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Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Consolidated Financial Statements as of December 31, 2012 and 2011, and Report of Independent Registered Public Accounting Firm Dated March 14, 2013

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Report of Independent Registered Public Accounting Firm and Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Satélites Mexicanos, S. A. de C. V. and Subsidiaries
Mexico City, Mexico

We have audited the accompanying consolidated balance sheets of Satélites Mexicanos, S. A. de C. V. and subsidiaries ("Satmex") as of December 31, 2012 and 2011 (Successor Registrant balance sheets), and the related consolidated statements of income (operations), shareholders' equity (deficit) and cash flows for the year ended December 31, 2012 and for the period from May 26, 2011 through December 31, 2011 (Successor Registrant operations) and for the period from January 1, 2011 through May 25, 2011 and for the year ended December 31, 2010 (Predecessor Registrant operations). Our audits also included the financial statement schedule of the Successor Registrant for the year ended December 31, 2012 and for the period from May 26, 2011 through December 31, 2011 and of the Predecessor Registrant for the period from January 1, 2011 through May 25, 2011 and for the year ended December 31, 2010, as listed in the table of contents. These consolidated financial statements and financial statement schedule are the responsibility of Satmex's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Satmex is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Satmex's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Successor Registrant consolidated financial statements present fairly, in all material respects, the financial position of Satélites Mexicanos, S. A. de C. V. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the year ended December 31, 2012 and from the period from May 26, 2011 through December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Further, in our opinion, the Predecessor Registrant consolidated financial statements present fairly, in all material respects, the results of their operations and their cash flows for the period from January 1, 2011 through May 25, 2011 and for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such Successor and Predecessor Registrant financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

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As discussed in Note 2 to the consolidated financial statements, as a result of the recapitalization transactions described therein, effective May 26, 2011, a change in control occurred. As a result, the Successor Registrant applied push-down accounting in its consolidated financial statements to reflect its acquisition by the Group of Investors. Therefore, the consolidated financial statements of the Successor Registrant are presented on a different basis than those of the Predecessor Registrant and are not comparable.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Fernando Ramírez Muñoz
Mexico City, Mexico
March 14, 2013

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2012 and 2011
(In thousands of U. S. dollars)

Assets	2012	2011
Current assets:		
Cash and cash equivalents	$ 74,652	$ 79,251
Restricted cash	4,900	-
Accounts receivable, net	13,521	12,658
Inventories, net of allowance for obsolescence	413	489
Prepaid insurance and other assets	8,725	6,687
Deferred tax assets	3,059	-
Total current assets	105,270	99,085
Satellites and equipment, net	552,562	443,015
Concessions, net	42,837	44,628
Intangible assets	32,923	63,810
Deferred financing cost	11,390	13,677
Guarantee deposits and other assets	1,032	728
Total	$ 746,014	$ 664,943
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 44,886	$ 18,863
Deferred revenue	3,605	1,361
Income tax payable	13	454
Deferred tax liabilities	-	1,490
Total current liabilities	48,504	22,168
Debt obligations	360,000	325,000
Deferred revenue	22,982	33,800
Guarantee deposits and accrued expenses	3,375	2,904
Labor obligations	1,060	891
Long-term deferred tax liabilities	8,483	19,889
Total liabilities	444,404	404,652
Contingencies and commitments (Note 16)		
Shareholders' equity:		
Paid-in capital	275,662	275,662
Common stock, class I, no par value, 50,000 shares authorized, issued and outstanding	-	-
Common stock, class II, no par value, 129,950,000 shares authorized, issued and outstanding	-	-
Retained earnings (accumulated deficit)	22,334	(18,882)
Total Satélites Mexicanos, S. A. de C. V. shareholders' equity	297,996	256,780
Noncontrolling interest	3,614	3,511
Total shareholders' equity	301,610	260,291
Total	$ 746,014	$ 664,943

See accompanying notes to these consolidated financial statements.

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Consolidated Statements of Income (Operations)

For the Year Ended December 31, 2012 and for the Period From May 26, 2011 Through December 31, 2011 (Successor Registrant), and for the Period From January 1, 2011 Through May 25, 2011 and for the Year Ended December 31, 2010 (Predecessor Registrant)
(In thousands of U. S. dollars)

	Successor Registrant		Predecessor Registrant	
	2012	Period from May 26, 2011 through December 31, 2011	Period from January 1, 2011 through May 25, 2011	2010
Revenues:				
Satellite services	$ 113,954	$ 59,714	$ 43,734	$ 105,781
Broadband satellite services	10,949	7,433	5,190	12,910
Programming distribution services	14,504	7,563	4,786	10,071
	139,407	74,710	53,710	128,762
Cost of satellite services[(1)]	11,821	6,191	4,401	11,405
Cost of broadband satellite services[(1)]	3,151	1,388	685	2,821
Cost of programming distribution services[(1)]	8,440	4,393	2,625	5,387
Selling and administrative expenses[(1)]	21,147	12,792	7,714	17,040
Depreciation and amortization	64,951	46,547	17,080	43,402
Reorganization expenses	-	-	28,766	16,443
	109,510	71,311	61,271	96,498
Operating income (loss)	29,897	3,399	(7,561)	32,264
Other (expenses) income:				
Interest expense	(4,444)	(8,990)	(19,499)	(45,789)
Interest income	522	328	150	345
Foreign exchange gain (loss) – net	524	(1,461)	349	71
Income (loss) before income tax	26,499	(6,724)	(26,561)	(13,109)
Income tax (benefit) expense	(14,820)	12,133	2,199	779
Net income (loss)	41,319	(18,857)	(28,760)	(13,888)
Less: Net income attributable to noncontrolling interest	103	25	3	444
Net income (loss) attributable to Satélites Mexicanos, S. A. de C. V.	$ 41,216	$ (18,882)	$ (28,763)	$ (14,332)

(1) Exclusive of depreciation and amortization shown separately below.

See accompanying notes to these consolidated financial statements.

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the Year Ended December31, 2012 and for the Period From May 26, 2011 Through December31, 2011 (Successor Registrant), and for the Period From January 1, 2011 Through May 25, 2011 and for the Year Ended December 31, 2010 (Predecessor Registrant)
(In thousands of U. S. dollars, except share data)

	Shares Issued	Paid-in capital	(Accumulated deficit) retained earnings	Noncontrolling interest	Total shareholders' (deficit) equity
Balance, January 1, 2010	4,687,500	$ 46,764	$ (121,988)	$ 3,079	$ (72,145)
Net (loss) income for the year	-	-	(14,332)	444	(13,888)
Balance, December 31, 2010	4,687,500	46,764	(136,320)	3,523	(86,033)
Net (loss) income from January 1, 2011 through May 25, 2011	-	-	(28,763)	3	(28,760)
Balance, May 25, 2011 (Predecessor Registrant)	4,687,500	46,764	(165,083)	3,526	(114,793)
Push-down accounting adjustments:					
Valuation adjustments, net	-	225,363	-	(40)	225,323
Elimination of Predecessor accumulated deficit	-	(165,083)	165,083	-	-
Issuance of common stock	116,022,700	90,000	-	-	90,000
Capitalization of debt into common stock	9,289,800	78,618	-	-	78,618
Net (loss) income from May 26, 2011 through December 31, 2011	-	-	(18,882)	25	(18,857)
Balanee, December 31, 2011 (Successor Registrant)	130,000,000	275,662	(18,882)	3,511	260,291
Net income for the year	-	-	41,216	103	41,319
Balance, December 31, 2012	130,000,000	$ 275,662	$ 22,334	$ 3,614	$ 301,610

See accompanying notes to these consolidated financial statements.

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows

For the Year Ended December 31, 2012 and for the Period From May 26, 2011 Through December 31, 2011 (Successor Registrant), and for the Period From January 1, 2011 Through May 25, 2011 and for the Year Ended December31, 2010 (Predecessor Registrant)
(In thousands of U.S. dollars)

	Successor Registrant		Predecessor Registrant	
	2012	Period from May 26, 2011 through December 31, 2011	Period from January 1, 2011 through May 25, 2011	2010
Cash flows from operating activities:				
Net income (loss)	$ 41,319	$ (18,857)	$ (28,760)	$ (13,888)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Net periodic pension cost	169	(24)	-	208
Depreciation and amortization	64,951	46,547	17,080	43,402
Deferred income taxes	(15,955)	10,814	1,575	191
Deferred revenue	(8,574)	(794)	(977)	(2,344)
Deferred financing costs	3,172	1,806	-	-
Provision for (reversal of) allowance for doubtful accounts	(83)	1,360	-	172
Write-off of advance payment	2,600	-	-	-
Interest accrued to principal on debt obligations	-	-	4,020	15,495
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(780)	5,594	(6,486)	(3,755)
Due from related parties	-	-	840	(376)
Inventories	76	171	(166)	(84)
Prepaid insurance	(1,801)	(560)	1,881	784
Guarantee deposits and other assets	(304)	277	(132)	(227)
Accounts payable, accrued expenses and income tax	(2,763)	(13,472)	18,594	(457)
Guarantee deposits and accrued expenses	471	(508)	665	1,889
Net cash provided by operating activities	82,498	32,354	8,134	41,010
Cash flows from investing activities:				
Restricted cash-satellite Satmex 8	(4,900)	-	-	-
Construction in progress - satellites (including capitalized interest)	(114,678)	(150,537)	(42,333)	(63,113)
Acquisition of equipment	(1,998)	(1,627)	(635)	(4,578)
Net cash used in investing activities	(121,576)	(152,164)	(42,968)	(67,691)

Continued

	Successor Registrant		Predecessor Registrant	
	2012	Period from May 26, 2011 through December 31, 2011	Period from January 1, 2011 through May 25, 2011	2010
Cash flows from financing activities:				
Proceeds from equity interest	-	90,000	-	-
Repayment of First Priority Old Notes	-	(238,237)	-	-
Issuance of Senior Secured Notes	35,700	-	325,000	-
Deferred financing costs	(1,221)	(333)	(18,247)	-
Net cash provided by (used in) financing activities	34,479	(148,570)	306,753	-
Cash and cash equivalents:				
Net (decrease) increase for the period	(4,599)	(268,380)	271,919	(26,681)
Beginning of period	79,251	347,631	75,712	102,393
End of period	$ 74,652	$ 79,251	$ 347,631	$ 75,712
Supplemental cash flow information:				
Cash paid during the year:				
Interest paid	$ 32,870	$ 16,295	$ 40,196	$ 32,554
Capitalized interest	$ 33,830	$ 11,715	$ 3,801	$ 2,582
Income taxes paid	$ 1,977	$ 1,172	$ -	$ 4,666
Non-cash investing activities:				
Capital expenditures incurred not yet paid	$ 27,744	$ 3,674	$ 35,678	$ 844
Non-cash financing activities:				
Capitalization of debt into common stock	$ -	$ 206,890	$ -	$ -

See accompanying notes to these consolidated financial statements.

For the Year Ended December 31, 2012 and for the Period From May 26, 2011 Through December 31, 2011 (Successor Registrant), and for the Period From January 1, 2011 Through May 25, 2011 and for the Year Ended December 31, 2010 (Predecessor Registrant)

(In thousands of U.S. dollars, unless otherwise stated)

1. Nature of business and significant events

Satélites Mexicanos, S. A. de C. V. and subsidiaries ("Satmex" and together with its subsidiaries, the "Company") is a provider of fixed satellite services ("FSS") in the Americas. Satmex's current fleet is comprised of three satellites, Satmex 6, Satmex 5, and Solidaridad 2 in contiguous orbital slots that enable its customers to serve its entire coverage footprint utilizing a single satellite connection. The satellites are operated and monitored from two satellite control centers, located in Iztapalapa, Mexico, and Hermosillo, Mexico. In March 2008, Solidaridad 2 was placed in inclined orbit; currently it only provides L-band service to the Mexican government.

In addition to the core FSS business, which is reported as "Satellite services" segment, Satmex also provides the programming distribution services segment to offer TV programs in Spanish for Hispanic communities living in the United States of America ("USA"). The Company also provides broadband satellite transmission capacity services for various applications, such as internet access via satellite, telecommunication transmission and broadcasting.

Satmex provides its commercial services through Satmex 6 and Satmex 5, which have a total of 108 C- and Ku-band 36 MHz transponder equivalents. Satmex's business provides communication services to a diverse range of customers, including telecommunications companies, private and state-owned broadcasting networks, direct-to-home satellite television operators, and public and private telecommunications networks operated by financial, educational and media companies as well as governmental entities.

On March 11, 2013, the Mexican President submitted a telecommunications reform bill whose purpose is to encourage economic competition and speed up the technological development of the sector. The current Foreign Investment Law establishes that radio broadcast and other radio and television services are reserved exclusively for Mexicans or Mexican companies with a foreigner exclusion clause. By the same token, in the case of concessionaire companies, as established in articles 11 and 12 of the Federal Telecommunications Law, the foreign investment may be up to 49%. Accordingly, the reform bill establishes that it is essential to promote investment structures in the radiobroadcast and telecommunications sectors, to make them more efficient.

For this reason, transitory article fifth establishes that once the constitutional reform goes into effect, federal laws will be modified and direct foreign investment of up to 100% will be allowed in telecommunications and satellite communications. However the final reform and the time that will be approved is not certain. Other potential effects of the reform are still unknown. Consequently, at the date of this financial information the Company's management has not concluded the impact on the consolidated financial statements.

Satmex 8

On May 7, 2010, but effective as of April 1, 2010, Satmex entered into a construction contract (the "Construction Agreement") with Space System Loral ("SS/L") for the design and construction of a 64 transponder, C- and Ku- band satellite, named Satmex 8 to replace satellite Satmex 5. The Construction Agreement contemplated a fixed price for the construction of Satmex 8 as well as specified support services, plus additional costs depending on the launch vehicle selected and Satmex 8's achievement of orbital performance. Construction of Satmex 8 was completed in July 2012, for a total construction cost of approximately $358.3 million. As of December 31, 2012, the remaining amount to be paid upon launch is $17,750 and is recognized as a current liability in the accompanying consolidated balance sheet.

On December 23, 2010, Satmex entered into a contract for launch services with ILS International Launch Services, Inc. ("ILS"), anticipating the launch of satellite Satmex 8 to be in the third quarter of 2012. A subsequent launch date of December 28, 2012 was agreed upon by Satmex and ILS as a result of normal construction delays. On December 8, 2012, a technical failure in the launch equipment occurred, for which reason, on December 27, 2012, Satmex announced that the launch of satellite Satmex 8 would be further delayed. ILS established the Failure Review Oversight Board ("FROB"), in which Satmex was a participant, and immediately began to investigate the cause of the technical failure. On February 14, 2013, ILS issued additional details regarding the most probable root cause of the failure and presented corrective actions to the FROB. The FROB studies concluded shortly thereafter and the corrective actions to fix the technical failure were put into place. Consequently, a new launch date of March 26, 2013 was established. Management estimates these delays will not have an adverse impact on its financial information.

The satellite Satmex 8 commercial operation date is expected to be in early May 2013. As of December 31, 2012, the amount to be paid upon launch is $4,900, which has been placed in a trust and is contractually restricted for such payment, presented as restricted cash in the accompanying consolidated balance sheet (see further discussion in Note 4b).

Satmex 7

On March 13, 2012, Satmex and Asia Broadcast Satellite Holdings Ltd ("ABS") entered into a master procurement agreement with Boeing Satellite Systems International, Inc. ("Boeing") (the "Master Procurement Agreement"), which establishes the framework for the joint administration by Satmex and ABS for the purchase of four C- and Ku-band satellites to be developed and manufactured by Boeing (the "Program"). In the event ABS fails to perform its obligations under its own satellite procurement agreement, Boeing will be entitled to increase the price of each satellite of Satmex up to maximum of $10.5 million. Also, on this date, Satmex entered into a construction agreement (the "Satmex Procurement Agreement") with Boeing, for the design, construction and delivery of the satellite Satmex 7, which will be based on Boeing's 702 SP platforms, for a 34-month construction schedule. The Satmex Procurement Agreement also provides for a right to purchase an additional satellite based on Boeing's 702 SP platforms.

Satmex also entered into a bilateral agreement with ABS on March 13, 2012 (the "Bilateral Agreement"), whereby Satmex and ABS agreed to share launch services, allocate common Program costs and cross-indemnify each other for any actions or changes to the Program made by Satmex or ABS that adversely affect the costs, timing, delivery or launch of the other party's satellite or satellites.

Finally, Satmex entered into a launch services agreement (the "Launch Services Agreement") with Space Exploration Technologies, Corp. ("SpaceX") to launch satellite Satmex 7. The launch services agreement provides for a scheduled launch period for Satmex 7 between December 2014 and 2015 and with operations expected to commence in September 2015.

Satellite Satmex 7 will replace satellite Solidaridad 2. The design, construction, launch and insurance costs of Satmex 7 are expected to be approximately $165.0 million. At December 31, 2012, the amount incurred has been $32,750, which includes $1,175 of capitalized interest.

2. Reorganization in 2011

In order to address its liquidity needs, Satmex carried out a comprehensive recapitalization of the Company through various transactions pursuant to which the following actions were taken (which are referred to, collectively, as the "Recapitalization Transactions"):

On December 22, 2010, Nacional Financiera, S. N. C., *Institución de Banca de Desarrollo, Dirección Fiduciaria*, as trustee (the "NAFIN Trust") and Deutsche Bank Mexico, S. A., *Institución de Banca Múltiple, División Fiduciaria*, as trustee (the "Deutsche Trust") (collectively the "Sellers"), former shareholders of Satmex, entered into a Share Purchase Agreement (the "SPA") with Holdsat Mexico, S. A. P. I. de C. V. ("Holdsat Mexico"), as buyer, for the acquisition of the 100% of the outstanding voting equity interests of Satmex. On March 10, 2011, Holdsat Mexico ceded and assigned a portion of its rights under the SPA to acquire all existing Series "B" and "N" shares of Satmex to Satmex International B.V. ("Investment Holdings BV"), which owns 49% of the common stock of Holdsat Mexico. Investment Holdings BV is beneficially and indirectly owned by holders of the previous Second Priority Secured Notes (the "Second Priority Old Notes").

The assignment of these rights by Holdsat Mexico to Investment Holdings resulted in both entities forming a collective group of investors (the "Group of Investors" or the "Buyers") to acquire control in Satmex upon the effectiveness of the SPA, which occurred after the fulfillment of the following transactions:

- Payment by the Buyers of $6,250 to the Sellers for 100% of the outstanding common stock of Satmex, which occurred on May 26, 2011;

- The offering and sale of new Senior Secured Notes ("Senior Secured Notes"), due 2017, for $325,000, which were initially offered on May 5, 2011 to qualified institutional buyers under Rule 144A of the Securities Act and to persons outside of the U.S. in compliance with Regulation S of the Securities Act. The Senior Secured Notes were subsequently exchanged for new exchange notes, due 2017, for a like principal amount, registered with the U.S. Securities and Exchange Commission (the "SEC"), effective September 26, 2011. The proceeds received from the Senior Secured Notes were used to repay the First Priority Senior Secured Notes due 2011 (the "First Priority Old Notes") on May 26, 2011; and

  The voluntary filing by Satmex, Alterna'TV Corporation and Alterna'TV International Corporation for protection under Chapter 11 of the U.S. Bankruptcy Code and confirmation of a prepackaged plan of reorganization filed in the United States Bankruptcy Court (the "Plan"), which such confirmation occurred on May 11, 2011. Consummation of the Plan occurred on May 26, 2011 (the "Plan Effective Date"). The Plan contemplated the following transactions:

  - The conversion of the Second Priority Old Notes, which were to mature in 2013, into direct or indirect equity interests representing 7.146% of the economic interests in the emerging entity ("Reorganized Satmex") (the "Conversion Rights", subject to dilution by any equity issued under any management incentive plan, as determined, adopted and approved by the Board of Directors of Reorganized Satmex on the Plan Effective Date, and any future issuance of equity, including certain primary rights and follow-on rights (the "Primary Rights" and the "Follow-On Rights", respectively) of the holders of the Second Priority Old Notes as discussed below). In lieu of the Conversion Rights, the Primary Rights and the Follow-On Rights, holders of the Second Priority Old Notes could have elected to receive a cash payment of 38 cents per U.S. dollar in principal amount of the Second Priority Old Notes (including accrued and paid-in kind interest). All interested holders of Second Priority Old Notes elected the Conversion Rights, which such conversion occurred on May 26, 2011;

  - The offering of the Primary Rights to holders of the Second Priority Old Notes, which comprised the rights to purchase direct or indirect equity interests representing up to 85.753% of the economic interests in Reorganized Satmex for up to $96,250 (subject to dilution by any equity issued under any management incentive plan, as determined, adopted and approved by the Board of Directors of Reorganized Satmex on the Plan Effective Date, and any future issuance of equity, including the Follow-On Rights, as discussed below).

    The Primary Rights were exercised for $90,000, effective on May 26, 2011, representing 83.254% of the outstanding capital of Reorganized Satmex. Eligible holders of the Second Priority Old Notes also had the right to the Follow-On Rights, comprising the right to invest in their pro rata share of a follow-on issuance of equity securities in an aggregate amount of up to $40,000; this option has expired unexercised;

  - Aside from holders of the First Priority Old Notes and the Second Priority Old Notes which received the treatment described above, all holders of allowed claims against the debtors, including employees, trade creditors and other priority and non-priority creditors, were paid in the ordinary course during the resolution of the bankruptcy or in full on, or shortly after, the Plan Effective Date.

Paid-in capital of Reorganized Satmex as a result of the SPA and the Plan is presented in Note 12 to the accompanying consolidated financial statements.

New Basis of Accounting (Push-down accounting)

The SPA became legally effective on May 26, 2011, and resulted in a change in control among the Sellers and the Group of Investors. Given these facts and as a result of becoming substantially wholly-owned by the Group of Investors, Satmex applied push-down accounting in its consolidated financial statements to reflect its acquisition by the Group of Investors. The acquisition method of accounting was applied, resulting in a new basis of accounting for the "successor period" beginning on May 26, 2011 (the "Acquisition Date").

As a result, the Company recognized and measured, at their fair values, the identifiable assets acquired, liabilities assumed and the related noncontrolling interests. In order to determine fair values, Satmex considered the following generally accepted valuation approaches: the cost approach, the income approach and the market approach. Significant assumptions used in the determination of fair values include cash flow projections and related discount rates, industry indices, market prices regarding replacement cost and comparable market transactions. While Satmex believes that the estimates and assumptions underlying the valuation methodologies were reasonable, different assumptions could have resulted in different fair values.

a. The total estimated consideration transferred, at fair value, for the acquisition of 100% of Satmex's common stock was as follows:

Consideration at fair value:		As of May 26, 2011
Cash paid	$	1,000
Executive bonuses		6,303
Cash consideration paid upon completion of the share purchase agreement		5,250
Rights offering		90,000
Capitalization of Second Priority Old Notes		78,618
Fair value of total consideration transferred	$	181,171

b. **Supplementary Pro Forma Information (Unaudited)**

The following table presents the revenues and earnings (net loss) of Satmex as if the acquisition had occurred as of January 1, 2011:

	Revenues	Net loss
	Unaudited	
Actual from May 26, 2011 to December 31, 2011 (Successor Registrant)	74,710	(18,882)
Supplemental pro forma from January 1, 2011 to December 31, 2011	128,010	(12,027)
Supplemental pro forma from January 1, 2010 to December 31, 2010	127,779	31,326

Supplemental pro forma from January 1, 2011 to December 31, 2011 was adjusted to exclude $28,766, of recapitalization transaction expenses incurred in such period, as they are considered non-recurring charges.

Supplemental pro forma from January 1, 20110 to December 31, 2010 was adjusted to exclude $16,443, of recapitalization transaction expenses incurred in such period, as they are considered non-recurring charges.

Acquisition-related costs were $47,013, of which $18,247 represent the cost of issuing the Senior Secured Notes, which was capitalized within other assets (see Note 4i) on May 5, 2011 (date of issuance of the Senior Secured Notes) and $28,766 were included in the Predecessor statement of operations within recapitalization transactions expenses.

c. The following table summarizes the recognized amounts of identifiable assets, assumed liabilities and non-controlling interest, pushed-down and reflected in Satmex's financial information as of the Acquisition Date:

Recognized amounts of identifiable assets acquired and liabilities assumed:		**As of May 26, 2011**
Satellite and equipment	$	344,000
Intangible assets		88,168
Concessions		45,672
Deferred financing cost		18,247
Financial assets, net of financial liabilities		67,623
Deferred income taxes		(10,372)
Deferred revenue		(35,956)
First Priority Old Notes		(238,237)
Total identifiable net assets		279,145
Non-controlling interest (1)		(3,486)
Bargain purchase		(94,488)
	$	181,171

All assets and liabilities acquired have been measured at fair value.

(1) The fair value of the noncontrolling interest in Enlaces, a private entity, was estimated by applying the income approach. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Key assumptions include a discount rate of 12.30%, a terminal value based on terminal earnings before interest, taxes, depreciation, and amortization, and financial multiples of entities deemed to be similar to Enlaces between 5x and 6x.

As a result of the acquisition, the Company recorded a bargain purchase of $94,488, representing the amount of the fair value of the net assets acquired in excess of the purchase price. The bargain purchase gain represented the purchase of Satmex by the Group of Investors at less than fair value of Satmex's net assets and stemmed from the restructuring of Satmex. At the end of 2010, the existing debt of Satmex was set to mature within the following twelve months; additionally, Satmex required additional financing for its future satellites. Its current stockholder at that time did not actively administer or operate Satmex and had not provided further financing for Satmex to carry out its plans with respect to future operations. Accordingly, Satmex decided to carry out a restructuring, which included the entrance of new active investors, willing and able to contribute the financing necessary for Satmex to continue with its future operating plans, and thus, purchase Satmex from the Sellers at a bargain purchase.

As the bargain purchase gain did not result from the operations of Satmex, it was recognized as part of Reorganized Satmex's common stock rather than within its consolidated statement of operations.

3. Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

a. ***Factors affecting the comparability of the consolidated financial statements - push-down accounting*** - The Company has accounted for the Recapitalization Transactions using push-down accounting for the acquisition of the Company by the Group of Investors. This resulted in the adjustment of all net assets to their respective fair values as of the Acquisition Date.

   Although Satmex continued as the same legal entity after the Recapitalization Transactions, the application of push-down accounting represented the termination of the old accounting entity and the creation of a new one. As a result, the accompanying consolidated balance sheets, statements of operations, stockholders' equity and cash flows are presented for two periods: Predecessor and Successor, which relate to the period preceding and succeeding the Recapitalization Transactions, respectively. The Company refers to the operations of Satmex and subsidiaries for both the Predecessor and Successor periods.

   Accordingly, the Successor Company presentation is not comparable to the Predecessor Company presentation due to the different basis of accounting.

b. ***Consolidation of financial statements*** - The consolidated financial statements include the financial statements of Satmex and those of its subsidiaries. The financial statements of the subsidiaries are consolidated from their respective dates of acquisition or incorporation. All intercompany transactions and balances have been eliminated in consolidation.

   The activities of the entities in the consolidated group are described below:

Company	Ownership percentage	Activity
Enlaces Integra, S. de R.L. de C.V. ("Enlaces")	75.00%	Acquired on November 30, 2006. Offers private networks for voice, video and data as well as other value-added satellite services in Mexico.
Alterna'TV International Corporation ("Alterna'TV Int.")	100.00%	Incorporated on May 21, 2009. Engaged in programming distribution services, primarily in the United States of America.
Alterna'TV Corporation ("Alterna'TV Corp.")	100.00%	Incorporated on December 19, 2008, to be a vehicle to contract the procurement of the Satmex 7 satellite.
SMVS Administración, S. de R. L. de C. V., SMVS Servicios Técnicos, S. de R. L. de C. V. and HPS Corporativo S. de R. L. de C. V. ("Service Companies")	100.00%	Provide administrative and operating services exclusively to Satmex and Enlaces.
Satmex U.S.A., LLC ("Satmex USA")	100.00%	Incorporated on August 4, 2011. This entity holds the 0.03% interests related to the Service Companies.
Satmex Do Brasil	100.00%	This entity has not initiated operations.

c. *Foreign currency transactions* - For U.S. GAAP reporting purposes, the Company maintains separate accounting records in its functional currency, the U.S. dollar. Transactions denominated in Mexican pesos and other foreign currencies are recorded at the rate of exchange in effect at the date of the transactions. Monetary assets and liabilities denominated in Mexican pesos and other foreign currencies are converted into the Company's functional currency at the rate of exchange in effect at the balance sheet date (Mexican pesos per one U.S. dollar as of December 31, 2012 and 2011, were $13.0101 and $13.9787, respectively), with the resulting effect included in other (expense) income within results of operations.

4. **Significant accounting policies**

A summary of the significant accounting policies used in the preparation of the accompanying consolidated financial statements follows:

a. *Cash and cash equivalents* - This line item consists mainly of bank deposits in checking accounts and readily available daily investments of cash surpluses. Cash equivalents are composed of highly liquid investments with original maturities of three months or less. This line item is stated at nominal value plus accrued yields, which are recognized in results as they accrue.

b. *Restricted cash* - On July 3, 2012, Satmex and ILS entered into an Escrow Agreement, in which Satmex deposited with the Escrow Agent $4,900 representing 5% of the launch service price. The Escrow Agent shall hold the escrow deposit in an interest bearing account. On the Satmex 8 launch date, the Escrow Agent shall release the escrow deposit plus accumulated interest from the escrow account upon receipt of the irrevocable escrow instructions jointly provided by Satmex and ILS. At December 31, 2012, Satmex classified the $4,900 as restricted cash.

c. *Concentrations of credit risk* - Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents and accounts receivable. Cash and cash equivalents are maintained with high-credit quality financial institutions.

Accounts receivable are comprised of several companies in the private domestic sector and certain foreign companies. Management considers that its credit evaluation, approval and monitoring processes combined with advance billing arrangements and guarantee deposits from customers mitigate potential credit risks with regard to its current customer base.

d. *Inventories* - Inventories consist mainly of antennas and are stated at the lower of cost or market value. Cost is determined using the average cost method.

e. *Prepaid insurance* - The insurance premium paid to renew in-orbit coverage of is recorded as a prepaid insurance and amortized over the related insurance policy period.

f. *Satellites and equipment* - As of May 26, 2011, Satmex adopted push-down accounting, under which its satellites and equipment were recorded at fair values based upon the appraised values of such assets. Satmex determined the fair value of the satellites and equipment using the cost approach. The cost approach, often referred to as current replacement cost, estimates fair value based on the amount that currently would be required to replace the service capacity of an asset. Assets acquired after the adoption of push-down accounting are recorded at acquisition cost.

Costs incurred in connection with the construction and successful deployment of the satellites and related equipment are capitalized. Such eosts consist primarily of the costs of satellite construction and launch, including launch insurance and insurance during the period of in-orbit testing, the value of performance incentives incurred to the satellite manufacturers, costs directly associated with the monitoring and support of satellite construction, and interest costs incurred during the period of satellite construction.

Satellite construction and launch services are generally procured under long-term contracts that provide for payments over the contract periods. Satellite construction and launch services costs are capitalized to reflect progress toward completion. Capitalizing these costs typically coincides with contract milestone payment schedules.

Depreciation is calculated using the straight-line method for satellites, related equipment and other owned assets over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements.

The estimated useful lives of the satellites are as follows:

	Original useful life (Years)	Remaining fuel life at December 31, 2012 (Years)
Satellites in-orbit - are as follows:		
Satmex 6	15	10.39
Satmex 5	15	0.76
Solidaridad 2	14.5	-

Depreciation of satellites commences on the date on which the satellite is placed in orbit. Satmex 6 was launched on May 27, 2006 and commenced operations in July 2006. Satmex 5 was launched on December 5, 1998 and commenced operations in January 1999. Solidaridad 2 concluded its depreciation period based upon its estimated useful life during 2009.

The estimated useful lives of equipment are as follows:

	Original useful life (Years)
Equipment:	
Satellite equipment	15
Furniture and fixtures	10
Leasehold improvements	5
Teleport, equipment and antennas	10

g. ***Concessions*** - As of May 26, 2011, Satmex adopted push-down accounting, under which its concessions were recorded at fair valnes based upon the appraised values of such assets. Satmex determined the fair value of the orbital concessions and the public telecommunications network concession using market approach and income approach methods, respectively. Orbital concessions are amortized over 40 years using the straight-line method; their remaining useful life as of the Acquisition Date was 26 years. The public telecommunications network concession is amortized over 30 years using the straight-line method; its remaining useful life as of the Acquisition Date was 19 years.

h. ***Valuation of satellites and long-lived assets*** - The carrying value of the satellites, amortizable intangible assets and other long-lived assets is reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the expected undiscounted future cash flows are less than the carrying value of the long-lived assets, an impairment charge is recorded based on such asset's estimated fair value. Changes in estimates of future cash flows could result in a write-down of the asset in a future period.

Estimated future cash flows from the Company's satellites could be impacted by changes in estimates of its ability to operate the satellite at expected levels, changes in the manner in which the satellite is to be used and the loss of one or several significant customer contracts on the satellite.

i. ***Deferred financing costs*** - Deferred financing costs related to the issuance of Senior Secured Notes were capitalized and reported as an asset. These costs are amortized to interest expense using the effective rate interest method.

j. ***Other intangible assets*** - Intangible assets arising from push-down accounting are initially recorded at fair value using the income approach method. Intangible assets identified as part of the push-down of acquisition accounting consisted primarily of contract backlog and customer relationships. The Company reviews intangible assets for impairment whenever facts and circumstances indicate that the carrying amounts may not be recoverable. An intangible asset with a determinable useful life is considered to have been impaired when its carrying amount exceeds its fair value; however, an impairment loss shall only be recognized when the estimated future undiscounted cash flows expected to result from the use and eventual disposition of the asset are less than the carrying value of the asset. The Company measures an impairment loss as the difference between the carrying value of the asset and its fair value.

The costs of intangible assets with finite and determinable useful lives are amortized to reflect the pattern of consumption, over the estimated useful lives of the assets, as follows:

	Original useful life (Years)
Contract backlog	10
Customer relationships	4

k. ***Labor obligations*** - In accordance with Mexican Labor Law, Satmex provides seniority premiums benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit. Satmex also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus 20 days wages for each year of service payable upon involuntary termination without just cause. Costs associated with these benefits are provided for based on actuarial computations using the projected unit credit method. Other disclosures required by U.S. GAAP are not material.

l. ***Fair value of financial instruments and fair value measurements*** - An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting guidance establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs used to measure fair value may fall into one of three levels:

Level 1- applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, restricted cash, accounts receivable, debt, accounts payable and accrued expenses. The Company believes that the recorded values of cash, restricted cash, accounts receivable, accounts payable and accrued expenses approximate their current fair values because of their nature and respective maturity dates or durations. The fair value of debt is disclosed in Note 11.

m. ***Provisions*** - Are recognized for current obligations that result of a past event, are probable to result in the use of economic resources and can be reasonably estimated.

n. ***Income*** taxes - Current income taxes, calculated as the higher of the regular Mexican income tax ("ISR") or the Business Flat Tax ("IETU"), are recorded in the results of the year in which they are incurred. Satmex accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

To determine tax bases of assets and liabilities, the Company evaluates whether it expects to be principally subject to ISR or IETU in the future and uses such tax base accordingly. If the Company is unable to conclude that it will be principally subject to either tax regime, a hybrid calculation is utilized. Based on the Company's projections, it determined that in certain fiscal years it will pay ISR, while in others, it will pay IETU. Accordingly, the Company scheduled the reversal of the temporary differences for both ISR and IETU purposes, determined by year whether the applicable temporary differences should be those under ISR or those under IETU, and applied the corresponding rates.

Satmex recognizes net deferred tax assets to the extent that management believes these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations.

o. ***Statutory employee profit sharing*** - Statutory employee profit sharing ("PTU") is recorded in the results of the year in which it is incurred and presented within operating expenses in the accompanying consolidated statements of operations. Deferred PTU liabilities are derived from temporary differences that result from comparing the accounting and PTU values of assets and liabilities.

p. ***Revenue recognition*** - Fixed satellite service revenues are recognized as the satellite capacity is provided according to service lease agreements. Satellite transmission capacity is sold through permanent and temporary contracts, which stipulate the agreed capacity. Lease agreements are accounted for either as operating or sales-type leases.

Operating lease revenues are recognized on a straight-line basis over the lease term. Revenues for temporary services are recognized as services are performed.

Revenues from end-of-life leases for transponders are usually collected in advance. The Company does not provide insurance and/or guarantees of any kind for the related transponders to these customers. Total revenues and related costs are accounted as sales-type leases and recognized in income when the risk and rewards of the transponders are transferred to the customer in accordance with the agreements.

The public and private network signal and value-added services ("Broadband satellite services") are recognized when services are rendered. The sale of antennas and installation services are recognized in the period in which risk and rewards are transferred to the customers, which generally coincides with the completion of the installation of the antennas and acceptance by the customer.

To calculate the monthly revenue attributable to purchasers of programming distribution services, the Company estimates, on a monthly basis, the number of subscribers per purchaser according to the contractual value of each subscriber. Approximately 45 to 60 days after the end of each month, the Company receives a definitive report from each purchaser and reconciles the definitive revenue with the estimated amount, issuing an invoice to such purchaser based on the definitive report. Variations between the estimated and actual revenue amounts are not material.

q. ***Deferred revenue*** - Satmex is required to provide the Mexican federal government, at no charge, approximately 362.88 MHz of its available transponder capacity for the duration of the orbital concessions ("State Reserve"). As of May 26, 2011, as a result of the adoption of push-down accounting, this obligation was recorded at its fair value, using the income approach method, and recognized as deferred revenue with a corresponding increase in the value of the related assets. Deferred revenue is amortized to fixed satellite services revenue based on the expected consumption pattern.

r. ***Use of estimates*** - The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenues and expenses reported during the periods reported. Such estimates include the allowance for doubtful accounts, the revenue recognition of programming distribution services, the valuation of long-lived assets, the valuation allowance on deferred income tax assets, the scheduling of reversal of the temporary differences under different tax regimes, the estimated useful lives of each satellite and estimates of fair values. Although management believes the estimates and assumptions used in the preparation of these consolidated financial statements were appropriate in the circumstances, actual results could differ from those estimates and assumptions.

s. ***Recently adopted accounting pronouncements***

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which updated the guidance in Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*, which the Company adopted on January 1, 2012. ASU 2011-04 clarifies the application of existing fair value measurement requirements including (1) the application of the highest and best use and valuation premise concepts, (2) measuring the fair value of an instrument classified in a reporting entity's shareholders' equity, and (3) quantitative information required for fair value measurements categorized within Level 3. ASU 2011-04 also provides guidance on measuring the fair value of financial instruments managed within a portfolio, and application of premiums and discounts in a fair value measurement. In addition, ASU 2011-04 requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The adoption of this guidance did not have an impact on the Company's consolidated financial statements and related disclosures.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*, which updated the guidance in Accounting Standards Codification ("ASC") Topic 220, *Comprehensive Income*. Under the amendments in this ASU, an entity has the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income and a total amount for comprehensive income. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. In October 2011, the FASB proposed to indefinitely defer the specific requirement to present items that are reclassified from other comprehensive income to net income alongside their respective components of net income and other comprehensive income on the face of the respective statements; entities still must comply with the existing requirements during the deferral period. This indefinite deferral was modified through ASU 2013-02 as discussed below. The adoption of this guidance did not have an impact on the Company's consolidated financial statements and related disclosures, given that the Company does not have any other comprehensive income items.

t. ***Recently issued accounting pending adoption***

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet: Disclosures about Offsetting Assets and Liabilities.* This ASU requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The objective of this disclosure is to facilitate comparison between those entities tbat prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards ("IFRS"). The amended guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company will adopt this ASU in 2013.

In July 2012, the FASB issued ASU 2012-02, *Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment.* This update amends ASU 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment* and permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, *Intangibles - Goodwill and Other - General Intangibles Other than Goodwill.* The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of ASU 2012-02 is not expected to have a material impact on the Company's financial position or results of operations.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements in Accounting Standards Update No. 2012-04.* The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of ASU 2012-04 is not expected to have a material impact on the Company's financial position or results of operations.

In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* The amendments in this Update supersede and replace the presentation requirements for reclassifications out of accumulated other comprehensive income in ASUs 2011-05 (issued in June 2011) and 2011-12 (issued in December 2011) for all public and private organizations. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements.

However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amended guidance is effective prospectively for reporting periods beginning after December 15, 2013. Early adoption is permitted. The Company will adopt this ASU in 2013, but does not anticipate that it will have a material effect on its financial position or results of operations.

5. Cash and cash equivalents

As of December 31, cash and cash equivalents consist of:

	2012	2011
Cash	$ 6,912	$ 4,142
Cash equivalents [(1)]	67,740	75,109
	$ 74,652	$ 79,251

(1) The Company's cash equivalents consist mainly of treasury bills with original maturities less than 20 days.

6. Accounts receivable

As of December 31, accounts receivable consist of:

	2012	2011
Customers	$ 12,787	$ 11,748
Allowance for doubtful accounts	(1,202)	(1,360)
	11,585	10,388
Recoverable income taxes	140	1,519
Recoverable value-added tax and tax withholdings	1,146	651
Other	650	100
	$ 13,521	$ 12,658

The principal customers of the Company are as follows:

- For fixed satellite services:
  - Broadcasting: Grupo Televisa and Productora y Comercializadora de Televisión, S.A. de C.V.
  - Telecommunications: América Movil Perú, S.A.C., Teléfonos de México, S.A.B. de C.V. ("Telmex") and Telefónica del Perú, S.A.A.
  - Data transmission and internet: Hughes Network Systems and Hunter Communications, Inc.
- For programming distribution services: Comcast Cable Communications, LLC and Direct TV Inc.
- For broadband satellite services: Grupo Wal-Mart de México and Grupo Oxxo.

For the years ended December 31, 2012, 2011 and 2010, revenues from Fixed satellite services, Programming distribution services and Broadband satellite services were obtained from:

	2012 %	2011 %	2010 %
Hughes Networks Systems	11	14	17
América Móvil Perú, S.A.C.	9	10	10
Telmex	5	5	4
Other foreign customers	43	40	37
Other domestic customers	32	31	32

7. Satellites and equipment

As of December 31, satellites and equipment consist of:

		2012		2011
Satellites in-orbit	$	196,425	$	196,425
Satellite equipment, teleport and antennas		8,061		6,619
Furniture and fixtures		4,107		4,388
Leasehold improvements		922		115
		209,515		207,547
Accumulated depreciation and amortization		(53,418)		(21,145)
		156,097		186,402
Construction in-progress for Satmex 8		358,289		253,149
Construction in-progress for Satmex 7		32,750		2,600[1]
F4 satellite project advance payment		3,764		-
Other construction in-progress		1,662		864
	$	552,562	$	443,015

(1) On June 20, 2008, SS/L and Satmex entered into an Authorization to Proceed ("ATP-S7") for the construction of Satmex 7 and Satmex paid a non-reimbursable advance payment for $2,600. The ATP-S7 expired on December 31, 2012. Additionally, the Company changed providers with respect to the construction of the related satellite (see Note 1), for which reason, the advanced payment was written-off and included as operating expenses in 2012.

For the year ended December 31, 2012 and for the periods from May 26, 2011 to December 31, 2011 (Successor Registrant), from January 1, 2011 to May 25, 2011 and for the year ended December 31, 2010 (Predecessor Registrant), the depreciation and amortization expense related to satellites and equipment was $32,273, $21,145, $15,188, and $36,229, respectively.

For the year ended December 31, 2012, and for the periods from May 26, 2011 to December 31, 2011 (Successor Registrant), from January 1, 2011 to May 25, 2011 (Predecessor Registrant) and for the year ended December 31, 2010, interest costs of $33,830, $11,715, $3,801 and $2,582, respectively, were capitalized.

8. Concessions

As of December 31, concessions consist of:

		2012		2011
Orbital concessions	$	41,740	$	41,740
Public telecommunications network		3,932		3,932
		45,672		45,672
Accumulated amortization		(2,835)		(1,044)
	$	42,837	$	44,628

For the year ended December 31, 2012 and for the periods from May 26, 2011 to December 31, 2011 (Successor Registrant), from January 1, 2011 to May 25, 2011 and for the year ended December 31, 2010 (Predecessor Registrant), amortization of concessions was $1,791, $1,044, $588 and $1,412 respectively.

a. *Orbital Concessions and Facilities*

In October 1997, the Mexican federal government granted to Satmex the rights to three concessions (the "Concessions") for an initial 20-year term to operate in the orbital slots 113.0° W.L., 116.8° W.L., and 114.9° W.L. In May 2011, extension of the Orbital Concessions was granted by the Mexican federal government for an additional term until 2037, without payment of any additional consideration. Satmex has the right to an additional 20-year extension, at a certain cost to Satmex, to be determined by the Mexican government, as long as Satmex meets certain conditions, as discussed below.

In order to extend the orbital concession term, Satmex must comply with all obligations established by the concession documents, solicit extension of the concession before the beginning of the fifth term of the concession, must obtain approval from the Mexican Secretary of Communication and Transportation ("SCT") of the technical and operating characteristics of any new satellites, and must guarantee the occupation and use of the orbital slots during the concession's original and extended terms.

In accordance with the *Ley Federal de Telecomunicaciones* (Federal Law of Telecommunications or "LFT"), concessionaries are required to maintain the satellite control centers within Mexican territory.

The satellites are controlled and operated through two control centers, one of them is located in the east side of Mexico City, and the other one is located in Hermosillo, Sonora. The land and related facilities of the first control center and the land of the second control center are the property of the Mexican federal government.

Use of the land and facilities where the control centers are located that are property of the Mexican federal government was granted to the Company through a concession for a 40-year term, for which the Company pays a fee, which is adjusted every five years by the *Secretaría de la Función Pública* (The Ministry of Public Administration) (see Note 16g).

b. *Concessions for the Use and Exploitation of a Telecommunications Public Network*

On January 20, 2000, the Mexican federal government granted to Enlaces a "Concession to Operate, Install, Exploit and Use a Public Telecommunications Network within Mexican Territory" at no charge, in order to provide services for private and public networks, and to provide value-added services. The concession term is for 30 years, with the possibility for an extension under certain conditions.

On November 9, 2000, Enlaces obtained from the SCT a registration of value-added services certificate, which allows it to offer internet access services, electronic data transfer and multimedia services (content delivery to private television channels).

The terms of both concessions are subject to certain legal provisions regarding assignment or transfer of rights. According to Mexican Law, Satmex is not allowed to transfer the concessions to any foreign country or state. If the Mexican federal government expropriates them, the companies are entitled to liquidation or resignation of their rights. As of December 31, 2012, the Company has complied with the obligations established in the concession titles.

9. Intangible assets

Intangible assets, which were recognized in connection with the adoption of push-down accounting, are as follows:

	Weighted average remaining amortization period (years)	2012		2011	
		Gross amount	Accumulated amortization	Gross amount	Accumulated amortization
Contract backlog [(1)]	8	$ 86,835	$ 54,911	$ 86,835	$ 24,077
Customer relationships [(1)]	2	1,333	334	1,333	281
		$ 88,168	$ 55,245	$ 88,168	$ 24,358

(1) Using the income approach to determine fair values as of May 26, 2011, as a result of the adoption of push-down accounting.

For the year ended December 31, 2012, and for the periods from May 26, 2011 to December 31, 2011 (Successor Registrant), from January 1, 2011 to May 25, 2011 and for the year ended December 2010 (Predecessor Registrant), amortization expense for these intangible assets was $30,887, $24,358, $1,304 and $5,761, respectively.

Future annual amortization expense for intangible assets is estimated to be as follows:

2013	$ 22,915
2014	5,600
2015	2,658
2016	898
2017	346
Thereafter	506
	$ 32,923

10. Accounts payable and accrued expenses

As of December 31, accounts payable and accrued expenses consist of:

	2012	2011
Suppliers	$ 27,790	$ 3,941
Accrued interest	4,275	3,859
Guarantee deposits and customer advances	2,494	2,308
Professional fees	1,249	709
Performance and sale bonuses	2,504	2,294
Taxes payable, other than income taxes	2,174	2,140
Programming provisions	1,707	2,082
Sundry creditors	2,693	1,530
	$ 44,886	$ 18,863

11. Debt obligations

As of December 31, debt obligations are:

	2012		2011	
	Amount	Fair Value	Amount	Fair Value
Senior Secured Notes at annual fixed rate of 9.5%, due in 2017	$ 325,000	$ 338,000	$ 325,000	$ 314,031
Tack-on Senior Secured Notes at annual fixed rate of 9.5%, due in 2017	35,000	36,400	-	-
	$ 360,000	$ 374,400	$ 325,000	$ 314,031

The fair value for debt obligations is determined using quoted market prices. Fair value is based upon pricing information with respect to the trading of the bonds in a secondary market, obtained from several market data providers and brokerage firms. Inputs used to determine the fair value are classified as Level 1 within the fair value hierarchy from FASB ASC 820, *Fair Value Measurements.*

The principal characteristics of the Senior Secured Notes, including the Tack-on, are as follows:

- Maturity is on May 15, 2017.
- Fixed annual interest of 9.5%, payable semi-annually in arrears on May 15 and November 15 of each year.
- Fully and unconditionally guaranteed, jointly and severally, on a first priority senior secured basis by all of the existing U.S. subsidiaries and all future material subsidiaries of Satmex, subject to certain exceptions (see Note 18).
- Optional redemption at any time prior to May 15, 2014, pursuant to which Satmex may redeem up to 35% of the aggregate principal amount of the Notes, plus accrued and unpaid interest.
- In the event of a change of control, the holders have the right to require Satmex to repurchase the Senior Secured Notes at 101% of their issue price, plus accrued and unpaid interest.

The indenture related to the Senior Secured Notes issued by Satmex establishes certain covenants. Principal covenants are as follows:

- The Company should pay the notes on the dates and in the manner provided by the indenture.
- The Company should maintain an office or agency where the notes may be surrendered for registration.
- The Company should furnish to the holders of the notes and the Trustee all annual reports on Form 20-F, within 180 days after the end of the financial year.
- The Company and each guarantor should deliver to each of the Trustee and the Collateral Trustee and officers' certificate stating that such officers have reviewed the activities of the companies during the preceding fiscal year and has kept, observed, performed and fulfilled its obligations under this Indenture and the Security Documents.

- The Company should not permit any of its restricted subsidiaries to declare or pay any dividends, purchase or redeem any equity interest of the Company or make any restricted investment as defined in the indenture.

- The Company should not incur any additional indebtedness or issue preferred stock unless permitted by the indenture.

- The Company should not permit any of its restricted subsidiaries to consummate any asset disposition, unless permitted by the indenture.

As of December 31, 2012, Satmex has complied with these obligations.

12. Shareholders' equity

Successor Registrant:

After giving effect to the Recapitalization Transactions and the application of the proceeds therefrom, Satmex is owned principally by Holdsat Mexico and Investment Holdings BV. Investment Holdings BV equity interests are owned indirectly by Satmex Investment Holdings L.P., an exempted limited partnership organized under the laws of the Cayman Islands ("Investment Holdings LP"), which owns 99.99% of such equity interests, and Satmex Investment Holdings GP Ltd., an exempted limited company organized under the laws of the Cayman Islands ("Investment Holdings GP" and together with Investment Holdings LP, "Investment Holdings"), which is the general partner of Investment Holdings LP and owns 0.01% of such equity interests. Eligible former holders of the Second Priority Old Notes own 100.00% of the interests in Investment Holdings. Holders that are not eligible to hold their interests through Investment Holdings hold shares of reorganized Satmex directly.

a. As of December 31, 2012, the authorized, issued and outstanding common stock is as follows:

Fixed Class I Series A	Variable Capital Class II Series A	Variable Capital Class II Series B	Variable Capital Class II Series N	Total	Rights % Voting	Rights % Economic
50,000	6,580,000	-	-	6,630,000	51.000	5.10000
-	-	6,363,339	116,877,651	123,240,990	48.950	94.80076
-	-	1,113	20,448	21,561	0.008	0.01659
-	-	4,081	74,963	79,044	0.031	0.06080
-	-	1,467	26,938	28,405	0.011	0.02185
50,000	6,580,000	6,370,000	117,000,000	130,000,000	100.000	100.00000

Satmex is authorized to issue three types of shares: Series A shares, Series B shares, and Series N shares.

All Series A shares of Satmex are owned by Holdsat Mexico. The Series A shares entitle holders to 51.0% of Satmex's voting rights and 5.1% of its economic rights of all shares. The Series A shares may be owned only by Mexican individuals, Mexican entities that are owned only by Mexican individuals or entities or Mexican entities in which 51.0% of the capital is owned by Mexican individuals or entities.

Series B shares entitle holders to 49.0% of Satmex's voting rights and 4.9% of the economic rights. The Series B shares may be owned by any person including foreign investors. Over 99% of the Series B shares are owned by Investment Holdings BV. Less than 1% of the Series B Shares are owned by certain holders of the Second Priority Old Notes who were not eligible to invest in Satmex through Investment Holding BV. Less than 0.03% of Series B shares are deposited in Satmex's treasury for those non-qualified holders of the Second Priority Old Notes who failed to respond to the solicitation under the Plan.

Series N shares entitle holders to 90.0% of the economic rights and limited voting rights. The holders of Series N shares may vote only on the following matters: (i) extension of Satmex's corporate existence; (ii) dissolution; (iii) change of corporate purpose; (iv) change of nationality; (v) transformation of Satmex from one type of entity to another; and (vi) merger of Satmex with and into another entity. The Series N shares may be owned by any person, including foreign investors. Under Mexican law, foreign investment in Satmex's capital, represented by full voting rights shares, may not exceed 49.0%. The Series N shares, however, are not taken into account in determining the level of foreign investment. Over 99% of the Series N shares are owned by Investment Holdings BV. Less than 1% of the Series N shares are owned by certain holders of the Second Priority Old Notes who were not eligible to invest in Satmex through Investment Holding BV. Less than 0.03% of Series N shares are deposited in Satmex's treasury for those non-qualified holders of the Second Priority Old Notes who failed to respond to the solicitation under the Plan.

b. Pursuant to a unanimous resolutions adopted by the shareholders at a meeting held on May 26, 2011, the following resolutions were authorized:

- The outstanding shares formerly held by the NAFIN Trust and the Deutsche Trust, representing the total common stock of the Company as of May 26, 2011, were exchanged through a reverse stock split with a ratio of 10 to 1, resulting in 4,687,500 shares. The stock split has been reflected retrospectively in the accompanying consolidated financial statements.

- Variable common stock was increased by the issuance of 5,713,333 common, nominative, Class II, Series "A" shares, without par value, through cash contributions of $7,680 in exchange of 5.1% of the economic interest in the Company.

- Variable common stock was increased by the issuance of 104,459,367 Class II ordinary shares, without par value, of which (i) 5,620,000 are Series "B" shares and (ii) 98,839,367 are Series "N" shares, through cash contributions of $82,320 in exchange for 83.254% of the economic interests in the Company.

- Pursuant to the Plan, effective on May 26, 2011, 100% of the Second Priority Old Notes were cancelled and converted into the right to receive equity interest (the "Conversion Interest" described in Note 2), directly or indirectly, in the aggregate of 7.146% of the capital stock of the Company. The capitalization of the Conversion Rights and the cancellation of the Second Priority Old Notes were made at the face amount of the Second Priority Old Notes of $206,890, as follows:

  - Variable common stock was increased by the issuance of 9,289,800 Series "N" Class II, shares, without par value, for the capitalization of the Conversion Rights and the cancellation of the Second Priority Old Notes, through the capitalization of liabilities for $70,457.

  - A paid-in capital premium was recognized of $136,433 for the shares subscription in consideration of the Conversion Rights and the cancellation of the Second Priority Old Notes; the amount of such premium was capitalized pro rata between the shareholders of the Company in the proportion of their participation percentage in the capital stock of the Company without issuance of new shares.

- A put premium was capitalized in the amount of $7,855, in exchange of 4.5% of the economic interests in the Company. The amount of shares issued in exchange for the capitalization of the put premium was 5,850,000 Series "N" Class II, shares, without par value.

c. As of December 31, 2012 the common stock of Satmex amounted to $275,662.

d. Shareholders' equity, except restated tax contributed capital and tax-retained earnings, will be subject to income tax at the rate in effect upon distribution of such equity. Any tax paid on this distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

e. As of December 31, 2012 and 2011, the balance of the tax contributed capital account is $2,219,573 and $1,994,763 respectively.

Predecessor Registrant:

f. As of December 31, 2010 and until May 26, 2011, the authorized, issued and outstanding common stock was as follows:

Common Stock – Shares							
	Fixed Capital Class I		Variable Capital Class II			Rights %	
Series A	Series B	Series N	Series B	Series N	Total	Voting	Economic
7,500,000	-	-	-	-	7,500,000	45.00	16.00
-	221,667	401,770	-	-	623,437	1.33	1.33
-	111,667	202,395	-	-	314,062	0.67	0.67
-	-	-	7,166,667	29,395,833	36,562,500	43.00	78.00
1,666,667	-	208,333	-	-	1,875,000	10.00	4.00
9,166,667	333,334	812,498	7,166,667	29,395,833	46,874,999	100.00	100.00

g. The shareholding structure of Satmex consisted of ordinary, nominative Class I and Class II shares at no-par value, which are fully subscribed and paid in. The shares were divided into three series: Series A, which could only be subscribed or acquired by Mexican nationals under certain mechanisms established in Satmex's bylaws; Series B and Series N, which could be freely subscribed, including by foreign investors.

h. Prior to May 26, 2011, the Deutsche Trust was the owner and holder of shares representing 96% of common stock with economic rights (including neutral investment shares) and 90% of the ordinary voting stock of Satmex.

i. Prior to May 26, 2011, the NAFIN Trust, was the registered owner and holder of shares representing 4% of the common stock with economic rights (including neutral investment shares) and 10% of the ordinary voting stock of Satmex.

13. Related party transactions

Related party transactions performed in the normal course of operations were as follows:

	Successor Registrant		Predecessor Registrant	
	2012	Period from May 26, 2011 Through December 31, 2011	Period from January 1, 2011 through May 25, 2011	2010
Revenues from:				
Satellite services -				
Mexican federal government	$ -	$ -	$ 2,225	$ 4,896
Satellite capacity to Mexican federal government	-	-	977	2,344
Loral	-	-	119	287
Expenses from:				
Rent of control centers -				
Mexican federal government	-	-	225	479
Professional fees - Intenal Mexicana, S. A. P. I. de C. V.	144	-	-	-
Capital expenditures for:				
Construction Satmex 8- Loral	-	-	148,932	59,065

14. Income taxes

a. Income tax (benefit) expense was comprised as follows:

	Successor Registrant		Predecessor Registrant	
	2012	Period from May 26, 2011 through December 31, 2011	Period from January 1, 2011 through May 25, 2011	2010
Current:				
ISR	$ 1,078	$ 1,276	$ 267	$ 58
IETU	56	43	357	530
Total current	1,134	1,319	624	588
Deferred:				
ISR	(26,815)	6,175	(10,965)	(149)
IETU	(4,815)	5,512	2,146	264
Change in valuation allowance	15,676	(873)	10,394	76
Total deferred	(15,954)	10,814	1,575	191
Total income tax (benefit) expense	$ (14,820)	$ 12,133	$ 2,199	$ 779

b. The provision (benefit) for income taxes differs from the amount computed by applying the Mexican statutory income tax rate of 30 percent on the income (loss) before income taxes as a result of the following items:

	2012	2011	2010
Expected income tax expense (benefit) at statutory rate	$ 7,950	$ (9,986)	$ (3,933)
Tax inflation and statutory foreign exchange effects	3,546	4,676	1,681
Nondeductible expenses	1,624	1,953	230
ISR and IETU hybrid method	(21,834)	8,168	17,986
Use of previously reserved tax loss carryforwards	(21,782)	-	(15,261)
Change in valuation allowance	15,676	9,521	76
Total income tax (benefit) expense	$ (14,820)	$ 14,332	$ 779

c. The significant components of the net deferred tax liability are:

	2012	2011
Deferred tax assets:		
Tax loss carryforwards	$ 58,670	$ 32,838
Concessions, net	34,294	32,464
Credits on IETU losses	6,998	5,887
Deferred revenue	7,071	7,643
Accrued expenses	2,740	2,194
Other	28	780
Total deferred tax assets before valuation allowance	109,801	81,806
Valuation allowance for deferred tax assets	(50,173)	(34,497)
Net deferred tax assets	59,628	47,309
Deferred tax liabilities:		
Satellites and equipment, net	(54,534)	(48,306)
Intangibles, net	(8,123)	(17,015)
Prepaid insurance and other	(1,651)	(1,120)
Deferred financing cost	(744)	(2,247)
Total deferred tax liabilities	(65,052)	(68,688)
Net deferred tax liability	$ (5,424)	$ (21,379)
Classification on consolidated balance sheets:		
Current deferred tax assets	$ 3,059	$ -
Current deferred tax liabilities	-	(1,490)
Long-term deferred tax liabilities	(8,483)	(19,889)
Net deferred tax liabilities	$ (5,424)	$ (21,379)

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regards to future realization of deferred tax assets. The Company assesses the recoverability of its tax loss carryforwards and other deferred tax assets and based npon this analysis and records a valuation allowance to the extent recoverability does not satisfy the "more likely than not" recognition criteria. The Company continues to maintain the valuation allowance until sufficient positive evidence exists to support full or partial reversal. As of December 31, 2012 and 2011, Satmex had a valuation allowance totaling $50.1 million and $34.4 million against deferred tax assets and tax loss carryforwards due to the limited carryforward periods.

In determining the appropriate valuation allowance, management considers the fact that the Company's deferred taxes are prepared on the hybrid method, given that in certain years it projects payment of ISR while in others, it projects payment of IETU. Accordingly, due to the use of this method, certain tax loss carryforwards and credits on IETU losses may be excluded from or included in the deferred tax computation during those years in which the Company expects to pay IETU or ISR, respectively; the related allowance on deferred tax assets is also excluded from or included in the deferred tax computation.

As of December 31, 2012, Satmex has tax loss carryforwards and credits on IETU losses, which are available to offset future taxable income, as follows:

Expiration Date	Amounts [1] Tax loss carryforwards	Amounts [1] Credits on IETU losses
2013	$ 82,827	$ -
2014	30,517	-
2016	227,784	-
2017	24,655	-
2018	79,453	-
2021	8,272	17,623
2022	-	1,261
	$ 453,508	$ 18,884

(1) The amounts presented above have been adjusted for Mexican inflation as permitted by Mexican tax law.

In 2012 and 2010, the Company used $72.6 million and $50.9 million of tax loss carryforwards, respectively. In 2011 and 2010, $69.0 million and $56.7 million of tax loss carryforwards expired, respectively.

d. ***Statutory income tax rates*** - Mexican companies are subject to a dual tax system comprised of ISR and IETU. Mexican entities pay the greater of the corporate flat tax or regular income tax and therefore determine their deferred income taxes based on the tax regime expected to be paid to in the future.

The ISR rate in 2012 and 2011 was 30%. In accordance with the Mexican Federal Income Tax Law for 2013, which was enacted in 2012, the ISR rate applicable to companies will be 30% in 2013 and will decrease to 29% in 2014 and 28% in 2015 and thereafter.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. Beginning in 2010, the IETU rate is 17.5%.

Current income taxes are the greater of ISR and IETU.

e. ***Uncertain tax positions*** - The Company has not taken any uncertain tax positions for which it believes it is more likely than not, based on technical merits, that it will not receive benefits taken for its tax positions. The tax years that remain subject to examination by the tax authorities include 2008 – 2012.

15. Reorganization expenses

This caption includes legal, financial and regulatory expenses and fees in connection with various attempts made by Satmex in each year to carry out a restructuring, reorganization or sale transaction and/or recapitalization of its outstanding indebtedness.

16. **Contingencies and commitments**

Insurance matters

a. On December 5, 2012, Satmex renewed the in-orbit insurance policy for satellite Satmex 6, which expires on December 5, 2013, and provides coverage for $288 million. Satmex has the right to decrease the amount of insurance upon written notice to insurers prior to the effective date of the decreased amount of insurance. The insurance companies have the right to review the terms and conditions of the insurance policy, including the right to terminate the insurance coverage. Any uninsured loss of satellite Satmex 6 would have a material adverse effect on Satmex's results of operations and financial position.

b. Satmex did not renew the in-orbit insurance policy for satellite Satmex 5 primarily because the satellites geostationary life will end in September 2013, and the condition of the satellite does not comply with the industry standards required by the terms and conditions of the insurance policy. Any uninsured loss of satellite Satmex 5 would have a material adverse effect on Satmex's results of operations and financial condition.

c. The in-orbit insurance for satellite Solidaridad 2 was not renewed primarily because the satellite's geostationary life ended in 2009. Any uninsured loss of satellite Solidaridad 2 would not have a material adverse effect on Satmex's results of operations and financial condition.

Legal matters

d. The management of the Company is not aware of any material pending litigation against Satmex, nor are its assets subject to any legal action.

Commitments

e. Satmex entered into a contract with Space Systems/Loral, Inc. ("SS/L") and granted to SS/L a usufruct right (a Mexican law concept that grants another person the right to use and benefit from another person's property) over certain transponders on the satellite Satmex 5 and satellite Satmex 6 satellites, until the end of the life of such satellites. SS/L was not required to post a bond related to the usufruct arrangement. In the event that Satmex or a new shareholder decides not to continue with the usufruct arrangement, SS/L has the right to receive the higher of a percentage of the net sale value of Satmex 6 and Satmex 5 or an amount equal to the market value related to the transponders granted under the usufruct arrangement.

f. State Reserve - Under the orbital concessions granted by the Mexican federal government, Satmex must provide, at no charge, satellite capacity of approximately 362.88 MHz to the Mexican federal government in C- and Ku- bands.

g. On October 15, 1997, the Mexican government granted a property concession that relates to Satmex's use of the land and buildings on which its satellite control centers are located and allows Satmex to base its ground station equipment within telecommunication facilities that belong to the Mexican government. Under such concession, Satmex is obligated to pay an annual fee, equivalent to 7.5% of the total value of the land, which is determined by appraisal experts assigned by the Mexican federal government.

For the year ended December 31, 2012 and for the periods from May 26, 2011 to December 31, 2011 (Successor Registrant), from January 1, 2011 to May 25, 2011 and for the year ended December 2010 (Predecessor Registrant), the fees paid were $496, $283, $224 and $479, respectively.

h. Satmex leases two floors in the building where its headquarters are located. The corresponding lease agreement establishes a mandatory period of five years and three months as of July 2008 and ending in September 2013. For the year ended December 31, 2012 and for the periods from May 26, 2011 to December 31, 2011 (Successor Registrant), from January 1, 2011 to May 25, 2011 and for the year ended December 2010 (Predecessor Registrant), rent expense was $520, $378, $125 and $494, respectively. The minimum future payments for the period ended September 30, 2013 is $396.

i. Future minimum revenues ("Contract Backlog") due from customers under non-cancelable operating lease contracts, which include a penalty clause against customers in case of early termination, for transponder capacity on satellites in-orbit as of December 31, 2012, are as follows:

Years		Amounts
2013	$	90,764
2014		41,640
2015		24,503
2016		13,128
2017		9,157
Thereafter		50,859
	$	230,051

Other matters

j. The teleport of Enlaces is housed at the primary control center of Satmex, which form part of a building complex that also houses equipment owned and used by the Mexican federal government's teleport and mobile satellite services systems. On May 14, 2010, the SCT issued an amendment to the property concession granted on October 15, 1997, under which the Company may, with prior authorization from the SCT, lease or give under a commodatum (i.e., a rent-free lease) agreement, segments of the primary and alternate control centers to third parties as long as such segments are used for activities related to the subject matter of the property concession. This amendment allows the Company, among other things, to provide control and satellite operation services to other operators, with the prior authorization of the SCT; the Company filed an authorization request for Enlaces' teleport to be housed at Satmex's primary control center on May 17, 2010. Such authorization is pending as of the date of the accompanying consolidated financial statements. The teleport's relocation would have an estimated cost of $6.8 million and would take approximately nine months.

17. Business segment information

The Company identifies its reportable segments as the following three operating segments, based on the information used by its chief operating decision maker with respect to resource allocation and performance of the Company: Satellite services, Broadband satellite services and Programming distribution services. Satmex's satellites are in geosynchronous orbit, and consequently are not attributable to any geographic location. Except for the satellites, the Company's assets are substantially all located in Mexico.

a. The following table presents the operating income (loss) items and assets information by reportable segment:

	Satellite services	Broadband satellite services	Programming distribution services	Eliminations upon consolidation	Total
	Successor Registrant For the year ended December 31, 2012				
Revenues	$ 120,358	$ 10,980	$ 14,504	$ -	$ 145,842
Eliminations	(6,404)	(31)	-	-	(6,435)
Operating revenues	113,954	10,949	14,504	-	139,407
Cost and expenses	41,780	10,661	12,662	-	65,103
Eliminations	(13,529)	(4,835)	(2,180)	-	(20,544)
	28,251	5,826	10,482	-	44,559
Depreciation and amortization	63,237	821	893	-	64,951
Operating income	22,466	4,302	3,129	-	29,897
Interest expense	-	-	-	-	(4,444)
Interest income	-	-	-	-	522
Foreign exchange gain – net	-	-	-	-	524
Income before income tax	-	-	-	-	26,499
Income tax benefit	-	-	-	-	(14,820)
Net income	-	-	-	-	$ 41,319
Capital expenditures (includes paid and not yet paid)	$ 143,944	$ 464	$ 12	$ -	$ 144,420
Total assets	$ 737,447	$ 21,732	$ 7,181	$ (20,346)	$ 746,014

	Successor Registrant For the Period From May 26, 2011 through December 31, 2011				
	Satellite services	Broadband satellite services	Programming distribution services	Eliminations upon consolidation	Total
Revenues	$ 63,505	$ 7,448	$ 7,576	$ -	$ 78,529
Eliminations	(3,791)	(15)	(13)	-	(3,819)
Operating revenues	59,714	7,433	7,563	-	74,710
Cost and expenses	25,627	5,599	6,240	-	37,466
Eliminations	(8,585)	(3,106)	(1,011)	-	(12,702)
	17,042	2,493	5,229	-	24,764
Depreciation and amortization	45,110	722	715	-	46,547
Operating income (loss)	(2,438)	4,218	1,619	-	3,399
Interest expense	-	-	-	-	(8,990)
Interest income	-	-	-	-	328
Foreign exchange loss – net	-	-	-	-	(1,461)
Loss before income tax	-	-	-	-	(6,724)
Income tax expense	-	-	-	-	12,133
Net loss	-	-	-	-	$ (18,857)
Capital expenditures (includes paid and not yet paid)	$ 155,604	$ 47	$ 187	$ -	$ 155,838
Total assets	$ 657,872	$ 20,861	$ 6,982	$ (20,772)	$ 664,943

	Predecessor Registrant For the Period From January 1, 2011 through May 25, 2011				
	Satellite services	Broadband satellite services	Programming distribution services	Eliminations upon consolidation	Total
Revenues	$ 46,577	$ 5,198	$ 4,801	$ -	$ 56,576
Eliminations	(2,843)	(8)	(15)	-	(2,866)
Operating revenues	43,734	5,190	4,786	-	53,710
Cost and expenses	22,202	5,080	3,748	-	31,030
Eliminations	(12,460)	(2,200)	(945)	-	(15,605)
	9,742	2,880	2,803	-	15,425
Depreciation and amortization	16,682	398	167	(167)	17,080
Reorganization expenses	28,766	-	-	-	28,766
Operating (loss) income	(11,456)	1,912	1,816	167	(7,561)
Interest expense	-	-	-	-	(19,499)
Interest income	-	-	-	-	150
Foreign exchange gain – net	-	-	-	-	349
Loss before income tax	-	-	-	-	(26,561)
Income tax expense	-	-	-	-	2,199
Net loss	-	-	-	-	$ (28,760)
Capital expenditures (includes paid and not yet paid)	$ 78,522	$ 55	$ 69	$ -	$ 78,646
Total assets	$ 795,778	$ 19,365	$ 8,573	$ (29,806)	$ 793,910

	Predecessor Registrant For the year ended December 31, 2010				
	Satellite services	Broadband satellite services	Programming distribution services	Eliminations upon consolidation	Total
Revenues	$ 112,666	$ 12,924	$ 10,158	$ -	$ 135,748
Eliminations	(6,885)	(14)	(87)	-	(6,986)
Operating revenues	105,781	12,910	10,071	-	128,762
Cost and expenses	37,326	10,556	9,714	-	57,596
Eliminations	(12,712)	(5,167)	(3,064)	-	(20,943)
	24,614	5,389	6,650	-	36,653
Depreciation and amortization	42,501	901	392	(392)	43,402
Reorganization expenses	16,443	-	-	-	16,443
Gain on sale of programming agreements	(5,885)	-	-	5,885	-
Operating income	28,108	6,620	3,029	(5,493)	32,264
Interest expense	-	-	-	-	(45,789)
Interest income	-	-	-	-	345
Foreign exchange gain – net	-	-	-	-	71
Loss before income tax	-	-	-	-	(13,109)
Income tax expense	-	-	-	-	779
Net loss	-	-	-	-	$ (13,888)
Capital expenditures (include paid and not yet paid)	$ 67,959	$ 576	$ -	$ -	$ 68,535
Total assets	$ 416,760	$ 17,537	$ 2,896	$ 1,764	$ 438,957

18. Supplemental Guarantor Condensed Consolidating Financial Statements

On May 5, 2011 Satmex offered $325,000 in aggregate principal amount of Senior Secured Notes. Satmex exchanged the Senior Secured Notes for $325.0 million of registered 9.5% Senior Secured Notes due 2017 (the "Exchange Notes").

On April 9, 2012, Satmex offered an additional $35,000 aggregate principal amount of Senior Secured Notes as a tack-on to the Senior Secured Notes (the "Tack-on Notes") due in 2017, issued in a private placement under Rule 144A and Regulation S of the U.S. Securities Act of 1933, as amended. The Tack-on Notes were exchanged for registered notes on September 28, 2012. The additional Tack-on Notes were priced at 102.00% and will bear interest at an annual fixed rate of 9.50%.

Both the Exchange Notes and the Tack-on Notes are guaranteed by all of Satmex's U.S. domiciled subsidiaries existing on the issue date (which as of the date of the accompanying consolidated financial statements inclndes Alterna'TV Corp. and Alterna'TV Int. (the "Guarantors")). Future guarantor subsidiaries are contemplated in the indentures. The guarantees are full and unconditional and are joint and several obligations of the guarantors and are secured by first priority liens on the collateral securing the notes, subject to certain permitted liens. Accordingly, supplemental guarantor condensed consolidating financial statements are included hereon.

Satmex's investments in subsidiaries in the accompanying guarantor information are accounted for under the equity method, representing acquisition cost adjusted for Satmex's share of the subsidiary's cumulative results of operations, capital contributions, distributions and other equity changes. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions.

The following tables have been prepared in accordance with Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*, in order to present the (i) condensed consolidating balance sheets as of December 31, 2012 and 2011 (Successor registrant), (ii) condensed consolidating statements of operations and condensed statements of cash flows for (a) the year ended December 31, 2012 (Successor registrant), (b) the period from May 26, 2011 through December 31, 2011 (Successor registrant) and (c) the period from January 1, 2011 through May 25, 2011 and for the year ended December 31, 2010 (Predecessor Registrant), of Satmex, which is the issuer of the Senior Secured Notes and the Tack-on Notes, and of, the Guarantors (which are combined for this purpose), the Non-Guarantors, and the elimination entries necessary to consolidate the issuer with the Guarantor and Non-Guarantor subsidiaries.

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Condensed Consolidating Balance Sheets

As of December 31, 2012
(In thousands of U. S. dollars)

	Successor Registrant				
	Satmex Issuer	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations upon consolidation	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 58,873	$ 921	$ 14,858	$ -	$ 74,652
Restricted cash	4,900	-	-	-	4,900
Accounts receivable, net	8,760	3,006	6,506	(4,751)	13,521
Inventories, net of allowance for obsolescence	-	-	413	-	413
Prepaid insurance and other assets	8,552	129	44	-	8,725
Deferred tax assets	1,566	909	584	-	3,059
Total current assets	82,651	4,965	22,405	(4,751)	105,270
Satellites and equipment, net	550,351	83	2,128	-	552,562
Concessions, net	39,239	-	3,598	-	42,837
Due from related parties	4,003	-	960	(4,963)	-
Intangible assets and other assets	30,772	2,168	1,015	-	33,955
Investment in subsidiaries	19,041	-	-	(19,041)	-
Deferred financing cost	11,390	-	-	-	11,390
Total	$ 737,447	$ 7,216	$ 30,106	$ (28,755)	$ 746,014
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable, accrued expenses and other	$ 41,286	$ 3,240	$ 5,111	$ (4,751)	$ 44,886
Deferred revenue	3,605	-	-	-	3,605
Income tax payable	-	-	13	-	13
Total current liabilities	44,891	3,240	5,124	(4,751)	48,504
Debt obligations	360,000	-	-	-	360,000
Other long-term liabilities	27,317	4,003	1,060	(4,963)	27,417
Long-term deferred tax liabilities	7,243	15	1,225	-	8,483
Total liabilities	439,451	7,258	7,409	(9,714)	444,404
Shareholders' equity:					
Paid-in capital	275,662	(1,173)	21,481	(20,308)	275,662
Retained earnings	22,334	1,131	1,216	(2,347)	22,334
Noncontrolling interest	-	-	-	3,614	3,614
Total shareholders' equity	297,996	(42)	22,697	(19,041)	301,610
Total	$ 737,447	$ 7,216	$ 30,106	$ (28,755)	$ 746,014

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Condensed Consolidating Balance Sheets

As of December 31, 2011
(In thousands of U. S. dollars)

	Successor Registrant				
	Satmex Issuer	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations upon consolidation	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 65,393	$ 989	$ 12,869	$ -	$ 79,251
Accounts receivable, net	8,503	2,253	6,366	(4,464)	12,658
Inventories, net of allowance for obsolescence	-	-	489	-	489
Prepaid insurance and other assets	6,592	21	74	-	6,687
Deferred tax assets	-	-	386	(386)	-
Total current assets	80,488	3,263	20,184	(4,850)	99,085
Satellites and equipment, net	440,697	95	2,223	-	443,015
Concessions, net	40,819	-	3,809	-	44,628
Due from related parties	5,023	-	778	(5,801)	-
Intangible assets and other assets	60,480	2,985	1,073	-	64,538
Investment in subsidiaries	16,688	-	-	(16,688)	-
Deferred financing cost	13,677	-	-	-	13,677
Deferred tax assets	-	685	-	(685)	-
Total	$ 657,872	$ 7,028	$ 28,067	$ (28,024)	$ 664,943
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable, accrued expenses and other	$ 17,557	$ 2,974	$ 4,611	$ (4,464)	$ 20,678
Deferred tax liabilities	1,757	-	119	(386)	1,490
Total current liabilities	19,314	2,974	4,730	(4,850)	22,168
Debt obligations	325,000	-	-	-	325,000
Other long-term liabilities	37,482	5,023	891	(5,801)	37,595
Long-term deferred tax liabilities	19,296	-	1,278	(685)	19,889
Total liabilities	401,092	7,997	6,899	(11,336)	404,652
Shareholders' equity:					
Paid-in capital	275,662	(1,173)	21,481	(20,308)	275,662
(Accumulated deficit) retained earnings	(18,882)	204	(313)	109	(18,882)
Noncontrolling interest	-	-	-	3,511	3,511
Total shareholders' equity	256,780	(969)	21,168	(16,688)	260,291
Total	$ 657,872	$ 7,028	$ 28,067	$ (28,024)	$ 664,943

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Condensed Consolidating Statements of Income

For the year ended December 31, 2012
(In thousands of U. S. dollars)

	Successor Registrant				
	Satmex Issuer	Guarantor Subsidiaries	Non - Guarantor Subsidiaries	Eliminations upon consolidation	Consolidated
Revenues:					
Satellite services	$ 120,358	$ -	$ -	$ (6,404)	$ 113,954
Broadband satellite services	-	-	10,980	(31)	10,949
Programming distribution services	-	14,504	-	-	14,504
Services companies	-	-	14,109	(14,109)	-
	120,358	14,504	25,089	(20,544)	139,407
Cost of satellite services	12,305	-	4,032	(4,516)	11,821
Cost of broadband satellite services	-	-	7,866	(4,715)	3,151
Cost of programming distribution services	-	10,129	-	(1,689)	8,440
Selling and administrative expenses	17,124	1,756	11,891	(9,624)	21,147
Depreciation and amortization	63,237	893	821	-	64,951
	92,666	12,778	24,610	(20,544)	109,510
Operating income	27,692	1,726	479	-	29,897
Interest (expense) income, net and other	(1,854)	(251)	1,060	(2,353)	(3,398)
Income before income tax	25,838	1,475	1,539	(2,353)	26,499
Income tax (benefit) expense	(15,378)	548	10	-	(14,820)
Net income	41,216	927	1,529	(2,353)	41,319
Less: Net income attributable to noncontrolling interest	-	-	-	103	103
Net income attributable to Satélites Mexicanos, S. A. de C. V.	$ 41,216	$ 927	$ 1,529	$ (2,456)	$ 41,216

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Condensed Consolidating Statements of Operations

For the period from May 26, 2011 through December 31, 2011
(In thousands of U. S. dollars

	Successor Registrant				
	Satmex Issuer	Guarantor Subsidiaries	Non - Guarantor Subsidiaries	Eliminations upon consolidation	Consolidated
Revenues:					
Satellite services	$ 63,505	$ -	$ -	$ (3,791)	$ 59,714
Broadband satellite services	-	-	7,448	(15)	7,433
Programming distribution services	1,063	6,513	-	(13)	7,563
Services companies	-	-	9,050	(9,050)	-
	64,568	6,513	16,498	(12,869)	74,710
Cost of satellite services	6,533	-	2,549	(2,891)	6,191
Cost of broadband satellite services	-	-	4,432	(3,044)	1,388
Cost of programming distribution services	636	4,489	-	(732)	4,393
Selling and administrative expenses	10,465	1,332	7,030	(6,035)	12,792
Depreciation and amortization	45,110	714	723	-	46,547
	62,744	6,535	14,734	(12,702)	71,311
Operating income (loss)	1,824	(22)	1,764	(167)	3,399
Interest expense, net and other	(9,059)	(121)	(1,244)	301	(10,123)
(Loss) income before income tax	(7,235)	(143)	520	134	(6,724)
Income tax expense (benefit)	11,647	(347)	833	-	12,133
Net (loss) income	(18,882)	204	(313)	134	(18,857)
Less: Net income attributable to noncontrolling interest	-	-	-	(25)	(25)
Net (loss) income attributable to Satélites Mexicanos, S. A. de C. V.	$ (18,882)	$ 204	$ (313)	$ 109	$ (18,882)

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Condensed Consolidating Statements of Operations

For the period from January 1, 2011 through May 25, 2011
(In thousands of U. S. dollars)

	Predecessor Registrant				
	Satmex Issuer	Guarantor Subsidiaries	Non - Guarantor Subsidiaries	Eliminations upon consolidation	Consolidated
Revenues:					
Satellite services	$ 46,577	$ -	$ -	$ (2,843)	$ 43,734
Broadband satellite services	-	-	5,198	(8)	5,190
Programming distribution services	761	4,040	-	(15)	4,786
Services companies	-	-	12,739	(12,739)	-
	47,338	4,040	17,937	(15,605)	53,710
Cost of satellite services	4,586	-	1,960	(2,145)	4,401
Cost of broadband satellite services	-	-	2,839	(2,154)	685
Cost of programming distribution services	454	2,875	-	(704)	2,625
Selling and administrative expenses	5,535	595	12,186	(10,602)	7,714
Depreciation and amortization	16,682	167	398	(167)	17,080
Reorganization expenses	28,766	-	-	-	28,766
	56,023	3,637	17,383	(15,772)	61,271
Operating income	(8,685)	403	554	167	(7,561)
Interest expense, net and other	17,761	93	(473)	1,619	19,000
(Loss) income before income tax	(26,446)	310	1,027	(1,452)	(26,561)
Income tax expense (benefit)	2,317	1	(119)	-	2,199
Net (loss) income	(28,763)	309	1,146	(1,452)	(28,760)
Less: Net income attributable to noncontrolling interest	-	-	-	3	3
Net (loss) income attributable to Satélites Mexicanos, S. A. de C. V.	$ (28,763)	$ 309	$ 1,146	$ (1,455)	$ (28,763)

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Condensed Consolidating Statements of Operations

For the year ended December 31, 2010
(In thousands of U. S. dollars)

	Predecessor Registrant				
	Satmex Issuer	Guarantor Subsidiaries	Non - Guarantor Subsidiaries	Eliminations upon consolidation	Consolidated
Revenues:					
Satellite services	$ 112,666	$ -	$ -	$ (6,885)	$ 105,781
Broadband satellite services	-	-	12,924	(14)	12,910
Programming distribution services	1,935	8,223	-	(87)	10,071
Services companies	-	-	13,957	(13,957)	-
	114,601	8,223	26,881	(20,943)	128,762
Cost of satellite services	11,697	-	4,454	(4,746)	11,405
Cost of broadband satellite services	-	-	7,988	(5,167)	2,821
Cost of programming distribution services	1,117	6,075	-	(1,805)	5,387
Selling and administrative expenses	13,679	1,483	11,103	(9,225)	17,040
Depreciation and amortization	42,501	392	901	(392)	43,402
Reorganization expenses	16,443	-	-	-	16,443
Gain on sale of programming agreements	(5,885)	-	-	5,885	-
	79,552	7,950	24,446	(15,450)	96,498
Operating income	35,049	273	2,435	(5,493)	32,264
Interest expense, net and other	(43,222)	(176)	333	(2,308)	(45,373)
(Loss) income before income tax	(8,173)	97	2,768	(7,801)	(13,109)
Income tax expense	274	-	505	-	779
Net (loss) income	(8,447)	97	2,263	(7,801)	(13,888)
Less: Net income attributable to noncontrolling interest	-	-	-	444	444
Net (loss) income attributable to Satélites Mexicanos, S. A. de C. V.	$ (8,447)	$ 97	$ 2,263	$ (8,245)	$ (14,332)

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Condensed Consolidating Statements of Cash Flows

For the year ended December 31, 2012
(In thousands of U.S. dollars)

	Successor Registrant				
	Satmex Issuer	Guarantor Subsidiaries	Non - Guarantor Subsidiaries	Eliminations upon consolidation	Consolidated
Cash flows from operating activities	$ 80,103	$ (56)	$ 2,451	$ -	$ 82,498
Cash flows from investing activities:					
Restricted cash-Satmex 8	(4,900)	-	-	-	(4,900)
Construction in progress - satellites (including capitalized interest)	(114,678)	-	-	-	(114,678)
Acquisition of equipment	(1,524)	(12)	(462)	-	(1,998)
Net cash used in investing activities	(121,102)	(12)	(462)	-	(121,576)
Cash flows from financing activities:					
Issuance of Senior Secured Notes	35,700	-	-	-	35,700
Deferred financing costs	(1,221)	-	-	-	(1,221)
Net cash provided by financing activities	34,479	-	-	-	34,479
Cash and cash equivalents:					
Net (decrease) increase for the year	(6,520)	(68)	1,989	-	(4,599)
Beginning of year	65,393	989	12,869	-	79,251
End of year	$ 58,873	$ 921	$ 14,858	$ -	$ 74,652

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Condensed Consolidating Statements of Cash Flows

For the period from May 26, 2011 through December 31, 2011
(In thousands of U.S. dollars)

	Successor Registrant				
	Satmex Issuer	Guarantor Subsidiaries	Non - Guarantor Subsidiaries	Eliminations upon consolidation	Consolidated
Cash flows from operating activities	$ 33,386	$ (3,806)	$ 2,774	$ -	$ 32,354
Cash flows from investing activities:					
Construction in progress Satmex 8 (including capitalized interest)	(150,537)	-	-	-	(150,537)
Acquisition of equipment	(1,393)	(47)	(187)	-	(1,627)
Net cash used in investing activities	(151,930)	(47)	(187)	-	(152,164)
Cash flows from financing activities:					
Proceeds from equity issuance	90,000	-	-	-	90,000
Repayment of First Priority Old Notes	(238,237)	-	-	-	(238,237)
Deferred financing costs	(333)	-	-	-	(333)
Net cash used in financing activities	(148,570)	-	-	-	(148,570)
Cash and cash equivalents:					
Net (decrease) increase for the period	(267,114)	(3,853)	2,587	-	(268,380)
Beginning of period	332,507	4,842	10,282	-	347,631
End of period	$ 65,393	$ 989	$ 12,869	$ -	$ 79,251

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Condensed Consolidating Statements of Cash Flows

For the period from January 1, 2011 through May 25, 2011
(In thousands of U.S. dollars)

	Predecessor Registrant				
	Satmex Issuer	Guarantor Subsidiaries	Non - Guarantor Subsidiaries	Eliminations upon consolidation	Consolidated
Cash flows from operating activities:	$ 43,598	$ (35,570)	$ 106	$ -	$ 8,134
Cash flows from investing activities:					
Construction in progress Satmex 8 (including capitalized interest)	(42,333)	-	-	-	(42,333)
Acquisition of equipment	(511)	(57)	(67)	-	(635)
Net cash used in investing activities	(42,844)	(57)	(67)	-	(42,968)
Cash flows from financing activities:					
Issuance of Senior Secured Notes	325,000	-	-	-	325,000
Deferred financing costs	(18,247)	-	-	-	(18,247)
Net cash provided by financing activities	306,753	-	-	-	306,753
Cash and cash equivalents:					
Net (decrease) increase for the period	307,507	(35,627)	39	-	271,919
Beginning of period	25,000	40,469	10,243	-	75,712
End of period	$ 332,507	$ 4,842	$ 10,282	$ -	$ 347,631

Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Condensed Consolidating Statements of Cash Flows

For the year ended December 31, 2010
(In thousands of U.S. dollars)

	Predecessor Registrant				
	Satmex Issuer	Guarantor Subsidiaries	Non - Guarantor Subsidiaries	Eliminations upon consolidation	Consolidated
Cash flows from operating activities:	$ 38,341	$ 381	$ 2,288	$ -	$ 41,010
Cash flows from investing activities:					
Construction in progress Satmex 8 (including capitalized interest)	(63,113)	-	-	-	(63,113)
Acquisition of equipment	(3,999)	-	(579)	-	(4,578)
Net cash used in investing activities	(67,112)	-	(579)	-	(67,691)
Cash and cash equivalents:					
Net (decrease) increase for the year	(28,771)	381	1,709	-	(26,681)
Beginning of year	53,771	40,088	8,534	-	102,393
End of year	$ 25,000	$ 40,469	$ 10,243	$ -	$ 75,712

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Satélites Mexicanos, S. A. de C. V. and Subsidiaries

Schedules of Valuation and Qualifying Accounts

(In thousands of U.S. dollars)

Description	Balance at beginning of period	Charged to cost and expenses	Deductions from reserves and other effects	Balance at end of period
Year ended 2012 (Successor Registrant)				
Allowance for doubtful accounts	$ 1,360	$ (83)	$ (75)	$ 1,202
Inventory allowance	$ 24	$ 100	$ -	$ 124
Valuation allowance on deferred tax assets	$ 34,497	$ 15,676	$ -	$ 50,173
For the period from May 26, 2011 through December 31, 2011 (Successor Registrant)				
Allowance for doubtful accounts	$ -	$ 1,360	$ -	$ 1,360
Inventory allowance	$ 24	$ -	$ -	$ 24
Valuation allowance on deferred tax assets	$ 135,291 (1)	$ (873)	$ (99,921) (2)	$ 34,497
For the period from January 1, 2011 through May 25, 2011 (Predecessor Registrant)				
Allowance for doubtful accounts	$ 532	$ -	$ (532) (3)	$ -
Inventory allowance	$ 24	$ -	$ -	$ 24
Valuation allowance on deferred tax assets	$ 146,562	$ 10,394	$ -	$ 156,956 (1)
Year ended December 31, 2010 (Predecessor Registrant)				
Allowance for doubtful accounts	$ 360	$ 172	$ -	$ 532
Inventory allowance	$ 24	$ -	$ -	$ 24
Valuation allowance on deferred tax assets	$ 164,472	$ 76	$ (17,986) (4)	$ 146,562

(1) Ending balance for the Predecessor Registrant does not match the beginning balance for the Successor Registrant due to the application of push-down accounting.

(2) Due to the use of the hybrid method, certain tax loss carryforwards and credits on IETU losses are excluded from or included in the deferred tax computation during those years in which the Company expects to pay IETU or ISR, respectively; accordingly, the related allowance on deferred tax assets is also excluded from or included in the deferred tax computation.

(3) Write-offs of uncollectible accounts due to the application of push-down accounting.

(4) Write-offs of valuation allowance on deferred tax assets due to expiration and use of tax loss carryforwards.

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