Intelsat S.A.
Form 6-K
October 29, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 or 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of October, 2015

001-35878

(Commission File Number)

Intelsat S.A.

(Translation of registrant s name into English)

4 rue Albert Borschette

Luxembourg

Grand Duchy of Luxembourg

L-1246

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ¨

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INTELSAT S.A.

Quarterly Report for the three and nine months ended September 30, 2015

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INTRODUCTION

In this Quarterly Report, unless otherwise indicated or the context otherwise requires, (1) the terms we, us, our , the Company and Intelsat S.A. refer to Intelsat S.A. (formerly Intelsat Global Holdings S.A.) and its subsidiaries on a consolidated basis, (2) the term Intelsat Holdings refers to Intelsat Holdings S.A., Intelsat S.A. s indirect wholly-owned subsidiary, (3) the term Intelsat Investments refers to Intelsat Investments S.A. (formerly Intelsat S.A.), Intelsat S.A. s indirect wholly-owned subsidiary, (4) the term Intelsat Luxembourg refers to Intelsat (Luxembourg) S.A., Intelsat Investments direct wholly-owned subsidiary, (5) the term Intelsat Jackson refers to Intelsat Jackson Holdings S.A., Intelsat Luxembourg s direct wholly-owned subsidiary, (6) the term Intelsat Corp refers to Intelsat Corporation, Intelsat Jackson s direct wholly-owned subsidiary and (7) the term Intelsat General refers to Intelsat General Corporation, our government business subsidiary.

In this Quarterly Report, unless the context otherwise requires, all references to transponder capacity or demand refer to transponder capacity or demand in the C-band and Ku-band frequencies only.

FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, all references to dollars and $ in this Quarterly Report are to, and all monetary amounts in this Quarterly Report are presented in, U.S. dollars. Unless otherwise indicated, the financial information contained in this Quarterly Report has been prepared in accordance with United States generally accepted accounting principles (U.S. GAAP).

Certain monetary amounts, percentages and other figures included in this Quarterly Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

In this Quarterly Report, we refer to and rely on publicly available information regarding our industry and our competitors. Although we believe the information is reliable, we cannot guarantee the accuracy and completeness of the information and have not independently verified it.

FORWARD-LOOKING STATEMENTS

Some of the statements in this Quarterly Report constitute forward-looking statements that do not directly or exclusively relate to historical facts.

When used in this Quarterly Report, the words may, will, might, should, expect, plan, anticipate, project, estimate, predict, intend, potential, outlook and continue, and the negative of these terms, and other similar expressions are intended to identify forward-looking statements and information.

The forward-looking statements made in this Quarterly Report reflect our intentions, plans, expectations, assumptions and beliefs about future events. These forward-looking statements speak only as of the date of this Quarterly Report and are not guarantees of future performance or results and are subject to risks, uncertainties and other factors, many of which are outside of our control. These factors could cause actual results or developments to differ materially from the expectations expressed or implied in the forward-looking statements and include known and unknown risks. Known risks include, among others, the risks discussed in Item 3D Risk Factors in our Annual Report on Form 20-F for the year ended December 31, 2014, the political, economic and legal conditions in the markets we are targeting for communications services or in which we operate, and other risks and uncertainties inherent in the telecommunications business in general and the satellite communications business in particular.

The following list represents some, but not necessarily all, of the factors that could cause actual results to differ from historical results or those anticipated or predicted by these forward-looking statements:

- risks associated with operating our in-orbit satellites;

- satellite launch failures, satellite launch and construction delays and in-orbit failures or reduced satellite performance;
- potential changes in the number of companies offering commercial satellite launch services and the number of commercial satellite launch opportunities available in any given time period that could impact our ability to timely schedule future launches and the prices we pay for such launches;
- our ability to obtain new satellite insurance policies with financially viable insurance carriers on commercially reasonable terms or at all, as well as the ability of our insurance carriers to fulfill their obligations;
- possible future losses on satellites that are not adequately covered by insurance;
- U.S. and other government regulation;
- changes in our contracted backlog or expected contracted backlog for future services;
- pricing pressure and overcapacity in the markets in which we compete;
- our ability to access capital markets for debt or equity;
- the competitive environment in which we operate;
- customer defaults on their obligations to us;
- our international operations and other uncertainties associated with doing business internationally;
- litigation; and
- other risks discussed in our Annual Report or this Quarterly Report.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee our future results, level of activity, performance or achievements. Because actual results could differ materially from our intentions, plans, expectations, assumptions and beliefs about the future, you are urged not to rely on forward-looking statements in this Quarterly Report and to view all forward-looking statements made in this Quarterly Report with caution. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTELSAT S.A.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

	As of December 31, 2014	As of September 30, 2015 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 123,147	$ 327,774
Receivables, net of allowance of $35,174 in 2014 and $39,251 in 2015	220,458	229,789
Deferred income taxes	76,315	44,936
Prepaid expenses and other current assets	35,945	40,510
Total current assets	455,865	643,009
Satellites and other property and equipment, net	5,880,264	5,890,375
Goodwill	6,780,827	6,780,827
Non-amortizable intangible assets	2,458,100	2,458,100
Amortizable intangible assets, net	500,545	455,384
Other assets	393,754	413,027
Total assets	$ 16,469,355	$ 16,640,722
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 151,793	$ 92,212
Taxes payable	8,974	7,084
Employee related liabilities	44,815	33,738
Accrued interest payable	161,495	311,399
Current portion of long-term debt	49,000	
Deferred satellite performance incentives	20,957	20,143
Deferred revenue	117,401	104,928
Other current liabilities	72,629	70,494
Total current liabilities	627,064	639,998
Long-term debt, net of current portion	14,762,142	14,759,153
Deferred satellite performance incentives, net of current portion	163,360	150,421

Deferred revenue, net of current portion	967,318	1,045,152
Deferred income taxes	211,680	189,692
Accrued retirement benefits	262,906	232,841
Other long-term liabilities	217,452	155,249
Commitments and contingencies (Note 13)		
Shareholders deficit:		
Common shares; nominal value $0.01 per share	1,067	1,072
5.75% Series A mandatory convertible junior non-voting preferred shares; nominal value $0.01 per share; aggregate liquidation preference of $172,500 ($50 per share)	35	35
Paid-in capital	2,117,898	2,129,052
Accumulated deficit	(2,782,741)	(2,589,822)
Accumulated other comprehensive loss	(112,527)	(102,048)
Total Intelsat S.A. shareholders deficit	(776,268)	(561,711)
Noncontrolling interest	33,701	29,927
Total liabilities and shareholders deficit	$ 16,469,355	$ 16,640,722

See accompanying notes to unaudited condensed consolidated financial statements.

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INTELSAT S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2015
Revenue	$ 608,625	$ 580,847	$ 1,853,263	$ 1,781,262
Operating expenses:				
Direct costs of revenue (excluding depreciation and amortization)	84,316	77,936	255,136	243,339
Selling, general and administrative	43,976	46,503	135,511	155,260
Depreciation and amortization	169,522	171,409	508,044	514,062
Total operating expenses	297,814	295,848	898,691	912,661
Income from operations	310,811	284,999	954,572	868,601
Interest expense, net	234,535	220,774	714,570	669,528
Other expense, net	(2,527)	(4,407)	(621)	(7,793)
Income before income taxes	73,749	59,818	239,381	191,280
Provision for (benefit from) income taxes	5,129	(19,149)	20,094	(4,587)
Net income	68,620	78,967	219,287	195,867
Net income attributable to noncontrolling interest	(996)	(985)	(2,949)	(2,948)
Net income attributable to Intelsat S.A.	$ 67,624	$ 77,982	$ 216,338	$ 192,919
Cumulative preferred dividends			(9,917)	(9,919)
Net income attributable to common shareholders	$ 67,624	$ 77,982	$ 206,421	$ 183,000
Net income per common share attributable to Intelsat S.A.:				
Basic	$ 0.63	$ 0.73	$ 1.94	$ 1.71
Diluted	$ 0.58	$ 0.66	$ 1.86	$ 1.65

See accompanying notes to unaudited condensed consolidated financial statements.

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INTELSAT S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2015
Net income	$ 68,620	$ 78,967	$ 219,287	$ 195,867
Other comprehensive income, net of tax:				
Defined benefit retirement plans:				
Reclassification adjustment for amortization of unrecognized prior service credits and curtailment gain included in net periodic pension costs, net of tax	(27)		(82)	(382)
Reclassification adjustment for amortization of unrecognized actuarial loss included in net periodic pension costs, net of tax	1,628	813	4,884	4,555
Benefit plan modification, net of tax of $3.8 million				6,510
Marketable securities:				
Total gains (losses) on investments, net of tax	(38)	(218)	177	(134)
Reclassification adjustment for realized gain on investments, net of tax	(30)	(22)	(86)	(70)
Other comprehensive income	1,533	573	4,893	10,479
Comprehensive income	70,153	79,540	224,180	206,346
Comprehensive income attributable to noncontrolling interest	(996)	(985)	(2,949)	(2,948)
Comprehensive income attributable to Intelsat S.A.	$ 69,157	$ 78,555	$ 221,231	$ 203,398

See accompanying notes to unaudited condensed consolidated financial statements.

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INTELSAT S.A.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2015
Cash flows from operating activities:		
Net income	$ 219,287	$ 195,867
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	508,044	514,062
Provision for doubtful accounts	(2,845)	12,333
Foreign currency transaction loss	3,421	11,967
Loss on disposal of assets	392	
Share-based compensation	13,814	21,058
Deferred income taxes	(2,481)	(6,672)
Amortization of discount, premium, issuance costs and related costs	17,006	15,048
Unrealized gains on derivative financial instruments	(17,331)	(17,375)
Amortization of actuarial loss and prior service credits for retirement benefits	7,610	6,613
Other non-cash items	127	(51)
Changes in operating assets and liabilities:		
Receivables	16,289	(31,280)
Prepaid expenses and other assets	(15,869)	(6,788)
Accounts payable and accrued liabilities	234	(9,172)
Accrued interest payable	142,233	149,904
Deferred revenue	70,528	62,994
Accrued retirement benefits	(21,888)	(19,751)
Other long-term liabilities	12,718	(27,172)
Net cash provided by operating activities	951,289	871,585
Cash flows from investing activities:		
Payments for satellites and other property and equipment (including capitalized interest)	(502,987)	(551,724)
Purchase of cost method investment		(25,000)
Other investing activities	174	8
Net cash used in investing activities	(502,813)	(576,716)
Cash flows from financing activities:		
Repayments of long-term debt	(24,418)	(479,000)
Proceeds from drawdown of long-term debt		430,000

Dividends paid to preferred shareholders		(7,439)		(7,439)
Capital contribution from noncontrolling interest		12,209		
Dividends paid to noncontrolling interest		(6,657)		(6,722)
Principal payments on deferred satellite performance incentives		(14,407)		(13,667)
Other financing activities		3,900		(1,447)
Net cash used in financing activities		(36,812)		(78,275)
Effect of exchange rate changes on cash and cash equivalents		(3,421)		(11,967)
Net change in cash and cash equivalents		408,243		204,627
Cash and cash equivalents, beginning of period		247,790		123,147
Cash and cash equivalents, end of period	$	656,033	$	327,774
Supplemental cash flow information:				
Interest paid, net of amounts capitalized	$	572,718	$	522,070
Income taxes paid, net of refunds		30,596		22,535
Supplemental disclosure of non-cash investing activities:				
Accrued capital expenditures	$	58,931	$	15,980

See accompanying notes to unaudited condensed consolidated financial statements.

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INTELSAT S.A.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2015

Note 1 General

Basis of Presentation

The accompanying condensed consolidated financial statements of Intelsat S.A. (formerly known as Intelsat Global Holdings S.A.) and its subsidiaries (Intelsat S.A., we, us, our or the Company) have not been audited, but are pr in accordance with United States generally accepted accounting principles (U.S. GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. References to U.S. GAAP issued by the Financial Accounting Standards Board (FASB) in these footnotes are to the FASB Accounting Standards Codification (ASC). The unaudited condensed consolidated financial statements include all adjustments (consisting only of normal and recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of these financial statements. The results of operations for the periods presented are not necessarily indicative of operating results for the full year or for any future period. The condensed consolidated balance sheet as of December 31, 2014 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 20-F for the year ended December 31, 2014 on file with the Securities and Exchange Commission.

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the prior year s financial statements to conform to the current year presentation. The reclassifications had no effect on previously reported results of operations, cash flows or retained earnings.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the revenue recognition requirements in FASB ASC Topic 605 *Revenue Recognition*. The guidance in ASU 2014-09 clarifies the principles for recognizing revenue and improves financial reporting by creating a common revenue standard for U.S. GAAP and International Financial Reporting Standards. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, to defer the effective date of ASU 2014-09 by one year. Public entities can now elect to defer implementation of ASU 2014-09 to interim and annual periods beginning after December 15, 2017. Additionally, ASU 2015-14 permits early adoption of the standard but not before the original effective date, i.e. annual periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. We are in the process of evaluating the impact that ASU 2014-09 will have on our consolidated financial statements and associated disclosures, and have not yet selected a transition method.

In April 2015, the FASB issued ASU 2015-03, *Interest Imputation of Interest (Subtopic 835-30)* to simplify the presentation of debt issuance costs. The amendments in this update require that debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying value of that debt liability. ASU 2015-03 is effective for interim and annual periods beginning after December 15, 2015 on a retrospective basis with early adoption allowed. Additionally, in the third quarter of 2015, the FASB issued an amendment to this update to simplify the presentation of debt issuance costs to include line-of-credit arrangements. We plan to adopt the amendments in the fourth quarter of 2015. The adoption of ASU 2015-03 would have had an effect of a reduction in each of other assets and long-term debt, net of current portion of $142.9 million and $127.3 million as of December 31, 2014 and September 30, 2015, respectively.

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Note 2 Share Capital

Under our Articles of Incorporation, we have an authorized share capital of $10.0 million, represented by 1.0 billion shares of any class with a nominal value of $0.01 per share. At September 30, 2015, there were 107.2 million common shares issued and outstanding and 3.5 million 5.75% Series A mandatory convertible junior non-voting preferred shares (the Series A Preferred Shares) issued and outstanding. Our Series A Preferred Shares have a liquidation preference of $50 per share plus any accrued and unpaid dividends.

Each Series A Preferred Share will automatically convert on May 1, 2016 into between 2.2676 and 2.7778 of our common shares, subject to anti-dilution adjustments. The number of our common shares issuable on conversion will be determined based on the average of the closing prices per common share over the 40 trading day period ending on the third trading day prior to the mandatory conversion date. At any time prior to May 1, 2016, holders may elect to convert each Series A Preferred Share into common shares at the minimum conversion rate of 2.2676 common shares per Series A Preferred Share, subject to anti-dilution adjustments.

Note 3 Net Income per Share

Basic earnings per share (EPS) is computed by dividing net income attributable to Intelsat S.A. s common shareholders by the weighted average number of common shares outstanding during the periods.

In June 2014, the shareholders of Intelsat S.A. declared a $9.9 million dividend which was paid to holders of our Series A Preferred Shares in four equal installments in accordance with the terms of the Series A Preferred Shares. In June 2015, the shareholders of Intelsat S.A. declared a dividend of $9.9 million to be paid to holders of our Series A Preferred Shares in four equal installments. The first installment was paid in August 2015. Further, in October 2015, we announced the second installment of $0.71875 per share, to be paid on November 2, 2015 to holders of record as October 15, 2015.

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The following table sets forth the computation of basic and diluted net income per share attributable to Intelsat S.A.:

	(in thousands, except per share data or where otherwise noted)			
	Three Months Ended September 30, 2014	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2015
Numerator:				
Net income	$ 68,620	$ 78,967	$ 219,287	$ 195,867
Net income attributable to noncontrolling interest	(996)	(985)	(2,949)	(2,948)
Net income attributable to Intelsat S.A.	67,624	77,982	216,338	192,919
Less: Preferred stock dividends declared			(9,917)	(9,919)
Net income attributable to common shareholders	$ 67,624	$ 77,982	$ 206,421	$ 183,000
Numerator for Basic EPS - income available to common shareholders	$ 67,624	$ 77,982	$ 206,421	$ 183,000
Dilutive effect of Preferred shares	$	$	$ 9,917	$ 9,919
Numerator for Diluted EPS	$ 67,624	$ 77,982	$ 216,338	$ 192,919
Denominator:				
Basic weighted average shares outstanding (in millions)	106.5	107.3	106.4	107.1
Weighted average dilutive shares outstanding (in millions):				
Preferred shares (in millions)	9.6	9.6	9.6	9.6
Employee compensation related shares including options and restricted stock units (in millions)	0.5	0.5	0.5	0.5
Diluted weighted average shares outstanding (in millions)	116.6	117.4	116.5	117.2
Basic net income per common share attributable to Intelsat S.A.	$ 0.63	$ 0.73	$ 1.94	$ 1.71
Diluted net income per common share attributable to Intelsat S.A.	$ 0.58	$ 0.66	$ 1.86	$ 1.65

The weighted average number of shares that could potentially dilute basic EPS in the future was 1.5 million and 5.2 million (consisting of restricted share units and options to purchase common shares) for the three months ended September 30, 2014 and September 30, 2015, respectively, and 1.4 million and 5.2 million for the nine months ended September 30, 2014 and September 30, 2015, respectively.

Note 4 Share-Based and Other Compensation Plans

On March 30, 2012, our board of directors adopted the amended and restated Intelsat Global, Ltd. 2008 Share Incentive Plan (the 2008 Equity Plan); and in April 2013, our board of directors adopted the Intelsat S.A. 2013 Equity Incentive Plan (the 2013 Equity Plan). No new awards may be granted under the 2008 Equity Plan.

The 2013 Equity Plan allows for grants of stock options, restricted shares, restricted share units (RSUs), other share-based awards and performance compensation awards, and a total issuance of up to 10.0 million common shares was authorized under the plan.

For all share-based awards, we recognize the compensation costs over the vesting period during which the employee provides service in exchange for the award. During the nine months ended September 30, 2014 and 2015, we recorded compensation expense of \$13.8 million and \$21.1 million, respectively.

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Time-based RSUs

We granted 0.7 million time-based RSUs during the nine months ended September 30, 2015. These RSUs vest generally over three years from the date of grant in equal annual installments.

The fair value of time-based RSUs is the market price of our common shares on the date of grant. The weighted average grant date fair value of time-based RSUs granted during the nine months ended September 30, 2015 was $11.80 per RSU.

Performance-based RSUs

We granted 0.5 million performance-based RSUs during the nine months ended September 30, 2015. These RSUs vest after three years from the date of grant upon achievement of certain performance conditions expressed as a combination of an adjusted EBITDA target and a relative shareholder return (RSR), which is based on our relative shareholder return percentile ranking versus the S&P 900 Index, measured at the end of a three year period.

We measure the fair value of performance-based RSUs at the date of grant using the market price of our common shares (to measure the portion of the award based on the adjusted EBITDA target) and a Monte Carlo simulation model (to measure the portion of the award based on the RSR target).

The weighted average grant date fair value of performance-based RSUs granted during the nine months ended September 30, 2015 was $8.97 per RSU.

Note 5 Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosure* (FASB ASC 820) defines fair value, establishes a market-based framework or hierarchy for measuring fair value and provides for certain required disclosures about fair value measurements. The guidance is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value but does not require any new fair value measurements.

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

Level 1 unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted market prices that are observable or that can be corroborated by observable market data by correlation; and

Level 3 unobservable inputs based upon the reporting entity s internally developed assumptions which market participants would use in pricing the asset or liability.

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We have identified investments in marketable securities and interest rate financial derivative instruments as those items that meet the criteria of the disclosure requirements and fair value framework of FASB ASC 820.

The following tables present assets and liabilities measured and recorded at fair value in our condensed consolidated balance sheets on a recurring basis and their level within the fair value hierarchy (in thousands), excluding long-term debt (see Note 10 Long-Term Debt). We did not have transfers between Level 1 and Level 2 fair value measurements during the nine months ended September 30, 2015.

		Fair Value Measurements at December 31, 2014	
Description	**As of December 31, 2014**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Assets			
Marketable securities[1]	$ 5,950	$ 5,950	$
Total assets	$ 5,950	$ 5,950	$
Liabilities			
Undesignated interest rate swaps[2]	$ 26,109	$	$ 26,109
Total liabilities	$ 26,109	$	$ 26,109

		Fair Value Measurements at September 30, 2015	
Description	**As of September 30, 2015**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Assets			
Marketable securities[1]	$ 5,435	$ 5,435	$
Total assets	$ 5,435	$ 5,435	$
Liabilities			

Undesignated interest rate swaps[2]	$	8,661	$		$	8,661
Total liabilities	$	8,661	$		$	8,661

(1) The valuation measurement inputs of these marketable securities represent unadjusted quoted prices in active markets and, accordingly, we have classified such investments within Level 1 of the fair value hierarchy. The cost basis of our available-for-sale marketable securities was $5.4 million at December 31, 2014 and $5.0 million at September 30, 2015. We sold marketable securities with a cost basis of $0.6 million during the nine months ended September 30, 2015 and recorded a nominal gain on the sale, which was included within other expense, net in our condensed consolidated statements of income.

(2) The fair value of our interest rate financial derivative instruments reflects the estimated amounts that we would pay or receive to terminate the agreement at the reporting date, taking into account current interest rates, the market expectation for future interest rates and current creditworthiness of both the counterparties and ourselves. Observable inputs utilized in the income approach valuation technique incorporate identical contractual notional amounts, fixed coupon rates, periodic terms for interest payments and contract maturity. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments, if any, associated with our derivatives utilize Level 3 inputs, such as the estimates of the current credit spread, to evaluate the likelihood of default by us or our counterparties. We also considered the existence of offset provisions and other credit enhancements that serve to reduce the credit exposure associated with the asset or liability being valued. We have assessed the significance of the inputs of the credit valuation adjustments to the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

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Note 6 Retirement Plans and Other Retiree Benefits

(a) Pension and Other Postretirement Benefits

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

In the first quarter of 2015, we amended the defined benefit retirement plan to cease the accrual of additional benefits for the remaining active participants effective March 31, 2015, resulting in a curtailment of $10.3 million that decreased both the pension liability and the actuarial loss recorded in accumulated other comprehensive loss. As a result of the curtailment, all of the plan s participants are now considered inactive. Accordingly, all amounts recorded in accumulated other comprehensive loss are being recognized as an increase to net periodic benefit cost over the average remaining life expectancy of plan participants, which is approximately 20 years, beginning in the second quarter of 2015.

Also, as a result of the plan amendment, we recognized in our condensed consolidated statements of income $0.6 million of prior service credits that were previously recorded in accumulated other comprehensive loss.

The defined benefit retirement plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. We expect that our future contributions to the defined benefit retirement plan will be based on the minimum funding requirements of the Internal Revenue Code and on the plan s funded status. Any significant decline in the fair value of our defined benefit retirement plan assets or other adverse changes to the significant assumptions used to determine the plan s funded status would negatively impact its funded status and could result in increased funding in future periods. The impact on the funded status is determined based upon market conditions in effect when we completed our annual valuation. During the nine months ended September 30, 2015, we made cash contributions to the defined benefit retirement plan of $16.3 million. We do not anticipate additional contributions to the defined benefit retirement plan in 2015. We fund the postretirement medical benefits throughout the year based on benefits paid. We anticipate that our contributions to fund postretirement medical benefits in 2015 will be approximately $4.8 million.

Included in accumulated other comprehensive loss at September 30, 2015 is $164.7 million ($104.0 million, net of tax) that has not yet been recognized in the net periodic pension cost, which includes unrecognized actuarial losses.

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Prior service credits and actuarial losses are reclassified from accumulated other comprehensive loss to net periodic pension benefit costs, which are included in both direct costs of revenue and selling, general and administrative on our condensed consolidated statements of income for the nine months ended September 30, 2015. The following table presents these reclassifications, net of tax, as well as the reclassification of the realized gain on investments, and the statement of operations line items that are impacted (in thousands):

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2015
Amortization of prior service credits reclassified from other comprehensive loss to net periodic pension benefit costs included in:				
Direct costs of revenue (excluding depreciation and amortization)	$ (17)	$	$ (50)	$ (228)
Selling, general and administrative	(10)		(32)	(154)
Total	$ (27)	$	$ (82)	$ (382)
Amortization of actuarial loss reclassified from other comprehensive loss to net periodic pension benefit costs included in:				
Direct costs of revenue (excluding depreciation and amortization)	$ 1,017	$ 506	$ 3,056	$ 2,822
Selling, general and administrative	611	307	1,828	1,733
Total	$ 1,628	$ 813	$ 4,884	$ 4,555
Realized gain on investments included in:				
Other income (expense), net	$ (30)	$ (22)	$ (86)	$ (70)
Total	$ (30)	$ (22)	$ (86)	$ (70)

Net periodic pension benefit costs included the following components (in thousands):

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2015
Service cost	$ 714	$	$ 2,141	$ 780
Interest cost	4,976	4,661	14,928	14,073
Expected return on plan assets	(6,033)	(6,482)	(18,098)	(19,444)
Amortization of unrecognized prior service credit	(43)		(129)	(607)

Amortization of unrecognized net loss	2,580	1,138	7,739	6,773
Net periodic costs	$ 2,194	$ (683)	$ 6,581	$ 1,575

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

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2015
Service cost	$ 32	$ 18	$ 96	$ 52
Interest cost	1,141	1,148	3,422	3,445
Amortization of unrecognized net loss		149		447
Total costs	$ 1,173	$ 1,315	$ 3,518	$ 3,944

(b) Other Retirement Plans

In connection with the amendment of the defined benefit retirement plan in the first quarter of 2015, the two defined contribution retirement plans we previously maintained for the benefit of our employees in the United States, were merged into a single plan, which is qualified under the provisions of Section 401(k) of the Internal Revenue Code. We recognized compensation expense for these plans of $5.1 million and $5.2 million during the nine months ended September 30, 2014 and 2015, respectively. We also maintain other defined contribution retirement plans in several non-U.S. jurisdictions, but such plans are not material to our financial position or results of operations.

Note 7 Satellites and Other Property and Equipment

(a) Satellites and Other Property and Equipment, net

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

	As of December 31, 2014	As of September 30, 2015
Satellites and launch vehicles	$ 9,154,751	$ 9,579,222
Information systems and ground segment	582,115	619,108
Buildings and other	236,845	239,910
Total cost	9,973,711	10,438,240
Less: accumulated depreciation	(4,093,447)	(4,547,865)
Total	$ 5,880,264	$ 5,890,375

Satellites and other property and equipment are stated at historical cost, with the exception of satellites that have been impaired. Satellites and other property and equipment acquired as part of an acquisition are based on their fair value at the date of acquisition.

Satellites and other property and equipment, net as of December 31, 2014 and September 30, 2015 included construction-in-progress of $1.1 billion and $1.5 billion, respectively. These amounts relate primarily to satellites under construction and related launch services. Interest costs of $52.0 million and $63.6 million were capitalized during the nine months ended September 30, 2014 and 2015, respectively.

We have entered into launch contracts for the launch of both specified and unspecified future satellites. Each of these launch contracts may be terminated at our option, subject to payment of a termination fee that increases as the applicable launch date approaches. In addition, in the event of a failure of any launch, we may exercise our right to obtain a replacement launch within a specified period following our request for re-launch.

(b) Recent Satellite Launches

On August 20, 2015, we successfully launched our IS-34 satellite into orbit. IS-34 is a C- and Ku-band satellite that establishes long-term capacity at the 304.5ºE orbital location, and entered into service in October 2015. IS-34 includes a C-band payload which delivers media distribution services to Latin American customers. The satellite also hosts a Direct-to-Home (DTH) platform in Ku-band as well as a specialized Ku-band payload serving the North Atlantic region, designed to support broadband services for the aeronautical and maritime mobility sectors.

Note 8 Investments

We have an ownership interest in one entity that met the criteria of a variable interest entity (VIE), Horizons Satellite Holdings, LLC (Horizons Holdings). Horizons Holdings is discussed in further detail below, including our analyses of the primary beneficiary determination as required under FASB ASC Topic 810, *Consolidation* (FASB ASC 810).

(a) Horizons Holdings

We have a joint venture with JSAT International, Inc. (JSAT), a leading satellite operator in the Asia-Pacific region. The joint venture is named Horizons Satellite Holdings, LLC, and consists of two investments: Horizons-1 Satellite LLC (Horizons-1) and Horizons-2 Satellite LLC (Horizons-2). We provide certain services to the joint venture and utilize capacity from the joint venture.

We have determined that this joint venture meets the criteria of a VIE under FASB ASC 810, and we have concluded that we are the primary beneficiary because decisions relating to any future relocation of the Horizons-2 satellite, the most significant asset of the joint venture, are effectively controlled by us. In accordance with FASB ASC 810, as the primary beneficiary, we consolidate Horizons Holdings within our condensed consolidated financial statements. Total assets and liabilities of Horizons Holdings were \$67.5 million and \$0.1 million as of December 31, 2014, respectively, and \$60.0 million of assets and nominal liabilities as of September 30, 2015.

We also have a revenue sharing agreement with JSAT related to services sold on the Horizons satellites. We are responsible for billing and collection for such services, and we remit 50% of the revenue, less applicable fees and commissions, to JSAT. Amounts payable to JSAT related to the revenue sharing agreement, net of applicable fees and commissions, from the Horizons-1 and Horizons-2 satellites were $5.7 million and $4.9 million as of December 31, 2014 and September 30, 2015, respectively.

Under the Horizons Holdings joint venture agreement, which was amended on September 30, 2011, we agreed to guarantee to JSAT certain minimum levels of annual gross revenues for a three-year period beginning in the first quarter of 2012. In connection with this guarantee, over the three-year period we paid a total of $13.9 million, net of fees and commissions to JSAT, including $4.3 million during the nine months ended September 30, 2015.

(b) OneWeb

On June 24, 2015, we entered into an agreement with Worldvu Satellites Limited (OneWeb), a venture planning to build, deploy and operate a low earth orbit (LEO) Ku-band satellite constellation. As part of the alliance, we will partner with OneWeb to use their LEO platform, once established, to complement our geostationary orbit satellite services, resulting in the first and only fully global, pole-to-pole high throughput satellite system.

Pursuant to the agreement, we purchased a minority share investment in OneWeb for $25.0 million. We account for this investment under the cost method per ASC 325-20, *Investments Other Cost Method Investments.* As of September 30, 2015, our cost method investment had a carrying value of $25.0 million and was recorded in other assets in our condensed consolidated balance sheets.

(c) Equity Attributable to Intelsat S.A. and Noncontrolling Interest

The following tables present changes in equity attributable to the Company and equity attributable to our noncontrolling interest, which is included in the equity section of our condensed consolidated balance sheet (in thousands):

	Intelsat S.A. Shareholders Deficit	Noncontrolling Interest	Total Shareholders Deficit
Balance at January 1, 2014	$ (975,353)	$ 40,686	$ (934,667)
Net income (loss)	232,532	3,974	236,506
Dividends paid to noncontrolling interests		(8,744)	(8,744)
Acquisition of remaining insterest in WP Com	2,215	(2,215)	
Share-based compensation	26,389		26,389
Declaration of preferred stock dividend	(9,917)		(9,917)
Postretirement/pension liability adjustment	(52,002)		(52,002)
Other comprehensive income	(132)		(132)
Balance at December 31, 2014	$ (776,268)	$ 33,701	$ (742,567)

	Intelsat S.A. Shareholders Deficit	Noncontrolling Interest	Total Shareholders Deficit
Balance at January 1, 2015	$ (776,268)	$ 33,701	$ (742,567)
Net income	192,919	2,948	195,867
Dividends paid to noncontrolling interests		(6,722)	(6,722)
Share-based compensation	21,078		21,078
Declaration of preferred stock dividend	(9,919)		(9,919)
Postretirement/pension liability adjustment	10,683		10,683
Other comprehensive income	(204)		(204)
Balance at September 30, 2015	$ (561,711)	$ 29,927	$ (531,784)

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Note 9 Goodwill and Other Intangible Assets

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

	As of December 31, 2014	As of September 30, 2015
Goodwill	$ 6,780,827	$ 6,780,827
Orbital locations	2,387,700	2,387,700
Trade name	70,400	70,400

We account for goodwill and other non-amortizable intangible assets in accordance with FASB ASC Topic 350, *Intangibles Goodwill and Other*, and have deemed these assets to have indefinite lives. Therefore, these assets are not amortized but are tested on an annual basis for impairment during the fourth quarter, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

The carrying amount and accumulated amortization of acquired intangible assets subject to amortization consist of the following (in thousands):

	As of December 31, 2014			As of September 30, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Backlog and other	$ 743,760	$ (615,285)	$ 128,475	$ 743,760	$ (639,472)	$ 104,288
Customer relationships	534,030	(161,960)	372,070	534,030	(182,934)	351,096
Total	$ 1,277,790	$ (777,245)	$ 500,545	$ 1,277,790	$ (822,406)	$ 455,384

Intangible assets are amortized based on the expected pattern of consumption. We recorded amortization expense of $51.2 million and $45.2 million for the nine months ended September 30, 2014 and 2015, respectively.

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Note 10 Long-Term Debt

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

	As of December 31, 2014		As of September 30, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Intelsat Luxembourg:				
6.75% Senior Notes due June 2018	$ 500,000	$ 509,400	$ 500,000	$ 417,500
7.75% Senior Notes due June 2021	2,000,000	2,005,000	2,000,000	1,310,000
8.125% Senior Notes due June 2023	1,000,000	1,015,000	1,000,000	640,000
Total Intelsat Luxembourg obligations	3,500,000	3,529,400	3,500,000	2,367,500
Intelsat Jackson:				
7.25% Senior Notes due October 2020	2,200,000	2,318,360	2,200,000	2,035,000
Unamortized premium on 7.25% Senior Notes	15,699		14,020	
7.25% Senior Notes due April 2019	1,500,000	1,563,750	1,500,000	1,387,500
7.5% Senior Notes due April 2021	1,150,000	1,227,625	1,150,000	1,058,000
6.625% Senior Notes due December 2022	1,275,000	1,313,250	1,275,000	1,000,875
Unamortized premium on 6.625% Senior Notes	34,669		32,093	
5.5% Senior Notes due August 2023	2,000,000	1,980,000	2,000,000	1,640,000
Senior Secured Credit Facilities due June 2019	3,095,000	3,075,811	3,095,000	3,083,549
Unamortized discount on Senior Credit Facilities	(8,226)		(6,960)	
Jackson Revolver	49,000	49,000		
Total Intelsat Jackson obligations	11,311,142	11,527,796	11,259,153	10,204,924
Total Intelsat S.A. long-term debt	14,811,142	$ 15,057,196	14,759,153	$ 12,572,424
Less:				
Current portion of long-term debt	49,000			
Total long-term debt, excluding current portion	$ 14,762,142		$ 14,759,153	

The fair value for publicly traded instruments is determined using quoted market prices, and for non-publicly traded instruments, fair value is based upon composite pricing from a variety of sources, including market leading data providers, market makers, and leading brokerage firms. Substantially all of the inputs used to determine the fair value of our debt are classified as Level 1 inputs within the fair value hierarchy from FASB ASC 820, except our senior secured credit facilities, the inputs for which are classified as Level 2.

Senior Secured Credit Facilities

On January 12, 2011, Intelsat Jackson entered into a secured credit agreement (the Intelsat Jackson Secured Credit Agreement), which includes a $3.25 billion term loan facility and a $500.0 million revolving credit facility, and borrowed the full $3.25 billion under the term loan facility. The term loan facility requires regularly scheduled quarterly payments of principal equal to 0.25% of the original principal amount of the term loan beginning six months after January 12, 2011, with the remaining unpaid amount due and payable at maturity.

Up to $350.0 million of the revolving credit facility is available for issuance of letters of credit. Additionally, up to $70.0 million of the revolving credit facility is available for swingline loans. Both the face amount of any outstanding letters of credit and any swingline loans reduce availability under the revolving credit facility on a dollar for dollar basis. Intelsat Jackson is required to pay a commitment fee for the unused commitments under the revolving credit facility, if any, at a rate per annum of 0.375%. As of September 30, 2015, Intelsat Jackson had $488.7 million (net of standby letters of credit) of availability remaining thereunder.

On October 3, 2012, Intelsat Jackson entered into an Amendment and Joinder Agreement (the Jackson Credit Agreement Amendment), which amended the Intelsat Jackson Secured Credit Agreement. As a result of the Jackson Credit Agreement Amendment, interest rates for borrowings under the term loan facility and the revolving credit facility were reduced. In April 2013, our corporate family rating was upgraded by Moody s, and as a result, the interest rate for the borrowing under the term loan facility and revolving credit facility were further reduced to the London Inter-Bank Offered Rate (LIBOR) plus 3.00% or the Above Bank Rate (ABR) plus 2.00%.

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On November 27, 2013, Intelsat Jackson entered into a Second Amendment and Joinder Agreement (the Second Jackson Credit Agreement Amendment), which further amended the Intelsat Jackson Secured Credit Agreement. The Second Jackson Credit Agreement Amendment reduced interest rates for borrowings under the term loan facility and extended the maturity of the term loan facility. In addition, it reduced the interest rates applicable to $450 million of the $500 million total revolving credit facility and extended the maturity of such portion. As a result of the Second Jackson Credit Agreement Amendment, interest rates for borrowings under the term loan facility and the new tranche of the revolving credit facility are (i) LIBOR plus 2.75%, or (ii) the ABR plus 1.75%. The LIBOR and the ABR, plus applicable margins, related to the term loan facility and the new tranche of the revolving credit facility are determined as specified in the Intelsat Jackson Secured Credit Agreement, as amended by the Second Jackson Credit Agreement Amendment, and the LIBOR will not be less than 1.00% per annum. The maturity date of the term loan facility was extended from April 2, 2018 to June 30, 2019 and the maturity of the new $450 million tranche of the revolving credit facility was extended from January 12, 2016 to July 12, 2017. The interest rates and maturity date applicable to the $50 million tranche of the revolving credit facility that was not amended did not change.

The Intelsat Jackson Secured Credit Agreement includes two financial covenants. Intelsat Jackson must maintain a consolidated secured debt to consolidated EBITDA ratio equal to or less than 3.50 to 1.00 at the end of each fiscal quarter as well as a consolidated EBITDA to consolidated interest expense ratio equal to or greater than 1.75 to 1.00 at the end of each fiscal quarter, in each case as such financial measures are defined in the Intelsat Jackson Secured Credit Agreement. Intelsat Jackson was in compliance with these financial maintenance covenant ratios with a consolidated secured debt to consolidated EBITDA ratio of 1.55 to 1.00 and a consolidated EBITDA to consolidated interest expense ratio of 2.64 to 1.00 as of September 30, 2015.

2014 Debt Transactions

2014 Intelsat Jackson Notes Redemption

On November 1, 2014, Intelsat Jackson redeemed all the outstanding $500.0 million aggregate principal amount of its 8 1/2% Senior Notes due 2019. In connection with the redemption of these notes, we recognized a loss on early extinguishment of debt of $40.4 million in the fourth quarter of 2014, consisting of the difference between the carrying value of the debt redeemed and the total cash amount paid (including related fees), and a write-off of unamortized debt discount and debt issuance costs.

Note 11 Derivative Instruments and Hedging Activities

We are subject to interest rate risk primarily associated with our variable-rate borrowings. Interest rate risk is the risk that changes in interest rates could adversely affect earnings and cash flows. Specific interest rate risk includes: the risk of increasing interest rates on short-term debt; the risk of increasing interest rates for planned new fixed long-term financings; and the risk of increasing interest rates for planned refinancing using long-term fixed-rate debt. We have entered into interest rate swap agreements to reduce the impact of interest rate movements on future interest expense by converting substantially all of our floating-rate debt to a fixed rate.

As of September 30, 2015, we held interest rate swaps with an aggregate notional amount of $1.6 billion, which mature in January 2016. These swaps were entered into, as further described below, to economically hedge the variability in cash flow on a portion of the floating-rate term loans under our senior secured credit facilities, but have not been designated as hedges for accounting purposes. On a quarterly basis, we receive a floating rate of interest equal to the three-month LIBOR and pay a fixed rate of interest. On the interest rate reset date of September 14, 2015, the interest rate that the counterparties utilized to compute interest due to us was determined to be 0.34%. From June 15, 2015 to September 14, 2015, the rate we paid averaged 1.97% and the rate we received averaged 0.29%.

The counterparties to our interest rate swap agreements are highly rated financial institutions. In the unlikely event that the counterparties fail to meet the terms of the interest rate swaps, our exposure is limited to the interest rate differential on the notional amount at each quarterly settlement period over the life of the agreement. We do not anticipate non-performance by the counterparties.

All of our interest rate swaps were undesignated as of September 30, 2015. The swaps are marked-to-market quarterly with any change in fair value recorded within interest expense, net in our condensed consolidated statements of income. We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements of our derivatives. The fair value measurement of derivatives could result in either a net asset or a net liability position for us. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting arrangements as applicable and necessary. When the swaps are in a net liability position for us, the credit valuation adjustments are calculated by determining the total expected exposure of the derivatives, incorporating the current and potential future exposures and then applying an applicable credit spread to the exposure. The total expected exposure of a derivative is derived using market-observable inputs, such as yield curves and volatilities. The inputs utilized for our own credit spread are based on implied spreads from traded levels of our debt. Accordingly, as of September 30, 2015, we recorded a non-cash credit valuation adjustment of approximately $0.1 million as a reduction to our liability.

The following table sets forth the fair value of our derivatives by category (in thousands):

Derivatives not designated as hedging instruments	**Balance Sheet Location**	**December 31, 2014**	**September 30, 2015**
Undesignated interest rate swaps	Other current liabilities	$ 1,321	$ 8,661
Undesignated interest rate swaps	Other long-term liabilities	24,788	
Total derivatives		$ 26,109	$ 8,661

The following table sets forth the effect of the derivative instruments included in interest expense, net in our consolidated statements of operations (in thousands):

Derivatives not designated as hedging instruments	**Presentation in Statements of Operations**	**Three Months Ended September 30, 2014**	**Three Months Ended September 30, 2015**	**Nine Months Ended September 30, 2014**	**Nine Months Ended September 30, 2015**
Undesignated interest rate swaps	Included in interest (income) expense, net	$ (579)	$ 889	$ 3,940	$ 3,452

Note 12 Income Taxes

The majority of our operations are located in taxable jurisdictions, including Luxembourg, the United States and the United Kingdom. Our Luxembourg companies that file tax returns as a consolidated group generated a taxable loss for the nine months ended September 30, 2015. Due to our cumulative losses in recent years, and the inherent uncertainty associated with the realization of future taxable income in the foreseeable future, we recorded a full valuation allowance against the net operating losses generated in Luxembourg. The difference between tax expense (benefit) reported in the condensed consolidated statements of income and tax computed at statutory rates is attributable to the valuation allowance on losses generated in Luxembourg, the provision for foreign taxes, which were principally in the United States and the United Kingdom, as well as withholding taxes on revenue earned in many of the foreign markets in which we operate.

As of December 31, 2014 and September 30, 2015, our gross unrecognized tax benefits were $67.1 million and $39.2 million, respectively (including interest and penalties), of which $45.6 million and $28.5 million, respectively, if recognized, would affect our effective tax rate. As of December 31, 2014 and September 30, 2015, we had recorded reserves for interest and penalties in the amount of $17.3 million and $4.72 million, respectively. We continue to recognize interest and, to the extent applicable, penalties with respect to the unrecognized tax benefits as income tax expense. Since December 31, 2014, the change in the balance of unrecognized tax benefits consisted of an increase of $3.0 million related to current tax positions, a decrease of $30.0 million due to the expiration of statute of limitations for the assessment of taxes, and a decrease of $0.9 million due to settlement of an audit.

We operate in various taxable jurisdictions throughout the world, and our tax returns are subject to audit and review from time to time. We consider Luxembourg, the United States, the United Kingdom and Brazil to be our significant tax jurisdictions. Our Luxembourg, U.S., U.K. and Brazilian subsidiaries are subject to income tax examination for periods after December 31, 2008. Within the next twelve months, we believe that there are no jurisdictions in which the outcome of unresolved tax issues or claims is likely to be material to our results of operations, financial position or cash flows.

On March 3, 2014, Intelsat Corp, Intelsat Global Service LLC, Intelsat General, Intelsat USA License LLC and Intelsat USA Sales LLC were notified by the District of Columbia Office of the Tax Revenue of its intent to initiate an audit for the tax years ending 2010 and 2011. At this point in time, it is too early to assess the probability of any adjustments resulting from these audits.

Prior to August 20, 2004, Intelsat Corp joined with The DIRECTV Group and General Motors Corporation in filing a consolidated U.S. federal income tax return. In April 2004, Intelsat Corp entered into a tax separation agreement with The DIRECTV Group that superseded four earlier tax-related agreements among Intelsat Corp and its subsidiaries, The DIRECTV Group and certain of its affiliates. Pursuant to the tax separation agreement, The DIRECTV Group agreed to indemnify Intelsat Corp for all federal and consolidated state and local income taxes a taxing authority may attempt to collect from Intelsat Corp regarding any liability for the federal or consolidated state or local income taxes of General Motors Corporation and The DIRECTV Group, except those income taxes Intelsat Corp is required to pay under the tax separation agreement. In addition, The DIRECTV Group agreed to indemnify Intelsat Corp for any taxes (other than those taxes described in the preceding sentence) related to any periods or portions of such periods ending on, or prior to, the day of the closing of the PanAmSat Corporation recapitalization, which occurred on August 20, 2004, in amounts equal to 80% of the first $75.0 million of such other taxes and 100% of any other taxes in excess of the first $75.0 million. As a result, Intelsat Corp s tax exposure after indemnification related to these periods is capped at $15.0 million, of which $4.0 million has been paid to date. The tax separation agreement with The DIRECTV Group is effective from August 20, 2004 until the expiration of the statute of limitations with respect to all taxes to which the tax separation agreement relates. As of December 31, 2014, we had a tax indemnification receivable of $1.5 million. During the third quarter of 2015, we were notified by The DIRECTV Group that the audit of a tax return period covered under this separation agreement was closed with no adjustments. At this point, we released the previously unrecognized tax benefits related to the tax return under audit and we wrote off the corresponding indemnification receivable.

Note 13 Commitments and Contingencies

We are subject to litigation in the ordinary course of business. Management does not believe that the resolution of any pending proceedings would have a material adverse effect on our financial position or results of operations.

Note 14 Business and Geographic Segment Information

We operate in a single industry segment in which we provide satellite services to our communications customers around the world. Revenue by region is based on the locations of customers to which services are billed. Our satellites are in geosynchronous orbit, and consequently are not attributable to any geographic location. Of our remaining assets, substantially all are located in the United States.

The geographic distribution of our revenue based upon billing region of the customer was as follows:

	Three Months Ended September 30, 2014	**Three Months Ended September 30, 2015**	**Nine Months Ended September 30, 2014**	**Nine Months Ended September 30, 2015**
North America	44%	46%	45%	46%
Europe	17%	16%	17%	16%
Latin America and Caribbean	16%	15%	16%	15%
Africa and Middle East	15%	14%	14%	14%
Asia Pacific	8%	9%	8%	9%

Approximately 4% and 7% of our revenue was derived from our largest customer during each of the three month and nine month periods ended September 30, 2014 and 2015, respectively. Our ten largest customers accounted for approximately 26% and 29% of our revenue for the three month periods ended September 30, 2014 and 2015, respectively and 25% and 28% of our revenue during the nine months ended September 30, 2014 and 2015, respectively.

We earn revenue primarily by providing services to our customers using our satellite transponder capacity. Our customers generally obtain satellite capacity from us by placing an order pursuant to one of several master customer service agreements. On-network services are comprised primarily of services delivered on our owned network infrastructure, as well as commitments for third-party capacity, generally long-term in nature, that we integrate and market as part of our owned infrastructure. In the case of third-party services in support of government applications, the commitments for third-party capacity are shorter and matched to the government contracting period, and thus remain classified as off-network services.

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Off-network services can include transponder services and other satellite-based transmission services, such as mobile satellite services (MSS), which are sourced from other operators, often in frequencies not available on our network. Under the category Off-Network and Other Revenues, we also include revenues from consulting and other services. In addition, effective first quarter 2015, certain revenues have been reclassified between transponder services and managed services across our customer sets in order to better reflect the nature of the underlying business.

Our revenues were derived from the following services, with Off-Network and Other Revenues shown separately from On-Network Revenues (in thousands, except percentages):

	Three Months Ended September 30, 2014		Three Months Ended September 30, 2015		Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2015	
On-Network Revenues								
Transponder services	$ 439,861	72%	$ 420,855	72%	$ 1,332,296	72%	$ 1,294,542	73%
Managed services	102,600	17%	101,295	17%	313,589	17%	301,631	17%
Channel	14,523	2%	11,386	2%	45,523	2%	35,287	2%
Total on-network revenues	556,984	92%	533,536	92%	1,691,408	91%	1,631,460	92%
Off-Network and Other Revenues								
Transponder, MSS and other off-network services	40,984	7%	37,694	6%	128,366	7%	117,162	7%
Satellite-related services	10,657	2%	9,617	2%	33,489	2%	32,640	2%
Total off-network and other revenues	51,641	8%	47,311	8%	161,855	9%	149,802	8%
Total	$ 608,625	100%	$ 580,847	100%	$ 1,853,263	100%	$ 1,781,262	100%

Note 15 Related Party Transactions

(a) Shareholders Agreements

Certain shareholders of Intelsat Global S.A. entered into shareholders agreements on February 4, 2008. The shareholders agreements were assigned to Intelsat S.A. by amendments effective as of March 30, 2012. The shareholders agreements and the articles of incorporation of Intelsat S.A. provided, among other things, for the governance of Intelsat S.A. and its subsidiaries and provided specific rights to and limitations upon the holders of Intelsat S.A. s share capital with respect to shares held by such holders. In connection with the initial public offering of our shares in April 2013 (the IPO), these articles of incorporation and shareholders agreements were amended.

(b) Governance Agreement

Prior to the consummation of the IPO, we entered into a governance agreement (as amended, the Governance Agreement) with our shareholder affiliated with BC Partners (the BC Shareholder), our shareholder affiliated with

Silver Lake (the Silver Lake Shareholder) and David McGlade, our Executive Chairman and former Chief Executive Officer (collectively with the BC Shareholder and the Silver Lake Shareholder, the Governance Shareholders). The Governance Agreement contains provisions relating to the composition of our board of directors and certain other matters.

(c) Indemnification Agreements

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

(d) Horizons Holdings

We have a 50% ownership interest in Horizons Holdings as a result of a joint venture with JSAT (see Note 8(a) Investments Horizons Holdings).

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Note 16 Supplemental Consolidating Financial Information

On April 5, 2011, Intelsat Jackson completed an offering of $2.65 billion aggregate principal amount of senior notes, consisting of $1.5 billion aggregate principal amount of the 7 $^1/_4$% Senior Notes due 2019 and $1.15 billion aggregate principal amount of the 7 $^1/_2$% Senior Notes due 2021 (collectively the 2011 Jackson Notes). The 2011 Jackson Notes are fully and unconditionally guaranteed, jointly and severally, by Intelsat S.A., Intelsat Holdings, Intelsat Investment Holdings S.à r.l. and Intelsat Investments (collectively, the Parent Guarantors), by Intelsat Luxembourg and by certain wholly-owned subsidiaries of Intelsat Jackson (the Subsidiary Guarantors).

On April 26, 2012, Intelsat Jackson completed an offering of $1.2 billion aggregate principal amount of its 7 $^1/_4$% Senior Notes due 2020, which are fully and unconditionally guaranteed, jointly and severally, by the Parent Guarantors, Intelsat Luxembourg and the Subsidiary Guarantors.

Separate financial statements of the Parent Guarantors, Intelsat Luxembourg, Intelsat Jackson and the Subsidiary Guarantors are not presented because management believes that such financial statements would not be material to investors. Investments in Intelsat Jackson s subsidiaries in the following condensed consolidating financial information are accounted for under the equity method of accounting. Consolidating adjustments include the following:

- elimination of investment in subsidiaries;
- elimination of intercompany accounts;
- elimination of intercompany sales between guarantor and non-guarantor subsidiaries; and
- elimination of equity in earnings (losses) of subsidiaries.

Other comprehensive income for the three months ended September 30, 2014 was $1.5 million compared to $0.6 million for the three months ended September 30, 2015. Other comprehensive income for the nine months ended September 30, 2014 was $4.9 million compared to $10.5 million for the nine months ended September 30, 2015. Other comprehensive income is fully attributable to the Subsidiary Guarantors, which are also consolidated within Intelsat Jackson.

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INTELSAT S.A. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2015

(in thousands)

	Intelsat S.A. and Other Parent Guarantors	Intelsat Luxembourg	Intelsat Jackson	Jackson Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidation and Eliminations	Consolidated
ASSETS							
Current assets:							
Cash and cash equivalents	$ 17,845	$ 130,295	$ 138,936	$ 37,983	$ 40,698	$ (37,983)	$ 327,774
Receivables, net of allowance	1		177,420	176,873	52,368	(176,873)	229,789
Deferred income taxes			43,084	43,084	1,852	(43,084)	44,936
Prepaid expenses and other current assets	1,627		33,261	33,105	8,034	(35,517)	40,510
Intercompany receivables		269,698	25,510	266,423	187,611	(749,242)	
Total current assets	19,473	399,993	418,211	557,468	290,563	(1,042,699)	643,009
Satellites and other property and equipment, net			5,792,937	5,792,937	97,438	(5,792,937)	5,890,375
Goodwill			6,780,827	6,780,827		(6,780,827)	6,780,827
Non-amortizable intangible assets			2,458,100	2,458,100		(2,458,100)	2,458,100
Amortizable intangible assets, net			455,384	455,384		(455,384)	455,384
Investment in affiliates	(37,497)	3,122,673	125,690	125,690		(3,336,556)	
Other assets	87	33,828	368,867	275,360	10,245	(275,360)	413,027
Total assets	$ (17,937)	$ 3,556,494	$ 16,400,016	$ 16,445,766	$ 398,246	$ (20,141,863)	$ 16,640,722

LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIT)

Current liabilities:							
Accounts payable and accrued liabilities	$ 31,028	$	$ 79,488	$ 80,153	$ 24,930	$ (82,565)	$ 133,034
Accrued interest payable		90,000	221,393	2,305	6	(2,305)	311,399
Deferred satellite performance incentives			19,844	19,844	299	(19,844)	20,143
Other current liabilities			170,671	162,010	4,751	(162,010)	175,422
Intercompany payables	482,819					(482,819)	
Total current liabilities	513,847	90,000	491,396	264,312	29,986	(749,543)	639,998
Long-term debt, net of current portion		3,500,000	11,259,153				14,759,153
Deferred satellite performance incentives, net of current portion			150,421	150,421		(150,421)	150,421
Deferred revenue, net of current portion			1,044,840	1,044,840	312	(1,044,840)	1,045,152
Deferred income taxes			181,321	181,321	8,371	(181,321)	189,692
Accrued retirement benefits			232,460	232,460	381	(232,460)	232,841
Other long-term liabilities			147,809	147,809	7,440	(147,809)	155,249
Shareholders equity (deficit):							
Common shares	1,072	7,202	3,466,429	7,535,655	24	(11,009,310)	1,072
Preferred shares	35						35
Other shareholders equity (deficit)	(532,891)	(40,708)	(573,813)	6,888,948	351,732	(6,626,159)	(532,891)
Total liabilities and shareholders equity	$ (17,937)	$ 3,556,494	$ 16,400,016	$ 16,445,766	$ 398,246	$ (20,141,863)	$ 16,640,722

(Certain totals may not add due to the effects of rounding)

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INTELSAT S.A. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2014

(in thousands)

	Intelsat S.A. and Other Parent Guarantors	Intelsat Luxembourg	Intelsat Jackson	Jackson Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidation and Eliminations	Consolidated
ASSETS							
Current assets:							
Cash and cash equivalents	$ 6,229	$ 1,068	$ 63,633	$ 63,144	$ 52,217	$ (63,144)	$ 123,147
Receivables, net of allowance	12		167,621	167,569	52,825	(167,569)	220,458
Deferred income taxes			74,466	74,466	1,849	(74,466)	76,315
Prepaid expenses and other current assets	940		27,938	27,880	9,334	(30,147)	35,945
Intercompany receivables		134,093	356,680	285,453		(776,226)	
Total current assets	7,181	135,161	690,338	618,512	116,225	(1,111,552)	455,865
Satellites and other property and equipment, net			5,761,839	5,761,839	118,425	(5,761,839)	5,880,264
Goodwill			6,780,827	6,780,827		(6,780,827)	6,780,827
Non-amortizable intangible assets			2,458,100	2,458,100		(2,458,100)	2,458,100
Amortizable intangible assets, net			500,545	500,545		(500,545)	500,545
Investment in affiliates	(270,172)	3,084,655	141,594	141,594		(3,097,671)	
Other assets	88	37,245	346,521	240,844	9,900	(240,844)	393,754
Total assets	$ (262,903)	$ 3,257,061	$ 16,679,764	$ 16,502,261	$ 244,550	$ (19,951,378)	$ 16,469,355
LIABILITIES AND SHAREHOLDERS EQUITY							
Current liabilities:							
	$ 28,818	$	$ 154,445	$ 154,124	$ 24,585	$ (156,390)	$ 205,582

Accounts payable and accrued liabilities							
Accrued interest payable		22,500	138,971	1,803	24	(1,803)	161,495
Current portion of long-term debt			49,000				49,000
Deferred satellite performance incentives			19,793	19,793	1,164	(19,793)	20,957
Other current liabilities			183,677	182,356	6,353	(182,356)	190,030
Intercompany payables	450,846				39,928	(490,774)	
Total current liabilities	479,664	22,500	545,886	358,076	72,055	(851,116)	627,064
Long-term debt, net of current portion		3,500,000	11,262,142				14,762,142
Deferred satellite performance incentives, net of current portion			163,360	163,360		(163,360)	163,360
Deferred revenue, net of current portion			966,832	966,832	486	(966,832)	967,318
Deferred income taxes			201,212	201,212	10,468	(201,212)	211,680
Accrued retirement benefits			262,536	262,536	370	(262,536)	262,906
Other long-term liabilities			193,141	168,353	24,311	(168,353)	217,452
Shareholders equity (deficit):							
Common shares	1,067	7,202	3,466,429	7,535,655	24	(11,009,310)	1,067
Preferred shares	35						35
Other shareholders equity (deficit)	(743,669)	(272,641)	(381,774)	6,846,237	136,837	(6,328,659)	(743,669)
Total liabilities and shareholders equity	$ (262,903)	$ 3,257,061	$ 16,679,764	$ 16,502,261	$ 244,550	$ (19,951,378)	$ 16,469,355

(Certain totals may not add due to the effects of rounding)

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INTELSAT S.A. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015

(in thousands)

	Intelsat S.A. and Other Parent Guarantors	Intelsat Luxembourg	Intelsat Jackson	Jackson Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidation and Eliminations	Consolidated
Revenue	$	$	$ 534,736	$ 534,739	$ 134,664	$ (623,292)	$ 580,847
Operating expenses:							
Direct costs of revenue (excluding depreciation and amortization)			58,125	58,125	108,327	(146,641)	77,936
Selling, general and administrative	2,149	5	28,831	28,713	15,555	(28,750)	46,503
Depreciation and amortization			163,158	163,158	8,251	(163,158)	171,409
Total operating expenses	2,149	5	250,114	249,996	132,133	(338,549)	295,848
Income (loss) from operations	(2,149)	(5)	284,622	284,743	2,531	(284,743)	284,999
Interest (income) expense, net	2,703	68,659	149,569	1,504	(157)	(1,504)	220,774
Subsidiary income	82,834	157,357	3,396	3,396		(246,983)	
Other income (expense), net			2,303	663	(6,710)	(663)	(4,407)
Income (loss) before income taxes	77,982	88,693	140,752	287,298	(4,022)	(530,885)	59,818
Provision for (benefit from) income taxes			(16,605)	(16,605)	(2,544)	16,605	(19,149)
Net income (loss)	$ 77,982	$ 88,693	$ 157,357	$ 303,903	$ (1,478)	$ (547,490)	$ 78,967
Net income attributable to noncontrolling interest					(985)		(985)
Net income (loss) attributable to Intelsat S.A.	$ 77,982	$ 88,693	$ 157,357	$ 303,903	$ (2,463)	$ (547,490)	$ 77,982

(Certain totals may not add due to the effects of rounding)

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INTELSAT S.A. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

(in thousands)

	Intelsat S.A. and Other Parent Guarantors	Intelsat Luxembourg	Intelsat Jackson	Jackson Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidation and Eliminations	Consolidated
Revenue	$	$	$ 562,124	$ 562,127	$ 143,302	$ (658,928)	$ 608,625
Operating expenses:							
Direct costs of revenue (excluding depreciation and amortization)			61,799	61,799	119,220	(158,502)	84,316
Selling, general and administrative	1,667	6	29,416	29,334	12,985	(29,432)	43,976
Depreciation and amortization			158,832	158,832	8,758	(156,900)	169,522