and 1.4 million and 1.0 million shares for the nine months ended September 30, 2018 and 2017, respectively.

The following table presents basic and diluted EPS amounts for all periods and the corresponding weighted-average shares outstanding used in the calculations.

| | For the three months ended September 30, 2018 | | For the nine months ended September 30, 2017 | |
|---|--|-------------|---|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | (In thousands, except per share amounts) | | | |
| Amounts attributable to EchoStar Corporation common stock: | | | | |
| Net income from continuing operations | \$ 16,052 | \$ 35,323 | \$ 71,723 | \$ 74,079 |
| Net income from discontinued operations | — | (654) | — | 6,454 |
| Net income attributable to EchoStar Corporation common stock | \$ 16,052 | \$ 34,669 | \$ 71,723 | \$ 80,533 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 96,166 | 95,656 | 96,049 | 95,316 |
| Dilutive impact of stock awards outstanding | 714 | 1,234 | 922 | 1,310 |
| Diluted | 96,880 | 96,890 | 96,971 | 96,626 |
| Earnings per share: | | | | |
| Basic: | | | | |
| Continuing operations | \$ 0.17 | \$ 0.37 | \$ 0.75 | \$ 0.78 |
| Discontinued operations | — | (0.01) | — | 0.06 |
| Total basic earnings per share | \$ 0.17 | \$ 0.36 | \$ 0.75 | \$ 0.84 |
| Diluted: | | | | |
| Continuing operations | \$ 0.17 | \$ 0.36 | \$ 0.74 | \$ 0.77 |
| Discontinued operations | — | — | — | 0.06 |
| Total diluted earnings per share | \$ 0.17 | \$ 0.36 | \$ 0.74 | \$ 0.83 |

Table of Contents

ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 6. OTHER COMPREHENSIVE INCOME (LOSS) AND RELATED TAX EFFECTS

The changes in the balances of *Accumulated other comprehensive loss* by component were as follows:

| | Cumulative Foreign Currency Translation Losses | Unrealized Gain (Loss) On Available-For-Sale Securities | Accumulated Other Comprehensive Loss |
|---|---|--|---|
| | (In thousands) | | |
| Balance, December 31, 2016 | \$ (135,434) | \$ 10,631 | \$ (124,803) |
| Other comprehensive income before reclassifications | 33,162 | 2,369 | 35,531 |
| Amounts reclassified to net income | — | 540 | 540 |
| Other comprehensive income | 33,162 | 2,909 | 36,071 |
| Balance, September 30, 2017 | \$ (102,272) | \$ 13,540 | \$ (88,732) |
| Balance, December 31, 2017 | \$ (119,430) | \$ (10,724) | \$ (130,154) |
| Cumulative effect of adoption of ASU No. 2016-01 as of January 1, 2018 (Note 2) | — | 10,467 | 10,467 |
| Balance, January 1, 2018 | (119,430) | (257) | (119,687) |
| Other comprehensive loss before reclassifications | (41,151) | (105) | (41,256) |
| Amounts reclassified to net income | — | (4) | (4) |
| Other comprehensive loss | (41,151) | (109) | (41,260) |
| Balance, September 30, 2018 | \$ (160,581) | \$ (366) | \$ (160,947) |

The amounts reclassified to net income related to unrealized gain (loss) on available-for-sale securities in the table above are included in *Gains and losses on investments, net* in our Condensed Consolidated Statements of Operations.

Except in unusual circumstances, we do not recognize tax effects on foreign currency translation adjustments because they are not expected to result in future taxable income or deductions.

Other comprehensive income includes deferred tax benefits for foreign currency translation losses related to assets that were transferred from a foreign subsidiary to a domestic subsidiary of zero and \$7.3 million for the three and nine months ended September 30, 2017, respectively.

[Table of Contents](#)

ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 7. MARKETABLE INVESTMENT SECURITIES**Overview**

Our marketable investment securities portfolio consists of various debt and equity instruments summarized in the table below. Certain of our investments in debt and equity instruments have historically experienced and are likely to continue experiencing volatility.

| | As of | |
|---|---------------------------|--------------------------|
| | September 30, 2018 | December 31, 2017 |
| | (In thousands) | |
| Marketable investment securities: | | |
| Debt securities: | | |
| Corporate bonds | \$1,496,456 | \$542,573 |
| Other debt securities | 217,410 | 142,036 |
| Total debt securities | 1,713,866 | 684,609 |
| Equity securities | 138,729 | 139,571 |
| Total marketable investment securities | 1,852,595 | 824,180 |
| Less: Restricted marketable investment securities | 9,720 | 10,019 |
| Total marketable investment securities | \$1,842,875 | \$814,161 |

Debt Securities

Our corporate bond portfolio includes debt instruments issued by individual corporations, primarily in the industrial and financial services industries. Our other debt securities portfolio includes investments in various debt instruments, including U.S. government bonds, commercial paper and mutual funds.

A summary of our available-for-sale debt securities, exclusive of securities where we have elected the fair value option, is presented in the table below.

| | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
|--|-----------------------|-------------------------|--------------------------|-----------------------------|
| | (In thousands) | | | |
| As of September 30, 2018 | | | | |
| Corporate bonds | \$1,462,498 | \$714 | \$(761) | \$1,462,451 |
| Other debt securities | 217,420 | — | (10) | 217,410 |
| Total available-for-sale debt securities | \$1,679,918 | \$714 | \$(771) | \$1,679,861 |
| As of December 31, 2017 | | | | |
| Corporate bonds | \$542,861 | \$— | \$(288) | \$542,573 |
| Other debt securities | 142,082 | — | (46) | 142,036 |
| Total available-for-sale debt securities | \$684,943 | \$— | \$(334) | \$684,609 |

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

As of September 30, 2018, corporate bonds where we have elected the fair value option have a fair value of \$34.0 million. We recognized losses of \$14.9 million and gains of \$8.2 million on these securities for the three and nine months ended September 30, 2018, respectively. We had no debt securities that were accounted for using the fair value option during the three or nine months ended September 30, 2017.

As of September 30, 2018, we have \$964.6 million of available-for-sale debt securities with contractual maturities of one year or less and \$715.2 million with contractual maturities greater than one year.

Equity Securities

Our marketable equity securities consist primarily of shares of common stock of public companies. Prior to January 1, 2018, we classified our marketable equity securities as available-for-sale or trading securities, depending on our investment strategy for the securities. As of December 31, 2017, our marketable equity securities consisted of available-for-sale securities with a fair value of \$87.1 million and trading securities with a fair value of \$52.5 million. Our available-for-sale securities as of December 31, 2017 reflected an adjusted cost basis of \$97.5 million and unrealized gains and losses of \$7.9 million and \$18.4 million, respectively. Substantially all unrealized losses on our available-for-sale securities related to securities that were in a continuous loss position for less than 12 months. We recognized a \$3.3 million other-than-temporary impairment for the nine months ended September 30, 2017 on one of our available-for-sale securities which had experienced a decline in market value as a result of adverse developments during the nine months ended September 30, 2017.

For each of the three and nine months ended September 30, 2017, *Gains and losses on investments, net* included gains of \$19.9 million, related to trading securities that we held as of September 30, 2017. The fair values of our trading securities were \$23.9 million as of September 30, 2017.

Upon adoption of the New Investment Standard as of January 1, 2018 (see Note 2), we account for investments in equity securities at their fair value and we recognize unrealized gains and losses in *Gains and losses on investments, net* in our Condensed Consolidated Statement of Operations. For the three and nine months ended September 30, 2018, *Gains and losses on investments, net* included net gains of \$19.7 million and \$25.3 million, respectively, related to equity securities that we held as of September 30, 2018.

Sales of Available-for-Sale Securities

Proceeds from sales of our available-for-sale securities, including securities accounted for using the fair value option, were \$150.9 million for each of the three and nine months ended September 30, 2018 and zero and \$31.0 million for the three and nine months ended September 30, 2017, respectively. We recognized gains as a result of such sales of zero for each of the three and nine months ended September 30, 2018 and zero and \$2.8 million for the three and nine months ended September 30, 2017, respectively. Sales of securities accounted for using the fair value option do not result in gains or losses because we recognize unrealized gains and losses on such securities prior to the time of sale.

Table of Contents**ECHOSTAR CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****Fair Value Measurements**

Our marketable investment securities are measured at fair value on a recurring basis as summarized in the table below. As of September 30, 2018 and December 31, 2017, we did not have investments that were categorized within Level 3 of the fair value hierarchy.

| | As of | | | December 31, 2017 | | |
|--|---------------------------|----------------|--------------|--------------------------|----------------|--------------|
| | September 30, 2018 | | Total | Level 1 | Level 2 | Total |
| | Level 1 | Level 2 | | | | |
| | (In thousands) | | | | | |
| Debt securities: | | | | | | |
| Corporate bonds | \$— | \$1,496,456 | \$1,496,456 | \$— | \$542,573 | \$542,573 |
| Other | 10,436 | 206,974 | 217,410 | 13,311 | 128,725 | 142,036 |
| Total debt securities | 10,436 | 1,703,430 | 1,713,866 | 13,311 | 671,298 | 684,609 |
| Equity securities | 132,291 | 6,438 | 138,729 | 133,736 | 5,835 | 139,571 |
| Total marketable investment securities | \$142,727 | \$1,709,868 | \$1,852,595 | \$147,047 | \$677,133 | \$824,180 |

NOTE 8. INVENTORY

Our inventory consisted of the following:

| | As of | |
|-----------------|---------------------------|--------------------------|
| | September 30, 2018 | December 31, 2017 |
| | (In thousands) | |
| Raw materials | \$6,266 | \$ 5,484 |
| Work-in-process | 7,409 | 7,442 |
| Finished goods | 56,386 | 70,669 |
| Total inventory | \$70,061 | \$ 83,595 |

NOTE 9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| | Depreciable Life In Years | As of | |
|--|----------------------------------|---------------------------|--------------------------|
| | | September 30, 2018 | December 31, 2017 |
| | | (In thousands) | |
| Land | — | \$33,603 | \$33,713 |
| Buildings and improvements | 1 to 40 | 184,847 | 185,148 |
| Furniture, fixtures, equipment and other | 1 to 12 | 772,335 | 736,533 |
| Customer rental equipment | 2 to 4 | 1,103,408 | 929,775 |
| Satellites - owned | 2 to 15 | 2,816,628 | 3,064,391 |
| Satellites - acquired under capital leases | 10 to 15 | 1,045,242 | 916,820 |
| Construction in progress | — | 300,642 | 260,220 |
| Total property and equipment | | 6,256,705 | 6,126,600 |
| Accumulated depreciation | | (2,814,168) | (2,661,129) |

| | | |
|-----------------------------|-------------|-------------|
| Property and equipment, net | \$3,442,537 | \$3,465,471 |
|-----------------------------|-------------|-------------|

Table of Contents**ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

Construction in progress consisted of the following:

| | As of | |
|---|------------------|-----------------|
| | September | December |
| | 30, 2018 | 31, 2017 |
| | (In thousands) | |
| Progress amounts for satellite construction, including prepayments under capital leases and launch services costs | \$232,599 | \$211,765 |
| Satellite related equipment | 34,948 | 28,358 |
| Other | 33,095 | 20,097 |
| Construction in progress | \$300,642 | \$260,220 |

Construction in progress as of September 30, 2018 included our EchoStar XXIV satellite, which is expected to launch in 2021.

Depreciation expense associated with our property and equipment consisted of the following:

| | For the three | | For the nine | |
|--|------------------------|-------------|------------------------|-------------|
| | months | | months | |
| | ended September | | ended September | |
| | 30, | | 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| | (In thousands) | | | |
| Buildings and improvements | \$2,972 | \$4,641 | \$9,057 | \$12,292 |
| Furniture, fixtures, equipment and other | 20,745 | 19,511 | 61,958 | 54,173 |
| Customer rental equipment | 43,584 | 39,104 | 129,907 | 103,781 |
| Satellites | 72,545 | 61,078 | 211,748 | 173,293 |
| Total depreciation expense | \$139,846 | \$124,334 | \$412,670 | \$343,539 |

Satellites

As of September 30, 2018, our satellite fleet consisted of 18 satellites, 13 of which are owned and five of which are leased. They are all in geosynchronous orbit, approximately 22,300 miles above the equator. We depreciate our owned satellites on a straight-line basis over the estimated useful life of each satellite. We depreciate our leased satellites on a straight-line basis over their respective lease terms.

Recent Developments

EchoStar I and EchoStar VI. The EchoStar I and EchoStar VI satellites were removed from their orbital locations and retired from commercial service in January 2018 and May 2018, respectively. The retirement of these satellites has not had, and is not expected to have, a material impact on our results of operations or financial position.

EchoStar 105/SES-11. The EchoStar 105/SES-11 satellite was launched in October 2017 and was placed into service in November 2017 at the 105 degree west longitude orbital location. Pursuant to agreements that we entered into in August 2014, we funded substantially all construction, launch and other costs

associated with the EchoStar 105/SES-11 satellite and transferred the C-, Ku- and Ka-band payloads to two affiliates of SES Americom, Inc. ("SES") after the launch date, while retaining the right to use the entire Ku-band payload on the satellite for an initial ten-year term, with an option for us to renew the agreement on a year-to-year basis. In October 2017, we recorded a \$77.5 million receivable from SES in *Other current assets* in the Condensed Consolidated Balance Sheets, representing capitalized costs allocable to certain satellite payloads controlled by SES, and we reduced our carrying amount of the satellite by such amount. In January 2018, we received payment from SES for the receivable plus accrued interest. Our leased Ku-band payload on the EchoStar 105/SES-11 satellite has replaced the capacity we had on the AMC-15 satellite.

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Telesat T19V. In September 2015, we entered into agreements pursuant to which affiliates of Telesat Canada will provide to us the Ka-band capacity on the Telesat T19V satellite at the 63 degree west longitude orbital location for a 15-year term. We were not party to the construction contract. The Telesat T19V satellite was launched in July 2018 and placed into service in October 2018. We expect this satellite to augment the capacity being provided by the EUTELSAT 65 West A and EchoStar XIX satellites in Central and South America.

Satellite Anomalies and Impairments

Our satellites may experience anomalies from time to time, some of which may have a significant adverse effect on their remaining useful lives, the commercial operation of the satellites or our operating results or financial position. We are not aware of any anomalies with respect to our owned or leased satellites that have had any such significant adverse effect during the nine months ended September 30, 2018. There can be no assurance, however, that anomalies will not have any such adverse effects in the future. In addition, there can be no assurance that we can recover critical transmission capacity in the event one or more of our satellites were to fail.

The EchoStar X satellite experienced anomalies in the past which affected seven solar array circuits. In December 2017, the satellite experienced anomalies which affected one additional solar array circuit reducing the number of functional solar array circuits to 16. As a result of these anomalies, we had a reduction in revenue of \$1.1 million and \$3.5 million for the three and nine months ended September 30, 2018 as compared to the same period in 2017, respectively.

We historically have not carried in-orbit insurance on our satellites because we have assessed that the cost of insurance is not economical relative to the risk of failures. Therefore, we generally bear the risk of any in-orbit failures. Pursuant to the terms of the agreements governing certain portions of our indebtedness, we are required, subject to certain limitations on coverage, to maintain in-orbit insurance for our SPACEWAY 3, EchoStar XVI and EchoStar XVII satellites. Our other satellites, either in orbit or under construction, are not covered by launch or in-orbit insurance. We will continue to assess circumstances going forward and make insurance decisions on a case-by-case basis.

We evaluate our satellites for impairment and test for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Certain of the anomalies previously disclosed may be considered to represent a significant adverse change in the physical condition of a particular satellite. However, based on the redundancy designed within each satellite, certain of these anomalies are not necessarily considered to be significant events that would require a test of recoverability.

NOTE 10. GOODWILL, REGULATORY AUTHORIZATIONS AND OTHER INTANGIBLE ASSETS

Goodwill

The excess of the cost of an acquired business over the fair values of net tangible and identifiable intangible assets at the time of the acquisition is recorded as goodwill. Goodwill is assigned to the reporting units within our operating segments and is subject to impairment testing annually, or more frequently when events or changes in circumstances indicate the fair value of a reporting unit is more likely than not less

than its carrying amount.

As of September 30, 2018 and December 31, 2017, all of our goodwill was assigned to reporting units of our Hughes segment. We test this goodwill for impairment annually in the second quarter. Based on our impairment testing in the second quarter of 2018, our goodwill is considered to be not impaired.

Table of Contents

ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Regulatory Authorizations

Regulatory authorizations included amounts with both finite and indefinite useful lives, as follows:

| | As of | | Currency | As of |
|--------------------------------------|---------------------|------------------|--------------------|----------------------|
| | December 31, | Additions | Translation | September 30, |
| | 2017 | | Adjustment | 2018 |
| | (In thousands) | | | |
| Finite useful lives: | | | | |
| Cost | \$92,621 | \$— | \$ (9,419) | \$ 83,202 |
| Accumulated amortization | (21,342) | (3,933) | 2,011 | (23,264) |
| Net | 71,279 | (3,933) | (7,408) | 59,938 |
| Indefinite lives | 465,657 | — | — | 465,657 |
| Total regulatory authorizations, net | \$536,936 | \$ (3,933) | \$ (7,408) | \$ 525,595 |

Other Intangible Assets

As of September 30, 2018 and December 31, 2017, accumulated amortization for our other intangible assets was \$313.4 million and \$302.3 million, respectively.

NOTE 11. INVESTMENTS IN UNCONSOLIDATED ENTITIES

We have strategic investments in certain non-publicly traded equity securities that do not have a readily determinable fair value. We account for most of these investments using the equity method. We accounted for other investments in such equity securities using the cost method of accounting prior to January 1, 2018. In connection with our adoption of the New Investment Standard effective January 1, 2018 (see Note 2), we elected to measure our equity securities without a readily determinable fair value, other than those accounted for using the equity method, at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer. For the nine months ended September 30, 2018, we did not identify any observable price changes requiring an adjustment to our investments.

Our investments in unconsolidated entities consisted of the following:

| | As of | |
|--|---------------------------|--------------------------|
| | September 30, 2018 | December 31, 2017 |
| | (In thousands) | |
| Investments in unconsolidated entities: | | |
| Equity method | \$95,231 | \$ 91,702 |
| Other equity investments without a readily determinable fair value | 65,438 | 69,725 |
| Total investments in unconsolidated entities | \$160,669 | \$ 161,427 |

In January 2017, we sold our investment in Invidi Technologies Corporation (“Invidi”) to an entity owned in part by DISH Network for \$19.4 million. Our investment was accounted for using the cost method and had a carrying amount of \$10.5 million on the date of sale and as a result we recognized a gain of \$8.9 million in

connection with this transaction for the nine months ended September 30, 2017. See Note 17 for additional information about this transaction.

In connection with the Share Exchange (see Notes 4 and 17), our equity interests in NagraStar L.L.C. and SmarDTV SA, which we accounted for using the equity method, and our equity interest in Sling TV Holding L.L.C., which we accounted for using the cost method, were transferred to DISH Network as of February 28, 2017.

Table of Contents**ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)****NOTE 12. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS**

The following table summarizes the carrying amounts and fair values of our long-term debt and capital lease obligations.

| | Effective Interest Rate | As of | | December 31, 2017 | |
|---|-------------------------|---------------------------------------|-------------|-------------------|-------------|
| | | September 30, 2018 Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| (In thousands) | | | | | |
| Senior Secured Notes: | | | | | |
| 6 1/2% Senior Secured Notes due 2019 | 6.959% | \$990,000 | \$1,011,958 | \$990,000 | \$1,042,609 |
| 5 1/4% Senior Secured Notes due 2026 | 5.320% | 750,000 | 736,590 | 750,000 | 769,305 |
| Senior Unsecured Notes: | | | | | |
| 7 5/8% Senior Unsecured Notes due 2021 | 8.062% | 900,000 | 974,088 | 900,000 | 992,745 |
| 6 5/8% Senior Unsecured Notes due 2026 | 6.688% | 750,000 | 730,778 | 750,000 | 791,865 |
| Less: Unamortized debt issuance costs | | (18,947) | — | (24,857) | — |
| Subtotal | | 3,371,053 | \$3,453,414 | 3,365,143 | \$3,596,524 |
| Capital lease obligations | | 241,854 | | 269,701 | |
| Total debt and capital lease obligations | | 3,612,907 | | 3,634,844 | |
| Less: Current portion | | (1,030,088) | | (40,631) | |
| Long-term debt and capital lease obligations, net | | \$2,582,819 | | \$3,594,213 | |

NOTE 13. INCOME TAXES**Provision For Income Taxes**

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

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

Our income tax provision was approximately \$12.8 million for the three months ended September 30, 2018 compared to an income tax provision of \$6.1 million for the three months ended September 30, 2017. Our estimated effective income tax rate was 43.8% and 14.5% for the three months ended September 30, 2018 and 2017, respectively. The variations in our effective tax rate from the U.S. federal statutory rate for the three months ended September 30, 2018 were primarily due to the change in net unrealized gains that are capital in nature. The variations in our effective tax rate from the U.S. federal statutory rate for the three months ended September 30, 2017 were primarily due to various permanent tax differences, the increase in our valuation allowance associated with unrealized gains that are capital in nature and a change in the amount of unrecognized tax benefit from uncertain tax positions.

Our income tax provision was approximately \$25.2 million for the nine months ended September 30, 2018 compared to an income tax provision of \$9.1 million for the nine months ended September 30, 2017. Our estimated effective income tax rate was 25.7% and 11.0% for the nine months ended September 30, 2018 and 2017, respectively. The

Table of Contents**ECHOSTAR CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)**

variations in our effective tax rate from the U.S. federal statutory rate for the nine months ended September 30, 2018 were primarily due to the change in net unrealized gains that are capital in nature and research and experimentation credits, partially offset by the impact of state and local taxes and the increase in our valuation allowance associated with certain foreign losses. The variations in our effective tax rate from the U.S. federal statutory rate for the nine months ended September 30, 2017 were primarily due to the recognition of a one-time tax benefit for the revaluation of our deferred tax assets and liabilities due to a change in our state effective tax rate as a result of the Share Exchange, the increase in our valuation allowance associated with unrealized gains that are capital in nature, and change in the amount of unrecognized tax benefit from uncertain tax positions. The tax benefit recognized from the change in our effective tax rate was partially offset by the increase in our valuation allowance associated with certain state and foreign losses.

U.S. Tax Cuts and Jobs Act

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act"), we made reasonable estimates of the effects and recorded provisional amounts in our accompanying condensed consolidated financial statements. See Note 12, Income Taxes to our consolidated financial statements included in our Form 10-K for the year ended December 31, 2017 for a summary of the benefit that we have provisionally recorded to reflect the change in the value of our deferred tax assets and liabilities resulting from the 2017 Tax Act. As of September 30, 2018, the tax effects of the 2017 Tax Act that we recorded in our financial statements for the year ended December 31, 2017 remain provisional, except for the amount of the mandatory one-time tax on the accumulated earnings of our foreign subsidiaries, which we decreased by \$0.2 million to zero and which is now final. The other estimates remain provisional. As we collect and prepare necessary data, and interpret the 2017 Tax Act and any additional guidance issued by the U.S. Treasury Department, the Internal Revenue Service ("IRS") or other standard-setting bodies, we may make additional adjustments to the provisional amounts. Those adjustment may materially impact the provision for income taxes and the effective tax rate in the period in which the adjustments are made.

NOTE 14. STOCK-BASED COMPENSATION**Stock Option Activity**

We maintain stock incentive plans to attract and retain officers, directors and employees. Stock awards under these plans may include both performance-based and non-performance based stock incentives. We granted stock options and other incentive awards to our employees and nonemployee directors to acquire the following shares of our Class A common stock:

| | During the three months ended September 30, 2018 | | During the nine months ended September 30, 2017 | |
|--|--|--------|---|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Stock options and other incentive awards granted | 27,590 | 62,600 | 211,326 | 1,263,350 |

On April 1, 2017, we granted to Mr. Ergen, our Chairman, an option to purchase 1.1 million shares of Class A common stock. On April 24, 2017, Mr. Ergen voluntarily forfeited a portion of the options covering 600,000 shares and we canceled such forfeited portion of the options.

Table of Contents**ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)****Stock-Based Compensation**

Total noncash, stock-based compensation expense for all of our employees is shown in the following table for the three and nine months ended September 30, 2018 and 2017, respectively, and was assigned to the same expense categories as the base compensation for such employees:

| | For the three months ended September 30, 2018 | | For the nine months ended September 30, 2017 | |
|--|--|---------|---|---------|
| | (In thousands) | | | |
| Research and development expenses | \$162 | \$297 | \$503 | \$774 |
| Selling, general and administrative expenses | 2,499 | 2,965 | 7,268 | 7,932 |
| Total stock-based compensation | \$2,661 | \$3,262 | \$7,771 | \$8,706 |

As of September 30, 2018, total unrecognized stock-based compensation cost, net of estimated forfeitures, related to our unvested stock awards was \$16.3 million.

NOTE 15. COMMITMENTS AND CONTINGENCIES**Commitments**

As of September 30, 2018 and December 31, 2017, our satellite-related obligations were approximately \$836.6 million and \$923.9 million, respectively. Our satellite-related obligations primarily include payments pursuant to agreements for the construction of the EchoStar XXIV satellite; payments pursuant to regulatory authorizations; executory costs for our capital lease satellites; and in-orbit incentives relating to certain satellites; as well as commitments for satellite service arrangements.

Contingencies*Patents and Intellectual Property*

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

Separation Agreement and Share Exchange

In connection with the Spin-off (See Note 2), we entered into a separation agreement with DISH Network that provides, among other things, for the division of certain liabilities, including liabilities resulting from litigation. Under the terms of the separation agreement, we assumed certain liabilities that relate to our business, including certain designated liabilities for acts or omissions that occurred prior to the Spin-off. Certain specific provisions govern intellectual property related claims under which, we will generally only be liable for our acts or omissions following the Spin-off and DISH Network will indemnify us for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off, as well as DISH Network's acts or omissions following the Spin-off. Additionally, in connection

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

with the Share Exchange, we entered into the Share Exchange Agreement and other agreements which provide, among other things, for the division of certain liabilities, including liabilities relating to taxes, intellectual property and employees and liabilities resulting from litigation and the assumption of certain liabilities that relate to the transferred businesses and assets. These agreements also contain additional indemnification provisions between us and DISH Network for certain pre-existing liabilities and legal proceedings.

Litigation

We are involved in a number of legal proceedings concerning matters arising in connection with the conduct of our business activities. Many of these proceedings are at preliminary stages and/or seek an indeterminate amount of damages. We regularly evaluate the status of the legal proceedings in which we are involved to assess whether a loss is probable or there is a reasonable possibility that a loss may have been incurred and to determine if accruals are appropriate. We record an accrual for litigation and other loss contingencies when we determine that a loss is probable and the amount of the loss can be reasonably estimated. If accruals are not appropriate, we further evaluate each legal proceeding to assess whether an estimate of possible loss or range of loss can be made.

There can be no assurance that legal proceedings against us will be resolved in amounts that will not differ from the amounts of our recorded accruals. Legal fees and other costs of defending litigation are charged to expense as incurred.

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

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

Elbit

On January 23, 2015, Elbit Systems Land and C4I LTD and Elbit Systems of America Ltd. (together referred to as "Elbit") filed a complaint against our subsidiary Hughes Network Systems, L.L.C. ("HNS"), as well as against Black Elk Energy Offshore Operations, LLC, Bluetide Communications, Inc. and Helm

Hotels Group, in the U.S. District Court for the Eastern District of Texas, alleging infringement of U.S. Patent Nos. 6,240,073 (the "073 patent") and 7,245,874 ("874 patent"). The 073 patent is entitled "Reverse Link for a Satellite Communication Network" and the 874 patent is entitled "Infrastructure for Telephony Network." Elbit alleges that the 073 patent is infringed by broadband satellite systems that practice the Internet Protocol Over Satellite standard. Elbit alleges that the 874 patent is infringed by the manufacture and sale of broadband satellite systems that provide cellular backhaul service via connections to E1 or T1 interfaces at cellular backhaul base stations. On April 2, 2015, Elbit filed an amended complaint removing Helm Hotels Group as a defendant, but making similar allegations against a new defendant, Country Home Investments, Inc. On November 3 and 4, 2015 and January 22, 2016, the defendants filed petitions before the United States Patent and Trademark Office ("USPTO") challenging the validity of the patents in suit, which the USPTO subsequently declined to institute. On April 13, 2016, the defendants answered Elbit's complaint. At Elbit's request, on June 26, 2017, the

Table of Contents**ECHOSTAR CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)**

court dismissed Elbit's claims of infringement against all parties other than HNS. Trial commenced on July 31, 2017. On August 7, 2017, the jury returned a verdict that the 073 patent was valid and infringed, and awarded Elbit approximately \$21.1 million. The jury also found that such infringement of the 073 patent was not willful and that the 874 patent was not infringed. On March 30, 2018, the court ruled on post-trial motions, upholding the jury's findings and awarding Elbit attorneys' fees in an amount that has not yet been specified. As a result of pre-judgment interest, costs and unit sales through the 073 patent's expiration in November 2017, the jury verdict would result in a payment of approximately \$28.5 million plus post-judgment interest if not overturned or modified on appeal. Elbit has requested an award of \$13.9 million of attorneys' fees. HNS is contesting Elbit's claims as inappropriate and unreasonable in light of the court's decision and prevailing law. On April 27, 2018, HNS filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit. The parties are currently briefing the appeal. We cannot predict with certainty the outcome of the appeal. As of September 30, 2018 and December 31, 2017, we have recorded an accrual of approximately \$3.2 million and \$2.5 million, respectively, with respect to this liability. Any eventual payments made with respect to the ultimate outcome of this matter may be different from our accruals and such differences could be significant.

Realtime Data LLC

On May 8, 2015, Realtime Data LLC ("Realtime") filed suit against EchoStar Corporation and our subsidiary HNS in the U.S. District Court for the Eastern District of Texas alleging infringement of U.S. Patent Nos. 7,378,992 (the "992 patent"), entitled "Content Independent Data Compression Method and System;" 7,415,530 (the "530 patent"), entitled "System and Methods for Accelerated Data Storage and Retrieval," and 8,643,513 (the "513 patent"), entitled "Data Compression System and Methods." On September 14, 2015, Realtime amended its complaint, additionally alleging infringement of U.S. Patent No. 9,116,908 (the "908 patent"), entitled "System and Methods for Accelerated Data Storage and Retrieval." On February 14, 2017, Realtime filed a second suit against EchoStar Corporation and our subsidiary HNS in the same District Court, alleging infringement of four additional U.S. Patents, Nos. 7,358,867 (the "867 patent"), entitled "Content Independent Data Compression Method and System;" 8,502,707 (the "707 patent"), entitled "Data Compression Systems and Methods;" 8,717,204 (the "204 patent"), entitled "Methods for Encoding and Decoding Data;" and 9,054,728 (the "728 patent"), entitled "Data Compression System and Methods." On February 13, 2018, we filed petitions before the USPTO challenging the validity of all claims asserted against us from the 707 patent, as well as one of the asserted claims of the 728 patent. On September 5, 2018, the USPTO declined to institute proceedings for the petition that we had filed against the 728 patent. On September 12, 2018, the USPTO instituted proceedings to review the validity of the asserted claims of the 707 patent. In a stipulation filed on October 24, 2018, Realtime voluntarily elected not to pursue any previously asserted claims from the 992, 530, 513, 908, 867 and 204 patents. Realtime is currently alleging that the 707 and 728 patents are infringed by certain HNS data compression products and services. Trial is scheduled for January 21, 2019. Realtime is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

Other

In addition to the above actions, we are subject to various other legal proceedings and claims, which arise in the ordinary course of business. As part of our ongoing operations, the Company is subject to various inspections, audits, inquiries, investigations and similar actions by third parties, as well as by governmental/regulatory authorities responsible for enforcing the laws and regulations to which the

Company may be subject. Further, under the federal False Claims Act, private parties have the right to bring qui tam, or “whistleblower,” suits against companies that submit false claims for payments to, or improperly retain overpayments from, the federal government. Some states have adopted similar state whistleblower and false claims provisions. In addition, the Company from time to time receives inquiries from federal, state and foreign agencies regarding compliance with various laws and regulations.

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

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

NOTE 16. SEGMENT REPORTING

Operating segments are business components of an enterprise for which separate financial information is available and regularly evaluated by our chief operating decision maker ("CODM"), who is our Chief Executive Officer. We primarily operate in two business segments, Hughes and ESS, as described in Note 1.

The primary measure of segment profitability that is reported regularly to our CODM is earnings before interest, taxes, depreciation and amortization, or EBITDA. Our operations also include various corporate departments (primarily Executive, Treasury, Strategic Development, Human Resources, IT, Finance, Real Estate, Accounting and Legal) and other activities that have not been assigned to our operating segments such as costs incurred in certain satellite development programs and other business development activities, and gains or losses from certain of our investments. Costs and income associated with these departments and activities are accounted for in the Corporate and Other column in the tables below or in the reconciliation of EBITDA below.

Eliminations of intersegment transactions are included in the Corporate and Other column in the tables below. Total assets by segment have not been reported herein because the information is not provided to our CODM on a regular basis.

Table of Contents**ECHOSTAR CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)**

The following table presents revenue, EBITDA and capital expenditures for each of our operating segments. Capital expenditures are net of refunds and other receipts related to property and equipment and exclude capital expenditures from discontinued operations of \$12.5 million for the nine months ended September 30, 2017.

| | Hughes | ESS | Corporate Consolidated and Other Total | |
|--|----------------|-------------|---|--------------|
| | (In thousands) | | | |
| For the three months ended September 30, 2018 | | | | |
| External revenue | \$444,762 | \$83,482 | \$4,709 | \$ 532,953 |
| Intersegment revenue | \$— | \$525 | \$(525) | \$ — |
| Total revenue | \$444,762 | \$84,007 | \$4,184 | \$ 532,953 |
| EBITDA | \$164,135 | \$72,156 | \$(16,111) | \$ 220,180 |
| Capital expenditures | \$110,550 | \$29 | \$56,576 | \$ 167,155 |
| For the three months ended September 30, 2017 | | | | |
| External revenue | \$379,702 | \$96,743 | \$4,788 | \$ 481,233 |
| Intersegment revenue | \$359 | \$350 | \$(709) | \$ — |
| Total revenue | \$380,061 | \$97,093 | \$4,079 | \$ 481,233 |
| EBITDA | \$131,817 | \$78,345 | \$9,699 | \$ 219,861 |
| Capital expenditures | \$108,428 | \$8,203 | \$75,500 | \$ 192,131 |
| For the nine months ended September 30, 2018 | | | | |
| External revenue | \$1,271,527 | \$274,609 | \$14,566 | \$ 1,560,702 |
| Intersegment revenue | \$359 | \$1,576 | \$(1,935) | \$ — |
| Total revenue | \$1,271,886 | \$276,185 | \$12,631 | \$ 1,560,702 |
| EBITDA | \$452,982 | \$238,789 | \$(20,121) | \$ 671,650 |
| Capital expenditures | \$285,352 | \$(76,653) | \$129,030 | \$ 337,729 |
| For the nine months ended September 30, 2017 | | | | |
| External revenue | \$1,070,715 | \$294,839 | \$13,906 | \$ 1,379,460 |
| Intersegment revenue | \$1,428 | \$946 | \$(2,374) | \$ — |
| Total revenue | \$1,072,143 | \$295,785 | \$11,532 | \$ 1,379,460 |
| EBITDA | \$342,693 | \$241,873 | \$3,472 | \$ 588,038 |
| Capital expenditures | \$270,624 | \$21,351 | \$118,170 | \$ 410,145 |

The following table reconciles total consolidated EBITDA to reported *Income from continuing operations before income taxes* in our Condensed Consolidated Statements of Operations:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|----------------------------------|---|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | (In thousands) | | | |
| EBITDA | \$220,180 | \$219,861 | \$671,650 | \$588,038 |
| Interest income and expense, net | (40,737) | (43,634) | (130,134) | (126,156) |

Edgar Filing: EchoStar CORP - Form 10-Q

| | | | | |
|---|------------|------------|------------|------------|
| Depreciation and amortization | (150,555) | (134,822) | (444,558) | (379,939) |
| Net income attributable to noncontrolling interests | 450 | 532 | 1,292 | 351 |
| Income from continuing operations before income taxes | \$29,338 | \$41,937 | \$98,250 | \$82,294 |

36

Table of Contents**ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)****Disaggregation of Revenue**

In the following tables, revenue is disaggregated by segment, primary geographic market and nature of the products and services.

Geographic Information

The following table disaggregates revenue from customer contracts attributed to our North America and other foreign locations as well as by segment, based on the location where the goods or services are provided. All other revenue includes transactions with customers in Asia, Africa, Australia, Europe, South America and the Middle East.

| | Hughes | ESS | Corporate | Consolidated |
|--|----------------|------------|------------------|---------------------|
| | | | and Other | Total |
| | (In thousands) | | | |
| For the three months ended September 30, 2018 | | | | |
| North America: | | | | |
| U.S. | \$355,263 | \$77,995 | \$4,359 | \$437,617 |
| Canada and Mexico | 18,197 | 5,837 | — | 24,034 |
| All other | 71,302 | 175 | (175) | 71,302 |
| Total revenue | \$444,762 | \$84,007 | \$4,184 | \$532,953 |

For the nine months ended September 30, 2018

| | | | | |
|-------------------|-------------|-----------|----------|-------------|
| North America: | | | | |
| U.S. | \$1,023,276 | \$258,148 | \$13,157 | \$1,294,581 |
| Canada and Mexico | 48,911 | 17,511 | — | 66,422 |
| All other | 199,699 | 526 | (526) | 199,699 |
| Total revenue | \$1,271,886 | \$276,185 | \$12,631 | \$1,560,702 |

Nature of Products and Services

The following table disaggregates revenue based on the nature of products and services and by segment.

| | Hughes | ESS | Corporate | Consolidated |
|--|----------------|------------|------------------|---------------------|
| | | | and Other | Total |
| | (In thousands) | | | |
| For the three months ended September 30, 2018 | | | | |
| Equipment | \$56,846 | \$— | \$— | \$56,846 |
| Services | 320,961 | 6,669 | 1,382 | 329,012 |
| Design, development and construction services | 16,624 | — | — | 16,624 |
| Revenue from sales and services | 394,431 | 6,669 | 1,382 | 402,482 |
| Leasing income | 50,331 | 77,338 | 2,802 | 130,471 |
| Total revenue | \$444,762 | \$84,007 | \$4,184 | \$532,953 |
| For the nine months ended September 30, 2018 | | | | |
| Equipment | \$150,134 | \$— | \$— | \$150,134 |
| Services | 928,971 | 20,962 | 4,292 | 954,225 |
| Design, development and construction services | 46,676 | — | — | 46,676 |
| Revenue from sales and services | 1,125,781 | 20,962 | 4,292 | 1,151,035 |

Edgar Filing: EchoStar CORP - Form 10-Q

| | | | | |
|----------------|-------------|-----------|-----------|--------------|
| Leasing income | 146,105 | 255,223 | 8,339 | 409,667 |
| Total revenue | \$1,271,886 | \$276,185 | \$ 12,631 | \$ 1,560,702 |

37

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 17. RELATED PARTY TRANSACTIONS

DISH Network

Following the Spin-off, EchoStar Corporation and DISH have operated as separate publicly-traded companies. A substantial majority of the voting power of the shares of each of EchoStar Corporation and DISH is owned beneficially by Charles W. Ergen, our Chairman, and by certain entities established by Mr. Ergen for the benefit of his family. In addition, prior to the consummation of the Share Exchange on February 28, 2017, DISH Network owned the Tracking Stock, which represented an aggregate 80.0% economic interest in the residential retail satellite broadband business of our Hughes segment. Following the consummation of the Share Exchange, the Tracking Stock was retired.

In connection with and following both the Spin-off and the Share Exchange, we and DISH Network entered into certain agreements pursuant to which we obtain certain products, services and rights from DISH Network; DISH Network obtains certain products, services and rights from us; and we and DISH Network indemnify each other against certain liabilities arising from our respective businesses. We also may enter into additional agreements with DISH Network in the future. Generally, the amounts we or DISH Network pay for products and services provided under the agreements are based on cost plus a fixed margin (unless noted differently below or in our most recent Form 10-K), which varies depending on the nature of the products and services provided.

The following is a summary of the terms of our principal agreements with DISH Network that may have an impact on our financial condition and results of operations.

Services and Other Revenue — DISH Network

Satellite Capacity Leased to DISH Network. We have entered into certain agreements to lease satellite capacity pursuant to which we provide satellite services to DISH Network on certain satellites owned or leased by us. The fees for the services provided under these agreements depend, among other things, upon the orbital location of the applicable satellite, the number of transponders that are providing services on the applicable satellite and the length of the service arrangements. The terms of each service arrangement is set forth below:

EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV. As part of the Satellite and Tracking Stock Transaction, described below in Other agreements - DISH Network, in March 2014, we began leasing certain satellite capacity to DISH Network on the EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV satellites. These agreements to lease satellite capacity generally terminate upon the earlier of: (i) the end of life of the satellite; (ii) the date the satellite fails; or (iii) a certain date, which depends upon, among other things, the estimated useful life of the satellite. DISH Network generally has the option to renew each agreement to lease satellite capacity on a year-to-year basis through the end of the respective satellite's life. There can be no assurance that any options to renew such agreements will be exercised. The agreement to lease satellite capacity on the EchoStar VII satellite expired at the end of June 2018.

EchoStar IX. Effective January 2008, DISH Network began leasing satellite capacity from us on the EchoStar IX satellite. Subject to availability, DISH Network generally has the right to continue leasing

satellite capacity from us on the EchoStar IX satellite on a month-to-month basis.

EchoStar XII. DISH Network leased satellite capacity from us on the EchoStar XII satellite. The agreement to lease satellite capacity expired at the end of September 2017.

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

EchoStar XVI. In December 2009, we entered into an initial ten-year agreement to lease satellite capacity to DISH Network, pursuant to which DISH Network has leased satellite capacity from us on the EchoStar XVI satellite since January 2013. Effective December 2012, we and DISH Network amended the agreement to, among other things, change the initial term to generally expire upon the earlier of: (i) the end-of-life or replacement of the satellite; (ii) the date the satellite fails; (iii) the date the transponder(s) on which service is being provided under the agreement fails; or (iv) four years following the actual service commencement date. In July 2016, we and DISH Network further amended the agreement to, among other things, extend the initial term by one additional year through January 2018 and to reduce the term of the first renewal option by one year. In May 2017, DISH Network renewed the agreement for five years to January 2023. DISH Network has the option to renew for an additional five year period prior to expiration of the current term. There can be no assurance that such option to renew this agreement will be exercised. In the event that DISH Network does not exercise its five-year renewal option, DISH Network has the option to purchase the EchoStar XVI satellite for a certain price. If DISH Network does not elect to purchase the EchoStar XVI satellite at that time, we may sell the EchoStar XVI satellite to a third party and DISH Network is required to pay us a certain amount in the event we are not able to sell the EchoStar XVI satellite for more than a certain amount. During 2018, we and DISH Network further amended the agreement to allow DISH Network to place and use certain satellites at the 61.5 west longitude orbital location.

Nimiq 5 Agreement. In September 2009, we entered into a fifteen-year agreement with Telesat Canada to lease satellite capacity from Telesat Canada on all 32 direct broadcast satellite (“DBS”) transponders on the Nimiq 5 satellite at the 72.7 degree west longitude orbital location (the “Telesat Transponder Agreement”). In September 2009, we also entered into an agreement with DISH Network, pursuant to which DISH Network leases satellite capacity from us on all 32 of the DBS transponders covered by the Telesat Transponder Agreement (the “DISH Nimiq 5 Agreement”).

Under the terms of the DISH Nimiq 5 Agreement, DISH Network makes certain monthly payments to us that commenced in September 2009, when the Nimiq 5 satellite was placed into service, and continue through the service term. Unless earlier terminated under the terms and conditions of the DISH Nimiq 5 Agreement, the service term will expire in October 2019. Upon expiration of the initial term, DISH Network has the option to renew the DISH Nimiq 5 Agreement on a year-to-year basis through the end of life of the Nimiq 5 satellite. Upon in-orbit failure or end of life of the Nimiq 5 satellite, and in certain other circumstances, DISH Network has certain rights to lease satellite capacity from us on a replacement satellite. There can be no assurance that any options to renew the DISH Nimiq 5 Agreement will be exercised or that DISH Network will exercise its option to lease satellite capacity on a replacement satellite.

QuetzSat-1 Agreement. In November 2008, we entered into a ten-year agreement to lease satellite capacity from SES Latin America, which provides, among other things, for the provision by SES Latin America to us of leased satellite capacity on 32 DBS transponders on the QuetzSat-1 satellite. Concurrently, in 2008, we entered into an agreement pursuant to which DISH Network leases from us satellite capacity on 24 of the DBS transponders on the QuetzSat-1 satellite. The QuetzSat-1 satellite was launched in September 2011 and was placed into service in November 2011 at the 67.1 degree west longitude orbital location. In February 2013, we and DISH Network entered into an agreement pursuant to which we lease back from DISH Network certain satellite capacity on five DBS transponders on the QuetzSat-1 satellite through November 2021, unless extended or earlier terminated under the terms and conditions of our agreement. In January 2013, the QuetzSat-1 satellite was moved to the 77 degree west longitude orbital location.

Under the terms of our contractual arrangements with DISH Network, we began leasing satellite capacity to DISH Network on the QuetzSat-1 satellite in February 2013 and will continue leasing such capacity through November 2021, unless extended or earlier terminated under the terms and conditions of our agreement with DISH Network for the QuetzSat-1 satellite. Upon expiration of the initial service term, DISH Network has the option to renew the agreement for the QuetzSat-1 satellite on a year-to-year basis through the end of life of the QuetzSat-1 satellite. Upon an in-orbit failure or end of life of the QuetzSat-1 satellite, and in certain other circumstances, DISH Network

Table of Contents**ECHOSTAR CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)**

has certain rights to lease satellite capacity from us on a replacement satellite. There can be no assurance that any options to renew this agreement will be exercised or that DISH Network will exercise its option to lease satellite capacity on a replacement satellite.

103 Degree Orbital Location/SES-3. In May 2012, we entered into a spectrum development agreement (the “103 Spectrum Development Agreement”) with Ciel Satellite Holdings Inc. (“Ciel”) to develop certain spectrum rights at the 103 degree west longitude orbital location (the “103 Spectrum Rights”). In June 2013, we and DISH Network entered into a spectrum development agreement (the “DISH 103 Spectrum Development Agreement”) pursuant to which DISH Network may use and develop the 103 Spectrum Rights. Effective in March 2018, DISH Network exercised its right to terminate the DISH 103 Spectrum Development Agreement and we exercised our right to terminate the 103 Spectrum Development Agreement.

In connection with the 103 Spectrum Development Agreement, in May 2012, we also entered into a ten-year agreement with Ciel pursuant to which we leased certain satellite capacity from Ciel on the SES-3 satellite at the 103 degree west longitude orbital location (the “Ciel 103 Agreement”). In June 2013, we and DISH Network entered into an agreement pursuant to which DISH Network leased certain satellite capacity from us on the SES-3 satellite (the “DISH 103 Agreement”). Under the terms of the DISH 103 Agreement, DISH Network made certain monthly payments to us through the service term. Effective in March 2018, DISH Network exercised its right to terminate the DISH 103 Agreement and we exercised our right to terminate the Ciel 103 Agreement.

TT&C Agreement. Effective January 2012, we entered into a TT&C agreement pursuant to which we provided TT&C services to DISH Network for a period ending in December 2016 (the “TT&C Agreement”). In November 2016, we and DISH Network amended the TT&C Agreement to extend the term for one year through December 2017. In December 2017, we and DISH Network amended the TT&C Agreement to extend the term for one month through January 2018. In February 2018, we and DISH Network amended the TT&C Agreement to, among other things, extend the term through February 2023. The fees for services provided under the TT&C Agreement are calculated at either: (i) a fixed fee or (ii) cost plus a fixed margin, which will vary depending on the nature of the services provided. DISH Network is able to terminate the TT&C Agreement for any reason upon 12 months’ notice.

In connection with the Satellite and Tracking Stock Transaction, described below in Other agreements - DISH Network, in February 2014, we amended the TT&C Agreement to cease the provision of TT&C services to DISH Network for the EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV satellites. Effective March 2014, we provide TT&C services for the D-1 and EchoStar XV satellites; however, for the period that we received satellite services on the EchoStar XV satellite from DISH Network, we waived the fees for the TT&C services on the EchoStar XV satellite. Effective August 2016, we provide TT&C services to DISH Network for the EchoStar XVIII satellite.

Real Estate Leases to DISH Network. We have entered into lease agreements pursuant to which DISH Network leases certain real estate from us. The rent on a per square foot basis for each of the leases is comparable to per square foot rental rates of similar commercial property in the same geographic area at the time of the lease, and DISH Network is responsible for its portion of the taxes, insurance, utilities and maintenance of the premises. The term of each of the leases is set forth below:

100 Inverness Lease Agreement. In connection with the Share Exchange, effective March 2017, DISH Network leases from us certain space at 100 Inverness Terrace East, Englewood, Colorado for a period ending in December 2020. This agreement may be terminated by either party upon 180 days' prior notice. This agreement may be extended by mutual consent, in which case this agreement will be converted to a month-to-month lease agreement. Upon extension, either party has the right to terminate this agreement upon 30 days' notice.

90 Inverness Lease Agreement. The lease for certain space at 90 Inverness Circle East, Englewood, Colorado was for a period ending in December 2016. In February 2016, DISH Network terminated this lease effective in August 2016.

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Meridian Lease Agreement. The lease for all of 9601 S. Meridian Blvd., Englewood, Colorado was for a period ending in December 2016. Effective December 2016, we and DISH Network amended this lease to, among other things, extend the term for one year through December 2017. In December 2017, we and DISH Network further amended this lease to, among other things, extend the term for one year through December 2018. After December 2018, this agreement may be converted by mutual consent to a month-to-month lease agreement with either party having the right to terminate upon 30 days' notice.

Santa Fe Lease Agreement. The lease for all of 5701 S. Santa Fe Dr., Littleton, Colorado was for a period ending in December 2016. Effective December 2016, we and DISH Network amended this lease to, among other things, extend the term for one year through December 2017. In December 2017, we and DISH Network further amended this lease to, among other things, extend the term for one year through December 2018. After December 2018, this agreement may be converted by mutual consent to a month-to-month lease agreement with either party having the right to terminate upon 30 days' notice.

Atlanta Sublease Agreement. The sublease for certain space at 211 Perimeter Center, Atlanta, Georgia terminated in October 2016.

Cheyenne Lease Agreement. Prior to the Share Exchange, we leased to DISH Network certain space at 530 EchoStar Drive, Cheyenne, Wyoming. In connection with the Share Exchange, we transferred ownership of a portion of this property to DISH Network and we and DISH Network amended this agreement to (i) terminate the lease for the transferred space and (ii) provide for a continued lease to DISH Network of the portion of the property we retained for a period ending in December 2031. After December 2031, this agreement may be converted by mutual consent to a month-to-month lease agreement with either party having the right to terminate upon 30 days' notice.

TerreStar Agreement. In March 2012, DISH Network completed its acquisition of substantially all the assets of TerreStar Networks Inc. ("TerreStar"). Prior to DISH Network's acquisition of substantially all the assets of TerreStar and our completion of the acquisition of all of the outstanding equity of Hughes Communications, Inc. on June 8, 2011, TerreStar and HNS entered into various agreements pursuant to which we provide, among other things, warranty, operations and maintenance and hosting services for TerreStar's ground-based communications equipment. In December 2017, we and DISH Network amended these agreements, effective as of January 1, 2018, to reduce certain pricing terms through December 31, 2023 and to modify certain termination provisions. DISH Network generally has the right to continue to receive warranty services from us for our products on a month-to-month basis unless terminated by DISH Network upon at least 21 days' written notice to us. DISH Network generally has the right to continue to receive operations and maintenance services from us on a quarter-to-quarter basis unless operations and maintenance services are terminated by DISH Network upon at least 90 days' written notice to us. The provision of hosting services will continue until May 2022. In addition, DISH Network generally may terminate any and all services for convenience subject to providing us with prior notice and/or payment of termination charges.

Hughes Broadband Distribution Agreement. Effective October 2012, we and DISH Network, entered into a distribution agreement (the "Distribution Agreement") pursuant to which DISH Network has the right, but not the obligation, to market, sell and distribute our Hughes satellite internet service (the "Hughes service"). DISH Network pays us a monthly per subscriber wholesale service fee for the Hughes service based upon a subscriber's service level and based upon certain volume subscription thresholds. The

Distribution Agreement also provides that DISH Network has the right, but not the obligation, to purchase certain broadband equipment from us to support the sale of the Hughes service. The Distribution Agreement had an initial term of five years with automatic renewal for successive one-year terms unless terminated by either party with a written notice at least 180 days before the expiration of the then-current term. In February 2014, we and DISH Network entered into an amendment to the Distribution Agreement which, among other things, extended the initial term of the Distribution Agreement until March 2024. Upon expiration or termination of the Distribution Agreement, we and DISH Network will continue to provide our Hughes service to the then-current DISH Network subscribers pursuant to the terms and conditions of the Distribution Agreement.

Table of Contents**ECHOSTAR CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)**

DBSD North America Agreement. In March 2012, DISH Network completed its acquisition of 100% of the equity of reorganized DBSD North America, Inc. (“DBSD North America”). Prior to DISH Network’s acquisition of DBSD North America and our completion of the acquisition of all of the outstanding equity of Hughes Communications, Inc. on June 8, 2011, DBSD North America and HNS entered into various agreements pursuant to which we provide, among other things, warranty, operations and maintenance and hosting services of DBSD North America’s gateway and ground-based communications equipment. In December 2017, we and DBSD North America amended these agreements, effective as of January 1, 2018, to reduce certain pricing terms through December 31, 2023 and to modify certain termination provisions. DBSD North America generally has the right to continue to receive warranty services from us on a month-to-month basis until February 2019, unless terminated by DBSD North America upon at least 21 days’ written notice to us, and the right to continue to receive operations and maintenance services from us on a quarter-to-quarter basis, unless terminated by DBSD North America upon at least 120 days’ written notice to us. The provision of hosting services will continue until February 2022 and will automatically renew for an additional five-year period until February 2027 unless terminated by DBSD North America upon at least 180 days’ written notice to us. In addition, DBSD North America generally may terminate any and all such services for convenience, subject to providing us with prior notice and/or payment of termination charges.

RUS Implementation Agreement. In September 2010, DISH Network was selected by the Rural Utilities Service (“RUS”) of the U.S. Department of Agriculture to receive up to approximately \$14.1 million in broadband stimulus grant funds. Effective November 2011, we and DISH Network entered into a RUS Implementation Agreement (the “RUS Agreement”) pursuant to which we provided certain portions of the equipment and broadband service used to implement DISH Network’s RUS program. While the RUS Agreement expired in June 2013 when the broadband stimulus grant funds were exhausted, we are required to continue providing services to DISH Network’s customers activated prior to the expiration of the RUS Agreement in accordance with the terms and conditions of the RUS Agreement.

General and Administrative Expenses — DISH Network

Amended and Restated Professional Services Agreement. In connection with the Spin-off, we entered into various agreements with DISH Network including a transition services agreement, satellite procurement agreement and services agreement, which all expired in January 2010 and were replaced by a professional services agreement (the “Professional Services Agreement”). In January 2010, we and DISH Network agreed that we continue to have the right, but not the obligation, to receive the following services from DISH Network, among others, certain of which were previously provided under a transition services agreement: information technology, travel and event coordination, internal audit, legal, accounting and tax, benefits administration, program acquisition services and other support services. Mr. Vivek Khemka, who was then employed as DISH Network’s Executive Vice President and Chief Technology Officer, provided services to us during portions of 2016 and through February 2017 pursuant to the Professional Services Agreement as President -- EchoStar Technologies L.L.C. Additionally, we and DISH Network agreed that DISH Network would continue to have the right, but not the obligation, to engage us to manage the process of procuring new satellite capacity for DISH Network (previously provided under a satellite procurement agreement), receive logistics, procurement and quality assurance services from us (previously provided under a services agreement) and provide other support services. In connection with the consummation of the Share Exchange, we and DISH amended and restated the Professional Services Agreement (the “Amended and Restated Professional Services Agreement”) to provide that we and DISH Network shall have the right to receive additional services that either we or DISH Network may require as a result of the Share

Exchange, including access to antennas owned by DISH Network for our use in performing TT&C services and maintenance and support services for our antennas. The term of the Amended and Restated Professional Services Agreement is through January 2020 and renews automatically for successive one-year periods thereafter, unless the agreement is terminated earlier by either party upon at least 60 days' notice. We or DISH Network may generally terminate the Amended and Restated Professional Services Agreement in part with respect to any particular service it receives for any reason upon at least 30 days' notice, unless the statement of work for particular services states otherwise. Certain services being provided for under the Amended and Restated Professional Services Agreement may survive the termination of the agreement.

Real Estate Leases from DISH Network. We have entered into lease agreements pursuant to which we lease certain real estate from DISH Network. The rent on a per square foot basis is comparable to per square foot rental rates of similar commercial property in the same geographic area at the time of the leases, and for certain properties, we are responsible for our portion of the taxes, insurance, utilities and maintenance of the premises.

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Cheyenne Lease Agreement. In connection with the Share Exchange, effective March 2017 we lease from DISH Network certain space at 530 EchoStar Drive in Cheyenne, Wyoming for a period ending in February 2019. In August 2018, we exercised our option to renew this lease for a one year period ending in February 2020. We have the option to renew this lease for twelve one-year periods.

Gilbert Lease Agreement. In connection with the Share Exchange, effective March 2017 we lease from DISH Network certain space at 801 N. DISH Dr. in Gilbert, Arizona for a period ending in February 2019. In August 2018, we exercised our option to renew this lease for a one year period ending in February 2020. We have the option to renew this lease for twelve one-year periods.

American Fork Occupancy License Agreement. In connection with the Share Exchange, effective March 2017, we subleased from DISH Network certain space at 796 East Utah Valley Drive in American Fork, Utah for a period ending in August 2017. We exercised our option to renew this sublease for a five-year period ending in August 2022.

Employee Matters Agreement. Effective March 2017 in connection with the Share Exchange, we and DISH Network entered into an Employee Matters Agreement that addressed the transfer of employees from EchoStar to DISH Network, including certain benefit and compensation matters and the allocation of responsibility for employee related liabilities relating to current and past employees of the transferred businesses. DISH Network assumed employee-related liabilities relating to the transferred businesses as part of the Share Exchange, except that we are responsible for certain existing employee related litigation as well as certain pre-Share Exchange compensation and benefits for employees transferring to DISH Network in connection with the Share Exchange.

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

Other Agreements — DISH Network

Satellite and Tracking Stock Transaction. In February 2014, we entered into agreements with DISH Network to implement a transaction pursuant to which, among other things: (i) in March 2014, EchoStar and HSS issued the Tracking Stock to DISH Network in exchange for five satellites owned by DISH

Network (EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV) (including assumption of related in-orbit incentive obligations) and approximately \$11.4 million in cash; and (ii) in March 2014, DISH Network began receiving certain satellite services from us as discussed above on these five satellites (collectively, the "Satellite and Tracking Stock Transaction.") The Tracking Stock was retired in March 2017 and is no longer outstanding and all agreements, arrangements and policy statements with respect to such Tracking Stock terminated and are of no further effect.

Share Exchange Agreement. On January 31, 2017, EchoStar Corporation and certain of our subsidiaries entered into the Share Exchange Agreement with DISH and certain of its subsidiaries pursuant to which, on February 28, 2017, we received all of the shares of the Tracking Stock in exchange for 100% of the equity interests of certain EchoStar subsidiaries that held substantially all of our EchoStar Technologies businesses and certain other assets. Following

Table of Contents**ECHOSTAR CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)**

consummation of the Share Exchange on February 28, 2017, we no longer operate the transferred EchoStar Technologies businesses and the Tracking Stock was retired and is no longer outstanding and all agreements, arrangements and policy statements with respect to such Tracking Stock terminated and are of no further effect. Pursuant to the Share Exchange Agreement, we transferred certain assets, investments in joint ventures, spectrum licenses and real estate properties and DISH Network assumed certain liabilities relating to the transferred assets and businesses. The Share Exchange Agreement contained customary representations and warranties by the parties, including representations by us related to the transferred assets, assumed liabilities and the financial condition of the transferred businesses. We and DISH Network also agreed to customary indemnification provisions whereby each party indemnifies the other against certain losses with respect to breaches of representations, warranties or covenants and certain liabilities and if certain actions undertaken by us or DISH causes the transaction to be taxable to the other party after closing. See Notes 1 and 4 for further information.

Hughes Broadband Master Services Agreement. In March 2017, we and DISH Network entered into a master service agreement (the “Hughes Broadband MSA”) pursuant to which DISH Network, among other things: (i) has the right, but not the obligation, to market, promote and solicit orders and upgrades for our Hughes service and related equipment and other telecommunication services and (ii) installs Hughes service equipment with respect to activations generated by DISH Network. Under the Hughes Broadband MSA, we and DISH Network make certain payments to each other relating to sales, upgrades, purchases and installation services. The Hughes Broadband MSA has an initial term of five years until March 2022 with automatic renewal for successive one-year terms. Upon expiration or termination of the Hughes Broadband MSA, we will continue to provide our Hughes service to subscribers and make certain payments to DISH Network pursuant to the terms and conditions of the Hughes Broadband MSA. We incurred sales incentives and other costs under the Hughes Broadband MSA totaling \$6.4 million and \$10.9 million for the three months ended September 30, 2018 and 2017, respectively, and \$26.3 million and \$15.6 million for the nine months ended September 30, 2018 and 2017, respectively.

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

Tax Matters Agreement. Effective March 2017, in connection with the Share Exchange, we and DISH entered into a tax matters agreement. This agreement governs certain of our rights, responsibilities and obligations with respect to taxes of the transferred businesses pursuant to the Share Exchange. Generally, we are responsible for all tax returns and tax liabilities for the transferred businesses and assets for periods prior to the Share Exchange and DISH Network is responsible for all tax returns and tax liabilities for the transferred businesses and assets from and after the Share Exchange. Both we and DISH Network made certain tax-related representations and are subject to various tax-related covenants after the consummation

of the Share Exchange. Both we and DISH Network have agreed to indemnify each other if there is a breach of any such tax representation or violation of any such tax covenant and that breach or violation results in the Share Exchange not qualifying for tax free treatment for the other party. In addition, DISH Network has agreed to indemnify us if the transferred businesses are acquired, either directly or indirectly (e.g., via an acquisition of DISH Network), by one or more persons and such acquisition results in the Share Exchange not qualifying for tax free treatment. The tax matters agreement supplements the Tax Sharing Agreement outlined below, which continues in full force and effect.

Tax Sharing Agreement. Effective December 2007, we and DISH Network entered into a tax sharing agreement (the "Tax Sharing Agreement") in connection with the Spin-off. This agreement governs our and DISH Network's respective rights, responsibilities and obligations after the Spin-off with respect to taxes for the periods ending on or before the Spin-off. Generally, all pre-Spin-off taxes, including any taxes that are incurred as a result of restructuring activities undertaken to implement the Spin-off, are borne by DISH Network, and DISH Network indemnifies us for such taxes.

Table of Contents**ECHOSTAR CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)**

However, DISH Network is not liable for and does not indemnify us for any taxes that are incurred as a result of the Spin-off or certain related transactions failing to qualify as tax-free distributions pursuant to any provision of Section 355 or Section 361 of the Internal Revenue Code of 1986, as amended, because of: (i) a direct or indirect acquisition of any of our stock, stock options or assets; (ii) any action that we take or fail to take; or (iii) any action that we take that is inconsistent with the information and representations furnished to the IRS in connection with the request for the private letter ruling, or to counsel in connection with any opinion being delivered by counsel with respect to the Spin-off or certain related transactions. In such case, we will be solely liable for, and will indemnify DISH Network for, any resulting taxes, as well as any losses, claims and expenses. The Tax Sharing Agreement will terminate after the later of the full period of all applicable statutes of limitations, including extensions, or once all rights and obligations are fully effectuated or performed.

In light of the Tax Sharing Agreement, among other things, and in connection with our consolidated federal income tax returns for certain tax years prior to and for the year of the Spin-off, in September 2013, we and DISH Network agreed upon a supplemental allocation of the tax benefits arising from certain tax items resolved in the course of the IRS's examination of our consolidated tax returns. Prior to the agreement with DISH Network in 2013, the federal tax benefits were reflected as a deferred tax asset for depreciation and amortization, which was netted in our noncurrent deferred tax liabilities. The agreement with DISH Network in 2013 requires DISH Network to pay us the federal tax benefit it receives at such time as we would have otherwise been able to realize such tax benefit. We recorded a noncurrent receivable from DISH Network in *Other receivables - DISH Network* and a corresponding increase in our net noncurrent deferred tax liabilities to reflect the effects of this agreement in September 2013. In addition, in September 2013, we and DISH Network agreed upon a tax sharing arrangement for filing certain combined state income tax returns and a method of allocating the respective tax liabilities between us and DISH Network for such combined returns, through the taxable period ending on December 31, 2017 (the "State Tax Arrangement").

In August 2018, we and DISH Network amended the Tax Sharing Agreement and the 2013 agreements (the "Tax Sharing Amendment"). Under the Tax Sharing Amendment, to the extent permitted by applicable tax law, DISH Network is entitled to apply the benefit of our 2009 net operating losses (the "SATS 2009 NOLs") to DISH Network's federal tax return for the year ended December 31, 2008, in exchange for DISH Network paying us over time the value of the net annual federal income taxes paid by us that would have been otherwise offset by the SATS 2009 NOLs. The Tax Sharing Amendment also requires us and DISH Network to pay the other for the benefits of certain past and future federal research and development tax credits that we or DISH Network receive or received as a result of being part of a controlled group under the Internal Revenue Code of 1986, as amended, and requires DISH Network to compensate us for certain past tax losses utilized by DISH Network and for certain past and future excess California research and development tax credits generated by us and used by DISH Network. In addition, the Tax Sharing Amendment extends the term of the State Tax Arrangement to the earlier to occur of termination of the Tax Sharing Agreement, a change in control of either us or DISH Network or, for any particular state, if we and DISH Network no longer file a combined tax return for such state.

We and DISH Network file combined income tax returns in certain states. We have earned and recognized tax benefits for certain state income tax credits that we would be unable to utilize currently if we had filed separately from DISH Network. We have charged *Additional paid-in capital* in prior periods when DISH Network has utilized such tax benefits. We expect to increase *Additional paid-in capital* upon receipt of any consideration that DISH Network pays to us in exchange for these tax credits.

gTLD Bidding Agreement. In April 2015, we and DISH Network entered into a gTLD Bidding Agreement whereby, among other things: (i) DISH Network obtained rights from us to participate in a generic top level domain (“gTLD”) auction, assuming all rights and obligations from us related to our application with the Internet Corporation for Assigned Names and Numbers for a particular gTLD; (ii) DISH Network agreed to reimburse us for our Internet Corporation for Assigned Names and Numbers application fee and certain out-of-pocket expenses related to the application and the auction; and (iii) we and DISH Network agreed to split equally the net proceeds obtained by DISH Network as the losing bidder in the auction, less such fee reimbursement and out-of-pocket expenses.

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Patent Cross-License Agreements. In December 2011, we and DISH Network entered into separate patent cross-license agreements with the same third party whereby: (i) we and such third party licensed our respective patents to each other subject to certain conditions; and (ii) DISH Network and such third party licensed their respective patents to each other subject to certain conditions (each, a “Cross-License Agreement”). Each Cross-License Agreement covers patents acquired by the respective party prior to January 2017 and aggregate payments under both Cross-License Agreements were less than \$10.0 million. Each Cross-License Agreement contained an option to extend each Cross-License Agreement to include patents acquired by the respective party prior to January 2022. In December 2016, both we and DISH Network exercised our respective renewal options, resulting in aggregate additional payments to such third party totaling less than \$3.0 million. Since the aggregate payments under both Cross-License Agreements were based on the combined annual revenue of us and DISH Network, we and DISH Network agreed to allocate our respective payments to such third party based on our respective percentage of combined total revenue.

Caltech. On October 1, 2013, Caltech Institute of Technology (“Caltech”) filed complaints against us and DISH Network, in the U.S. District Court for the Central District of California alleging infringement of U.S. Patent Nos. 7,116,710; 7,421,032; 7,916,781; and 8,284,833, each of which is entitled “Serial Concatenation of Interleaved Convolutional Codes forming Turbo-Like Codes.” Caltech asserted that encoding data as specified by the DVB-S2 standard infringed each of the asserted patents. Caltech claimed that certain of our satellite broadband products and services, infringed the asserted patents by implementing the DVB-S2 standard. Pursuant to a settlement agreement among us, DISH and Caltech, Caltech dismissed with prejudice all of its claims in these actions in May 2016.

Orange, NJ. In October 2016, we and DISH Network sold two parcels of real estate owned separately by us and DISH Network in Orange, NJ to a third party pursuant to a purchase and sale agreement. Pursuant to the agreement, we and DISH Network separately received our respective payments from the buyer.

Invidi. In November 2010 and April 2011, we made investments in Invidi in exchange for shares of Invidi’s Series D Preferred Stock. In November 2016, DIRECTV, LLC, a wholly owned indirect subsidiary of AT&T Inc., DISH Network and Cavendish Square Holding B.V., an affiliate of WPP plc, entered into a series of agreements to acquire Invidi. As a result of the transaction, we sold our ownership interest in Invidi on the same terms offered to the other shareholders of Invidi. The transaction closed in January 2017.

Other Agreements

Hughes Systique Corporation (“Hughes Systique”)

We contract with Hughes Systique for software development services. In addition to our 43.5% ownership in Hughes Systique, Mr. Pradman Kaul, the President of Hughes Communications, Inc. and a member of our board of directors, and his brother, who is the Chief Executive Officer and President of Hughes Systique, in the aggregate, own approximately 25.5%, on an undiluted basis, of Hughes Systique’s outstanding shares as of September 30, 2018. Furthermore, Mr. Pradman Kaul serves on the board of directors of Hughes Systique. Hughes Systique is a variable interest entity and we are considered the primary beneficiary of Hughes Systique due to, among other factors, our ability to direct the activities that most significantly impact the economic performance of Hughes Systique. As a result, we consolidate Hughes Systique’s financial statements in our accompanying condensed consolidated financial statements.

Dish Mexico

We own 49.0% of Dish Mexico, an entity that provides direct-to-home satellite services in Mexico. We provide certain satellite services to Dish Mexico. We recognized revenue from sales of services we provided to Dish Mexico of approximately \$5.8 million for each of the three months ended September 30, 2018 and 2017 and \$17.5 million for each of the nine months ended September 30, 2018 and 2017. As of September 30, 2018 and December 31, 2017, we had trade accounts receivable from Dish Mexico of approximately \$5.9 million and \$7.6 million, respectively.

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Deluxe/EchoStar LLC

We own 50.0% of Deluxe/EchoStar LLC (“Deluxe”), a joint venture that we entered into in 2010 to build an advanced digital cinema satellite distribution network targeting delivery to digitally equipped theaters in the U.S. and Canada. We account for our investment in Deluxe using the equity method. We recognized revenue from Deluxe for transponder services and the sale of broadband equipment of approximately \$1.1 million and \$1.3 million for the three months ended September 30, 2018 and 2017, respectively, and \$3.3 million and \$3.6 million for the nine months ended September 30, 2018 and 2017, respectively. As of September 30, 2018 and December 31, 2017, we had trade accounts receivable from Deluxe of approximately \$0.8 million and \$1.1 million, respectively.

AsiaSat

We contract with AsiaSat Telecommunications Inc. (“AsiaSat”) for the use of transponder capacity on one of AsiaSat's satellites. Mr. William David Wade, who joined our board of directors in February 2017, served as the Chief Executive Officer of AsiaSat in 2016 and as a senior advisor to the Chief Executive Officer of AsiaSat through March 2017. We incurred expenses payable to AsiaSat under this agreement of approximately zero and \$0.1 million for the three and nine months ended September 30, 2017, respectively.

Global IP

In May 2017, we entered into an agreement with Global-IP Cayman (“Global IP”) providing for the sale of certain equipment and services to Global IP. Mr. William David Wade, a member of our board of directors, serves as a member of the board of directors of Global IP and as an executive advisor to the Chief Executive Officer of Global IP. In August 2018, we and Global IP amended the agreement to (i) change certain of the equipment and services to be provided to Global IP; (ii) modify certain payment terms; (iii) provide Global IP an option to use one of our test lab facilities; and (iv) effectuate the assignment of the agreement from Global IP to one of its wholly-owned subsidiaries. We recognized revenue under this agreement of approximately \$5.9 million and \$1.0 million for the three months ended September 30, 2018 and 2017, respectively, and approximately \$6.5 million and \$1.0 million for the nine months ended September 30, 2018 and 2017, respectively. As of September 30, 2018 and December 31, 2017, we had trade accounts receivable from Global IP of approximately \$1.5 million and zero, respectively.

TerreStar Solutions

DISH Network owns approximately 33% of TerreStar Solutions, Inc. (“TSI”). In May 2018, we and TSI entered into an equipment and services agreement pursuant to which we design, manufacture and install upgraded ground communications network equipment for TSI's network and provides, among other things, warranty and support services. We recognized revenue of approximately \$2.7 million and \$3.0 million for the three and nine months ended September 30, 2018, respectively. As of September 30, 2018, we had zero trade accounts receivable from TSI.

Discontinued Operations

See Discontinued Operations in Note 19 in the notes to consolidated financial statements in Item 15 of our Form 10-K for the year ended December 31, 2017 for a description of agreements or investments that were

terminated or transferred to DISH Network as part of the Share Exchange. We have no further obligations, have earned no additional revenue and incurred no additional expense, as applicable, under such agreements and investments after February 2017. Historical transactions under such agreements and investments are reported in *Net income (loss) from discontinued operations* in our Condensed Consolidated Statements of Operations (see Note 4).

Table of Contents

ECHOSTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 18. SUPPLEMENTAL FINANCIAL INFORMATION**Noncash Investing and Financing Activities**

| | For the nine months ended September 30 | |
|---|--|-------------|
| | 2018 | 2017 |
| | (in thousands) | |
| Employee benefits paid in Class A common stock | \$ 7,605 | \$ 11,200 |
| Property and equipment financed under capital lease obligations | \$ 187 | \$ 8,423 |
| Increase (decrease) in capital expenditures included in accounts payable, net | \$ 17,058 | \$ (3,494) |
| Capitalized in-orbit incentive obligations | \$ — | \$ 43,890 |
| Noncash net assets exchanged for Tracking Stock (Note 1) | \$ — | \$ 299,425 |

Restricted Cash and Cash Equivalents

The beginning and ending balances of cash and cash equivalents presented in our Condensed Consolidated Statements of Cash Flows included restricted cash and cash equivalents of \$0.8 million and \$0.8 million, respectively, for the nine months ended September 30, 2018 and \$0.7 million and \$0.8 million, respectively, for the nine months ended September 30, 2017. These amounts are included in *Other noncurrent assets, net* in our Condensed Consolidated Balance Sheets.

Fair Value of In-Orbit Incentives

As of September 30, 2018 and December 31, 2017, the fair values of our in-orbit incentive obligations, based on measurements categorized within Level 2 of the fair value hierarchy, approximated their carrying amounts of \$107.6 million and \$112.2 million, respectively.

Contract Acquisition and Fulfillment Costs

Unamortized contract acquisition costs totaled \$104.5 million as of September 30, 2018 and related amortization expense totaled \$21.0 million and \$61.7 million for the three and nine months ended September 30, 2018, respectively.

Unamortized contract fulfillment costs totaled \$2.6 million as of September 30, 2018 and related amortization expense was de minimis for the three and nine months ended September 30, 2018.

Research and Development

The table below summarizes the research and development costs incurred in connection with customers' orders included in cost of sales and other expenses we incurred for research and development.

| | For the three months ended September 30, 2018 | | For the nine months ended September 30, 2017 | |
|--------------------------|--|-------------|---|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | (In thousands) | | | |
| Cost of sales | \$5,555 | \$7,038 | \$18,443 | \$20,724 |
| Research and development | \$6,544 | \$8,302 | \$20,328 | \$23,444 |

Table of Contents

ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Capitalized Software Costs

As of September 30, 2018 and December 31, 2017, the net carrying amount of externally marketed software was \$95.7 million and \$88.1 million, respectively, of which \$31.3 million and \$19.6 million, respectively, is under development and not yet placed in service. We capitalized costs related to the development of externally marketed software of \$9.6 million and \$8.3 million for the three months ended September 30, 2018 and 2017, respectively, and \$24.6 million and \$25.4 million for the nine months ended September 30, 2018 and 2017, respectively. We recorded amortization expense relating to the development of externally marketed software of \$5.8 million and \$5.5 million for the three months ended September 30, 2018 and 2017, respectively, and \$16.9 million and \$14.1 million for the nine months ended September 30, 2018 and 2017, respectively. The weighted average useful life of our externally marketed software was approximately three years as of September 30, 2018.

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Unless the context indicates otherwise, as used herein, the terms "we," "us," "EchoStar," the "Company" and "our" refer to EchoStar Corporation and its subsidiaries. References to "\$" are to United States ("U.S.") dollars. The following management's discussion and analysis of our financial condition and results of operations should be read in conjunction with our accompanying condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q ("Form 10-Q"). This management's discussion and analysis is intended to help provide an understanding of our financial condition, changes in our financial condition and our results of operations. Many of the statements in this management's discussion and analysis are forward-looking statements that involve assumptions and are subject to risks and uncertainties that are often difficult to predict and beyond our control. Actual results could differ materially from those expressed or implied by such forward-looking statements. See Disclosure Regarding Forward-Looking Statements in this Form 10-Q for further discussion. For a discussion of additional risks, uncertainties and other factors that could impact our results of operations or financial condition, see the caption Risk Factors in Part II, Item 1A of this Form 10-Q and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017. Further, such forward-looking statements speak only as of the date of this Form 10-Q and we undertake no obligation to update them.

EXECUTIVE SUMMARY

EchoStar is a global provider of broadband satellite technologies, broadband internet services for home and small office customers, satellite operations and satellite services. We also deliver innovative network technologies, managed services and various communications solutions for aeronautical, enterprise and government customers.

Prior to March 2017, we operated in three primary business segments: Hughes, EchoStar Technologies and EchoStar Satellite Services ("ESS"). On January 31, 2017, EchoStar Corporation and certain of our subsidiaries entered into a Share Exchange Agreement (the "Share Exchange Agreement") with DISH Network Corporation ("DISH") and certain of its subsidiaries. Pursuant to the Share Exchange Agreement, on February 28, 2017, among other things, we received all of the shares of the Hughes Retail Preferred Tracking Stock issued by EchoStar Corporation (the "EchoStar Tracking Stock") and the Hughes Retail Preferred Tracking Stock issued by our subsidiary Hughes Satellite Systems Corporation ("HSS") (the "HSS Tracking Stock", together with the EchoStar Tracking Stock, the "Tracking Stock") in exchange for 100% of the equity interests of certain EchoStar subsidiaries that held substantially all of our former EchoStar Technologies businesses and certain other assets (collectively, the "Share Exchange"). Our former EchoStar Technologies businesses designed, developed and distributed secure end-to-end video technology solutions (including digital set-top boxes and related products and technology), primarily for satellite television service providers and telecommunication companies, and provided digital broadcast operations (including satellite uplinking/downlinking, transmission services, signal processing, conditional access management and other services). The Tracking Stock tracked the economic performance of the residential retail satellite broadband business of our Hughes segment, including certain operations, assets and liabilities attributed to such business (collectively, the "Hughes Retail Group"), and represented an aggregate 80.0% economic interest in the Hughes Retail Group. Following the consummation of the Share Exchange, we no longer operate the EchoStar Technologies businesses, the Tracking Stock was retired and is no longer outstanding, and all agreements, arrangements and policy statements with respect to the Tracking Stock terminated. See Note 4 in the notes to our accompanying condensed consolidated financial statements in Item 1 of this Form 10-Q for further discussion of our discontinued operations.

We primarily operate in two business segments, which are differentiated primarily by their operational focus: Hughes and ESS. These segments are consistent with the way we make decisions regarding the allocation of resources, as well as how operating results are reviewed by our chief operating decision maker, who is the Company's Chief Executive Officer.

Our operations also include various corporate departments (primarily Executive, Treasury, Strategic Development, Human Resources, IT, Finance, Real Estate, Accounting and Legal) and other activities that have not been assigned to our operating segments such as costs incurred in certain satellite development programs and other business

50

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

development activities, and gains or losses from certain of our investments. These activities, costs and income, as well as eliminations of intersegment transactions, are accounted for in Corporate and Other in our segment reporting.

Highlights from our financial results are as follows:

2018 Third Quarter Consolidated Results of Operations

Revenue of \$533.0 million

Operating income of \$70.0 million

Net income from continuing operations of \$16.5 million

Net income attributable to EchoStar common stock of \$16.1 million and basic earnings per share of common stock of \$0.17

Earnings before interest, taxes, depreciation and amortization ("EBITDA") of \$220.2 million (see reconciliation of this non-GAAP measure on page 59)

Consolidated Financial Condition as of September 30, 2018

Total assets of \$8.85 billion

Total liabilities of \$4.59 billion

Total stockholders' equity of \$4.26 billion

Cash, cash equivalents and current marketable investment securities of \$3.44 billion

Hughes Segment

Our Hughes segment is a global provider of broadband satellite technologies and broadband internet services to home and small office customers and broadband network technologies, managed services, equipment, hardware, satellite services and communications solutions to consumers, aeronautical, enterprise and government customers. The Hughes segment also designs, provides and installs gateway and terminal equipment to customers for other satellite systems. In addition, our Hughes segment designs, develops, constructs and provides telecommunication networks comprising satellite ground segment systems and terminals to mobile system operators and our enterprise customers.

We continue to focus our efforts on growing our consumer revenue by maximizing utilization of our existing satellites while planning for new satellites to be launched. Our consumer revenue growth depends on our success in adding new and retaining existing subscribers in our domestic and international markets across wholesale and retail channels. The growth of our enterprise businesses, including aeronautical, relies heavily on global economic conditions and the competitive landscape for pricing relative to competitors and alternative technologies. Service costs related to ongoing support for our direct and indirect customers and partners are typically impacted most significantly by our growth.

In September 2016, we launched our EchoStar XIX satellite, a high throughput geostationary satellite employing a multi-spot beam, bent pipe

Ka-band architecture. The EchoStar XIX satellite provides capacity for: (i) consumer subscriber growth; (ii) the Hughes broadband services to our customers in North America; (iii) certain Central and South American countries; and (iv) aeronautical and enterprise broadband services. While new satellite launches are expected to provide additional capacity for subscriber growth, we also manage subscriber growth across our existing satellite platform.

Table of Contents**Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

In August 2018, we entered into an agreement with Al Yah Satellite Communications Company PrJSC (“Yahsat”) to establish a new entity to provide commercial Ka-band satellite broadband services across Africa, the Middle East and southwest Asia. The new entity will provide broadband internet services operating over Yahsat’s Al Yah 2 and Al Yah 3 Ka-band satellites and we will invest cash and supply solutions for network operations and management. Following the closing of the transaction, we will own a 20% interest in the new entity. The completion of the transaction is subject to customary regulatory approvals and closing conditions. While we currently expect the transaction to be consummated in the fourth quarter of 2018, no assurance can be given that the transaction will be consummated on the terms agreed to, within that time frame or at all.

In August 2017, we entered into a contract for the design and construction of EchoStar XXIV, a new, next-generation, high throughput geostationary satellite, with a planned 2021 launch. The EchoStar XXIV satellite is primarily intended to provide additional capacity for our HughesNet service in North, Central and South America as well as aeronautical and enterprise broadband services. In March 2018, the Federal Communications Commission granted authorization to construct, deploy and operate the EchoStar XXIV satellite, which we expect to use to provide fixed satellite services throughout North, South and Central America. In the second half of 2018, Maxar Technologies Ltd. (“Maxar”), the parent company of SSL, announced that it is reviewing strategic alternatives for its geostationary communications satellite business to improve its financial performance and that it is in active discussions with potential buyers of the business. SSL has indicated to us that it intends to meet its contractual requirements regarding the manufacture of the EchoStar XXIV satellite. However, if SSL or any successor fails to meet these requirements for any reason, including if Maxar decides to discontinue, wind down or otherwise significantly modify its geostationary communications satellite business, such failure could have a material adverse impact on our business operations, future revenues, financial position and prospects, completing the manufacture of the EchoStar XXIV satellite and our planned expansion of fixed satellite services throughout North, South and Central America. Capital expenditures associated with the construction and launch of this satellite are included in Corporate and Other.

In March 2017, our wholly-owned subsidiary, Hughes Network Systems, L.L.C., and DISH Network L.L.C. (“DNLLC”), a wholly-owned subsidiary of DISH, entered into a master service agreement (the “Hughes Broadband MSA”). Pursuant to the Hughes Broadband MSA, DNLLC, among other things: (i) has the right, but not the obligation, to market, promote and solicit orders and upgrades for the Hughes satellite internet service (“Hughes service”) and related equipment and other telecommunication services and (ii) install Hughes service equipment with respect to activations generated by DNLLC. As a result of the Hughes Broadband MSA, we have not earned, and do not expect to earn in the future, significant equipment revenue from

. We expect churn in the existing wholesale subscribers to continue to reduce *Services and other revenue - DISH Network* in the future.

Developments toward the launch of next-generation satellite systems including low-earth orbit (“LEO”), medium-earth orbit (“MEO”) and geostationary systems could provide additional opportunities to drive the demand for our equipment, hardware, technology and services. In June 2015, we made an equity investment in WorldVu Satellites Limited (“OneWeb”), a global LEO satellite service company. The investment is reflected in Corporate and Other. In addition, we have an agreement with OneWeb to provide certain equipment and services in connection with the ground network system for OneWeb’s LEO satellites.

We began the production of OneWeb's ground network system equipment in 2017 and delivered initial gateway and other equipment in 2018. We expect to continue delivering additional equipment and services to OneWeb.

We continue our efforts to expand our consumer satellite services business outside of the U.S. In April 2014, we entered into a 15-year agreement with Eutelsat do Brasil for Ka-band capacity into Brazil on the EUTELSAT 65 West A satellite, which was launched in March 2016. We began delivering high-speed consumer satellite broadband services in Brazil in July 2016. Additionally, in September 2015, we entered into 15-year agreements pursuant to which affiliates of Telesat Canada will provide to us the Ka-band capacity on a satellite to be located at the 63 degree west longitude orbital location. This satellite was launched in July 2018 and is expected to be placed in service during the fourth quarter of 2018. It is expected to augment the capacity being provided by the EUTELSAT 65 West A and EchoStar

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

XIX satellites in Central and South America. We began to provide consumer satellite broadband service in Colombia and Peru in the third quarter of 2017 and fourth quarter of 2018, respectively, and we expect to launch similar services in various other Central and South American countries thereafter.

As of September 30, 2018 and December 31, 2017, our Hughes segment had approximately 1,332,000 and 1,208,000 broadband subscribers, respectively. These broadband subscribers include customers that subscribe to our HughesNet broadband services in North and South America through retail, wholesale and small/medium enterprise service channels. Our total gross subscriber additions for the third quarter of 2018 increased by approximately 11,000 compared to the second quarter of 2018. Our average monthly subscriber churn percentage for the third quarter of 2018 increased slightly compared to the second quarter of 2018. Our total net subscriber additions were approximately 33,000 for the quarter ended September 30, 2018 compared to approximately 31,000 for the quarter ended June 30, 2018. The increase in the net subscriber additions was primarily due to higher consumer subscriber additions during the third quarter of 2018 compared to the second quarter of 2018.

As of September 30, 2018 and December 31, 2017, our Hughes segment had approximately \$1.52 billion and \$1.62 billion, respectively, of contracted revenue backlog. We define Hughes contracted revenue backlog as our expected future revenue, including lease revenue, under customer contracts that are non-cancelable, excluding agreements with customers in our consumer market.

ESS Segment

Our ESS segment is a global provider of satellite operations and satellite services. We operate our business using our owned and leased in-orbit satellites and related licenses. Revenue in our ESS segment depends largely on our ability to continuously make use of our available satellite capacity with existing customers and our ability to enter into commercial relationships with new customers. Our ESS segment, like others in the FSS industry, has encountered and may continue to encounter negative pressure on transponder rates and demand.

We provide satellite operations and satellite services on a full-time and/or occasional-use basis primarily to DISH Network Corporation and its subsidiaries ("DISH Network"), Dish Mexico, S. de R.L. de C.V., a joint venture we entered into in 2008 ("Dish Mexico"), U.S. government service providers, internet service providers, broadcast news organizations, content providers and private enterprise customers.

We depend on DISH Network for a significant portion of the revenue for our ESS segment, and we expect that DISH Network will continue to be the primary source of revenue for our ESS segment. Therefore, the results of operations of our ESS segment are linked to changes in DISH Network's satellite capacity requirements. DISH Network's capacity requirements have been driven by the continued migration of programming to high-definition television and video on demand services. The services that we provide to DISH Network are critical to its nationwide delivery of content to its customers across the U.S. DISH Network's satellite capacity requirements may change for a variety of reasons, including its ability to construct and launch its own satellites. Any termination or reduction in the services we provide to DISH Network may cause us to have unused capacity on our satellites and require that we aggressively pursue alternative sources of revenue for this business. The agreement with DISH Network to lease satellite capacity on the EchoStar VII satellite expired in June 2018. As a result, we expect a \$42.8 million

annualized decrease in our revenue. We are exploring other opportunities to utilize this satellite in the future.

In August 2014, we entered into: (i) a contract with Airbus Defence and Space SAS for the construction of the EchoStar 105/SES-11 satellite with C-, Ku- and Ka-band payloads; (ii) an agreement with SES Satellite Leasing Limited for the procurement of the related launch services; and (iii) an agreement with SES Americom Inc. pursuant to which we transferred the title to the payloads to two affiliates of SES Americom Inc. We retained the right to use the entire Ku-band payload on the satellite for an initial ten-year term, with an option for us to renew the agreement on a year-to-year basis. The EchoStar 105/SES-11 satellite was launched in October 2017 and placed into service in November 2017 at the 105 degree west longitude orbital location. Our Ku-band payload on the EchoStar 105/SES-11 satellite

Table of Contents

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

replaced and augments the capacity we had on the AMC-15 satellite, resulting in additional sales capacity. We transferred activities from the AMC-15 satellite to the EchoStar 105/SES-11 satellite in the fourth quarter of 2017 and our agreement for satellite services on certain transponders on the AMC-15 satellite terminated according to its terms in December 2017.

We are pursuing other opportunities such as providing value added services such as telemetry, tracking and control (“TT&C”) services to third parties, which leverage the ground monitoring networks and personnel currently within our ESS segment.

As of September 30, 2018 and December 31, 2017, our ESS segment had contracted revenue backlog of approximately \$908.0 million and \$1.16 billion, respectively. We define contracted revenue backlog for our ESS segment as contracted future satellite lease revenue.

New Business Opportunities

Our industry continues to evolve with the increasing worldwide demand for broadband internet access for information, entertainment and commerce. In addition to fiber and wireless systems, other technologies such as geostationary high throughput satellites, LEO networks, MEO systems, balloons and High Altitude Platform Systems are playing significant roles in enabling global broadband access, networks and services. We intend to use our expertise, technologies, capital, investments, global presence, relationships and other capabilities to continue to provide broadband internet systems, equipment, networks and services for information, the internet-of-things, entertainment and commerce in North America and internationally for consumers, as well as aeronautical, enterprise and government customers. We are tracking closely the developments in next-generation satellite businesses, and we are seeking to utilize our services, technologies and expertise to find new commercial opportunities for our business.

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

In 2012, we acquired the right to use various frequencies at the 45 degree west longitude orbital location (“Brazilian Authorization”) from ANATEL, the Brazilian communications regulatory agency. The Brazilian Authorization currently provides us the rights to utilize Ku-band spectrum. In April 2014, we entered into an agreement with Space Systems Loral, LLC for the construction of the EchoStar XXIII satellite, a high powered broadcast satellite service satellite. The EchoStar XXIII satellite was launched in March 2017 and placed into service at the 45 degree west longitude orbital location in the second quarter of 2017. We had regulatory obligations to meet certain in-service milestones by the second quarter of 2017 for our Brazilian license at the 45 degree west longitude orbital location for the Ka-, Ku- and S-band frequencies. We have satisfied our regulatory obligations for the Ku-band frequency. On October 5, 2017, ANATEL declined our request to extend our milestone deadlines for the S- band and Ka- band frequencies and, as a result, we do

not have the right to use such frequency bands in Brazil. We may be subject to penalties as a result of our failure to meet these milestones.

In December 2013, we acquired 100% of Solaris Mobile, which is based in Dublin, Ireland and licensed by the European Union and its member states (“EU”) to provide mobile satellite services and complementary ground component services covering the entire EU using S-band spectrum. Solaris Mobile changed its name to EchoStar Mobile Limited in the first quarter of 2015. The EchoStar XXI satellite was launched in June 2017 and placed into service in November 2017. Commercial service has been available on our EchoStar XXI satellite since the fourth quarter of 2017. The EchoStar XXI satellite provides space segment capacity to EchoStar Mobile Limited in the EU. We believe we are in

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

a unique position to deploy a European wide mobile satellite services and complementary ground component network and maximize the long-term value of our S-band spectrum in Europe and other regions within the scope of our licenses.

Capital expenditures associated with the construction and launch of the EchoStar XXI, EchoStar XXIII and EchoStar XXIV satellites are included in Corporate and Other in our segment reporting.

Cybersecurity

As a global provider of satellite technologies and services, internet services and communications equipment and networks, we may be prone to more targeted and persistent levels of cyber-attacks than other businesses. These risks may be more prevalent as we expand our business into other areas of the world outside of North America, some of which are still developing mature cybersecurity infrastructures. Detecting, deterring, preventing and mitigating incidents caused by hackers and other parties may result in significant costs to us and may expose our customers to financial or other harm, potentially significantly increasing our liability.

We treat cybersecurity risk seriously and are focused on maintaining the security of our and our partners' systems, networks, technologies and data. We regularly review and revise our relevant policies and procedures, invest in and maintain internal resources, personnel and systems and review, modify and supplement our defenses through the use of various services, programs and outside vendors. We also maintain agreements with third party vendors and experts to assist in our remediation and mitigation efforts if we experience or identify a material incident or threat. In addition, senior management and the Audit Committee of our Board of Directors are regularly briefed on cybersecurity matters.

We are not aware of any cyber-attacks with respect to our owned or leased satellites or other networks, equipment or systems that have had a material adverse effect on our business, costs, operations, prospects, results of operation or financial position during the nine months ended September 30, 2018. There can be no assurance, however, that any such incident can be detected or thwarted or will not have such a material adverse effect in the future.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****RESULTS OF OPERATIONS****Three Months Ended September 30, 2018 Compared to the Three Months Ended September 30, 2017**

| Statements of Operations Data (1) | For the three months ended September 30, | | Variance | |
|---|--|---------------|------------|---------|
| | 2018 | 2017 | Amount | % |
| | (Dollars in thousands) | | | |
| Revenue: | | | | |
| Services and other revenue - DISH Network | \$87,859 | \$111,135 | \$(23,276) | (20.9) |
| Services and other revenue - other | 388,248 | 310,973 | 77,275 | 24.8 |
| Equipment revenue | 56,846 | 59,125 | (2,279) | (3.9) |
| Total revenue | 532,953 | 481,233 | 51,720 | 10.7 |
| Costs and expenses: | | | | |
| Cost of sales - services and other | 152,011 | 143,048 | 8,963 | 6.3 |
| % of total services and other revenue | 31.9 | % 33.9 | % | |
| Cost of sales - equipment | 46,318 | 47,644 | (1,326) | (2.8) |
| % of total equipment revenue | 81.5 | % 80.6 | % | |
| Selling, general and administrative expenses | 107,490 | 91,003 | 16,487 | 18.1 |
| % of total revenue | 20.2 | % 18.9 | % | |
| Research and development expenses | 6,544 | 8,302 | (1,758) | (21.2) |
| % of total revenue | 1.2 | % 1.7 | % | |
| Depreciation and amortization | 150,555 | 134,822 | 15,733 | 11.7 |
| Total costs and expenses | 462,918 | 424,819 | 38,099 | 9.0 |
| Operating income | 70,035 | 56,414 | 13,621 | 24.1 |
| Other income (expense): | | | | |
| Interest income | 21,349 | 12,012 | 9,337 | 77.7 |
| Interest expense, net of amounts capitalized | (62,086) | (55,646) | 6,440 | 11.6 |
| Gains and losses on investments, net | 4,693 | 20,090 | (15,397) | (76.6) |
| Equity in earnings (losses) of unconsolidated affiliates, net | 416 | 4,381 | (3,965) | (90.5) |
| Other, net | (5,069) | 4,686 | (9,755) | * |
| Total other income (expense), net | (40,697) | (14,477) | (26,220) | * |
| Income from continuing operations before income taxes | 29,338 | 41,937 | (12,599) | (30.0) |
| Income tax provision, net | (12,836) | (6,082) | 6,754 | * |
| Net income from continuing operations | 16,502 | 35,855 | (19,353) | (54.0) |
| Net income (loss) from discontinued operations | — | (654) | 654 | (100.0) |
| Net income | 16,502 | 35,201 | (18,699) | (53.1) |
| Less: Net income attributable to noncontrolling interests | 450 | 532 | (82) | (15.4) |
| Net income attributable to EchoStar Corporation common stock | \$16,052 | \$34,669 | \$(18,617) | (53.7) |
| Other data: | | | | |
| EBITDA (2) | \$220,180 | \$219,861 | \$319 | 0.1 |
| Subscribers, end of period | 1,332,000 | 1,140,000 | 192,000 | 16.8 |

* Percentage is not meaningful.

(1) An explanation of our key metrics is included on pages 72 and 73 under the heading Explanation of Key Metrics and Other Items.

Edgar Filing: EchoStar CORP - Form 10-Q

A reconciliation of EBITDA to Net income, the most directly comparable generally accepted accounting principles ("U.S. GAAP") measure in the (2) accompanying financial statements, is included on page 59. For further information on our use of EBITDA, see Explanation of Key Metrics and Other Items on page 73.

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Services and other revenue - DISH Network. Services and other revenue - DISH Network totaled \$87.9 million for the three months ended September 30, 2018, a decrease of \$23.3 million or 20.9%, compared to the same period in 2017.

Services and other revenue - DISH Network from our Hughes segment for the three months ended September 30, 2018 decreased by \$8.1 million, or 41.0%, to \$11.7 million compared to the same period in 2017. The decrease was primarily attributable to a continued decrease in residential wholesale broadband services.

Services and other revenue - DISH Network from our ESS segment for the three months ended September 30, 2018 decreased by \$15.0 million, or 17.3%, to \$71.6 million compared to the same period in 2017. The decrease was due to revenue reduction of (i) \$10.7 million resulting from the expiration of DISH Network's agreement to lease satellite capacity from us on the EchoStar VII satellite at the end of June 2018, (ii) \$2.1 million resulting from DISH Network's termination of its agreement to lease satellite capacity from us on the EchoStar XII satellite at the end of September 2017, (iii) \$1.2 million as a result of a decrease in satellite capacity leased to DISH Network on the EchoStar IX satellite and (iv) \$1.1 million as a result of the satellite anomaly experienced by the EchoStar X satellite in December 2017 which reduced the satellite capacity leased to DISH Network.

Services and other revenue - other. Services and other revenue - other totaled \$388.2 million for the three months ended September 30, 2018, an increase of \$77.3 million or 24.8%, compared to the same period in 2017.

Services and other revenue - other from our Hughes segment for the three months ended September 30, 2018 increased by \$75.1 million, or 24.9%, to \$376.2 million compared to the same period in 2017. The increase was primarily attributable to increases in sales of broadband services to our consumer and enterprise customers of \$70.6 million and \$3.2 million, respectively.

Services and other revenue - other from our ESS segment for the three months ended September 30, 2018 increased by \$1.9 million, or 17.7%, to \$12.4 million compared to the same period in 2017. The increase was due to a net increase in transponder services provided.

Equipment revenue. Equipment revenue totaled \$56.8 million for the three months ended September 30, 2018, a decrease of \$2.3 million or 3.9%, compared to the same period in 2017. The decrease was mainly due to decreases in hardware sales in our Hughes segment of \$11.6 million to our domestic consumer and enterprise customers and \$3.1 million to mobile satellite systems customers. The decrease was partially offset by increases in hardware sales in our Hughes segment of \$11.4 million to our international enterprise customers.

Cost of sales - services and other. Cost of sales - services and other totaled \$152.0 million for the three months ended September 30, 2018, an increase of \$9.0 million or 6.3%, compared to the same period in 2017.

Cost of sales - services and other from our Hughes segment for the three months ended September 30, 2018 increased by \$14.2 million, or 11.3%, to \$140.0 million compared to the same period in 2017. The increase was primarily attributable to an increase in the costs of broadband services provided to our

consumer and enterprise customers.

Cost of sales - services and other from our ESS segment for the three months ended September 30, 2018 decreased by \$5.7 million, or 34.9%, to \$10.6 million compared to the same period in 2017. The decrease was primarily attributable to the termination of our agreement for satellite capacity on the AMC-15 satellite in December 2017.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

Cost of sales - equipment. Cost of sales - equipment totaled \$46.3 million for the three months ended September 30, 2018, a decrease of \$1.3 million or 2.8%, compared to the same period in 2017. The decrease was mainly due to a decrease in hardware sales in our Hughes segment to our domestic consumer and enterprise customers and mobile satellite systems customers, partially offset by an increase in hardware sales to our international enterprise customers.

Selling, general and administrative expenses. Selling, general and administrative expenses totaled \$107.5 million for the three months ended September 30, 2018, an increase of \$16.5 million or 18.1%, compared to the same period in 2017. General and administrative expenses increased \$10.7 million primarily attributable to bad debt expense from our Hughes segment. Selling expenses increased \$5.8 million primarily attributable to the amortization of contract acquisition and fulfillment costs from our Hughes segment.

Depreciation and amortization. Depreciation and amortization expenses totaled \$150.6 million for the three months ended September 30, 2018, an increase of \$15.7 million or 11.7%, compared to the same period in 2017. The increase was primarily due to an increase in depreciation expense of (i) \$8.5 million relating to the EchoStar XXI and EchoStar 105/SES-11 satellites, which were placed into service in the fourth quarter of 2017, and the Telesat T19V satellite, which was placed into service in the fourth quarter of 2018, (ii) \$4.5 million relating to our customer rental equipment and (iii) \$3.1 million relating to the decrease in depreciable life of the SPACEWAY 3 satellite.

Interest income. Interest income totaled \$21.3 million for the three months ended September 30, 2018, an increase of \$9.3 million or 77.7%, compared to the same period in 2017 primarily attributable to an increase in yield percentage in 2018 compared to 2017.

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized totaled \$62.1 million for the three months ended September 30, 2018, an increase of \$6.4 million or 11.6%, compared to the same period in 2017. The increase was primarily due to a decrease of \$9.8 million in capitalized interest relating to the EchoStar XXI and EchoStar 105/SES-11 satellites that were placed into service in the second and fourth quarters of 2017, respectively. The increase was partially offset by an increase of \$3.0 million in capitalized interest relating to the construction of the EchoStar XXIV satellite.

Gains and losses on investments, net. Gains and losses on investments, net totaled \$4.7 million in gains for the three months ended September 30, 2018, a decrease of \$15.4 million or 76.6%, compared to the same period in 2017. The decrease was attributable to losses of \$14.9 million on certain debt securities that we account for using the fair value option in the third quarter of 2018.

Equity in earnings (losses) of unconsolidated affiliates, net. Equity in earnings (losses) of unconsolidated affiliates, net totaled \$0.4 million in gains for the three months ended September 30, 2018, a decrease of \$4.0 million or 90.5%, compared to the same period in 2017. The decrease was primarily related to a decrease in earnings from our investments in our unconsolidated affiliates.

Other, net. Other, net totaled \$5.1 million in losses for the three months ended September 30, 2018 compared to \$4.7 million in income for three months ended September 30, 2017. The decrease of \$9.8 million was primarily related to an unfavorable foreign exchange impact of \$6.6 million in the third quarter of 2018 compared to the same period in 2017, a net loss of \$1.8 million from the call options of certain

marketable equity securities in the third quarter of 2018, and a decrease of \$1.3 million in dividends received from certain marketable equity securities in the third quarter of 2018.

Income tax provision, net. Income tax provision was \$12.8 million for the three months ended September 30, 2018, an increase of \$6.8 million, compared to the same period in 2017. Our effective income tax rate was 43.8% and 14.5% for the three months ended September 30, 2018 and 2017, respectively. The variations in our current year effective tax rate from the U.S. federal statutory rate for the three months ended September 30, 2018 were primarily due to the change in net unrealized gains that are capital in nature. The variations in our effective tax rate from the U.S. federal statutory rate for the three months ended September 30, 2017 were primarily due to various permanent tax differences, the increase in our valuation allowance associated with unrealized gains that are capital in nature and a change in the amount of unrecognized tax benefit from uncertain tax positions.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

Net income attributable to EchoStar Corporation. Net income attributable to EchoStar Corporation totaled \$16.1 million for the three months ended September 30, 2018, a decrease of \$18.6 million or 53.7% compared to the same period in 2017 as set forth in the following table:

| | Amounts (In thousands) |
|---|-------------------------------------|
| Net income attributable to EchoStar Corporation for the three months ended September 30, 2017 | \$ 34,669 |
| Decrease in gains on investments, net | (15,397) |
| Decrease in other income | (9,755) |
| Increase in income tax provision, net | (6,754) |
| Increase in interest expense, net of amounts capitalized | (6,440) |
| Decrease in equity in earnings of unconsolidated affiliates, net | (3,965) |
| Increase in operating income, including depreciation and amortization | 13,621 |
| Increase in interest income | 9,337 |
| Decrease in net loss from discontinued operations | 654 |
| Decrease in net income attributable to noncontrolling interests | 82 |
| Net income attributable to EchoStar Corporation for the three months ended September 30, 2018 | \$ 16,052 |

EBITDA. EBITDA is a non-GAAP financial measure and is described under Explanation of Key Metrics and Other Items below. The following table reconciles EBITDA to *Net income*, the most directly comparable U.S. GAAP measure in the accompanying financial statements.

| | For the three months ended September 30, | | Variance | |
|---|---|-------------|-----------------|----------|
| | 2018 | 2017 | Amount | % |
| | (Dollars in thousands) | | | |
| Net income | \$16,502 | \$35,201 | \$(18,699) | (53.1) |
| Interest income and expense, net | 40,737 | 43,634 | (2,897) | (6.6) |
| Income tax provision, net | 12,836 | 6,082 | 6,754 | * |
| Depreciation and amortization | 150,555 | 134,822 | 15,733 | 11.7 |
| Net income from discontinued operations | — | 654 | (654) | (100.0) |
| Net income attributable to noncontrolling interests | (450) | (532) | 82 | (15.4) |
| EBITDA | \$220,180 | \$219,861 | \$319 | 0.1 |

* Percentage is not meaningful.

EBITDA was \$220.2 million for the three months ended September 30, 2018, an increase of \$0.3 million or 0.1%, compared to the same period in 2017. The increase was primarily due to an increase in operating income, excluding depreciation and amortization, of \$29.4 million, or 15.3%. The increase was primarily offset by (i) a decrease of \$15.4 million in gains on investments, net of losses and impairment, (ii) a decrease of \$9.8 million in other income and (iii) a decrease of \$4.0 million in equity in earnings of unconsolidated affiliates, net.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued***Segment Operating Results and Capital Expenditures*

| | Hughes | ESS | Corporate Consolidated and Other Total | |
|--|----------------|------------|---|------------|
| | (In thousands) | | | |
| For the three months ended September 30, 2018 | | | | |
| Total revenue | \$444,762 | \$84,007 | \$4,184 | \$ 532,953 |
| Capital expenditures | \$110,550 | \$29 | \$56,576 | \$ 167,155 |
| EBITDA | \$164,135 | \$72,156 | \$(16,111) | \$ 220,180 |
| For the three months ended September 30, 2017 | | | | |
| Total revenue | \$380,061 | \$97,093 | \$4,079 | \$ 481,233 |
| Capital expenditures | \$108,428 | \$8,203 | \$75,500 | \$ 192,131 |
| EBITDA | \$131,817 | \$78,345 | \$9,699 | \$ 219,861 |

Hughes Segment

| | For the three months ended September 30, 2018 | | Variance | |
|----------------------|--|-------------|-----------------|----------|
| | 2018 | 2017 | Amount | % |
| | (Dollars in thousands) | | | |
| Total revenue | \$444,762 | \$380,061 | \$64,701 | 17.0 |
| Capital expenditures | \$110,550 | \$108,428 | \$2,122 | 2.0 |
| EBITDA | \$164,135 | \$131,817 | \$32,318 | 24.5 |

Total revenue for the three months ended September 30, 2018 increased by \$64.7 million, or 17.0%, compared to the same period in 2017. The increase was primarily due to an increase in sales of broadband services to our consumer and enterprise customers of \$70.6 million and \$3.2 million, respectively, and an increase in hardware sales of \$11.4 million to our international enterprise customers. The increase was partially offset by a decrease in sales of broadband equipment of \$11.6 million to our domestic consumer and enterprise customers and \$3.1 million to mobile satellite systems customers and a decrease of \$8.1 million in residential wholesale broadband services.

Capital expenditures for the three months ended September 30, 2018 increased by \$2.1 million, or 2.0%, compared to the same period in 2017, primarily due to an increase in capital expenditures relating to our EchoStar XXIV and Telesat T19V satellites of \$7.4 million. The increase was partially offset by decreases in capital expenditures relating to our EchoStar XXI satellite of \$2.7 million and our consumer business of \$2.5 million.

EBITDA for the three months ended September 30, 2018 was \$164.1 million, an increase of \$32.3 million, or 24.5%, compared to the same period in 2017. The increase was primarily due to an increase of \$51.8 million in gross margin. The increase was partially offset by (i) an increase of \$16.1 million in selling, general and administrative expenses due to bad debt expense and the amortization of contract acquisition and fulfillment costs and (ii) an unfavorable foreign exchange impact of \$5.4 million in the third quarter of 2018 compared to the same period in 2017.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**ESS Segment

| | For the three months ended September 30, | | Variance | |
|----------------------|---|-------------|-----------------|----------|
| | 2018 | 2017 | Amount | % |
| | (Dollars in thousands) | | | |
| Total revenue | \$84,007 | \$97,093 | \$(13,086) | (13.5) |
| Capital expenditures | \$29 | \$8,203 | \$(8,174) | (99.6) |
| EBITDA | \$72,156 | \$78,345 | \$(6,189) | (7.9) |

Total revenue for the three months ended September 30, 2018 decreased by \$13.1 million, or 13.5%, compared to the same period in 2017. The decrease was due to revenue reduction of (i) \$10.7 million resulting from the expiration of DISH Network's agreement to lease satellite capacity from us on the EchoStar VII satellite at the end of June 2018, (ii) \$2.1 million resulting from DISH Network's termination of its agreement to lease satellite capacity from us on the EchoStar XII satellite at the end of September 2017, (iii) \$1.2 million as a result of a decrease in satellite capacity leased to DISH Network on the EchoStar IX satellite and (iv) \$1.1 million as a result of the satellite anomaly experienced by the EchoStar X satellite in December 2017 which reduced the satellite capacity leased to DISH Network.

Capital expenditures for the three months ended September 30, 2018 decreased by \$8.2 million, or 99.6% compared to the same period in 2017, primarily due to decreased satellite expenditures as a result of the EchoStar 105/SES-11 satellite having been placed into service in the fourth quarter of 2017.

EBITDA for the three months ended September 30, 2018 was \$72.2 million, a decrease of \$6.2 million, or 7.9%, compared to the same period in 2017. The decrease was primarily due to the decrease in ESS segment total revenue of \$13.1 million in the third quarter of 2018 compared to the same period in 2017, partially offset by a decrease in satellite services costs of \$4.9 million mainly associated with the termination of our agreement for satellite capacity on the AMC-15 satellite in December 2017.

Corporate and Other

| | For the three months ended September 30, | | Variance | |
|----------------------|---|-------------|-----------------|----------|
| | 2018 | 2017 | Amount | % |
| | (Dollars in thousands) | | | |
| Total revenue | \$4,184 | \$4,079 | \$105 | 2.6 |
| Capital expenditures | \$56,576 | \$75,500 | \$(18,924) | (25.1) |
| EBITDA | \$(16,111) | \$9,699 | \$(25,810) | * |

* Percentage is not meaningful.

Capital expenditures for the three months ended September 30, 2018 decreased by \$18.9 million or 25.1% compared to the same period in 2017, primarily related to decreases of \$16.8 million in satellite expenditures on the EchoStar XXI and EchoStar XXIV satellites. The EchoStar XXI satellite was placed into service in 2017. The EchoStar XXIV satellite is primarily intended to provide additional capacity for our

HughesNet service in North, South and Central American countries.

EBITDA for the three months ended September 30, 2018 was \$16.1 million in losses compared to a \$9.7 million in earnings for three months ended September 30, 2017. The change of \$25.8 million was largely attributable to (i) a \$15.4 million unfavorable change in *Gains and losses on investments, net*, as discussed above, (ii) a decrease of \$4.0 million in *Equity in earnings (losses) of unconsolidated affiliates, net*, (iii) a net loss of \$1.8 million from the call options of certain marketable equity securities in the third quarter of 2018, (iv) a decrease of \$1.3 million in dividends

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

received from certain marketable equity securities in the third quarter of 2018 and (v) an unfavorable foreign exchange impact of \$1.2 million in the third quarter of 2018 compared to the same period in 2017.

Nine Months Ended September 30, 2018 Compared to the Nine Months Ended September 30, 2017

| Statements of Operations Data (1) | For the nine months ended September 30, | | Variance | |
|---|---|---------------|------------|---------|
| | 2018 | 2017 | Amount | % |
| | (Dollars in thousands) | | | |
| Revenue: | | | | |
| Services and other revenue - DISH Network | \$291,835 | \$339,824 | \$(47,989) | (14.1) |
| Services and other revenue - other | 1,118,733 | 865,817 | 252,916 | 29.2 |
| Equipment revenue | 150,134 | 173,819 | (23,685) | (13.6) |
| Total revenue | 1,560,702 | 1,379,460 | 181,242 | 13.1 |
| Costs and expenses: | | | | |
| Cost of sales - services and other | 451,913 | 416,463 | 35,450 | 8.5 |
| % of total services and other revenue | 32.0 | % 34.5 | % | |
| Cost of sales - equipment | 127,254 | 141,839 | (14,585) | (10.3) |
| % of total equipment revenue | 84.8 | % 81.6 | % | |
| Selling, general and administrative expenses | 313,839 | 263,820 | 50,019 | 19.0 |
| % of total revenue | 20.1 | % 19.1 | % | |
| Research and development expenses | 20,328 | 23,444 | (3,116) | (13.3) |
| % of total revenue | 1.3 | % 1.7 | % | |
| Depreciation and amortization | 444,558 | 379,939 | 64,619 | 17.0 |
| Total costs and expenses | 1,357,892 | 1,225,505 | 132,387 | 10.8 |
| Operating income | 202,810 | 153,955 | 48,855 | 31.7 |
| Other income (expense): | | | | |
| Interest income | 56,237 | 30,342 | 25,895 | 85.3 |
| Interest expense, net of amounts capitalized | (186,371) | (156,498) | 29,873 | 19.1 |
| Gains and losses on investments, net | 33,426 | 30,664 | 2,762 | 9.0 |
| Equity in earnings (losses) of unconsolidated affiliates, net | (2,651) | 15,620 | (18,271) | * |
| Other, net | (5,201) | 8,211 | (13,412) | * |
| Total other expense, net | (104,560) | (71,661) | (32,899) | 45.9 |
| Income from continuing operations before income taxes | 98,250 | 82,294 | 15,956 | 19.4 |
| Income tax provision, net | (25,235) | (9,073) | 16,162 | * |
| Net income from continuing operations | 73,015 | 73,221 | (206) | (0.3) |
| Net income (loss) from discontinued operations | — | 6,454 | (6,454) | (100.0) |
| Net income | 73,015 | 79,675 | (6,660) | (8.4) |
| Less: Net income attributable to noncontrolling interests | 1,292 | 351 | 941 | * |
| Net income attributable to EchoStar Corporation common stock | \$71,723 | \$79,324 | \$(7,601) | (9.6) |
| Other data: | | | | |
| EBITDA (2) | \$671,650 | \$588,038 | \$83,612 | 14.2 |
| Subscribers, end of period | 1,332,000 | 1,140,000 | 192,000 | 16.8 |

* Percentage is not meaningful.

(1) An explanation of our key metrics is included on pages 72 and 73 under the heading Explanation of Key Metrics and Other Items.

Edgar Filing: EchoStar CORP - Form 10-Q

(2) A reconciliation of EBITDA to Net income, the most directly comparable U.S. GAAP measure in the accompanying financial statements, is included on page 65. For further information on our use of EBITDA, see Explanation of Key Metrics and Other Items on page 73.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

Services and other revenue - DISH Network. Services and other revenue - DISH Network totaled \$291.8 million for the nine months ended September 30, 2018, a decrease of \$48.0 million or 14.1%, compared to the same period in 2017.

Services and other revenue - DISH Network from our Hughes segment for the nine months ended September 30, 2018 decreased by \$26.1 million, or 39.9%, to \$39.3 million compared to the same period in 2017. The decrease was primarily attributable to a continued decrease in residential wholesale broadband services.

Services and other revenue - DISH Network from our ESS segment for the nine months ended September 30, 2018 decreased by \$22.3 million, or 8.6%, to \$238.2 million compared to the same period in 2017. The decrease was due to revenue reduction of (i) \$10.7 million resulting from the expiration of DISH Network's agreement to lease satellite capacity from us on the EchoStar VII satellite at the end of June 2018, (ii) \$7.1 million resulting from DISH Network's termination of its agreement to lease satellite capacity from us on the EchoStar XII satellite at the end of September 2017, (iii) \$3.5 million as a result of the satellite anomaly experienced by the EchoStar X satellite in December 2017 which reduced the satellite capacity leased to DISH Network and (iv) \$2.0 million as a result of a decrease in satellite capacity leased to DISH Network on the EchoStar IX satellite.

Services and other revenue - other. Services and other revenue - other totaled \$1.12 billion for the nine months ended September 30, 2018, an increase of \$252.9 million or 29.2%, compared to the same period in 2017.

Services and other revenue - other from our Hughes segment for the nine months ended September 30, 2018 increased by \$249.4 million, or 29.9%, to \$1.08 billion compared to the same period in 2017. The increase was primarily attributable to increases in sales of broadband services to our consumer and enterprise customers of \$217.6 million and \$26.8 million, respectively.

Services and other revenue - other from our ESS segment for the nine months ended September 30, 2018 increased by \$2.7 million, or 7.8%, to \$38.0 million compared to the same period in 2017. The increase was due to a net increase in transponder services provided.

Equipment revenue. Equipment revenue totaled \$150.1 million for the nine months ended September 30, 2018, a decrease of \$23.7 million or 13.6%, compared to the same period in 2017. The decrease was mainly due to a decrease in hardware sales in our Hughes segment of \$14.2 million to our domestic enterprise customers, \$7.8 million to our mobile satellite systems customers and \$4.9 million to our consumer customers. The decrease was partially offset by an increase in hardware sales in our Hughes segment of \$2.5 million to our international enterprise customers.

Cost of sales - services and other. Cost of sales - services and other totaled \$451.9 million for the nine months ended September 30, 2018, an increase of \$35.5 million or 8.5%, compared to the same period in 2017.

Cost of sales - services and other from our Hughes segment for the nine months ended September 30, 2018 increased by \$49.6 million, or 13.6%, to \$414.5 million compared to the same period in 2017. The increase was primarily attributable to an increase in the costs of broadband services provided to our

consumer and enterprise customers.

Cost of sales - services and other from our ESS segment for the nine months ended September 30, 2018 decreased by \$15.9 million, or 32.5%, to \$33.0 million compared to the same period in 2017. The decrease was primarily attributable to the termination of our agreement for satellite capacity on the AMC-15 satellite in December 2017.

Cost of sales - equipment. Cost of sales - equipment totaled \$127.3 million for the nine months ended September 30, 2018, a decrease of \$14.6 million or 10.3%, compared to the same period in 2017. The decrease was primarily

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

attributable to a decrease in hardware sales in our Hughes segment provided to our consumer customers, domestic enterprise customers and mobile satellite systems customers, partially offset by an increase in hardware sales in our Hughes segment to our international enterprise customers.

Selling, general and administrative expenses. Selling, general and administrative expenses totaled \$313.8 million for the nine months ended September 30, 2018, an increase of \$50.0 million or 19.0%, compared to the same period in 2017. Selling expenses increased \$35.0 million primarily attributable to the amortization of contract acquisition and fulfillment costs from our Hughes segment and an increase in advertising and mailers expenses from our Hughes segment mainly associated with our consumer business. General and administration expenses increased \$15.0 million primarily attributable to bad debt expense from our Hughes segment

Depreciation and amortization. Depreciation and amortization expenses totaled \$444.6 million for the nine months ended September 30, 2018, an increase of \$64.6 million or 17.0%, compared to the same period in 2017. The increase was primarily due to an increase in depreciation expense of (i) \$34.3 million relating to the EchoStar XIX, EchoStar XXIII, EchoStar XXI, EchoStar 105/SES-11 satellites that were placed into service in the first, second and fourth quarters of 2017, respectively and the Telesat T19V satellite that was placed into service in the fourth quarter of 2018, (ii) \$26.1 million relating to our customer rental equipment, (iii) \$6.1 million relating to the decrease in depreciable life of the SPACEWAY 3 satellite and (iv) \$7.8 million relating to machinery and equipment. The increase in depreciation expense was partially offset by a decrease of \$7.5 million in amortization expense from certain fully amortized other intangible assets in our Hughes segment.

Interest income. Interest income totaled \$56.2 million for the nine months ended September 30, 2018, an increase of \$25.9 million or 85.3%, compared to the same period in 2017 primarily attributable to an increase in yield percentage in 2018 compared to 2017.

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized totaled \$186.4 million for the nine months ended September 30, 2018, an increase of \$29.9 million or 19.1%, compared to the same period in 2017. The increase was primarily due to a decrease of \$41.2 million in capitalized interest relating to the EchoStar XIX, EchoStar XXIII, EchoStar XXI and EchoStar 105/SES-11 satellites that were placed into service in the first, second and fourth quarters of 2017, respectively. The increase was partially offset by an increase of \$7.7 million in capitalized interest relating to the construction of the EchoStar XXIV satellite and a decrease of \$2.6 million in interest expense relating to the accounting impact of two of our satellites that are treated as capital leases.

Gains and losses on investments, net. Gains and losses on investments, net totaled \$33.4 million in gains for the nine months ended September 30, 2018, an increase of \$2.8 million or 9.0% compared to the same period in 2017. The net gain was primarily attributable to unrealized gains on certain marketable equity securities and on certain debt securities that we account for using the fair value option. For the nine months ended September 30, 2017, the net gain included (i) gains of \$21.5 million attributable to unrealized gains on certain marketable equity securities, (ii) gains of \$8.9 million from the sale of our investment in Invidi Technologies Corporation ("Invidi") to an entity owned in part by DISH Network, (iii) gains of \$2.8 million from the sales of certain available-for-sale securities and (iv) an other-than-temporary impairment loss of \$3.3 million on one of our available-for-sale securities.

Equity in earnings (losses) of unconsolidated affiliates, net. Equity in earnings of unconsolidated affiliates, net totaled \$2.7 million in losses for the nine months ended September 30, 2018 compared to \$15.6 million in earnings for the same period in 2017. The decrease was primarily related to a decrease in earnings from our investments in our unconsolidated affiliates.

Other, net. Other, net totaled \$5.2 million in losses for the nine months ended September 30, 2018 compared to \$8.2 million in income for nine months ended September 30, 2017. The decrease of \$13.4 million was primarily related to an unfavorable foreign exchange impact of \$18.8 million in 2018 compared to the same period in 2017, a decrease of \$2.9 million in dividends received from certain marketable equity securities in 2018 compared to the same period in 2017 and a net loss of \$1.8 million from the call options of certain marketable equity securities in the third quarter of 2018. The decreases were partially offset by a net gain of \$9.6 million due to the settlement of certain amounts due to and from a third party vendor in the second quarter of 2018.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

Income tax provision, net. Income tax provision was \$25.2 million for the nine months ended September 30, 2018, an increase of \$16.2 million, compared to the same period in 2017. Our effective income tax rate was 25.7% and 11.0% for the nine months ended September 30, 2018 and 2017, respectively. The variations in our current year effective tax rate from the U.S. federal statutory rate for the nine months ended September 30, 2018 were primarily due to the change in net unrealized gains that are capital in nature and research and experimentation credits, partially offset by the impact of state and local taxes and the increase in our valuation allowance associated with certain foreign losses. The variations in our effective tax rate from the U.S. federal statutory rate for the nine months ended September 30, 2017 were primarily due to the recognition of a one-time tax benefit for the revaluation of our deferred tax assets and liabilities due to a change in our state effective tax rate as a result of the Share Exchange, the increase in our valuation allowance associated with unrealized gains that are capital in nature, and change in the amount of unrecognized tax benefit from uncertain tax positions. The tax benefit recognized from the change in our effective tax rate was partially offset by the increase in our valuation allowance associated with certain state and foreign losses.

Net income attributable to EchoStar Corporation. Net income attributable to EchoStar Corporation totaled \$71.7 million in income for the nine months ended September 30, 2018, a decrease of \$7.6 million or 9.6%, compared to the same period in 2017 as set forth in the following table:

| | Amounts (In thousands) |
|--|-------------------------------------|
| Net income attributable to EchoStar Corporation for the nine months ended September 30, 2017 | \$ 79,324 |
| Increase in interest expense, net of amounts capitalized | (29,873) |
| Decrease in equity in earnings of unconsolidated affiliates, net | (18,271) |
| Increase in income tax provision, net | (16,162) |
| Decrease in other income | (13,412) |
| Decrease in net income from discontinued operations | (6,454) |
| Increase in net income attributable to noncontrolling interests | (941) |
| Increase in operating income, including depreciation and amortization | 48,855 |
| Increase in interest income | 25,895 |
| Increase in gains on investments, net | 2,762 |
| Net income attributable to EchoStar Corporation for the nine months ended September 30, 2018 | \$ 71,723 |

EBITDA. EBITDA is a non-GAAP financial measure and is described under Explanation of Key Metrics and Other Items below. The following table reconciles EBITDA to *Net income*, the most directly comparable U.S. GAAP measure in the accompanying financial statements.

| | For the nine months | | Variance | |
|----------------------------------|----------------------------|------------------------|-----------------|----------|
| | ended September | ended September | Amount | % |
| | 30, | 30, | | |
| | 2018 | 2017 | Amount | % |
| | (Dollars in thousands) | | | |
| Net income | \$73,015 | \$79,675 | \$(6,660) | (8.4) |
| Interest income and expense, net | 130,134 | 126,156 | 3,978 | 3.2 |

Edgar Filing: EchoStar CORP - Form 10-Q

| | | | | |
|---|-----------|-----------|----------|---------|
| Income tax (benefit) provision, net | 25,235 | 9,073 | 16,162 | * |
| Depreciation and amortization | 444,558 | 379,939 | 64,619 | 17.0 |
| Net income from discontinued operations | — | (6,454) | 6,454 | (100.0) |
| Net income attributable to noncontrolling interests | (1,292) | (351) | (941) | * |
| EBITDA | \$671,650 | \$588,038 | \$83,612 | 14.2 |

* Percentage is not meaningful.

65

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

EBITDA was \$671.7 million for the nine months ended September 30, 2018, an increase of \$83.6 million or 14.2%, compared to the same period in 2017. The increase was primarily due to (i) an increase in operating income, excluding depreciation and amortization, of \$113.5 million, or 21.3% and (ii) an increase of \$2.8 million in gains on investments, net of losses and impairment. The increases were partially offset by (i) a decrease of \$18.3 million in equity in earnings of unconsolidated affiliates, net and (ii) a decrease in other income of \$13.4 million.

Segment Operating Results and Capital Expenditures

| | Hughes | ESS | Corporate Consolidated and Other Total | |
|---|----------------|------------|---|--------------|
| | (In thousands) | | | |
| For the nine months ended September 30, 2018 | | | | |
| Total revenue | \$1,271,886 | \$276,185 | \$12,631 | \$ 1,560,702 |
| Capital expenditures | \$285,352 | \$(76,653) | \$129,030 | \$ 337,729 |
| EBITDA | \$452,982 | \$238,789 | \$(20,121) | \$ 671,650 |
| For the nine months ended September 30, 2017 | | | | |
| Total revenue | \$1,072,143 | \$295,785 | \$11,532 | \$ 1,379,460 |
| Capital expenditures | \$270,624 | \$21,351 | \$118,170 | \$ 410,145 |
| EBITDA | \$342,693 | \$241,873 | \$3,472 | \$ 588,038 |

Capital expenditures in the table above are net of refunds and other receipts related to property and equipment and exclude capital expenditures from discontinued operations of \$12.5 million for the nine months ended September 30, 2017.

Hughes Segment

| | For the nine months ended September 30, | | Variance | |
|----------------------|--|-------------|-----------------|----------|
| | 2018 | 2017 | Amount | % |
| | (Dollars in thousands) | | | |
| Total revenue | \$1,271,886 | \$1,072,143 | \$199,743 | 18.6 |
| Capital expenditures | \$285,352 | \$270,624 | \$14,728 | 5.4 |
| EBITDA | \$452,982 | \$342,693 | \$110,289 | 32.2 |

Total revenue for the nine months ended September 30, 2018 increased by \$199.7 million, or 18.6%, compared to the same period in 2017. The increase was primarily due to an increase in sales of broadband services to our consumer and enterprise customers of \$217.6 million and \$26.8 million, respectively, and an increase in hardware sales of \$2.5 million to our international enterprise customers. The increase was partially offset by (i) a decrease of \$26.1 million in residential wholesale broadband services and a decrease in hardware sales of (ii) \$14.2 million to our domestic enterprise customers, (iii) \$7.8 million to our mobile satellite systems customers and (iv) \$4.9 million to our consumer customers.

Capital expenditures for the nine months ended September 30, 2018 increased by \$14.7 million, or 5.4%, compared to the same period in 2017, primarily due to increases in capital expenditures relating to our consumer business of \$12.3 million and our EchoStar XXIV and Telesat T19V satellites of \$9.4 million. The

increases were partially offset by a decrease of \$8.7 million in capital expenditures associated with our EUTELSAT 65W, EchoStar XIX and EchoStar XXI satellites and our enterprise business.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

EBITDA for the nine months ended September 30, 2018 was \$453.0 million, an increase of \$110.3 million, or 32.2%, compared to the same period in 2017. The increase was primarily due to an increase of \$164.8 million in gross margin and an other-than-temporary impairment loss of \$3.3 million on one of our available-for-sale securities in the first quarter of 2017. The increase was partially offset by (i) an increase of \$45.7 million in selling, general and administrative expenses due to bad debt expense, the amortization of contract acquisition and fulfillment costs and an increase in advertising and mailers expenses mainly associated with our consumer business and (ii) an unfavorable foreign exchange impact of \$14.2 million in 2018 compared to the same period in 2017.

ESS Segment

| | For the nine months ended September 30, | | Variance | |
|----------------------|--|-------------|-----------------|----------|
| | 2018 | 2017 | Amount | % |
| | (Dollars in thousands) | | | |
| Total revenue | \$276,185 | \$295,785 | \$(19,600) | (6.6) |
| Capital expenditures | \$(76,653) | \$21,351 | \$(98,004) | * |
| EBITDA | \$238,789 | \$241,873 | \$(3,084) | (1.3) |

* Percentage is not meaningful.

Total revenue for the nine months ended September 30, 2018 decreased by \$19.6 million, or 6.6%, compared to the same period in 2017. The decrease was attributable to revenue reduction of (i) \$10.7 million resulting from the expiration of DISH Network's agreement to lease satellite capacity from us on the EchoStar VII satellite at the end of June 2018, (ii) \$7.1 million resulting from DISH Network's termination of its agreement to lease satellite capacity from us on the EchoStar XII satellite at the end of September 2017, (iii) \$3.5 million as a result of the satellite anomaly experienced by the EchoStar X satellite in December 2017 which reduced the satellite capacity leased to DISH Network and (iv) \$2.0 million as a result of a decrease in satellite capacity leased to DISH Network on the EchoStar IX satellite.

Capital expenditures for the nine months ended September 30, 2018 decreased by \$98.0 million compared to the same period in 2017, primarily reflect a reimbursement of \$77.5 million and a decrease in satellite expenditure as a result of the EchoStar 105/SES-11 satellite that was placed into service in the fourth quarter of 2017.

EBITDA for the nine months ended September 30, 2018 was \$238.8 million, a decrease of \$3.1 million, or 1.3%, compared to the same period in 2017. The decrease was primarily due to the decrease in ESS segment total revenue of \$19.6 million in 2018 compared to the same period in 2017. The decrease in EBITDA was partially offset by a decrease in satellite services costs of \$14.6 million mainly associated with the termination of our agreement for satellite capacity on the AMC-15 satellite in December 2017.

Corporate and Other

| | For the nine months | Variance |
|--|----------------------------|-----------------|
|--|----------------------------|-----------------|

ended September**30,****2018****2017****Amount %**

(Dollars in thousands)

| | | | | |
|----------------------|-------------|-----------|------------|-----|
| Total revenue | \$12,631 | \$11,532 | \$1,099 | 9.5 |
| Capital expenditures | \$129,030 | \$118,170 | \$10,860 | 9.2 |
| EBITDA | \$(20,121) | \$3,472 | \$(23,593) | * |

Total revenue for the nine months ended September 30, 2018 increased by \$1.1 million, or 9.5%, compared to the same period in 2017. The increase was attributable to an increase in rental income resulting from the lease of certain real estate from us to DISH Network.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

Capital expenditures for the nine months ended September 30, 2018 increased by \$10.9 million, or 9.2%, compared to the same period in 2017, primarily related to increases of \$59.2 million in satellite expenditures on the EchoStar XXIV satellite, partially offset by decreases of \$44.3 million in satellite expenditures on the EchoStar XIX, EchoStar XXIII and EchoStar XXI satellites. The EchoStar XIX, EchoStar XXIII and EchoStar XXI satellites were placed into service in 2017 and the EchoStar XIX was contributed to the Hughes segment in the first quarter of 2017. The EchoStar XXIV satellite is primarily intended to provide additional capacity for our HughesNet service in North, South and Central American countries.

EBITDA for the nine months ended September 30, 2018 was a loss of \$20.1 million, a decrease of \$23.6 million compared to the same period in 2017. The decrease is largely attributable to (i) a decrease of \$18.3 million in *Equity in earnings (losses) of unconsolidated affiliates, net*, in 2018 compared to the same period in 2017, (ii) an increase of \$5.0 million in general and administrative expenses, (iii) an unfavorable foreign exchange impact of \$4.7 million in 2018 compared to the same period in 2017, (iv) a decrease of \$2.9 million in dividends received from certain marketable equity securities in 2018 compared to the same period in 2017 and (v) a net loss of \$1.8 million from the call options of certain marketable equity securities in the third quarter of 2018. The decrease in EBITDA was partially offset by a net gain of \$9.6 million due to the settlement of certain amounts due to and from a third party vendor in the second quarter of 2018.

LIQUIDITY AND CAPITAL RESOURCES**Cash, Cash Equivalents and Current Marketable Investment Securities**

We consider all liquid investments purchased with an original maturity of 90 days or less to be cash equivalents. See Quantitative and Qualitative Disclosures about Market Risk for further discussion regarding our marketable investment securities.

As of September 30, 2018, our cash, cash equivalents, including restricted cash, and current marketable investment securities, totaled \$3.44 billion compared to \$3.25 billion as of December 31, 2017, an increase of \$194.6 million.

As of September 30, 2018 and December 31, 2017, we held \$1.84 billion and \$814.2 million, respectively, of marketable investment securities, consisting of various debt and equity instruments including corporate bonds, corporate equity securities, government bonds and mutual funds.

The following discussion highlights our cash flow activities for the nine months ended September 30, 2018.

Cash flows from operating activities. We typically reinvest the cash flow from operating activities in our business. For the nine months ended September 30, 2018, we reported net cash inflows from operating activities of \$543.9 million, a decrease of \$48.0 million, compared to the same period in 2017. The decrease in cash inflows was primarily attributable to a decrease of \$117.1 million resulting from changes in operating assets and liabilities related to discontinued operations, partially offset by higher net income of \$69.0 million adjusted to exclude: (i) *Depreciation and amortization*; (ii) *Amortization of debt issuance costs*, (iii) *Equity in (earnings) losses of unconsolidated affiliates, net*; (iv) *Gains and losses on investments, net*; (v) *Stock-based compensation*; (vi) *Deferred tax provision*; (vii) *Other, net*; and (viii) *Dividends received*

from unconsolidated entity.

Cash flows from investing activities. Our investing activities generally include purchases and sales of marketable investment securities, capital expenditures, acquisitions and strategic investments. For the nine months ended September 30, 2018, we reported net cash outflows from investing activities of \$1.35 billion, an increase of \$979.2 million, compared to the same period in 2017. The increase of net cash outflows was primarily related to an increase of \$1.05 billion in purchases of marketable investment securities, net of sales and maturities, an increase of \$68.6 million in satellite expenditures associated with the EchoStar XXIV and Telesat T19V satellites, an increase of \$12.3 million in capital expenditure relating to our consumer business in the Hughes segment in 2018 and cash proceeds of \$17.8 million from the sale of our investment in Invidi to an entity owned in part by DISH Network in the first quarter of 2017. The decrease was partially offset by a reimbursement of \$77.5 million related to the EchoStar 105/SES-11

68

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

satellite in the first quarter of 2018, a decrease of \$73.5 million in satellite expenditures associated with the EUTELSAT 65W, EchoStar XIX, EchoStar XXI, EchoStar 105/SES-11 and EchoStar XXIII satellites and enterprise business, a \$12.5 million in expenditures for property and equipment of our discontinued operations in 2017 and a decrease of \$0.9 million in expenditures for externally marketed software.

Cash flows from financing activities. Our financing activities generally include proceeds related to the issuance of debt and cash used for the repurchase, redemption or payment of debt and capital lease obligations and the proceeds from Class A common stock options exercised and stock issued under our stock incentive plans and employee stock purchase plan. For the nine months ended September 30, 2018, we reported net cash outflows from financing activities of \$21.0 million compared to a net cash inflows of \$8.7 million for the nine months ended September 30, 2017. The decrease in cash inflows of \$29.7 million was primarily due to an increase of \$28.7 million in net proceeds from Class A common stock options exercised issued under our stock incentive plans in 2017.

Obligations and Future Capital Requirements

Contractual Obligations

As of September 30, 2018, our satellite-related obligations were approximately \$836.6 million. Our satellite-related obligations primarily include payments pursuant to agreements for the construction of the EchoStar XXIV satellite; payments pursuant to regulatory authorizations; executory costs for our capital lease satellites; and in-orbit incentives relating to certain satellites; as well as commitments for satellite service arrangements.

Off-Balance Sheet Arrangements

We generally do not engage in off-balance sheet financing activities or use derivative financial instruments for hedge accounting or speculative purposes.

Letters of Credit

As of September 30, 2018, we had \$35.9 million of letters of credit and insurance bonds. Of this amount, \$9.8 million was secured by restricted cash, \$6.2 million was related to insurance bonds and \$19.9 million was issued under credit arrangements available to our foreign subsidiaries. Certain letters of credit are secured by assets of our foreign subsidiaries.

Satellite Insurance

We historically have not carried in-orbit insurance on our satellites because we have assessed that the cost of insurance is not economical relative to the risk of failures. Therefore, we generally bear the risk of any in-orbit failures. Pursuant to the terms of the agreements governing certain portions of our indebtedness, we are required, subject to certain limitations on coverage, to maintain in-orbit insurance for our SPACEWAY 3, EchoStar XVI and EchoStar XVII satellites. Our other satellites, either in orbit or under construction, are not covered by launch or in-orbit insurance. We will continue to assess circumstances going forward and make insurance decisions on a case-by-case basis.

Future Capital Requirements

We primarily rely on our existing cash and marketable investment securities balances, as well as cash flow generated through our operations to fund our business. The loss of, or a significant reduction in provision of satellite services would significantly reduce our revenue and materially adversely impact our results of operations. Revenue in our ESS segment depends largely on our ability to continuously make use of our available satellite capacity with existing customers and our ability to enter into commercial relationships with new customers. Consumer revenue in our Hughes segment depends on our success in adding new and retaining existing subscribers and driving higher average revenue per subscriber across our wholesale and retail channels. Revenue in our aeronautical, enterprise and equipment businesses relies heavily on global economic conditions and the competitive landscape for pricing relative to competitors

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

and alternative technologies. Service costs related to ongoing support of our direct and indirect customers and partners are typically impacted most significantly by our growth. There can be no assurance that we will have positive cash flows from operations. Furthermore, if we experience negative cash flows, our existing cash and marketable investment securities balances may be reduced.

We have a significant amount of outstanding indebtedness. As of September 30, 2018, our total indebtedness was \$3.61 billion, of which \$241.9 million related to capital lease obligations. See our most recent Annual Report on Form 10-K for a discussion of the terms of our indebtedness. Our liquidity requirements will be significant, primarily due to our debt service requirements and the design and construction of our new EchoStar XXIV satellite. HSS's 6 1/2% Senior Secured Notes due 2019 (the "2019 Senior Secured Notes") with an outstanding principal balance of \$990 million mature and are due and payable in June 2019. We may from time to time seek to purchase our outstanding debt in open market purchases, privately negotiated transactions or otherwise, depending on market conditions, our liquidity needs and other factors. In addition, our future capital expenditures are likely to increase if we make acquisitions or additional investments in infrastructure or joint ventures to support and expand our business, or if we decide to purchase or build one or more additional satellites. Other aspects of our business operations may also require additional capital. We periodically evaluate various strategic initiatives, the pursuit of which could also require us to invest or raise significant additional capital, which may not be available on acceptable terms or at all. The Tax Cuts and Jobs Act of 2017 ("2017 Tax Act") limits the deductibility of interest expense for U.S. federal income tax purposes. While the 2017 Tax Act generally is likely to reduce our federal income tax obligations, if these limitations or other newly enacted provisions become applicable to us they could minimize such reductions or otherwise require us to pay additional federal income taxes, which in turn could result in additional liquidity needs.

We anticipate that our existing cash and marketable investment securities are sufficient to repay our 2019 Senior Secured Notes that mature and are due and payable in June 2019 and to fund the currently anticipated operations of our business through the next twelve months.

Satellites

As our satellite fleet ages, we will be required to evaluate replacement alternatives such as acquiring, leasing or constructing additional satellites, with or without customer commitments for capacity. We may also construct or lease additional satellites in the future to provide satellite services at additional orbital locations or to improve the quality of our satellite services.

Stock Repurchases

Pursuant to a stock repurchase program approved by our board of directors, we are authorized to repurchase up to \$500.0 million of our Class A common stock through December 31, 2019. During the nine months ended September 30, 2018 and 2017, we did not repurchase any common stock under this program.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheets, the reported amounts of revenue and expenses for each reporting period, and certain information disclosed in the notes to our accompanying condensed consolidated financial statements in Item 1 of this Form 10-Q. We base our estimates, judgments and assumptions on historical experience and on various other factors that we believe to be relevant under the circumstances. Actual results may differ from previously estimated amounts, and such differences may be material to our consolidated financial statements. We review our estimates and assumptions periodically, and the effects of revisions are reflected in the period they occur or prospectively if the revised estimate affects future periods. The following represent what we believe are the critical accounting policies that may involve a high degree of estimation, judgment and complexity. For a summary of our significant accounting policies, including

70

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

those discussed below, see Note 2 in the notes to our accompanying condensed consolidated financial statements in Item 1 of this Form 10-Q.

Revenue Recognition

Our Hughes segment enters into contracts to design, develop and deliver telecommunication networks to customers in our enterprise and mobile satellite systems markets. Those contracts require significant effort to develop and construct the network over an extended time period. Revenue from such contracts is recognized over time using an appropriate method to measure progress toward completion. Depending on the nature of the arrangement, we measure progress toward completion using the cost-to-cost input method or the units-of-delivery output method. Under the cost-to-cost method, revenue reflects the ratio of costs incurred to estimated total costs at completion. Under the units-of-delivery method, revenue and related costs are recognized as products are delivered based on the expected profit for the entire agreement. Profit margins on long-term contracts are based on estimates of total revenue and costs at completion. We review and revise our estimates periodically and recognize related adjustments in the period in which the revisions are made. Estimated losses on contracts are recorded in the period in which they are identified. Changes in our periodic estimates for these contracts could result in significant adjustments to our revenue or costs, which could be material to our consolidated results of operations.

Marketable Securities and Other Investments

We hold investments in debt and equity securities of various companies, including marketable investments in publicly traded securities and non-marketable investments in securities of privately held companies. These securities may experience volatility. Our marketable investment securities are reported at fair value on a recurring basis. The estimated fair values of our marketable investment securities generally are determined by reference to quoted prices for identical securities or based primarily on other observable market inputs. Our investments in non-marketable securities typically are strategic investments in privately held companies and may be highly speculative. We account for such investments using the equity method when we exercise significant influence over the investee. We have elected to account for other non-marketable investments at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer.

All of our investments, except marketable equity securities, are subject to quarterly evaluations to determine whether an impairment loss is required to be recognized in determining net income. For our marketable debt securities classified as available for sale, we evaluate whether unrealized losses included in other comprehensive income or loss are other than temporary, in which case we record an impairment loss in our statement of operations. Our impairment evaluation considers factors such as the length of time the security has been in a continuous unrealized loss position, the magnitude of the unrealized loss, current market conditions, company-specific information and whether we have the intent and ability to hold the investment to maturity or recovery. Generally, our investments in non-marketable investments do not have a readily determinable fair value and it is not practicable to estimate fair value of such investments on a recurring basis. Our impairment evaluation for such investments considers whether events or changes in circumstances have occurred that may have a significant adverse effect on the fair value of the investment. As part of our evaluation, we review available information such as recent company financial statements, business plans and current economic conditions for factors that may indicate an impairment of our

investments. When we determine that such an investment is impaired, we adjust the carrying amount of the investment to its estimated fair value and recognize an impairment loss in earnings. In these circumstances, our fair value estimates may reflect significant unobservable inputs.

Our periodic investment impairment evaluations require us to make significant estimates, judgments and assumptions about uncertain future events. In some cases, there may be limited or no observable market data to support significant assumptions in our estimates. If economic conditions weaken, or if other future events and changes in circumstances affecting our investments occur, we may subsequently determine that an investment is impaired or that an impairment of an available-for-sale debt security is other than temporary. Such events and changes in circumstances could result in our recognition of material investment impairment losses in the future.

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Seasonality

For our Hughes segment, service revenue is generally not impacted by seasonal fluctuations other than those associated with fluctuations related to sales and promotional activities. However, like many communications infrastructure equipment vendors, a higher amount of our hardware revenue occurs in the second half of the year due to our customers' annual procurement and budget cycles. Large enterprises and operators often allocate their capital expenditure budgets at the beginning of their fiscal year (which often coincides with the calendar year). The typical sales cycle for large complex system procurements is six to 12 months, which often results in the customer expenditure occurring towards the end of the year. Customers often seek to expend the budgeted funds prior to the end of the year and the next budget cycle.

Our ESS segment is not generally affected by seasonal impacts.

Inflation

Inflation has not materially affected our operations during the past three years. We believe that our ability to increase the prices charged for our products and services in future periods will depend primarily on competitive pressures or contractual terms.

EXPLANATION OF KEY METRICS AND OTHER ITEMS

Services and other revenue - DISH Network. Services and other revenue - DISH Network primarily includes revenue associated with satellite and transponder leases and services, TT&C, professional services, facilities rental revenue and other services provided to DISH Network. Services and other revenue - DISH Network also includes subscriber wholesale service fees for the Hughes service sold to

Services and other revenue - other. Services and other revenue - other primarily includes the sales of enterprise and consumer broadband services, as well as maintenance and other contracted services. Services and other revenue - other also includes revenue associated with satellite and transponder leases and services, satellite uplinking/downlinking and other services provided to customers other than DISH Network.

Equipment revenue. Equipment revenue primarily includes broadband equipment and networks sold to customers in our enterprise and consumer markets and sales of satellite broadband equipment and related equipment, related to the Hughes service, to DISH Network.

Cost of sales - services and other. Cost of sales - services and other primarily includes the cost of broadband services provided to our enterprise and consumer customers, and to DISH Network, as well as the cost of providing maintenance and other contracted services. Cost of sales - services and other also includes the costs associated with satellite and transponder leases and services, TT&C, professional services, facilities rental costs and other services provided to our customers, including DISH Network.

Cost of sales - equipment. Cost of sales - equipment consists primarily of the cost of broadband equipment and networks sold to customers in our enterprise and consumer markets and to DISH Network.

Cost of sales - equipment also includes certain other costs associated with the deployment of equipment to our customers.

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

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized primarily includes interest expense associated with our debt and capital lease obligations (net of capitalized interest) and amortization of debt issuance costs.

Gains and losses on investments, net. Gains and losses on investments, net primarily includes changes in fair value of our marketable equity securities and other investments for which we have elected the fair value option. It may also include realized gains and losses on the sale or exchange of our available-for-sale debt securities, other-than-temporary impairment losses on our available-for-sale securities, realized gains and losses on the sale or exchange of our investments in unconsolidated entities and adjustments to the carrying amount of investments in unconsolidated entities resulting from impairments and observable price changes.

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

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

Net income from discontinued operations. Net income from discontinued operations represents net income of the EchoStar Technologies businesses and certain other assets transferred to DISH Network pursuant to the Share Exchange.

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

Subscribers. Subscribers include customers that subscribe to our Hughes segment's HughesNet broadband services, through retail, wholesale and small/medium enterprise service channels.

73

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks Associated with Financial Instruments and Foreign Currency

Our investments and debt are exposed to market risks, discussed below.

Cash, Cash Equivalents and Current Marketable Investment Securities

As of September 30, 2018, our cash, cash equivalents and current marketable investment securities had a fair value of \$3.44 billion. Of this amount, a total of \$3.30 billion was invested in: (a) cash; (b) commercial paper and corporate notes with an overall average maturity of less than one year and rated in one of the four highest rating categories by at least two nationally recognized statistical rating organizations; (c) debt instruments of the United States ("U.S.") government and its agencies; and/or (d) instruments with similar risk, duration and credit quality characteristics to the commercial paper and corporate obligations described above. The primary purpose of these investing activities has been to preserve principal until the cash is required to, among other things, fund operations, make strategic investments and expand the business. Consequently, the size of this portfolio fluctuates significantly as cash is received and used in our business. The value of this portfolio may be negatively impacted by credit losses; however, this risk is mitigated through diversification that limits our exposure to any one issuer.

Interest Rate Risk

A change in interest rates would not affect the fair value of our cash, or materially affect the fair value of our cash equivalents due to their maturities of less than 90 days. A change in interest rates would affect the fair value of our current marketable debt securities portfolio; however, we normally hold these investments to maturity. Based on our cash, cash equivalents and current marketable debt securities investment portfolio of \$3.30 billion as of September 30, 2018, a hypothetical 10% change in average interest rates during 2018 would not have had a material impact on the fair value of our cash, cash equivalents and debt securities portfolio due to the limited duration of our investments.

Our cash, cash equivalents and current marketable debt securities had an average annual rate of return for the nine months ended September 30, 2018 of 2.3%. A change in interest rates would affect our future annual interest income from this portfolio, since funds would be re-invested at different rates as the instruments mature. A hypothetical 10% decrease in average interest rates during 2018 would have resulted in a decrease of approximately \$7.1 million in annual interest income.

Strategic Marketable Investment Securities

As of September 30, 2018, we held current strategic investments in the publicly traded securities of several companies with a fair value of \$172.7 million. These investments, which are held for strategic and financial purposes, are concentrated in a small number of companies, are highly speculative and have experienced and continue to experience volatility. The fair value of these investments can be significantly impacted by the risk of adverse changes in securities markets generally, as well as risks related to the performance of the companies whose securities we have invested in, risks associated with specific industries and other factors. These investments are subject to significant fluctuations in fair value due to the volatility of the securities markets and of the underlying businesses. In general, our strategic marketable investment securities portfolio is not significantly impacted by interest rate fluctuations as it currently consists primarily of equity securities, the value of which is more closely related to factors specific to the underlying business.

A hypothetical 10% adverse change in the market price of our public strategic equity investments would have resulted in a decrease of approximately \$17.3 million in the fair value of these investments.

Table of Contents

Investments in Unconsolidated Entities

As of September 30, 2018, we had investments with an aggregate carrying amount of \$160.7 million in securities of privately held companies that we hold for strategic business purposes. The fair value of these investments is not readily determinable. We periodically review these investments and we may estimate fair value and adjust the carrying amount when there are indications of impairment or observable price changes for the investments. A hypothetical adverse change equal to 10% of the carrying amount of these equity instruments would have resulted in a decrease of approximately \$16.1 million in the value of these investments.

Our ability to realize value from our strategic investments in companies that are privately held depends on the success of those companies' businesses and their ability to obtain sufficient capital to execute their business plans. Because private markets are not as liquid as public markets, there is also increased risk that we will not be able to sell these investments, or that when we desire to sell them we will not be able to obtain fair value for them.

Foreign Currency Exchange Risk

We generally conduct our business in U.S. dollars. Our international business is conducted in a variety of foreign currencies with our largest exposures being to the Brazilian real, the Indian rupee and the British pound. This exposes us to fluctuations in foreign currency exchange rates. Transactions in foreign currencies are converted into U.S. dollars using exchange rates in effect on the dates of the transactions.

Our objective in managing our exposure to foreign currency changes is to reduce earnings and cash flow volatility associated with foreign exchange rate fluctuations. Accordingly, we may enter into foreign currency forward contracts, or take other measures, to mitigate risks associated with foreign currency denominated assets, liabilities, commitments and anticipated foreign currency transactions. As of September 30, 2018, we had \$8.9 million of net foreign currency denominated receivables and payables outstanding and foreign currency forward contracts with a notional value of \$5.6 million in place to partially mitigate foreign currency exchange risk. The estimated fair values of the foreign exchange contracts were not material as of September 30, 2018. The impact of a hypothetical 10% adverse change in exchange rates on the carrying amount of the net assets and liabilities of our foreign subsidiaries would have been an estimated loss to the cumulative translation adjustment of \$21.7 million as of September 30, 2018.

Derivative Financial Instruments

We generally do not use derivative financial instruments for speculative purposes and we generally do not apply hedge accounting treatment to our derivative financial instruments. We evaluate our derivative financial instruments from time to time but there can be no assurance that we will not enter into additional foreign currency forward contracts, or take other measures, in the future to mitigate our foreign exchange risk.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report such that the information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) that occurred during the three months ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We continue to review our internal control over financial reporting and may from time to time make changes aimed at enhancing its effectiveness and to ensure that our systems evolve with our business.

Table of Contents

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see Part I, Item 1. Financial Statements — Note 5 Commitments and Contingencies — Litigation in this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2017 includes a detailed discussion of our risk factors. Except as provided below, for the nine months ended September 30, 2018, there were no material changes in our risk factors as previously disclosure.

Recent developments with respect to trade policies, trade agreements, tariffs and related government regulations could increase our costs, limit the amount of components we can import, decrease demand for certain of our products and have a material adverse impact on our business, financial condition and results of operations.

We source certain parts, components and items used in our products from manufacturers located outside of the United States (“U.S.”) and we sell certain of our products to customers located outside of the U.S. The current U.S. administration has voiced concerns about imports from countries as potentially engaging in unfair trade practices, has increased tariffs on certain goods imported into the U.S. from those countries, including China and other countries from which we import components or raw materials, and has raised the possibility of imposing significant additional tariff increases. The announcement of tariffs on imported products by the U.S. has triggered actions from certain foreign governments, including China, and may trigger additional actions by those and other foreign governments, potentially resulting in a “trade war”. A trade war of this nature or other governmental action related to tariffs, government regulations, or international trade agreements or policies could materially increase the cost of certain products we import, impact or limit the availability of such products, require us to change our manufacturers, and/or decrease demand for certain of our products, any or all of which could have a material adverse impact on our business, financial condition and results of operations.

We may be exposed to financial and reputational damage to our business by cybersecurity incidents.

We and third parties with whom we work face a constantly developing landscape of cybersecurity threats in which hackers and other parties use a complex assortment of techniques and methods to execute cyber-attacks, including but not limited to the use of stolen access credentials, social engineering, malware, ransomware, phishing, insider threats, structured query language injection attacks and distributed denial-of-service attacks. Cybersecurity incidents such as these have increased significantly in quantity and severity and are expected to continue to increase. Additionally, the risk of cyber-attacks and compromises may increase as we expand our business into other areas of the world outside of North America, some of which are still developing mature cybersecurity infrastructures. Should we be affected by such an incident, we may incur substantial costs and suffer other negative consequences, which may include:

- remediation costs, such as liability for stolen assets or information, repairs of system damage and/or incentives to customers or business partners in an effort to maintain relationships after an attack;

increased cybersecurity protection costs, which may include the costs of making organizational changes, deploying additional personnel and protection technologies, training employees and engaging third party experts and consultants;

increased liability due to financial or other harm inflicted on our partners;

lost revenues resulting from attacks on our satellites or technology, the unauthorized use of proprietary information or the failure to retain or attract customers following an attack;

litigation and legal risks, including regulatory actions by state, federal and international regulators; and

loss of or damage to reputation.

Table of Contents

Our business is subject to varying degrees of regulation that include programs designed to review our protections against cybersecurity incidents. If it is determined that our systems do not reasonably protect our partners' assets and data and/or that we have violated these regulations, we could be subject to enforcement activity and sanctions.

We regularly review and revise our internal cybersecurity policies and procedures, invest in and maintain internal and external cybersecurity teams and systems and software to detect, deter, prevent and/or mitigate cyber-attacks and review, modify and supplement our defenses through the use of various services, programs and outside vendors. It is impossible, however, for us to know when or if any particular cyber-attack may arise or the impact on our business and operations of any such incident. We expect to continue to incur increasing costs in preparing our infrastructure and maintaining it to resist any such attacks. There can be no assurance that we can successfully detect, deter, prevent or mitigate the effects of cyber-attacks, any of which could have a material adverse effect on our business, costs, operations, prospects, results of operation or financial position.

Our dependence on outside contractors could result in delays related to the design, manufacture and launch of our new satellites, which could in turn adversely affect our operating results.

There are a limited number of manufacturers that are able to design and build satellites according to the technical specifications and standards of quality we require, including Airbus Defence and Space, Boeing Satellite Systems, Lockheed Martin, Space Systems/Loral, LLC ("SSL") and Thales Alenia Space. There are also a limited number of launch service providers that are able to launch such satellites, including International Launch Services, Arianespace, Lockheed Martin Commercial Launch Services and Space Exploration. The loss or failure to perform of any of our manufacturers or launch service providers could increase the cost and result in the delay of the design, construction or launch of our satellites. Even if alternate suppliers for such services are available, we may have difficulty identifying them in a timely manner or we may incur significant additional expense in changing suppliers, and this could result in difficulties or delays in the design, construction or launch of our satellites. For example, in the second half of 2018, Maxar Technologies Ltd. ("Maxar"), the parent company of SSL, the manufacturer of our EchoStar XXIV satellite, announced that it is reviewing strategic alternatives for its geostationary communications satellite business to improve its financial performance and that it is in active discussions with potential buyers of the business. SSL has indicated to us that it intends to meet its contractual requirements regarding the manufacture of the EchoStar XXIV satellite. However, if SSL or any successor fails to meet these requirements for any reason, including if Maxar decides to discontinue, wind down or otherwise significantly modify its geostationary communications satellite business, such failure could have a material adverse effect on completing the manufacture of the EchoStar XXIV satellite and, like any other delays in the design, construction or launch of our other satellites, could have a material adverse impact on our business operations, future revenues, financial position and prospects.

Our owned and leased satellites in orbit are subject to significant operational and environmental risks that could limit our ability to utilize these satellites.

Satellites are subject to significant operational risks while in orbit. These risks include malfunctions, commonly referred to as anomalies, which have occurred and may occur in the future in our satellites and the satellites of other operators as a result of various factors, such as satellite design and manufacturing defects, problems with the power systems or control systems of the satellites, general failures resulting from operating satellites in the harsh environment of space and cyber-attacks or physical attacks on our satellites.

Although we work closely with the satellite manufacturers to determine and eliminate the cause of anomalies in new satellites and provide for redundancies of many critical components in the satellites, we may not be able to prevent anomalies or outages from occurring and may experience anomalies and outages in the future, whether of the types described above or arising from the failure of other systems or components. The loss or failure to perform of any of our manufacturers which provide in-orbit anomaly support for our satellites could result in our inability to determine, eliminate or manage anomalies for our satellites. Even if alternate in-orbit anomaly support services are available, we may have difficulty identifying them in a timely manner or we may incur significant additional expense in changing suppliers. Maxar, through its subsidiary SSL, provides in-orbit anomaly support for several of our satellites. In the second half of 2018, Maxar announced that it is reviewing strategic alternatives for its geostationary communications satellite business to improve its financial performance and that it is in active discussions with potential buyers of the

78

Table of Contents

business. A decision by Maxar to discontinue, wind down or otherwise significantly modify its geostationary communications satellite business could have a material adverse impact on the operation of several of our satellites, including our ability to remedy any anomalies or outages.

Any single anomaly or outage or series of anomalies or outages could materially and adversely affect our ability to utilize the satellite, our operations, services and revenue as well as our relationships with current customers and our ability to attract new customers. In particular, future anomalies or outages may result in, among other things, the loss of individual transponders/beams and/or functional solar array circuits on a satellite, a group of transponders/beams on that satellite or the entire satellite, depending on the nature of the anomaly or outage. Anomalies or outages may also reduce the expected capacity, commercial operation and/or useful life of a satellite, thereby reducing the revenue that could be generated by that satellite, or create additional expenses due to the need to provide replacement or back-up satellites or satellite capacity earlier than planned and could have a material adverse effect on our business, financial condition and results of operations.

The loss of a satellite or other satellite malfunctions or anomalies or outages could have a material adverse effect on our financial performance, which we may not be able to mitigate by using available capacity on other satellites. There can be no assurance that we can recover critical transmission capacity in the event one or more of our in-orbit satellites were to fail. In addition, the loss of a satellite or other satellite malfunctions or anomalies or outages could affect our ability to comply with FCC and other regulatory obligations and our ability to fund the construction or acquisition of replacement satellites for our in-orbit fleet in a timely fashion, or at all. There can be no assurance that anomalies or outages will not impact the remaining useful life and/or the commercial operation of any of the satellites in our fleet. In addition, there can be no assurance that we can recover critical transmission capacity in the event one or more of our in-orbit satellites were to fail.

Meteoroid events pose a potential threat to all in-orbit satellites. The probability that meteoroids will damage those satellites increases significantly when the Earth passes through the particulate stream left behind by comets. Occasionally, increased solar activity also poses a potential threat to all in-orbit satellites.

Some decommissioned satellites are in uncontrolled orbits, which pass through the geostationary belt at various points and present hazards to operational satellites, including our satellites. We may be required to perform maneuvers to avoid collisions and these maneuvers may prove unsuccessful or could reduce the useful life of the satellite through the expenditure of fuel to perform these maneuvers. The loss, damage or destruction of any of our satellites as a result of an electrostatic storm, collision with space debris, malfunction or other event could have a material adverse effect on our business, financial condition and results of operations.

We historically have not carried in-orbit insurance on many of our satellites because we have assessed that the cost of such insurance is uneconomical relative to the risk of failures. If one or more of our in-orbit uninsured satellites fail, we could be required to record significant impairment charges for the satellite.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

There were no repurchases of our Class A common stock for the nine months ended September 30, 2018.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

79

Table of Contents**Stock Repurchases**

In November 2017, our Board of Directors authorized us to repurchase up to \$500.0 million of our Class A common stock through December 31, 2018. On October 30, 2018, our Board of Directors extended this authorization such that we are currently authorized to repurchase up to \$500.0 million of our Class A common stock through and including December 31, 2019. Purchases under our repurchase authorization may be made through privately negotiated transactions, open market repurchases, one or more trading plans in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, or otherwise, subject to market conditions and other factors. We may elect not to purchase the maximum amount or any of the shares allowable under this program and we may also enter into additional share repurchase programs authorized by our Board of Directors.

Financial Results

On November 8, 2018, we issued a press release (the "Press Release") announcing our financial results for the three and nine months ended September 30, 2018. A copy of the Press Release is furnished herewith as Exhibit 99.1. The foregoing information, including the exhibit related thereto, is furnished in response to Item 2.02 of Form 8-K and shall not be deemed filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise, and shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or into any filing or other document pursuant to the Exchange Act, except as otherwise expressly stated in any such filing.

ITEM 6. EXHIBITS**Exhibit No. Description**

| | |
|----------------|---|
| <u>10.1(H)</u> | <u>Letter Agreement between EchoStar Corporation and DISH Network Corporation, dated August 3, 2018, amending that certain Form of Tax Sharing Agreement between EchoStar Corporation and DISH Network Corporation.</u> |
| <u>31.1(H)</u> | <u>Section 302 Certification of Chief Executive Officer.</u> |
| <u>31.2(H)</u> | <u>Section 302 Certification of Chief Financial Officer.</u> |
| <u>32.1(I)</u> | <u>Section 906 Certifications of Chief Executive Officer and Chief Financial Officer.</u> |
| <u>99.1(I)</u> | <u>Press release dated November 8, 2018 issued by EchoStar Corporation regarding financial results for the period ended September 30, 2018</u> |
| 101.INS | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Extension Schema. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase. |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase. |

(H) Filed herewith.

(I) Furnished herewith

* Incorporated by reference.

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

Table of Contents

SIGNATURES

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

EHOSTAR CORPORATION

Date: November 8,
2018

By: */s/ Michael T. Dugan*

Michael T. Dugan
Chief Executive Officer, President and Director
(Principal Executive Officer)

Date: November 8,
2018

By: */s/ David J. Rayner*

David J. Rayner
Executive Vice President, Chief Financial Officer, Chief Operating Officer and
Treasurer
(Principal Financial and Accounting Officer)