

Intelsat CORP
Form 10-K
March 21, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the fiscal year ended December 31, 2007

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from to

Commission file number 0-22531

INTELSAT CORPORATION

(Exact name of registrant as specified in its charter)

Edgar Filing: Intelsat CORP - Form 10-K

Delaware
(State or Other Jurisdiction of

95-4607698
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

3400 International Drive, N.W., Washington, D.C.
(Address of Principal Executive Offices)

20008
(Zip Code)

(202) 944-6800

Registrant's telephone number, including area code

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The Registrant meets the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K and is therefore filing this form with the reduced disclosure format.

As of March 10, 2008, an aggregate of 548 shares of our common stock were outstanding.

Documents incorporated by reference: None

TABLE OF CONTENTS

<u>Forward-Looking Statements</u>	Page
	1
PART I	
Item 1. <u>Business</u>	3
Item 1A. <u>Risk Factors</u>	28
Item 1B. <u>Unresolved Staff Comments</u>	37
Item 2. <u>Properties</u>	37
Item 3. <u>Legal Proceedings</u>	38
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	38
PART II	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	38
Item 6. <u>Selected Financial Data</u>	39
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	41
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	72
Item 8. <u>Financial Statements and Supplementary Data</u>	73
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	73
Item 9A(T). <u>Controls and Procedures</u>	73
Item 9B. <u>Other Information</u>	74
PART III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	75
Item 11. <u>Executive Compensation</u>	75
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	75
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	75
Item 14. <u>Principal Accountant Fees and Services</u>	77
PART IV	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	79
<u>Signatures</u>	80
<u>Index to Exhibits</u>	
<u>Index to Consolidated Financial Statements</u>	F-1

FORWARD-LOOKING STATEMENTS

Some of the statements in this Annual Report on Form 10-K, or Annual Report, constitute forward-looking statements that do not directly or exclusively relate to historical facts. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for certain forward-looking statements as long as they are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements.

When used in this Annual Report, the words may, will, might, should, expect, plan, anticipate, project, believe, estimate, potential, outlook and continue, and the negative of these terms, and other similar expressions are intended to identify forward-looking statements and information. Examples of these forward-looking statements include, but are not limited to, statements regarding the following: our goal to sustain Intelsat, Ltd. s, or Intelsat, leadership position in the fixed satellite services, or FSS, sector and enhance our free cash flow; our plan to expand the broadcast communities on selected satellites in our fleet; our belief that the direct-to-home transmission of television programming via satellite could contribute to future growth in the demand for satellite services as programmers seek to add programming to established networks and as new networks develop; our intent to continue to evaluate and pursue strategic transactions that can broaden our customer base, provide enhanced geographic presence, provide complementary technical and commercial capabilities, further utilize our infrastructure, modify our service application mix, and create operational efficiencies; our belief that our corporate network customers increasingly require managed services best addressed by a network that combines space and terrestrial infrastructure; our expectation that the FSS sector will experience moderate growth over the next few years; our expectation that near-term strategic opportunities in the FSS sector may involve smaller, regional or national satellite operators; with respect to video contribution services, our intent to expand our hybrid infrastructure to grow our business; our expectation that growth in high definition television programming will increase the demand for wholesale satellite capacity; the trends that we believe will impact our revenue and operating expenses in the future; our plans for satellite launches in the near term; our expected capital expenditures in 2008 and during the next several years; our belief that our balanced geographic mix provides some protection from adverse regional economic conditions; the impact on our financial position or results of operations of pending legal proceedings; and the impact of the New Sponsors Acquisition Transactions and the Intelsat Acquisition Transactions, each as defined in Item 1 Business.

The forward-looking statements made in this Annual Report reflect our intentions, plans, expectations, assumptions and beliefs about future events. These forward-looking statements speak only as of their dates and are not guarantees of future performance or results and are subject to risks, uncertainties and other factors, many of which are outside of our control. These factors could cause actual results or developments to differ materially from the expectations expressed or implied in the forward-looking statements and include known and unknown risks. Known risks include, among others, the risks discussed in Item 1A Risk Factors, the political, economic and legal conditions in the markets we are targeting for communications services or in which we operate and other risks and uncertainties inherent in the telecommunications business in general and the satellite communications business in particular.

Other factors that may cause results or developments to differ materially from the forward-looking statements made in this Annual Report include, but are not limited to:

risks associated with operating our in-orbit satellites;

satellite launch failures, satellite launch and construction delays and in-orbit failures or reduced performance;

our ability to obtain new satellite insurance policies with financially viable insurance carriers on commercially reasonable terms or at all, as well as the ability of our insurance carriers to fulfill their obligations;

possible future losses on satellites that are not adequately covered by insurance;

domestic and international government regulation;

changes in our revenue backlog or expected revenue backlog for future services;

pricing pressure and overcapacity in the markets in which we compete;

inadequate access to capital markets;

the competitive environment in which we operate;

customer defaults on their obligations owed to us;

our international operations and other uncertainties associated with doing business internationally;

litigation; and

other risks discussed under Item 1A Risk Factors.

In connection with our acquisition by funds controlled by BC Partners Holdings Limited and Silver Lake Partners as described in this Annual Report under Item 1 Business Significant Transactions The New Sponsors Acquisition Transactions, factors that may cause results or developments to differ materially from the forward-looking statements made in this Annual Report include, but are not limited to:

our substantial level of indebtedness following consummation of the New Sponsors Acquisition Transactions;

certain covenants in our debt agreements following consummation of the New Sponsors Acquisition Transactions;

the ability of our subsidiaries to make distributions to us in amounts sufficient to make required interest and principal payments; and

risks that the New Sponsors Acquisition Transactions disrupt our current plans and operations and the potential difficulties in employee retention, including key members of our senior management, as a result of such transactions.

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

PART I

Item 1. Business

In this Annual Report, unless otherwise indicated or the context otherwise requires, (1) the terms Intelsat Corp, we, us, our, and the Company refer to Intelsat Corporation, formerly known as PanAmSat Corporation, a wholly-owned subsidiary of Intelsat Holding Corporation, formerly known as PanAmSat Holding Corporation, (2) the term PanAmSat Holdco refers to Intelsat Holding Corporation, and not to its subsidiaries, (3) the term PanAmSat refers to PanAmSat Holdco and its subsidiaries, including Intelsat Corp, (4) the terms Intelsat and combined company refer to Intelsat, Ltd. and its currently existing subsidiaries on a consolidated basis after giving effect to the Intelsat Acquisition Transactions, (5) the terms Serafina and Intelsat Global Subsidiary refer to Intelsat Global Subsidiary, Ltd. (formerly known as Serafina Acquisition Limited), (6) the terms Serafina Holdings and Intelsat Global refer to Intelsat Global, Ltd. (formerly known as Serafina Holdings Limited), (7) the term Intelsat Bermuda refers to Intelsat (Bermuda), Ltd., Intelsat, Ltd.'s direct wholly-owned subsidiary, (8) the term Intelsat Jackson refers to Intelsat Jackson Holdings, Ltd., a newly formed direct subsidiary of Intelsat Bermuda, (9) the term Intermediate Holdco refers to Intelsat Intermediate Holding Company, Ltd., Intelsat Jackson's direct wholly-owned subsidiary, (10) the term Intelsat Sub Holdco refers to Intelsat Subsidiary Holding Company, Ltd., Intermediate Holdco's direct wholly-owned subsidiary, (11) the term Intelsat Holdings refers to Intelsat, Ltd.'s parent, Intelsat Holdings, Ltd., and (12) the term New Sponsors Acquisition Transactions refers to the acquisition of Intelsat Holdings by Serafina and the related transactions discussed under Significant Transactions The New Sponsors Acquisition Transactions. We refer to Intelsat General Corporation, Intelsat's government business subsidiary, as IGen. In this Annual Report, unless the context otherwise requires, all references to transponder capacity or demand refer to transponder capacity or demand in the C-band and Ku-band only.

Our Company

We operate as a fully integrated subsidiary of Intelsat, Ltd., our indirect parent. We provide service on a global fleet of 26 satellites that are integrated with 27 other satellites owned by other subsidiaries of Intelsat for a combined fleet of 53 satellites that supply video, data and voice connectivity in approximately 200 countries and territories for over 1,800 customers.

Our goal is to connect people and businesses around the world with reliable, flexible and innovative communications services. Our business is diversified by service offering, customer group, satellite and geography, which reduces our market and operating risk. Our broad customer base includes some of the world's leading media and communications companies, multinational corporations and Internet service providers, or ISPs. Our customers access our capacity through our extensive service offerings, which include transponder services, hybrid managed services combining satellite capacity and terrestrial facilities.

As a subsidiary of Intelsat, we operate in an attractive, well-developed sector of the satellite communications industry, which is benefiting from increasing demand for fixed satellite services capacity from both private industry and governments. The fixed satellite services sector is characterized by steady and predictable contracted revenue streams, high operating margins, strong cash flows and long-term contractual commitments. As of December 31, 2007, our revenue backlog, which is based on long-term customer commitments of up to 15 years, was approximately \$4.5 billion, approximately 98% of which relates to contracts that are non-cancelable or cancelable only upon payment of substantial termination fees. For the year ended December 31, 2007, we generated revenue (including revenue from affiliates) of \$1.0 billion.

Our combined company has the largest, most flexible and one of the most reliable satellite fleets in the world, covering over 99% of the world's population. Our fleet is operated using a fully integrated satellite operations model that features two operations centers connected by redundant fiber, resulting in a robust monitoring and control system that we believe is unrivaled in our industry. Our satellite fleet is complemented by

a terrestrial network of teleports, points of presence and leased fiber links that we use to carry traffic and provide satellite access for our customers. The flexibility of our combined fleet allows us to respond quickly to changes in market conditions and customer demand in order to maximize our revenue and profitability. Since completing the Intelsat Acquisition Transactions in July 2006, we have combined the satellite fleets and implemented new initiatives to increase our financial returns on our satellites, collectively known as our capacity management strategy. Examples of these initiatives include building new satellite neighborhoods around key applications such as direct-to-home, or DTH, video, loading traffic on transponders more efficiently, repointing the beams of certain satellites to bring additional capacity to areas of unmet demand, and relocating satellites to orbital locations that offer improved revenue opportunities. Our capacity management strategy will allow us to take a more strategic approach to our fleet replacement cycle, which we believe will result in long-term capital expense savings, since some retiring satellites will not need to be replaced on a one-for-one basis. We believe our capacity management strategy will increase returns on our assets, enhance the value of our orbital locations, and maximize the marketable capacity of our global fleet.

Our combined companies have invested heavily in our communications network over the past several years. Our combined companies spent approximately \$3.4 billion on 16 satellites launched from May 2001 to October 2005 in connection with our last satellite fleet renewal and deployment cycles, which were completed with the launch of our Galaxy 15 satellite. The average remaining service life of our satellites was approximately 6.9 years as of December 31, 2007, weighted on the basis of nominally available capacity for the 23 station-kept satellites of the 26 satellites we owned and operated at that time. Since October 2005, our combined company has launched four satellites, and we have recently accelerated and increased certain capital expenditure plans due to new business opportunities with returns on investment that are expected to meet or exceed our financial objectives.

Fixed satellite services are an integral part of the global communications infrastructure. Our customers use our services because of the distinct technical and economic benefits satellite services provide for certain applications. Satellites provide a number of advantages over terrestrial communications systems, including ubiquitous coverage, the ability to broadcast signals to many locations simultaneously and independence from terrestrial infrastructure, including points of congestion or unreliability. Satellites allow equal access to bandwidth regardless of location, density of population or availability of terrestrial infrastructure. This feature, combined with the ability of satellites to simultaneously broadcast high quality, secure signals from a single location to many locations, results in a cost efficient distribution medium for video signals. Corporations, network providers and governments use satellite solutions because the technology provides a secure, easily replicated network platform that can be deployed quickly, and across many different regions, simplifying overall network topologies. The ability of satellites to provide instant communications makes them desirable for disaster recovery and military applications.

The global fixed satellite services, or FSS, sector is expected to generate revenues of approximately \$8.1 billion in 2008 according to *NSR*, a leading international market research and consulting firm specializing in satellite and wireless technology and applications. There are multiple growth areas that we believe will drive the continued expansion of the FSS industry.

Video: Video distribution services for applications such as high definition television, or HDTV, DTH television platforms, and delivery of globalized content are expected to be a source of growth. The increased transmission of HDTV signals requires greater transmission capacity than standard definition signals, and will create additional demand for capacity. Continuing deregulation is expected to create new DTH television platform operators in numerous international markets. Programmers routinely distribute news, sports and entertainment to audiences in multiple geographic markets.

Data networks: The demand from global organizations for large, cost-effective private corporate networks made possible through the combination of broad geographic satellite coverage and the use of very small aperture terminals, or VSATs, is expected to be a source of growth. Satellite-based data networks are expected to grow especially in international markets where terrestrial networks are not well developed and where broadband Internet access is a business necessity.

Mobility: Efforts by consumer communications companies to combine video services and telephony into a single platform, wired or mobile, should also benefit the FSS industry through increased requirements for the broadcast of video services to new and developing networks. Wireless operators also require satellite capacity for backhaul services that provide a cost-efficient means to rapidly expand their service areas.

Hybrid satellite-fiber solutions: The combination of our satellites and terrestrial facilities enables us to provide hybrid managed services to our customers, which they use primarily for video and Internet-related services. This is an area which has experienced rapid growth over the last several years, and which we believe will continue to offer growth opportunities within the industry.

In total, C- and Ku-band transponder service revenue in the FSS sector is expected to grow at a compound annual growth rate, or CAGR, of 3.9% from 2007 to 2012 according to *NSR*.

Significant Transactions

The New Sponsors Acquisition Transactions

On June 19, 2007, Intelsat Holdings, certain shareholders of Intelsat Holdings, Serafina Holdings, and Serafina (a wholly-owned subsidiary of Serafina Holdings) signed a definitive share purchase agreement (referred to herein as the BC Share Purchase Agreement) for the acquisition of Intelsat Holdings by Serafina. Serafina Holdings is an entity newly formed by funds controlled by BC Partners Holdings Limited, referred to as the BCEC Funds, and certain other investors. Subsequent to the execution of the BC Share Purchase Agreement, two investment funds controlled by Silver Lake Partners and other equity investors joined the BCEC Funds as the equity sponsors of Serafina Holdings. We refer to the BCEC Funds, the Silver Lake Partners funds and the other equity sponsors collectively as the New Sponsors. On February 4, 2008, pursuant to the BC Share Purchase Agreement, Serafina acquired 100% of the equity ownership of Intelsat Holdings, referred to as the New Sponsors Acquisition. The aggregate cash purchase price for all of the equity securities of Intelsat Holdings was approximately \$5.0 billion. As a result of completion of the New Sponsors Acquisition and related financing transactions, other subsidiaries of Intelsat assumed aggregate net incremental debt of approximately \$3.7 billion. See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Impact of Significant Transactions The New Sponsors Acquisition Transactions.

The Intelsat Acquisition Transactions

On August 28, 2005, Intelsat Bermuda, PanAmSat Holdco and Proton Acquisition Corporation, a wholly-owned subsidiary of Intelsat Bermuda, signed a definitive merger agreement pursuant to which Intelsat Bermuda acquired all of the outstanding equity interests in PanAmSat Holdco for \$25.00 per common share in cash, or approximately \$3.2 billion in the aggregate (plus approximately \$0.00927 per share as the pro rata share of undeclared regular quarterly dividends). This acquisition and related transactions are referred to collectively as the Intelsat Acquisition Transactions. Upon completion of the Intelsat Acquisition Transactions on July 3, 2006, PanAmSat Holdco and Intelsat Sub Holdco became separate direct or indirect wholly-owned subsidiaries of Intelsat Bermuda. As part of this transaction, approximately \$3.2 billion in existing debt of PanAmSat Holdco and its subsidiaries was either refinanced or remained outstanding. Concurrently with the Intelsat Acquisition Transactions, IGen, the entity that operates Intelsat's government services business, purchased the government services business of PanAmSat. The Intelsat Acquisition Transactions are described in further detail below in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Impact of Significant Transactions The Intelsat Acquisition Transactions.

Our Customer Sectors

We provide satellite capacity and related communications services for the transmission of video, data and voice signals. Our customer contracts offer different service types, which fall primarily into three categories: transponder services, managed services and mobile satellite services. Our services are provided to two primary

customer sectors: media and network services. We also perform satellite-related consulting and technical services for various third parties, which is discussed in more detail below in *Our Business Strategy Build New Revenue Streams by Introducing New Products and Services*. For details regarding the distribution of our revenue by geographic region and service type, refer to Note 16 *Business Segment and Geographic Information* in our consolidated financial statements appearing elsewhere in this Annual Report.

Media

The media sector represented approximately 54% of our revenue for the year ended December 31, 2007. Video applications currently use more FSS capacity than any other application, representing approximately 71% of total global C- and Ku-band FSS transponder revenue in 2007, with North America and Europe being the largest users of satellite capacity for video applications, according to *NSR*. We provide satellite transponder capacity and other satellite and terrestrial services for the transmission of entertainment, news, sports and educational programming for content providers worldwide. Our video services are comprised of three categories: video distribution services, DTH television services and video contribution services.

Video Distribution Services. Our primary video distribution service is the full-time transmission of television programming to cable systems, network affiliates and other redistribution systems. Our video distribution services are characterized by long-term contracts with premier media companies and content providers. These companies contract for dedicated transponder services from us, both on our satellites in orbit and those planned for launch in the future. We also offer bundled, value-added services that include satellite capacity, digital encoding of video channels and, if required, up-linking and down-linking services to and from our satellites and teleport facilities.

DTH Television Services. Most of our satellites are capable of providing DTH services through the use of high-powered, Ku-band spot beams that transmit over specific geographic areas. DTH service providers contract for transponder services from us, and our satellites provide the platform for the services they provide to their customers. These services deliver a package of television programming channels directly to a consumer's home from our satellites.

Video Contribution Services. We provide broadcasters with full-time satellite services for the transmission of news, sports and entertainment segments from a remote location to their network affiliates or broadcast centers within the United States and around the world. Broadcasters use our contribution capacity to consolidate programming from various locations and assemble it in one central location for the final programming product. This service provides broadcasters with a dedicated transmission pipeline for the full-time retrieval of programming segments.

Our video contribution services also include occasional use services through which we provide broadcasters with satellite transmission services on a short-term basis, designed to enable broadcasters to conduct on-the-scene transmissions from special events and to receive the transmissions at their broadcast centers or affiliate stations. These occasional use services use our terrestrial infrastructure and our GlobalConnex managed services, including leased fiber facilities, which enable us to capture and transport high definition content for cable and broadcast distribution. In addition to short-term services for special events coverage, we have long-term transponder services agreements with certain satellite services resellers in the United States, which package domestic U.S. transponder capacity for their broadcast, business, educational and government customers. Our occasional use services help us take advantage of unutilized capacity on our satellites and are complementary to other services we offer. Since these services are not typically long-term in nature, the revenue we derive from them is not a significant portion of our contracted backlog.

Highlights of our media business include the following:

Some of our satellites operate as part of video neighborhoods around the world serving the United States, Latin America, the Asia Pacific region, Europe, the Middle East, and the Indian Ocean region.

In North America, we believe that we are the leading provider of FSS capacity for the distribution of high definition and cable programming. We also believe that we are one of the leading providers of FSS capacity for ethnic programming distribution in North America, with approximately 200 channels broadcast.

We are a leading provider of FSS capacity for DTH services, delivering programming to millions of viewers and supporting DTH platforms around the world.

Global C- and Ku-band transponder demand and revenue for FSS video applications is forecasted to grow overall at CAGRs of approximately 4.4% and 5.1%, respectively, from 2007 to 2012, according to *NSR*.

Our revenue from video applications is highly predictable and benefits from primarily non-cancelable contracts.

Network Services

The network services sector represented 22% of our revenue for the year ended December 31, 2007. We provide transponder services and managed services to data and Internet protocol, or IP, service providers, telecommunications carriers, wireless operators and multinational corporations and entities for the transmission of data, voice and video communications globally.

One of the ways we have grown our business is by providing satellite services which enable private data networks such as VSAT networks. We provide satellite services to companies that furnish broadband networks for end users in the United States, Latin America, Europe, the Middle East, Africa and Asia. We also provide capacity directly to owner-operators of networks. These rooftop-to-rooftop VSAT networks provide dedicated, proprietary one-way and two-way communications links among multiple business sites. VSAT network end users include retail chains for rapid credit card authorization and inventory control, banks for the connection of automated teller machines to processing computers and news agencies for the timely dissemination of news and financial information. VSAT network end users also include residential and small and medium-sized enterprises that use these satellite-based services for broadband access.

We have historically served providers of telecommunications services, and in many cases we are the exclusive means for global operators to reach certain remote countries. In the last several years, we have grown our revenues by also providing managed services such as GlobalConnex to broadband service providers and ISPs. We have also grown our network services business by selling transponder services to mobile operators in developing regions for wireless network expansion applications. We believe that we will continue to earn a significant portion of our revenue from our network services sector in the near term, due to the continuing growth in broadband networks, the growing requirement for mobile services and the continued growth of Internet services and applications such as Voice over Internet Protocol, or VoIP.

Highlights of our network services business include the following:

Intelsat was the leading provider of satellite capacity for voice and data applications in 2006, derived from data presented by *Euroconsult*, a leading international research and consulting company specializing in space satellite communications and broadcasting.

We believe that our combined company is the leading provider of satellite capacity for satellite-based private data networks, including VSAT networks. C- and Ku-band transponder demand for VSAT services is expected to grow at a CAGR of 8.2% from 2006 to 2011, according to *NSR*.

We believe that the demand for satellite capacity for certain niche voice and data applications will continue to grow. For example, the proliferation of wireless services worldwide has created demand for our satellite services for backhaul and network extensions in developing regions, due to unreliable or non-existent terrestrial infrastructure. *NSR* expects transponder demand for cellular backhaul via satellite to grow by approximately sixty 36 MHz transponders from 2006 to 2011, representing an 8.4% CAGR.

The growth in Internet applications and broadband Internet access demand is driving growth in our GlobalConnex managed services for network service providers in developing countries. Our strength in voice and data services, established customer relationships and extensive satellite and terrestrial network should allow us to benefit as customers increasingly look for more integrated services to meet their communications needs.

Satellite-Related Services

The satellite-related services sector represented 4% of our revenue for the year ended December 31, 2007. We perform satellite-related consulting and technical services for various third parties. These services include satellite and launch vehicle construction program management and procurement, as well as telemetry, tracking and control, or TT&C, services for satellites owned by other satellite operators.

Government

Prior to the completion of the Intelsat Acquisition Transactions, our former government services business, which was comprised of global satellite and related telecommunications services provided to the U.S. government, international government entities and their contractors, represented approximately 6% of our third-party revenue for the predecessor period January 1, 2006 to July 1, 2006. In connection with the consummation of the Intelsat Acquisition Transactions, our government services business was purchased by IGen.

Our Strengths

We operate our business as a fully integrated subsidiary of Intelsat. Our business is characterized by the following key strengths:

Leading FSS Position in Growing Regions and Customer Sectors

Our combined company is one of the largest FSS providers and, based on the number of transponders contracted, we hold the leading position in each of our customer sectors. As a result of our scale and leadership position in the regions and customer sectors served by our network, we expect to benefit from the following key growth areas in our industry:

Video distribution: We are a leading transmission platform for the distribution of video programming to cable systems in North America and in other regions throughout the world. Through a combination of our long-standing customer relationships, key North American orbital slots, leading anchor tenant cable channels and reception of our combined company's signals by approximately 8,000 qualified cable head-ends, we have been successful in creating cable neighborhoods. These cable neighborhoods are a powerful tool in attracting and retaining customers, because ground infrastructure is specifically designed to receive information from our satellites, making switching costs significant. Our cable neighborhoods include channels in the rapidly growing non-English language and ethnic programming market. Intelsat's Galaxy 25 satellite carries approximately 135 channels offering ethnic programming, including many that are brought to the United States on our system, and we believe that the Galaxy 25 satellite carries more non-English and non-Spanish language programming than any other satellite in North America.

High definition television: We intend to utilize our position and strategically-located capacity to better serve the rapidly growing high definition demand in the cable and broadcast arcs. Today we operate one of North America's largest high definition, or HD, neighborhoods on our Galaxy 13 satellite and distribute HD programming on many of our satellites serving other regions. The number of HDTV channels distributed to broadcasters and cable communities worldwide by FSS operators is forecasted to increase from 154 to 511 channels between 2007 and 2012, according to NSR.

Direct-to-home providers: We are a leading provider of FSS capacity for global DTH services. In international markets, DTH platform operators rely upon FSS capacity in order to deliver their programming services to their subscribers, and 27 of these DTH platform operators deliver their programming on Intelsat satellites. We provide content to millions of households in regions including Latin America, Eastern Europe and Africa. We will continue to focus DTH marketing efforts on these high-growth regions where we believe that our satellite capacity is well-positioned. Given the flexible nature of our capacity, including the ability to reconfigure beam coverage on a number of our satellites in response to customer demand, we believe we will be able to respond quickly to new customer requirements as they develop. According to *NSR*, the demand for C- and Ku-band FSS capacity used for DTH services is expected to grow at a CAGR of approximately 5.9% between 2007 and 2012.

Data and telecommunications services: As a combined company, we are the leading provider of FSS capacity for satellite voice and data services worldwide. As the world's first satellite company, Intelsat has relationships with virtually every incumbent telecommunications operator in every country in the world. Intelsat's leading position with telecommunications and data networking customers has allowed us to benefit from a number of recent trends, including the growth in wireless networks, which has resulted in increased demand for capacity to be used for wireless expansion services, and the growth in demand for broadband services, which support IP-related applications, such as Internet access and VoIP. These trends have resulted in increased satellite demand for our services in developing regions. In the future, we believe our leadership in providing network services will position us to benefit from new demand for FSS capacity supporting mobile broadband solutions to vertical markets such as maritime services.

Stable and Diverse Revenue Generation

Our revenue and backlog are diversified among service sectors, geographic regions, satellites and customers. We currently expect to deliver services associated with approximately \$744.4 million, or approximately 17% of our December 31, 2007 backlog, over the year ending December 31, 2008. Our backlog provides significant near-term revenue visibility, particularly since approximately 98% of our total backlog as of December 31, 2007 relates to contracts that either are non-cancelable or cancelable only upon payment of substantial termination fees. See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Backlog for further information regarding our backlog.

No single satellite generated more than 11.3% of our revenue and no single customer accounted for more than 16% of our revenue during the year ended December 31, 2007. The diversity of our revenue base enables us to capitalize on changing market conditions and mitigates the impact of fluctuations in any specific service sector or geographic region and difficulties that any one customer may experience. The resilience of our fleet also reduces the financial impact of satellite failures and protects against service interruption.

We believe our substantial backlog provides both significant near-term revenue visibility as well as a reliable stream of future revenues. As of December 31, 2007, our revenue backlog was approximately \$4.5 billion. Our backlog has remained relatively stable over the past year, despite our being between renewal cycles on our major media contracts, which would usually result in a declining trend. By service sector and region, our backlog as of December 31, 2007 was as follows:

Note: Regional designation for backlog is based on customer billing address.

Established Relationships with Premier Customers

Our combined company provides satellite services to over 1,800 customers, including many of the world's leading media and broadcasting organizations, multinational corporations, telecommunications companies, ISPs and government/military entities. We believe we are recognized by our customers as a resource for technical excellence and a partner in optimizing the performance of their networks. In most cases, our services are mission critical to the delivery of our customers' services. The following table includes examples of Intelsat's customers for each service sector:

Service Sector Category	Selected Customers
Media	Arqiva, Discovery Communications, Fox Entertainment Group, Home Box Office, Multichoice Ltd., NHK, SKY Brazil, SKY Latin America, SKY Mexico, Starz Encore Group, The DIRECTV Group, The Walt Disney Company, Time Warner, Turner Broadcasting System, Viacom
Network Services	AT&T, British Telecommunications, Cable and Wireless, Central Bank of the Russian Federation, China Netcom, Gateway Communications, Hughes Network Systems, PT Indosat, Schlumberger, Sprint Nextel, TelMex, The World Bank, United Nations, Vizada (Telenor), Vodacom
Government	Artel, National Oceanic and Atmospheric Administration, U.S. Department of Defense's Armed Forces Radio & Television Service, U.S. Department of State, U.S. Navy

Significant Cash Flow Generation

Our strong operating profits, disciplined approach to capital expenditures and culture of continuous operational improvement enable our business to generate significant cash flows from operations. The FSS sector requires sizable investment to develop and launch satellites. However, once satellites are operational costs do not vary significantly, creating operating leverage which can lead to high margins and strong free cash flow from operations.

Our combined companies have invested significantly in our fleet and network infrastructure. Our combined companies spent \$3.4 billion on 16 satellites launched from May 2001 to October 2005 in connection with our last satellite fleet renewal and deployment cycles, which were completed with the launch of our Galaxy 15 satellite. Since October 2005, our combined companies have launched four satellites, and we have recently accelerated and increased certain of our capital expenditure plans due to new business opportunities with returns that are expected to meet or exceed our financial objectives. The average fill rate and remaining service life of our 23 station-kept satellites as of December 31, 2007 were approximately 80.4% and 6.9 years, respectively. As a result, we have the ability to expand our customer and revenue base without significant increases in operating costs. Over time, we intend to rationalize the size of our fleet and consolidate the number of orbital locations required to serve our customers. Our capital allocation decisions are based on the expected return on invested capital and market demand, and we will be prudent in the selection of the number, size and characteristics of replacement and new satellites to be launched.

We are also growing our business and see new opportunities to expand the services we provide. Because of our scale and efficient operating structure, we believe our combined company can capture new business growth without incurring significant additional costs. We believe our efficient operating profile will enable us to generate significant cash flow from operations as our revenues increase.

Leading Global Fleet and Infrastructure

We believe that our combined company has one of the world's largest and most technologically advanced commercial communications systems, comprised of a fleet of geosynchronous satellites, teleports, points of presence and leased and owned fiber. We have a global fleet of 26 satellites that are integrated with 27 satellites owned by other subsidiaries of Intelsat for a combined fleet of 53 satellites. Our global system covers over 99% of the world's population and includes C- and Ku-band satellite capacity that serves approximately 200 countries and territories.

The scale and composition of our combined fleet provides us with flexibility and resilience. Our orbital locations are numerous and well-placed, such that each region of the globe is served by multiple satellites of our fleet. We believe we have adequate redundancy within our in-orbit capacity, and currently have two in-orbit satellites serving in back-up positions. To provide further resilience, many of our satellites are equipped with steerable beams that can be moved in order to provide supplemental capacity to restore service following an anomaly. Our combined company's global satellite fleet is managed on a fully integrated basis, with a common software interface used for satellite management and control. Our east coast satellite operations center is used primarily to operate all of our owned satellites, and our west coast satellite operations center is used primarily to operate third-party satellites. Each of the centers can provide instantaneous restoration in the case of natural disasters or other events resulting in the loss of the other center. We also have terrestrial assets consisting of teleports, points of presence and leased fiber connectivity that complement our satellite network and provide for flexibility in providing service on certain routes. Our terrestrial assets are core to our hybrid managed services and also provide customers with global access to our fleet.

Our combined company's industry-leading satellite fleet and terrestrial infrastructure, as well as our flexibility and ability to offer comprehensive managed services, allow us to provide integrated worldwide distribution and transmission services, reducing our customers' risk of data loss and service interruptions.

Technical Excellence in Satellite Procurement and Operations

Intelsat benefits from over 40 years of technical and commercial experience in building and operating satellite fleets. Our technical excellence routinely results in our being able to fly a satellite long past its design life, and in most cases well beyond the orbital maneuver life estimated at satellite launch, resulting in additional years of revenue-generating life and enhancing our return on our fleet investment. Even though we are replacing only a small portion of our fleet in any year, we are still one of the world's largest buyers of commercial satellites.

and launch vehicles, due to the scale of our fleet. We use our proficiency in designing and procuring satellite systems and launch vehicles, together with an ability to generate volume discounts from satellite manufacturers and launch providers, to benefit our business. We further increase our economies of scale by selling satellite-related consulting and other services to other satellite operators that seek our expertise in designing, building, buying and operating satellites.

Track Record of Product Innovation

We have a core competency in product innovation, as evidenced by the growth of our managed services offerings, known as GlobalConnex, which address increasing customer demand for more integrated services. We have utilized our leadership in providing video, data and voice services for customers, as well as our global network, technical expertise and well-established customer relationships, to offer a comprehensive managed services platform. For example, in 2007 we added a GlobalConnex service to provide broadband connectivity to the maritime industry. Our service offering includes automatic beam switching technology, which automatically adjusts user hardware to new satellite coordinates as the vessel travels across beam and satellite coverages. This innovative service offering delivers a continuous broadband connection at a flat rate per vessel, and is based upon C-band capacity which is underutilized in certain geographic markets. We will continue to operate as a leader of innovation within our industry and explore value-creating opportunities to complement our existing businesses.

Our Business Strategy

We operate as a fully integrated subsidiary of Intelsat and have adopted a one company operating philosophy, and we believe that our company has been successfully transformed as a result of the integration into Intelsat's operations. We now benefit from a more favorable competitive position and a more efficient technical and operational profile.

We are pursuing a business strategy which features four initiatives to build on our transformed competitive position and to address attractive new business opportunities that have developed since the time of the Intelsat acquisition. These strategies for profitable growth, in combination with our culture of continuous improvement, will enable us to increase our revenues and operating cash flows.

Grow Our Business by Focusing on High Growth Regions and Applications

Our combined company has an industry-leading position in every sector that we serve. We believe that the media and network services sectors represent opportunities for revenue growth over the long-term for operators in the FSS industry. We intend to focus our resources on further penetrating the most attractive regions and applications in these sectors in order to increase our profitability and free cash flow.

Media

We intend to expand our media services by continuing to capitalize on the strength of our video neighborhoods, maintaining and growing our leadership position in HDTV distribution and expanding our services for DTH platform operators. We believe that we are well positioned to grow both the distribution and contribution portions of our video business by continuing to develop and expand our cable neighborhoods in the United States, South America and the Asia-Pacific region, and also to build new neighborhoods in Europe. As cable operators expand their channel capacities, we have the opportunity to benefit as more channels, services and other data needs require satellite distribution to cable head-ends. Furthermore, as the number of channels grows, demand increases for our premium cable neighborhood satellites. In addition, many U.S. cable operators are increasingly interested in pursuing business expansion opportunities outside of the United States. With strong content provider relationships and assets spanning the globe, we believe we can be an attractive supplier to cable operators as they pursue this strategy.

We also believe that demand for HDTV will experience significant growth in the coming years, which will result in the need for more satellite bandwidth. To fulfill the growing demand for HDTV, we will continue to build upon the success of the Galaxy 13/Horizons-1 satellite, which was placed in service as an HDTV neighborhood to attract this new and fast-growing program format type. Since announcing our HDTV neighborhood on the Galaxy 13 satellite, we have grown the number of HDTV channels carried by our system to over 40. We also intend to expand the number of services we provide to HD programmers. We intend to offer a number of HD contribution services to enable the capture and transport of HD programming from remote locations to satellite production facilities, from which it can then be distributed through our satellites serving cable neighborhoods.

Lastly, we will continue to build on our leading international DTH platform business, targeting Latin America, Eastern Europe, Middle East, Africa and regions within Asia where we can use our available capacity and the flexibility of our satellite fleet to capture additional growth opportunities. We intend to develop new video communities by leveraging our existing satellites and relationships with successful DTH platform operators to capture growth in new DTH markets.

Network Services

We believe our combined company is well positioned to expand our business serving network services customers by focusing on growing applications, including data and IP services, services to wireless operators, global telecommunications carrier services, and mobility services.

We believe our combined company is a leading provider of satellite services supporting data applications such as corporate broadband VSAT networks, virtual private networks, or VPNs, and trunking solutions for ISPs. We will grow our business by continuing to build our relationships with satellite-based broadband service providers, including VSAT service providers in the largest and fastest growing regions, such as North America, Africa, Latin America, Eastern Europe and the Middle East. We intend to solidify our leadership position through partnering initiatives with data and IT services providers in key growth regions and with service providers in attractive vertical markets, such as maritime and oil and gas. We will also continue to market GlobalConnex managed services for regional service providers, corporations and international organizations implementing VPNs for broadband and VoIP applications.

We believe that our combined company is well positioned with telecommunications service providers throughout the world, and we have leveraged this presence to build a leading position serving wireless operators in emerging markets such as Africa and the Middle East. We intend to introduce new services that will expand our presence serving the wireless telecommunications sector. We intend to expand our customer base by marketing our services to other forms of competitive carriers in newly deregulated markets, which use satellite capacity in order to introduce their services quickly and independently of established local carriers.

We have an extensive customer base of traditional telecommunications carriers that use our services to reach regions that lack direct access to telecommunications cable interconnects or where internal infrastructure either does not exist or is unreliable. We believe that the drive for continued globalization by multinational corporations will increase satellite demand from global telecommunications companies which need our ubiquitous coverage in order to provide one-stop shopping to their customers.

Increase our Return on our Global Combined Asset Base through Disciplined Management of Capacity

As we execute on our first strategy to focus on certain applications and regions, we will create additional opportunity to improve our returns on our existing assets through new capacity management initiatives. These initiatives include establishing strategies for key satellite roles based upon the customer and growth characteristics of the market served by each satellite in such a role. For instance, we plan to increase the value of our satellites by establishing neighborhoods based on growing customer applications, such as DTH video services in regions including Africa, northern and eastern Europe, and South America. Our capacity management

strategy also includes creating additional marketable capacity through reassigning, or grooming, traffic, repointing steerable beams and relocating satellites. Given the scale of our combined company's fleet, existing customer traffic can be groomed to other satellites in our fleet based upon the customer's application and the amount of capacity required, which in turn allows us to more efficiently load our transponders and secure larger blocks of capacity for customers with growing, long-term requirements. Furthermore, because many of our combined company's satellites have flexible designs, including steerable beams, we can repoint beams to areas of unmet demand, or relocate satellites in order to bring additional capacity to an entire region. Through these various capacity management initiatives, we can improve returns on our asset base and maximize the value of our fleet.

Over time, we also intend to rationalize the size of our combined company's fleet and consolidate the number of orbital locations required to serve our customers. Our capital allocation decisions are based on the expected return on invested capital and market demand, and we will be prudent in the selection of the number, size and characteristics of replacement and new satellites to be launched. For instance, new satellites will be designed to include more high-power, land-mass focused capacity that delivers video and broadband applications more efficiently, thereby increasing the proportion of high value transponders relative to our current capacity mix. In addition, we will seek anchor customers for new satellites in order to improve overall returns. At the closing of the Intelsat Acquisition Transactions, our combined company's network integration planning identified three satellites that would not need to be replaced as we integrated our fleets. Our combined company has identified additional satellites in our fleet that we currently do not intend to replace, based upon an analysis of demand and satellite utilization in certain regions, and we do not expect to replace our existing fleet on a one-for-one basis. At the same time, we have accelerated the build of certain satellites in order to capture new opportunities and to deliver fresh, high power capacity to regions of strong demand. Through capacity management, we intend to maximize the revenues, and therefore the returns, generated by our assets.

Build New Revenue Streams by Introducing New Products and Services

The flexibility of our network and the global scale of our business gives us the ability to expand our customer and revenue base without significant increases in operating costs. We have identified two areas that we believe offer potential for significant growth with only incremental investment in additional resources: new product development and satellite-related services.

We have a proven track record of capitalizing on new growth opportunities and expanding the FSS market. New service introductions, such as our rapidly growing GlobalConnex business, have resulted in substantial new revenue streams. We are currently in the process of introducing several new IP- or mobility-related services. We have developed a wholesale Internet Protocol Television, or IPTV, platform that operates on our North American satellite and terrestrial infrastructure that is currently in the market trial phase with a North American distributor. We are developing a portfolio of several mobility-related services to serve high growth vertical markets. The first of these is our recently announced global maritime broadband service, which provides on-the-move IP connectivity to the fishing, oil and gas, and shipping sectors. We provide these services on a wholesale basis, working with distributors who are the leaders in their respective vertical markets. Both of these new services are examples of our identifying new markets and technologies which will enable us to generate additional revenues from capacity which is currently underutilized.

We intend to continue to expand our satellite-related services business, which we began approximately three years ago and which has grown to revenues of \$37.1 million for the year ended December 31, 2007. This business allows us to generate new revenue streams by offering consulting services to other satellite operators which leverage our internal technical expertise and buying power. Examples of these services include transfer and in-orbit testing, long-term satellite operations, teleport hosting, and satellite design and engineering services. For instance, as of December 31, 2007, we operated nine third-party satellites in addition to our owned satellite fleet, utilizing the same integrated satellite operations infrastructure and with minimal additional headcount.

Selectively Pursue Strategic and Organic Opportunities

Intelsat has a track record of capitalizing on strategic growth opportunities through acquisition, including the completion of two transactions in 2004, and the Intelsat Acquisition Transactions. These transactions further strengthened Intelsat's leading position in the FSS sector by enhancing its capabilities for video, corporate network and government/military applications. We expect that near-term strategic opportunities in the FSS sector may involve smaller, regional or national satellite operators seeking joint ventures or revenue sharing arrangements in order to provide follow-on capacity for satellites that are aging and facing replacement.

In December 2007, we launched the Horizons-2 satellite, which we built under a joint venture with satellite operator JSAT International, or JSAT. Under this agreement, JSAT funded the satellite and launch vehicle procurement and we will pay our contribution obligation over a seven-year period beginning in 2008. We will share in the revenues generated by this satellite equally. This initiative is an example of a business development activity which replaces capacity at a current orbital location through a business arrangement with attractive cash flow characteristics.

In another example, we announced in October 2007 an agreement with Telenor Satellite Broadcasting, referred to as Telenor, to acquire ten transponders on one of its upcoming satellite launches, Thor 6. This modest investment will provide us with the additional capacity we need to provide continued growth for a current DTH video customer, as well as provide us with an expanded platform for addressing the European video market. We plan to strengthen our global position by working closely with other satellite operators, which will allow us better access to strategic regions and increase the utilization of our global fleet.

In November 2007, our combined company also reached an agreement with Corporación de Radio y Televisión del Norte de México, S. de R.L. de C.V., or SKY Mexico, and SKY Brasil Serviços Ltda., or SKY Brazil, to launch a new 24-transponder satellite to serve the Latin American DTH market. The satellite, known as Intelsat 16, will be dedicated to SKY Mexico and SKY Brazil over the satellite's estimated 15-year life. This agreement expands our DTH business, and further strengthens our long-term relationship with these platform operators. The terms of this agreement allows our combined company to recover the expected capital expenditures for this satellite through pre-payments for certain services which will be paid in the 12 months following the satellite's launch and in-orbit testing in late 2009 and early 2010, respectively.

We believe that we can also invest modestly in our existing infrastructure to build the value of our satellite assets. For instance, we are grooming our fleet to increase the number and value of video neighborhoods within our fleet. We may choose to invest in antenna seeding programs to increase the penetration of cable head-ends for certain of our satellites. We believe that these modest investments in new ground infrastructure will enable us to command higher rates for our satellite capacity in video neighborhoods and increase the value provided to programmer customers, which will then be able to reach larger audiences from our fleet.

Our Network

We have a global fleet of 26 satellites that is integrated with 27 satellites owned by other subsidiaries of Intelsat for a combined fleet of 53 satellites. Our network also includes leased capacity on one satellite owned by another satellite operator, as well as ground facilities related to the services we sell and operation and control of our satellites. Our integrated satellite operations are supported by ground assets and leased facilities in the United States, Germany, Italy, South Korea, Australia, and South Africa. Our integrated network also includes ground assets consisting of teleports or leased teleport facilities supporting commercial services in Germany, the United States, Australia, China, Argentina, United Arab Emirates, Italy, Kuwait and South Korea and points of presence in the United States, China, Germany and the United Kingdom, among others. See Network Operations and Current Ground Facilities below.

Our customers depend on our global communications network and our operational and engineering leadership, including our:

highly resilient network;

ability to relocate or reconfigure capacity on many satellites to cover different geographic regions; and

high transponder reliability levels.

We believe that our operational and engineering achievements are due primarily to our satellite procurement and operations philosophy. Our operations and engineering staff is involved from the design through the decommissioning of each satellite that we procure. Our staff works at the manufacturer's site to monitor progress, allowing us to maintain close technical collaboration with our contractors during the process of designing, manufacturing and launching a satellite. We continue our engineering involvement throughout the operating lifetime of each satellite. Extensive monitoring of earth station operations and around-the-clock satellite control and network operations support ensure our consistent operational quality, as well as timely corrections when problems occur. In addition, we have in place contingency plans for technical problems that may occur during the lifetime of a satellite.

We have substantially completed the process of consolidating certain ground assets and facilities in order to improve the cost efficiency of our network operations and communications services. See Network Operations and Current Ground Facilities below.

The table below provides a summary of our satellite fleet as of December 31, 2007, excluding both Horizons-2, which was successfully launched on December 21, 2007 and went into service in February 2008, and the 27 satellites owned by other subsidiaries of Intelsat.

Satellite	Manufacturer	Orbital Location	Launch Date	Estimated End of Service Life (1)
<i>Station Kept:</i>				
HGS-3	BSS(2)	38°E	2/96	6/11
IS-1R (3)	BSS	45°W	11/00	6/10
IS-2	BSS	169°E	7/94	5/09
IS-3R	BSS	43°W	1/96	11/09
IS-4	BSS	72°E	8/95	8/10
IS-5	BSS	26.15°E	8/97	10/12
IS-6B (4)	BSS	43.2°W	12/98	2/08
IS-7	SS/L(5)	68.65°E	9/98	11/13
IS-8	SS/L	166°E	11/98	1/14
IS-9	BSS	58°W	7/00	11/13
IS-10	BSS	68.5°E	5/01	6/16
IS-11	ORB(7)	43.1°W	10/07	10/22
IS-12	SS/L	45°E	10/00	1/16
Galaxy 3C	BSS	95.05°W	6/02	9/20
Galaxy 9 (6)	BSS	81°W	5/96	9/08
Galaxy 10R	BSS	123°W	1/00	4/08
Galaxy 11 (3)	BSS	91°W	12/99	6/09
Galaxy 12	ORB	125.1°W	4/03	7/19
Galaxy 13/Horizons-1 (8)	BSS	127°W	9/03	12/18
Galaxy 14	ORB	125°W	8/05	12/20
Galaxy 15	ORB	133°W	10/05	12/20
Galaxy 16	SS/L	99°W	6/06	6/22
Galaxy 17	Thales	74.05°W	5/07	5/23
<i>Inclined Orbit:</i>				
Leasat F5 (9)	BSS	100°E	1/90	2/11
Galaxy 4R	BSS	76.85°W	4/00	3/09
SBS-6	BSS	73.95°W	10/90	3/13

- (1) Engineering estimates of the service life as of December 31, 2007 as determined by remaining fuel levels, consumption rates and other considerations (including power) and assuming no relocation of the satellite.
- (2) Boeing Satellite Systems, Inc., formerly Hughes Aircraft Company.
- (3) After transfer of traffic to the replacement spacecrafts and relocation to another longitude, we expect that Galaxy 11 and IS-1R will have sufficient power to operate a significant subset of their transponders through the end of design life of these satellites, which is April 2015 and February 2016, respectively.
- (4) IS-6B was replaced by IS-11. The satellite was de-orbited in March, 2008.
- (5) Space Systems/Loral, Inc.
- (6) Galaxy 9 was relocated from 74.15° W to 81° W and placed into an inverted North/South attitude in order to serve Latin America.
- (7) Orbital Sciences Corporation.
- (8) Horizons Satellite Holdings, LLC, referred to as Horizons, our joint venture with JSAT International, owns and operates the Ku-band payload on this satellite. We are the exclusive owner of the C-band payload.
- (9) Leasat F5 provides services in the X-band and UHF-band frequencies for military applications.

Satellite Systems

There are three primary types of commercial communications satellite systems: low-earth orbit systems, medium-earth orbit systems and geosynchronous systems. Geosynchronous communications satellites such as ours are located approximately 22,300 miles, or 35,700 kilometers, above the equator. These satellites can receive radio frequency communications from an origination point, relay those signals over great distances and distribute those signals to a single receiver or multiple receivers within the coverage areas of the satellites' transmission beams.

Geosynchronous satellites send these signals using various parts of the radio frequency spectrum. Substantially all of the station-kept satellites in our fleet are designed to provide capacity using the C- and/or Ku-bands of this spectrum. A third frequency band, the Ka-band, is being utilized for certain new broadband services projects. The Ka-band frequency allows for use of a smaller antenna, which is a consideration for residential and small business markets. Intelsat's Galaxy 28 satellite has transponders available for transmitting and receiving in the Ka-, as well as C- and Ku-bands.

A geosynchronous satellite is referred to as geostationary, or station-kept, when it is operated within an assigned orbital control, or station-keeping box, which is defined by a specific range of latitudes and longitudes. Geostationary satellites revolve around the earth with a speed that corresponds to that of the earth's rotation and appear to remain above a fixed point on the earth's surface at all times. Geosynchronous satellites that are not station-kept are in inclined orbit. The daily north-south motion of a satellite in inclined orbit exceeds the specified range of latitudes of its assigned station-keeping box, and the satellite appears to oscillate slowly, moving above and below the equator every day. An operator will typically operate a satellite in inclined orbit toward the end of its service life because the operator is able to save significant amounts of fuel by not controlling the north-south position of the satellite and is thereby able to substantially extend the service life of the satellite. The types of services and customers that can access an inclined orbit satellite have traditionally been limited due to the movement of the satellite relative to a fixed ground antenna; however, recent technology innovations now allow the use of inclined orbit capacity for certain applications. As a result, we anticipate demand for inclined orbit capacity may increase over the next few years if these applications are successfully introduced. The Leasat F5 satellite, the SBS-6 satellite and the Galaxy 4R satellite are operating in an inclined orbit and, as a result, are continuing to earn revenue beyond our original estimated life for each of these satellites.

In-Orbit Satellites

With our satellites located over North America and over all of the principal ocean regions (the Atlantic, Pacific and Indian), and leased capacity available in the Asia-Pacific region, our combined fleet provides coverage of over 99% of the world's population.

Our fleet has been designed to provide a high level of redundancy for our customers. The features of our network that provide this redundancy are as follows:

most places on the surface of the earth are covered by more than one of our satellites;

many of our satellites have flexible design features and steerable beams that enable us to reconfigure capacity to provide different areas of coverage;

many of our satellites also have the ability to be relocated to different orbital locations; and

subject to availability, our in-orbit fleet includes sparing capacity on operational satellites.

The design flexibility of some of our satellites enables us to meet customer demand and respond to changing market conditions. As noted above, these features also contribute to the resilience of our network, which enables us to ensure the continuity of service that is important for our customers and to retain revenue in the event that we need to move customers to alternative capacity.

As of December 31, 2007, our in-orbit fleet of satellites had 327 and 416 36-MHz equivalent transponders available for transmitting in the C-band and the Ku-band, respectively. These totals measure transponders on station-kept satellites, including the transponders we lease from other satellite operators. The average system fill factor for our satellites, which represents the percentage of our total available transponder capacity that is in use or that is reserved at a given time (including guaranteed reservations for service) as of December 31, 2007 was 80%.

The design life of a satellite is the length of time that the satellite's hardware is designed by the manufacturer to remain operational under normal operating conditions. In contrast, a satellite's orbital maneuver life is the length of time the satellite has enough fuel to remain operational. A satellite's service life is based upon fuel levels and other considerations, including power. Satellites launched in the recent past are generally expected to remain in service for the lesser of fuel life or 16 years. Satellites typically have enough fuel to maintain between 16 and 18 years of station-kept operations. The average remaining service life of our satellites was approximately 6.9 years as of December 31, 2007, weighted on the basis of nominally available capacity for the station-kept satellites we own.

Planned Satellites

We currently have orders for two satellites. Generally, these satellites are being built over a period of three years, and one is expected to launch in 2008.

Galaxy 18. We entered into an agreement with Space Systems/Loral, Inc., or SS/L for the construction of Galaxy 18 in February 2005. This satellite will serve as a replacement for Galaxy 10R, located at 123° west longitude, or WL. The Galaxy 18 satellite is currently expected to be launched in the second quarter of 2008.

IS-14. We entered into an agreement with SS/L for the construction of IS-14 in January 2007. This satellite is expected to serve as a replacement for IS-1R, located at 45°WL. The IS-14 satellite is currently expected to be launched in the second quarter of 2009.

Future Satellites

We would expect to replace other existing satellites, as necessary, with satellites that meet customer needs and that have a compelling economic rationale. We periodically conduct evaluations to determine the current and projected strategic and economic value of our existing and any planned satellites and to guide us in redeploying satellite resources as appropriate.

Network Operations and Current Ground Facilities

We control and operate each of our satellites and manage the communications services for which each satellite is used from the time of its initial deployment through the end of its operational life, and we believe that our technical skill in performing these critical operations differentiates us from our competition. We provide most of these services from our satellite operations center in Washington, D.C. and customer service center in Ellenwood, Georgia.

Our satellite operations philosophy, which we believe has been different from that of other satellite operators, centralizes the global control and operation of our fleet, regardless of the satellite manufacturer or series, into a single facility staffed by specialized personnel. Centralizing these functions enables our staff to become proficient in the management of multiple satellite series, thereby improving our operational redundancy and response times and increasing the cost efficiency of our satellite operations. As a result, we can operate additional satellites with relatively little additional cost, a capability that we believe enables our company to maximize the operational synergies available from fleet integration. We are consolidating the acquired PanAmSat satellites into our primary satellite operations center based in Washington, D.C. in order to improve the reliability and cost efficiency of our satellite operations. We expect to complete the integration when three remaining satellites are transferred to the Washington, D.C. facility in late 2008.

Utilizing state-of-the-art satellite command and control hardware and software, our satellite operations centers analyze telemetry from our satellites in order to monitor their status and track their location. As necessary, our satellite operations centers send commands to satellites for station-keeping maneuvers and equipment reconfigurations. We have a satellite operations center in Long Beach, California that is primarily used to provide operation services for satellites owned by third parties, however this facility is also used to provide 24-hour technical and systems support backup for our primary satellite operations center in Washington, D.C. Conversely, our primary satellite operations center in Washington, D.C. also acts as a backup support center for the Long Beach facility. In the event of a natural disaster or other situation disabling one of the facilities, each satellite operations center has the functional ability to provide instantaneous restoration of services on behalf of the other, exemplifying the efficiency and effectiveness of our network.

Our customer service center is located in our Ellenwood, Georgia facility and includes a specialized video operations center, data operations center, and rapid access center. This facility is responsible for managing the communications services that we provide to our customers and is the first point of contact for customers needing assistance in using our network. Daily tasks include managing uplinks to our satellites and monitoring customer traffic and the quality of our customer communications services. Our customer service center also conducts measurements of transponder performance and transmission power and resolves interference issues and other customer concerns. The various monitoring systems used to perform these functions are in continuous, remote-controlled operation 24 hours per day. Our customer service center also monitors the end-to-end services that we provide to our customers, including the terrestrial infrastructure used to provide these services. By consolidating all of our customer service operations into a single facility in Ellenwood, Georgia, we have improved the cost efficiency of our network operations and communications services.

Our satellite operations centers use a network of ground facilities to perform their functions. This network includes seventeen earth stations that provide TT&C services for our satellites, referred to as our TT&C stations, and various other earth stations worldwide. Through our ground facilities, we constantly monitor signal quality, protect bandwidth from piracy or other interference and maintain customer installed equipment.

We have consolidated certain ground assets and facilities in order to improve the cost efficiency of our network operations and communications services. Our locations for ground assets and facilities include Australia, Argentina, Bahrain, French Polynesia, Germany, Italy, China, Kuwait, South Korea, South Africa, the United States, Russia, India, New Zealand, Taiwan and the United Arab Emirates.

We also maintain a back-up operations facility and data center a relatively short distance from our Washington, D.C. facility in Hagerstown, Maryland. This facility provides back-up emergency operational services in the event that our Ellenwood, Georgia customer service center experiences an interruption. See Item 2 Properties for a description of this property and the locations of our ground network facilities.

We have invested heavily in our ground network of owned and leased fiber, teleport and network performance monitoring systems to complement our satellite fleet and to enable us to provide managed services to our customers. In addition to leased and owned fiber connecting high density routes, our ground network also features strategically located points of presence, which are drop-off points for our customers' traffic that are close to major interconnection hubs for telecommunications applications, video transmissions and trunking to the Internet backbone. We manage our terrestrial network infrastructure for high technical performance, and over the last several years, the amount of customer traffic on Intelsat's ground network has grown to approximately 8.2 gigabits, which is equivalent to the capacity of approximately two satellites.

Capacity Sparing and Backup and General Satellite Risk Management

We believe that the availability of spare capacity, together with the overlapping coverage areas of Intelsat's combined fleet of satellites and flexible satellite design features described in Our Network Satellite Systems above, are important aspects of our ability to provide reliable service to our customers. In addition, these factors would enable us to mitigate the financial impact to our operations attributable to the loss of a satellite. Our system accommodates in-orbit sparing through the use of capacity on satellites that are less than fully utilized. In addition, we sell some capacity on a preemptible basis and could preempt the use of this capacity in the event of a loss of a satellite. This approach enables us to optimize our fleet and to minimize potential revenue loss. We maintain a satellite risk management strategy involving backup satellites and transponders. For each satellite designated as being in primary operating service, some form of backup capacity is maintained. This backup capacity may include any one or more of the following: an in-orbit spare satellite, designated reserve transponders on the satellite or other on-board backup systems or designed-in redundancies, or interim restoration capacity on other satellites. However, we do not maintain backups for all of our operating capacity.

We typically obtain launch insurance for our satellites and will decide whether or not to obtain such insurance taking into consideration launch insurance rates at the time of launch, terms of available coverage and alternative risk management strategies, including the availability of backup satellites and transponders in the event of a launch failure. Launch insurance coverage is typically in an amount equal to the fully capitalized cost of the satellite, which includes the construction costs, the portion of the insurance premium related to launch, the cost of the launch services and capitalized interest (but may exclude any unpaid incentive payments to the manufacturer). Certain satellites in our fleet are covered by in-orbit insurance. In-orbit insurance coverage may initially be for an amount comparable to launch insurance levels and generally decreases over time, based on the declining book value of the satellite and currently is available on an annual basis.

As of December 31, 2007, we had in effect launch and in-orbit insurance policies covering four satellites with an insured value of \$378.3 million and an aggregate net book value of \$507.5 million. We also maintain third-party liability insurance on certain of our satellites up to a limit of \$300.0 million per occurrence or in the aggregate per year for damages for physical injury and property damage to third parties caused by our satellites. We do not currently insure against lost revenue in the event of a total or partial loss of a satellite.

Sales, Marketing and Distribution Channels

Intelsat's tagline, "Closer, by far," describes the close working relationship we strive to build with our customers. We assign an account representative to each customer who is responsible for understanding the customer's business, structure and markets it may serve. We present comprehensive sales solutions to our customers that include multiple and diverse service offerings to address each customer's unique market and technical needs. The Intelsat subsidiary, Intelsat Global Sales & Marketing Ltd., referred to as Intelsat Global

Sales, located in London, England, is our global sales and marketing headquarters. In addition, Intelsat has established local sales and marketing support offices in the following locations around the world:

Australia	Japan
Brazil	Mexico
China	Singapore
France	South Africa
Germany	United Arab Emirates
India	United States

By establishing local offices closer to our customers and staffing those offices with experienced personnel, we believe that we are able to provide flexible and responsive service and technical support to our customers. Our sales and marketing organization reflects our corporate focus on our three principal customer sectors of media, network services and telecommunications and government. Our sales team includes technical marketing and sales engineering application expertise and a sales approach focused on creating integrated solutions for our customers communications requirements that help them better utilize their contracted satellite capacity, integrate into our network and develop an efficient ground infrastructure.

We believe that we enjoy significant recognition with current and potential users of our satellite services. We use our superior network performance and technical support to market our services to a broad spectrum of customers seeking to communicate globally. We use a range of distribution methods to sell our services, depending upon the region, applicable regulatory requirements and customer application. Our wholesale distributors include the incumbent telecommunications providers in a number of countries, competitive communications providers and network integrators. In addition, we sell our services directly to broadcasters, other media companies, major institutions and other customers, particularly in North America.

Satellite Health and Technology

The Intelsat fleet is diversified by manufacturer and satellite type, and as a result, our combined company's fleet is generally healthy, with 99.999% availability of station-kept satellite capacity during the year ended December 31, 2007. We have experienced some technical problems with our current fleet but have been able to minimize the impact of these problems on our customers, our operations and our business. Most of these problems have been component failures and anomalies that have had little long-term impact to date on the overall transponder availability in our satellite fleet. All of our satellites have been designed to accommodate an anticipated rate of equipment failures with adequate redundancy to meet or exceed their orbital design lives, and to date, this redundancy design scheme has proven effective. Our allocation of the purchase price associated with the Intelsat Acquisition Transactions took into consideration the technical problems of our fleet.

We have identified three types of common anomalies among the satellite models in our global fleet, which, if they materialize, have the potential for a significant operational impact. These are:

failure of the on-board Xenon-Ion Propulsion Systems (XIPS) used to maintain the in-orbit position of BSS 601 HP satellites;

accelerated solar array degradation in early BSS 702 satellites; and

failure of the on-board spacecraft control processor (SCP) in BSS 601 satellites.

BSS 601 HP XIPS. The Boeing 601 High Power series (BSS 601 HP) satellite uses XIPS as its primary propulsion system. There are two separate XIPS on each BSS 601 HP, each one of which is capable of maintaining the satellite in its orbital position. The satellite also has a completely independent bi-propellant

propulsion system as a backup to the XIPS. As a result, a single failure of a XIPS on a BSS 601 typically would have no effect on the satellite's performance or its operating life. A failure of a second XIPS on a satellite would also have no impact on the performance of that satellite. However, such a failure would require the use of the backup bi-propellant propulsion system, which could result in a shorter operating life for the satellite depending on the amount of bi-propellant fuel remaining. XIPS failures do not typically result in a catastrophic failure of the satellite or affect the communications capability of the satellite. Certain of the BSS 601 HP satellites have experienced various problems associated with XIPS. As of December 31, 2007, we operated seven BSS 601 HP satellites, three of which have experienced failures of both XIPS.

The first of these currently operated satellites to experience failure of both primary and secondary XIPS was Galaxy 4R. This satellite is operating as designed on its backup bi-propellant propulsion system. We and the manufacturer of this satellite determined that the XIPS on Galaxy 4R are no longer available. As a result, this satellite's estimated remaining service life, based on the bi-propellant fuel on board, is until March 2009. In September 2006, this satellite was moved to a new location, where it started inclined orbit services with a reduced propellant consumption.

The second satellite with failure of both primary and secondary XIPS is IS-6B. We and the manufacturer of this satellite determined that the XIPS on IS-6B are no longer available. This satellite was replaced by the IS-11 satellite during the first quarter of 2008.

The third satellite with failure of both primary and secondary XIPS is Galaxy 10R. We and the manufacturer of this satellite determined that the XIPS on Galaxy 10R are no longer available. As a result, this satellite's estimated remaining service life, based on the bi-propellant fuel on board, is until April 2008. We do not expect this problem to affect service to our customers or to affect revenues from the customers on this satellite over the remaining life of the satellite. The Galaxy 18 satellite, which is currently expected to launch in the second quarter of 2008, is planned to replace Galaxy 10R.

Of our four remaining BSS 601 HP satellites, IS-5 is still in use, but is no longer in primary customer service. The other three continue to have XIPS available as their primary propulsion system; however, no assurance can be given that we will not have further XIPS failures that result in shortened satellite lives or that such failures will be insured if they occur. For both IS-9 and IS-10, the available bi-propellant life range is approximately three years from December 31, 2007. The third satellite, Galaxy 13/Horizons-1, which was placed into service in January 2004, has available bi-propellant of approximately nine years from December 31, 2007.

BSS 702 Solar Arrays. All of our satellites have solar arrays that power their operating systems and transponders and recharge the batteries used when solar power is not available. Solar array performance typically degrades over time in a predictable manner. Additional power margins and other operational flexibility are designed into satellites to allow for such degradation without loss of performance or operating life. Certain BSS 702 satellites have experienced greater than anticipated and unpredictable degradation of their solar arrays resulting from the design of the solar arrays. Such degradation, if continued, results in a shortened operating life of a satellite or the need to reduce the use of the communications payload.

As of December 31, 2007, we operated three BSS 702 satellites, two of which are affected by accelerated solar array degradation, Galaxy 11 and IS-1R. Service to customers has not been affected, and we expect that both of these satellites will continue to serve customers until we replace or supplement them with new satellites. Along with the manufacturer, we continually monitor the problem to determine its cause and its expected effect. Due to this continued degradation, Galaxy 11 has a remaining useful life until June 2009 and IS-1R has a remaining useful life until June 2010. After transfer of the traffic on these satellites to replacement spacecrafts and relocation to another longitude, we expect that Galaxy 11 and IS-1R will have sufficient power to operate a significant subset of their transponders through the end of design life of these satellites, which is April 2015 and February 2016, respectively. Galaxy 11 is expected to be replaced by the Galaxy 17 satellite, after which we plan to redeploy the Galaxy 11 to a new orbital location serving Africa. The IS-1R satellite is expected

to be replaced by the IS-14 satellite, which is currently expected to be launched in the second quarter of 2009. Pursuant to contracts with our customers, a substantial portion of our customer activity on these satellites will continue onto replacement satellites and the reduced estimate of their service lives will not result in a material reduction in contracted backlog. We believe that the net book values of these satellites are fully recoverable.

The third BSS 702 satellite that we operated as of December 31, 2007, Galaxy 3C, was launched after the solar array anomaly was identified, and it has a substantially different solar array design intended to eliminate the problem. This satellite has been in service since September 2002 and has not experienced similar degradation problems.

SCP Failures. Many of our satellites use an on-board SCP to provide advanced orientation control and fault protection functions. SCPs are a critical component in the operation of such satellites. Each such satellite has a backup SCP, which is available in the event of a failure. Certain BSS 601 satellites, including the IS-4 satellite, have experienced primary SCP failures and are operating on their backup SCPs. IS-4 carries commercial traffic and operates in a secondary role. We consider it unlikely that failure of the remaining SCP on IS-4 will cause an interruption of our business or require replacement of a satellite.

As of December 31, 2007, we operated three additional BSS 601 satellites: HGS-3, which is utilized by a third-party, and IS-2 and IS-3R. These satellites are in a group of satellites that has been identified as having heightened susceptibility to the SCP problem. The risk of SCP failure appears to decline as these satellites age. IS-2 and IS-3R have been in continuous operation since 1994 and 1996, respectively. Both primary and backup SCPs on these satellites are monitored regularly and remain fully functional. Accordingly, we believe it is unlikely that SCP failures will occur and we do not anticipate an interruption in business or early replacement of these satellites.

Satellite Communications Industry

Fixed Satellite Services Sector

We compete in the communications market for the provision of video, data and voice connectivity worldwide. Communications services are provided using various communications technologies, including satellite networks, which provide services as a substitute for, or as a complement to, the capabilities of terrestrial networks. We currently operate in the FSS sector of the satellite industry. Operators in the FSS sector, which is the most established sector in the satellite industry, traditionally provide communications links between fixed points on the earth's surface. These services include the simultaneous provision of satellite capacity from one fixed point to multiple fixed points, referred to as point-to-multipoint services, and the provision of satellite capacity between two fixed points, referred to as point-to-point services. Point-to-multipoint applications include video distribution, DTH and corporate networks. Point-to-point applications include telephony, video contribution and data trunking, such as Internet backbone access.

Over the last several years, deregulation and privatization have significantly reshaped the FSS sector. In addition, the sector has undergone consolidation, with regional and national operators being acquired by larger companies and smaller operators exiting the business or seeking to partner with other providers. We believe that these changes are the result of the increasing globalization of the telecommunications market, customers' demand for more robust distribution platforms with network redundancies and worldwide reach, and the desire of some FSS operators to secure and improve their market access in key regions. In addition, the scarcity of desirable orbital locations may lead operators to seek to acquire other operators with specific coverage or capacity capabilities. Consolidation may also occur because of the economies of scale from operational and capital expenditure and from marketing efficiencies that can be achieved.

Resellers

We also face competition from resellers of FSS and fiber capacity. Resellers purchase FSS or fiber capacity from current or future providers and then resell the capacity to their customers. Capacity for resale is readily available because resellers can typically procure capacity on short notice, given that FSS and fiber capacity is available.

In addition, resellers effectively compete against FSS operators in a number of ways, including by subdividing purchase capacity and selling to customers in smaller pieces or for shorter time periods, or by packaging the capacity with value-added services. To differentiate themselves, resellers often develop the capability for one or several value-added services to offer along with capacity. These capabilities include pre- and post-production services or teleport services. The cost of these capabilities varies, but all are substantially less than the cost of a satellite.

Competitive Advantages of Satellites

Fixed satellite services are an integral part of the global communications infrastructure. Our customers use our services because of the distinct technical and economic benefits satellite services provide for certain applications. Satellites provide a number of advantages over terrestrial communications systems, including ubiquitous coverage, the ability to broadcast signals to many locations simultaneously and independence from terrestrial infrastructure, including points of congestion or unreliability. Satellites allow equal access to bandwidth regardless of location, density of population or availability of terrestrial infrastructure. This feature, combined with the ability of satellites to simultaneously broadcast high quality, secure signals from a single location to many locations, results in a cost efficient distribution medium for video signals. Corporations, network providers and governments use satellite solutions because the technology provides a secure, easily replicated network platform that can be deployed quickly, and across many different regions, simplifying overall network topologies. Because of the ability of satellites to provide instant communications, satellite technology is also desirable for disaster recovery and military applications.

Competition

We are a satellite operator that operates worldwide. Our competition includes providers of fixed satellite services of varying size. We also face significant competition from suppliers of terrestrial communications capacity. We compete with other satellite operators for both point-to-multipoint and point-to-point services. We compete with fiber optic cable operators principally for point-to-point services.

We compete with providers of terrestrial fiber optic cable capacity on certain routes and networks. However, we believe that satellites have advantages over fiber optic cables in certain regions and for certain applications. The primary use of fiber optic cable is carrying high-volume communications traffic from point to point, and fiber capacity is available at substantially lower prices than satellite capacity once operational. Consequently, the growth in fiber optic cable capacity on point-to-point transoceanic routes, particularly across the Atlantic Ocean, has led voice, data and video contribution customers that require service between major city hubs to migrate from satellite to fiber optic cable. However, satellite capacity remains competitive for signals that need to be transmitted beyond the main termination points of fiber optic cable, for point-to-multipoint transmissions and for signals seeking to bypass congested terrestrial networks. Satellite capacity is also competitive in parts of the world where providing fiber optic cable capacity is not yet cost-effective or is physically not feasible. We believe that the competition we face from fiber optic cable companies is based primarily on price.

Regulation

As an operator of a privately owned global satellite system, we are subject to U.S. government regulation; regulation by foreign national telecommunications authorities; and the International Telecommunication Union frequency coordination process and regulations.

U.S. Government Regulation

FCC Regulation. Almost all of the satellites in our current constellation are licensed and regulated by the Federal Communications Commission, or the FCC. We have final or temporary FCC authorization for all of our U.S.-licensed operating satellites. Satellite licenses typically have a fifteen-year term. At the end of a license term, we can request special temporary authorization to continue operating a satellite. In addition, our FCC satellite licenses which relate to use of those orbital locations and associated frequencies that were transferred to the United States at the time of the Intelsat, Ltd. privatization in July 2001 are conditioned on Intelsat, Ltd. remaining a signatory to a Public Services Agreement with the International Telecommunications Satellite Organization, or ITSO. Pursuant to the Public Services Agreement, Intelsat, Ltd. has an obligation to provide services to certain customers in a manner consistent with the core principles of global coverage and connectivity, lifeline connectivity and non-discriminatory access, and ITSO monitors its implementation of this obligation. Furthermore, any transfer of these licenses by us to a third party or a successor-in-interest is only permitted if such third party or successor-in-interest has undertaken to perform Intelsat, Ltd.'s obligations under the Public Services Agreement.

Changes to our satellite system generally require prior FCC approval. From time to time, we have pending applications for permanent or temporary changes in orbital locations, frequencies and technical design. From time to time, we also file applications for replacement or additional satellites. Replacement satellite applications are eligible for streamlined processing if they are unopposed and propose technical characteristics consistent with those of the satellite that is being replaced. In the case of additional FSS geostationary satellites, the FCC processes requests for new orbital locations or frequencies on a first come, first served basis and requires licensees to post a \$3.0 million bond and to comply with a schedule of progress milestones, establishing deadlines to sign a satellite construction contract; complete critical design review; begin spacecraft construction; and launch and operate the satellite. Upon completion of each milestone, the amount of the bond is reduced proportionately. A satellite licensee not satisfying a milestone will lose its license and must forfeit the remaining amount on its bond absent circumstances warranting a milestone extension under the FCC's rules and policies.

We have subsidiaries that hold other FCC licenses, including earth station and experimental earth station licenses associated with technical facilities located in several states and in Washington, D.C.

We must pay FCC filing fees in connection with our space station and earth station applications, and we must also pay annual regulatory fees to the FCC. Violations of the FCC's rules can result in various sanctions including fines, loss of authorizations, or the denial of applications for new authorizations or the renewal of existing authorizations.

We are not regulated as a common carrier for most of our activities, and therefore we are not subject to rate regulation or the obligation not to discriminate among customers, and we operate most of our activities with minimal governmental scrutiny of our business decisions. One of our combined company's subsidiaries is regulated as a common carrier. Common carriers are subject to FCC requirements, which include: traffic and revenue reports, international circuit status reports, international interconnected private line reports, notification and approval for foreign carrier affiliations, filing of contracts with international carriers, annual financial reports, equal employment opportunity reports, assistance for law enforcement and maintenance of customer billing records for 18 months. The Intelsat common carrier subsidiary currently qualifies for exemptions from several of these reporting requirements.

U.S. Export Control Requirements and Sanctions Regulation. We must comply with U.S. export control laws and regulations, specifically the Arms Export Control Act, the International Traffic in Arms Regulations, or ITAR, the Export Administration Regulations and the trade sanctions laws and regulations in the operation of our business. The export of satellites, satellite hardware, defense services and technical information relating to satellites to non-U.S. satellite manufacturing firms, launch services providers, insurers, customers, employees and other non-U.S. persons is regulated by the U.S. Department of State's Directorate of Defense Trade Controls,

or DDTC, under the ITAR. Certain of our contracts for the manufacture, launch, operation and insurance of our satellites involve the export to non-U.S. persons of technical data or hardware regulated by the ITAR. We have obtained all of the specific DDTC authorizations currently needed in order to fulfill our obligations under contracts with non-U.S. entities, and we believe that the terms of these licenses are sufficient given the scope and duration of the contracts to which they pertain. Many of our employees are non-U.S. nationals. We have obtained a license from the DDTC to allow certain of our non-U.S. national employees access to our technical information that is controlled under the ITAR. Additionally, since Intelsat, Ltd. is based in Bermuda and it and its employees are non-U.S. persons for purposes of the ITAR, some of our suppliers located in the United States must also comply with U.S. export control laws and regulations in order to provide to us ITAR-controlled technical data or hardware.

The U.S. Department of Commerce's Bureau of Industry and Security also regulates some of our activities under the Export Administration Regulations. The Bureau regulates our export of equipment to earth stations in our ground network located outside of the United States. It is our practice to obtain all licenses necessary for the furnishing of original or spare equipment for the operation of our TT&C earth station facilities in a timely manner in order to facilitate the shipment of this equipment when needed.

We cannot provide services to certain countries subject to U.S. trade sanctions unless we first obtain the necessary authorizations from the Office of Foreign Assets Control. Where required, the U.S. Department of the Treasury's Office of Foreign Assets Control has granted us the authorizations needed to provide satellite capacity and related administrative services to U.S.-sanctioned countries.

U.S. Department of Defense Security Clearances. To participate in classified U.S. government programs, Intelsat sought and obtained security clearances for one of its subsidiaries from the U.S. Department of Defense as required under the national security laws and regulations of the United States by entering into a proxy agreement with the U.S. government. Because Intelsat, Ltd. is a Bermuda company with significant non-U.S. investment and employees, it sought and obtained Department of Defense approval of various mechanisms to mitigate the impact on the required security clearances. If Intelsat does not maintain the security clearances that it has obtained from the U.S. Department of Defense, Intelsat will not be able to perform its obligations under any classified U.S. government contracts to which its subsidiary is a party, the U.S. government would have the right to terminate its contracts requiring access to classified information and Intelsat will not be able to enter into new classified contracts. Further, if Intelsat materially violates the terms of the proxy agreement, the subsidiary holding the security clearances may be suspended or debarred from performing any government contracts, whether classified or unclassified.

Regulation by Foreign National Telecommunications Authorities

German Regulation. We hold an authorization to operate the IS-12 satellite at one orbital location.

Japan Regulation. We and JSAT International Inc. are the sole members of Horizons, and in 2002 the Japanese telecommunications ministry authorized Horizons to operate the Ku-band payload on the Galaxy 13/Horizons-1 satellite. In late 2003, the FCC added this Ku-band payload to its Permitted Space Station List, enabling Horizons to use the payload to provide non-DTH services in the United States, and in May 2004, the FCC expanded this authority to include one-way DTH services. We are the exclusive owner of the C-band payload on Galaxy 13/Horizons-1, which the FCC has licensed us to operate.

Other National Telecommunications Authorities. As a provider of satellite capacity, we are also subject to the national communications and broadcasting laws and regulations of many foreign countries in which we operate. Most countries require us to obtain a license or other form of written authorization from the regulator prior to offering service. We have obtained or are obtaining these licenses or written authorizations in all countries in which they are required. Most countries allow authorized telecommunications providers to own their own transmission facilities and to purchase satellite capacity without restriction, facilitating customer access to

our services. Other countries maintain strict monopoly regimes or otherwise regulate the provision of our services. In order to provide services in these countries, we may need to negotiate an operating agreement with a monopoly entity that covers the types of services to be offered by each party, the contractual terms for service and each party's rates. As we have developed our ground network and expanded our service offerings, we have been required to obtain additional licenses and authorizations. To date, we believe that we have identified and complied with all of the regulatory requirements applicable to us in connection with our ground network and expanded services.

The International Telecommunication Union Frequency Coordination Process and Regulation

Our use of orbital slots is subject to the frequency coordination and recording process of the International Telecommunication Union, or ITU. In order to protect satellite systems from harmful radio frequency interference from other satellite systems, the ITU maintains a Master International Frequency Register of radio frequency assignments and their associated orbital locations. Each ITU notifying administration is required by treaty to give notice of, coordinate and record its proposed use of radio frequency assignments and associated orbital locations with the ITU's Radiocommunication Bureau.

When the coordination process is completed, the ITU formally notifies all proposed users of frequencies and orbital locations in order to protect the recorded assignments associated with a given orbital location from subsequent or nonconforming interfering uses by Member States of the ITU. The ITU's Radio Regulations do not contain mandatory dispute resolution or enforcement mechanisms. The Radio Regulations' arbitration procedure is voluntary and neither the ITU specifically, nor international law generally, provides clear remedies if this voluntary process fails. Only nations have full standing as ITU members. Therefore, we must rely on governments to represent our interests before the ITU, including obtaining new rights to use orbital locations and resolving disputes relating to the ITU's rules and procedures.

Employees

As of December 31, 2007, the combined company had 1,074 full-time regular employees. These employees consisted of:

552 employees in engineering, operations and information systems;

265 employees in finance, legal and other administrative functions;

164 employees in sales, marketing and strategy; and

93 employees in support of government sales and marketing.

As of December 31, 2007, 968 of these employees were located in the United States, and the remainder of the combined company's employees were in various other locations around the world. We believe that our relations with employees are good. None of our employees is represented by a union or covered by a collective bargaining agreement.

Environmental Matters

Our operations are subject to various laws and regulations relating to the protection of the environment, including those governing the management, storage and disposal of hazardous materials and the cleanup of contamination. As an owner or operator of property and in connection with current and historical operations at some of our sites, we could incur significant costs, including cleanup costs, fines, sanctions and third-party claims, as a result of violations of or liabilities under environmental laws and regulations. For instance, some of our operations require continuous power supply, and, as a result, current and past operations at our teleport and other technical facilities include fuel storage and batteries for back-up power generators. We believe, however, that our operations are in substantial compliance with environmental laws and regulations.

Our History

Prior to the consummation of the Intelsat Acquisition Transactions, we were the product of the May 1997 merger of PanAmSat International and the Galaxy Satellite Services business of Hughes Communications, Inc., a subsidiary of The DIRECTV Group, into a new publicly held company, which retained the PanAmSat name. The related financing transactions and the related contractual arrangements entered into with The DIRECTV Group are collectively referred to as the Recapitalization. Prior to the Recapitalization in August 2004, The DIRECTV Group beneficially owned approximately 80.4% of our outstanding common stock. The DIRECTV Group was owned by Fox Entertainment Group, Inc., an 82% owned subsidiary of News Corporation. Following the Recapitalization, we were owned by entities affiliated with Kohlberg Kravis Roberts and Co., L.P. ("KKR"), The Carlyle Group ("Carlyle"), Providence Equity Partners, Inc. ("Providence") and certain members of management and of our board of directors.

On September 22, 2004, PanAmSat Holdco was formed by the then existing stockholders of the Company. On October 8, 2004, all of the Company's outstanding common stock held by its then existing stockholders was contributed to PanAmSat Holdco in exchange for an equal number of shares of PanAmSat Holdco common stock, par value \$0.01 per share (the "Contribution"). As a result of and immediately following that Contribution, the Company's then existing stockholders owned PanAmSat Holdco in equal proportion to their prior ownership interest in the Company, and we became a wholly-owned subsidiary of PanAmSat Holdco.

The Contribution of the Company to PanAmSat Holdco was accounted for as a recapitalization because neither a change in control nor a business combination occurred and PanAmSat Holdco was not a substantive operating entity. Accordingly, there was no change in the basis of the assets and liabilities of Intelsat Corp. Therefore, all operations of the Company prior to the Contribution to PanAmSat Holdco are reflected herein at their historical amounts.

Item 1A. Risk Factors

The risks described below are not the only ones that we may face. Additional risks that are not currently known to us or that we currently consider immaterial may also impair our business, financial condition or results of operations.

Risk Factors Relating to Our Business

We are subject to significant competition both within the FSS sector and from other providers of communications capacity, such as fiber optic cable capacity. Competition from other telecommunications providers could have a material adverse effect on our business and could prevent us from implementing our business strategy and expanding our operations as planned.

We face significant competition in the FSS industry in different regions around the world. We compete against other satellite operators and against suppliers of ground-based communications capacity. The increasing availability of satellite capacity and capacity from other forms of communications technology has created an excess supply of telecommunications capacity in certain regions. Competition in the FSS industry lowers prices, which can reduce our operating margins and the cash available to fund our operations and service our debt obligations. In addition, there has been a trend toward consolidation of major FSS providers as customers increasingly demand more robust distribution platforms with network redundancies and worldwide reach, and we expect to face increased competition as a result of this trend. Our direct competitors are likely to continue developing and launching satellites with greater power and more transponders, which may create satellite capacity at lower costs. In order to compete effectively, we may have to invest in similar technology.

In addition, we believe that there are many companies that are seeking ways to improve the ability of existing land-based infrastructure, such as fiber optic cable, to transmit signals. Any significant improvement or increase in the amount of land-based capacity, particularly with respect to the existing fiber optic cable

infrastructure and point-to-point applications, may cause our video services customers to shift their transmissions to land-based capacity or make it more difficult for us to obtain new customers. If fiber optic cable networks or other ground-based high-capacity transmission systems are available to service a particular point, that capacity, when available, is generally less expensive than satellite capacity. As land-based telecommunications services expand, demand for some satellite-based services may be reduced.

Failure to compete effectively with other FSS operators and to adapt to new competition and new technologies or failure to implement our business strategy while maintaining our existing business would result in a loss of revenue and a decline in profitability, a decrease in the value of our business and a downgrade of our credit ratings, which would restrict our access to the capital markets.

The market for fixed satellite services may not grow or may shrink and therefore we may not be able to attract new customers, retain our existing customers or implement our strategies to grow our business. In addition, pricing pressures may have an adverse impact on FSS sector revenue.

The FSS sector, as a whole, is currently expected to experience moderate growth over the next few years. However, the market for fixed satellite services may not grow or may shrink. Competing technologies, such as fiber optic cable, are continuing to adversely affect the point-to-point segment of the FSS sector. In the point-to-multipoint segment, the global economic downturn, the transition of video traffic from analog to digital and continuing improvements in compression technology have negatively impacted demand for certain fixed satellite services. Developments that we expect to support the growth of the satellite services industry, such as continued growth in data traffic and the proliferation of HDTV and niche programming, may fail to materialize or may not occur in the manner or to the extent we anticipate. Any of these industry dynamics could negatively affect our operations and financial condition.

Because the market for fixed satellite services may not grow or may shrink, we may not be able to attract customers for the managed services that we are providing as part of our strategy to sustain our business. Reduced growth in the FSS sector may also adversely affect our ability to retain our existing customers. A shrinking market could reduce the number and value of our customer contracts and would have a material adverse effect on our business and results of operations. In addition, there could be a substantial negative impact on our credit ratings and our ability to access the capital markets.

In 2006 and 2007, we experienced improved pricing trends in many of the regions we serve, as compared to unfavorable pricing trends that impacted our revenue in prior periods. In particular, the price trends have improved in North America, Africa, the Middle East and Eastern Europe. Less favorable price dynamics exist in Asia and Latin America, generally due to overcapacity, although improved economic conditions are resulting in increased demand in these markets, resulting in some stabilization, particularly in Latin America. However, this could change as other operators launch new capacity into the region.

Our financial condition could be materially and adversely affected if we were to suffer a satellite loss that is not adequately covered by insurance.

As our satellite insurance policies expire, we may elect to reduce or eliminate insurance coverage relating to certain of our satellites to the extent permitted by our debt agreements if, in our view, exclusions make such policies ineffective or the costs of coverage make such insurance impractical and we believe that we can more reasonably protect our business through the use of in-orbit spare satellites, backup transponders and self-insurance. A partial or complete failure of a revenue-producing satellite, whether insured or not, could require additional, unplanned capital expenditures, an acceleration of planned capital expenditures, interruptions in service, a reduction in contracted backlog and lost revenue and could have a material adverse effect on our business, financial condition and results of operations.

We maintain third-party liability insurance on certain of our satellites. This insurance, however, may not be adequate or available to cover all third-party liability damages that may be caused by any of our satellites, and we may not in the future be able to renew our third-party liability coverage on reasonable terms and conditions, if at all.

We have several large customers and the loss of, or default by, any one of them could materially reduce our revenue and materially adversely affect our business.

We rely on a limited number of customers to provide a substantial portion of our revenue and contracted backlog. For the year ended December 31, 2007, our ten largest customers and their affiliates represented approximately 49% of our revenue. The loss of, or default by, any of these customers could significantly affect our revenue and operating margins.

Some customers have in the past defaulted and, although we monitor our larger customers' financial performance and seek deposits, guarantees and other methods of protection against default where possible, our customers may in the future default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. Defaults by any of our larger customers or by a group of smaller customers who, collectively, represent a significant portion of our revenue could adversely affect our revenue, operating margins and cash flows. If our backlog is reduced due to the financial difficulties of our customers, our revenue and operating margins would be further negatively impacted.

We have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business, remain in compliance with debt covenants and make payments on our indebtedness.

As of December 31, 2007, we had approximately \$3.4 billion of total debt and we had \$247.9 million (net of standby letters of credit) of availability under the revolving loan facility of its senior secured credit facility. The aggregate availability under our and Intelsat Sub Holdco's two revolving credit facilities is subject to compliance by Intelsat, Ltd. with a secured debt covenant, and as a result such aggregate availability was limited to \$301.3 million as of December 31, 2007.

Our substantial indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy obligations with respect to indebtedness, including our notes, and any failure to comply with the obligations of any of our debt instruments, including financial and other restrictive covenants, could result in an event of default under the indentures governing our notes and the agreements governing such other indebtedness;

- require us to dedicate a substantial portion of available cash flow to pay principal and interest on debt, which will reduce the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes;

- limit flexibility in planning for and reacting to changes in our business and in the industry in which we operate;

- limit our ability to engage in strategic transactions or implement our respective business strategies;

- limit our ability to borrow additional funds; and

- place us at a disadvantage compared to any competitors that have less debt.

Any of the factors listed above could materially and adversely affect our business and our results of operations. If we do not have sufficient cash flow to service our debt, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or sell securities, none of which we can guarantee we will be able to do.

We may be able to incur significant additional indebtedness in the future. Although the agreements governing our indebtedness contain restrictions on the incurrence of certain additional indebtedness, these restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. If we incur new indebtedness, the related risks, including those described above, could intensify.

The terms of our senior secured credit facility, the indentures governing our existing notes and the terms of our other indebtedness may restrict our current and future operations, particularly our ability to respond to changes in our business or to take certain actions.

The credit agreement governing our senior secured credit facility and the indentures governing our existing notes and our other outstanding indebtedness contain, and any future indebtedness of ours would likely contain, a number of restrictive covenants imposing significant operating and financial restrictions on us, including restrictions that may limit our ability to engage in acts that may be in our long-term best interests. Our senior secured credit facility includes a financial covenant that requires the applicable borrower not to exceed a maximum senior secured leverage ratio. In addition, our senior secured credit facility requires us to use a portion of the proceeds of certain asset sales, in excess of a specified amount, that are not reinvested in our business to repay indebtedness under such facilities.

The credit agreements governing the senior secured credit facility and the indentures governing our existing notes include covenants restricting, among other things, our ability to:

incur or guarantee additional debt or issue disqualified stock;

pay dividends, or make redemptions, repurchases or distributions, with respect to ordinary shares or capital stock;

create or incur certain liens;

make certain loans or investments;

engage in mergers, acquisitions, amalgamations, asset sales and sale and leaseback transactions; and

engage in transactions with affiliates.

These covenants are subject to a number of qualifications and exceptions.

The operating and financial restrictions and covenants in our existing debt agreements and any future financing agreements may adversely affect our ability to finance future operations or capital needs or to engage in other business activities. A breach of any of the restrictive covenants in our senior secured credit facility could result in a default under the applicable credit facilities. If any such default occurs, the lenders under the senior secured credit facility may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable, enforce their security interest or require us to apply all available cash to repay these borrowings. If this occurred under our senior secured credit facility, this would result in an event of default under our existing notes. Those lenders under the senior secured credit facility will also have the right in these circumstances to terminate any commitments they have to fund further borrowings. If we were unable to repay outstanding borrowings when due, the lenders under our senior secured credit facility would have the right to proceed against the collateral granted to them to secure the debt owed to them. If the debt under our senior secured credit facility were to be accelerated, our assets might not be sufficient to repay such debt in full or to repay our existing notes and our other existing debt.

Our business is capital intensive, and we may not be able to raise adequate capital to finance our business strategies, or we may be able to do so only on terms that significantly restrict our ability to operate our business.

Implementation of our business strategy requires a substantial outlay of capital. As we pursue our business strategies and seek to respond to opportunities and trends in our industry, our actual capital expenditures may differ from our expected capital expenditures and there can be no assurance that we will be able to satisfy our capital requirements in the future. We currently expect that the majority of our liquidity requirements in 2008 will be satisfied by cash on hand, cash generated from our operations, intercompany borrowings and borrowings under our revolving credit facility. However, if we determine we need to obtain additional funds through external financing and are unable to do so, we may be prevented from fully implementing our business strategy.

The availability and cost to us of external financing depend on a number of factors, including our credit rating and financial performance and general market conditions. Both our credit rating, which was downgraded by Moody's Investor Services Inc. in June 2006 and again in January 2008 and by Standard & Poor's Ratings Group, or S&P, in June 2006, and again in June 2007 and February 2008, and our ability to obtain financing generally, may be influenced by the supply and demand characteristics of the telecommunications sector in general and of the FSS sector in particular. Declines in our expected future revenue under contracts with customers and challenging business conditions faced by our customers are among the other factors that may adversely affect our credit. Other factors that could impact our credit rating include the amount of debt in our current capital structure, activities associated with our strategic initiatives, our expected future cash flows and the capital expenditures required to execute our business strategy. The overall impact on our financial condition of any transaction that we pursue may be negative or may be negatively perceived by the financial markets and ratings agencies and may result in adverse rating agency actions with respect to our credit rating. A credit rating downgrade or deterioration in our financial performance could limit our ability to obtain financing or could result in any such financing being available only at greater cost or on more restrictive terms than might otherwise be available.

Our indentures and the credit agreement related to our senior secured credit facility impose restrictions on us that may limit our flexibility in conducting our business and implementing our strategies. For example, our senior secured credit facility contains financial and operating covenants that, among other things, require us not to exceed a maximum senior secured leverage ratio and limit our ability to pledge our assets as security for additional borrowings. These restrictions will likely make it more difficult for us to obtain further external financing if we require it and could significantly restrict our ability to operate our business.

We are subject to political, economic and other risks due to the international nature of our operations.

Our combined company provides communications services in approximately 200 countries and territories. Accordingly, we may be subject to greater risks than other satellite operators as a result of the international nature of our business operations. We could be harmed financially and operationally by tariffs, taxes and other trade barriers that may be imposed on our services, or by political and economic instability in the countries in which we provide service. If we ever need to pursue legal remedies against our customers or our business partners located outside of the United States, it may be difficult for us to enforce our rights against them.

Almost all of our customers are required to pay for our services in U.S. dollars. Fluctuations in the value of non-U.S. currencies may make payment in U.S. dollars more expensive for our non-U.S. customers. In addition, our non-U.S. customers may have difficulty obtaining U.S. currency and/or remitting payment due to currency exchange controls.

Our New Sponsors control us and may have conflicts of interest with us in the future.

Following completion of the New Sponsors Acquisition Transactions on February 4, 2008, Intelsat Holdings is controlled by affiliates of the New Sponsors and the funds advised by or associated with the New Sponsors. The New Sponsors, together with certain members of our senior management team and other designated employees, beneficially own substantially all of the equity interests in Intelsat Global, which is the direct parent of Intelsat Global Subsidiary, which is the direct parent of Intelsat Holdings, which is the direct parent of Intelsat, Ltd., and the indirect parent of Intelsat Bermuda. The New Sponsors have control over our decisions to enter into any corporate transaction and have the ability to prevent any transaction that requires the approval of shareholders. For example, the New Sponsors could cause us to make acquisitions that increase the amount of our indebtedness. Additionally, the New Sponsors are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. The New Sponsors may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. So long as the New Sponsors continue to own a significant amount of the equity of Intelsat Global, they will continue to be able to strongly influence or effectively control our decisions.

We may not be able to complete strategic transactions, which may prevent us from implementing strategies to grow our business.

We intend to continue to evaluate and pursue strategic transactions that can, among other things, broaden our customer base, provide enhanced geographic presence and provide complementary technical and commercial capabilities. Successful completion of any strategic transaction we identify depends on a number of factors that are not entirely within our control, including our ability to negotiate acceptable terms, conclude satisfactory agreements and obtain all necessary regulatory approvals. In addition, we may need to finance any strategic transaction that we identify, and may not be able to obtain the necessary financing on satisfactory terms and within the timeframe that would permit a transaction to proceed. We may also fail to discover liabilities of a business or operating or other problems prior to completing a transaction. We could experience adverse accounting and financial consequences, such as the need to make large provisions against the acquired assets or to write down the acquired assets. We might also experience a dilutive effect on our earnings. In addition, depending on how any such transaction is structured, there may be an adverse impact on our capital structure. We may incur significant costs arising from our efforts to engage in strategic transactions, and such costs may exceed the returns that we realize from a given transaction. Moreover, these expenditures may not result in the successful completion of a transaction.

We could be prevented from, or significantly delayed in, achieving our strategic goals if we are unable to complete strategic transactions or to integrate acquired businesses successfully into our business. Any strategic transactions that we do complete may not promote our business strategy, may negatively affect the value of our business or may adversely affect our prospects for long-term growth.

Compliance with the Sarbanes-Oxley Act is likely to increase our operating expenses. If we fail to comply with the Sarbanes-Oxley Act, our business could be materially adversely affected.

The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC, have required, and will require, changes to some of our corporate governance practices. These changes include developing financial and disclosure processes that satisfy Section 404 of the Sarbanes-Oxley Act. We expect that these rules and regulations will increase our legal and financial compliance costs and will make some activities more difficult, time consuming and costly. We also expect that these rules and regulations could make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and to attract and retain qualified executive officers. If we are unable to comply with the Sarbanes-Oxley Act and related rules and regulations, our business could be materially adversely affected. See Item 9A(T) Controls and Procedures.

Risk Factors Relating to Our Industry

We may experience in-orbit satellite failures or degradations in performance that could impair the commercial performance of our satellites, which could lead to lost revenue, an increase in our cash operating expenses, lower operating income or lost backlog.

Satellites utilize highly complex technology and operate in the harsh environment of space and, accordingly, are subject to significant operational risks while in orbit. These risks include malfunctions, commonly referred to as anomalies, that have occurred in our satellites and the satellites of other operators as a result of:

the satellite manufacturer's error, whether due to the use of new and largely unproven technology or simply due to a manufacturing defect;

problems with the power systems of the satellites, including:

circuit failures or other array degradation causing reductions in the power output of the solar arrays on the satellites, which could require us to forego the use of some transponders initially and to turn off additional transponders in later years; and/or

failure of the cells within the batteries, whose sole purpose is to power the payload and spacecraft operations during the daily eclipse periods which occur for brief periods of time during two 40-day periods around March 21 and September 21 of each year; and

problems with the control systems of the satellites, including:

failure of the primary and/or backup spacecraft control processor, or SCP; and

failure of the XIPS used on certain Boeing satellites, which is an electronic propulsion system that maintains the spacecraft's proper in-orbit position; and/or

general failures resulting from operating satellites in the harsh space environment.

We have experienced anomalies in each of the categories described above. Although we work closely with the satellite manufacturers to determine and eliminate the cause of these anomalies in new satellites and provide for on-satellite backups for certain critical components to minimize or eliminate service disruptions in the event of failure, we may experience anomalies in the future, whether of the types described above or arising from the failure of other systems or components. We could experience equipment or subsystem failures due to design, manufacturing or assembly errors that were not discovered before launch, premature component failure or wear out, and/or the harsh environment of space. These anomalies can manifest themselves in scale from minor reductions of equipment redundancy to marginal reductions in capacity to complete satellite failure. Some of our satellites have experienced significant anomalies in the past and some have components that are now known to be susceptible to similar significant anomalies. Each of these is discussed in Item 1 Business Satellite Health and Technology. An on-satellite backup may not be available upon the occurrence of such an anomaly.

Any single anomaly or series of anomalies could materially and adversely affect our operations, our revenues, our relationship with our current customers and our ability to attract new customers for our satellite services. In particular, future anomalies may result in the loss of individual transponders on a satellite, a group of transponders on that satellite or the entire satellite, depending on the nature of the anomaly and the availability of on-satellite backups. Anomalies and our estimate of their future effect may also cause a reduction of the expected service life of a satellite and contracted backlog. Anomalies may also cause a reduction of the revenue generated by that satellite or the recognition of an impairment loss. Finally, the occurrence of anomalies may adversely affect our ability to insure our satellites at commercially reasonable premiums, if at all. While some anomalies are covered by insurance policies, others are not or may not be covered. See Risk Factors Relating to Our Business Our financial condition could be materially and adversely affected if we were to suffer a satellite loss that is not adequately covered by insurance.

We have experienced some technical problems with our current satellite fleet. Three of the BSS 601 satellites that we operated in the past, as well as BSS 601 satellites operated by others, have experienced a failure of the primary and backup SCPs. On January 15, 2006, our Galaxy 3R satellite, operating in an inclined orbit at 74°WL, experienced an anomaly of its back-up SCP and was taken out of service. This satellite had a zero net book value as of December 31, 2007 and this event did not have a material impact on our operations or financial results. One of the BSS 601 satellites that we currently operate has experienced a failure of the primary SCP.

Certain of the BSS 601 HP satellites have experienced various problems associated with their XIPS. We currently operate six satellites of this type, two of which have experienced failures of both XIPS. We may in the future experience similar problems associated with XIPS or other propulsion systems on our satellites. In 2004, based on a review of available data, we reduced our estimate of the service life of one of our BSS 601 HP satellites, IS-9, and as a result, we accelerated depreciation expense related to this satellite.

Two of the three BSS 702 satellites that we operate, as well as BSS 702s of a similar design operated by others, have experienced a progressive degradation of their solar arrays causing a reduction in output power. Along with the manufacturer, we continually monitor the problem to determine its cause and its expected effect. The power reduction may require us to permanently turn off certain transponders on the affected satellites to allow for the continued operation of other transponders, which could result in a loss of revenues, or may result in a reduction of the satellite's service life. In 2004, based on a review of available data, we reduced our estimate of the service lives of both satellites due to the continued degradation.

We may experience a launch failure or other satellite damage or destruction during launch, which could result in a total or partial satellite loss. A new satellite could also fail to achieve its designated orbital location after launch. Any such loss of a satellite could negatively impact our business plans and could reduce our revenue.

Satellites are subject to certain risks related to failed launches. Launch failures result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take 24 months or longer, and to obtain other launch opportunities. Such significant delays could materially and adversely affect our operations and our revenue. In addition, significant delays could give customers who have purchased or reserved capacity on that satellite a right to terminate their service contracts relating to the satellite. We may not be able to accommodate affected customers on other satellites until a replacement satellite is available. A customer's termination of its service contracts with us as a result of a launch failure would reduce our contracted backlog. Delay caused by launch failures may also preclude us from pursuing new business opportunities and undermine our ability to implement our business strategy.

Launch vehicles may also under-perform, in which case the satellite may still be placed into service by using its onboard propulsion systems to reach the desired orbital location, resulting in a reduction in its service life. In addition, although we have had launch insurance on all of our launches to date, if we were not able to obtain launch insurance on reasonable terms and a launch failure were to occur, we would directly suffer the loss of the cost of the satellite and related costs, which could be as much as \$250 million.

Of the 44 satellites launched by us or our predecessors since 1983, three have resulted in launch failures. In addition, certain launch vehicles that we have used or are scheduled to use have experienced launch failures in the past. Launch failure rates vary according to the launch vehicle used.

New or proposed satellites are subject to construction and launch delays, the occurrence of which can materially and adversely affect our operations.

The construction and launch of satellites are subject to certain delays. Such delays can result from the delays in the construction of satellites and launch vehicles, the periodic unavailability of reliable launch opportunities, possible delays in obtaining regulatory approvals and launch failures. We have in the past experienced delays in satellite construction and launch which have adversely affected our operations. Future delays may have the same effect. A significant delay in the future delivery of any satellite may also adversely affect our marketing plan for the satellite. If satellite construction schedules are not met, a launch opportunity may not be available at the time a satellite is ready to be launched. Further, any significant delay in the commencement of service of any of our satellites could enable customers who pre-purchased or agreed to utilize transponder capacity on the satellite to terminate their contracts and could affect our plans to replace an in-orbit satellite prior to the end of its service life. The failure to implement our satellite deployment plan on schedule could have a material adverse effect on our financial condition and results of operations. Delays in the launch of a satellite intended to replace an existing satellite that results in the existing satellite reaching its end of life before being replaced could result in loss of business to the extent an in-orbit backup is not available.

We have plans to launch one satellite during 2008 that will replace a satellite currently in service. This satellite is scheduled to be launched on a Sea Launch vehicle. In January 2007, Sea Launch experienced a launch failure in a satellite launch by SES New Skies. As a result, there have been delays in all launches by Sea Launch. Sea Launch returned to service in January 2008; however, we cannot predict whether we will experience further delays or additional costs in connection with our planned launch. Any delay in the launch of this satellite would cause commencement of service to occur later than the end of the life of the satellite it is replacing, which could result in a loss of revenue and contracted backlog.

Risk Factors Relating to Regulation

We are subject to regulatory and licensing requirements in each of the countries in which we provide services, and our business is sensitive to regulatory changes in those countries.

The telecommunications industry is highly regulated, and in connection with providing satellite capacity, ground network uplinks, downlinks and other value-added services to our customers, we need to maintain regulatory approvals, and from time to time obtain new regulatory approvals, from various countries. Obtaining and maintaining these approvals can involve significant time and expense. If we cannot obtain or are delayed in obtaining the required regulatory approvals, we may not be able to provide these services to our customers or expand into new services. In addition, the laws and regulations to which we are subject could change at any time, thus making it more difficult for us to obtain new regulatory approvals or causing our existing approvals to be revoked or adversely modified. Because the regulatory schemes vary by country, we may also be subject to regulations of which we are not presently aware and could be subject to sanctions by a foreign government that could materially and adversely affect our operations in that country. If we cannot comply with the laws and regulations that apply to us, we could lose our revenue from services provided to the countries and territories covered by these laws and regulations and be subject to criminal or civil sanctions.

If we do not maintain regulatory authorizations for our existing satellites and associated ground facilities or obtain authorizations for our future satellites and associated ground facilities, we may not be able to operate our existing satellites or expand our operations.

Our operation of existing satellites is authorized and regulated by the FCC, the U.K. Office of Communications, referred to as Ofcom, the telecommunications licensing authority in Papua New Guinea, known as PANGTEL, the telecommunications ministry of Japan, and the regulatory agency of Germany, known as BNetzA. If we do not maintain authorizations for our existing satellites, we would not be able to operate the satellites covered by those authorizations, unless we obtained authorization from another licensing jurisdiction. Some of our authorizations provide waivers of technical regulations. If we do not maintain these waivers, we would be subject to operational restrictions or interference that would affect our use of existing satellites. Loss of a satellite authorization could cause us to lose the revenue from services provided by that satellite at a particular orbital location to the extent these services cannot be provided by satellites at other orbital locations.

Our launch and operation of planned satellites require additional regulatory authorizations from the FCC or a non-U.S. licensing jurisdiction, some of which we have already obtained. If we do not obtain any required authorizations in the future, we would not be able to operate our planned satellites. If we obtain a required authorization but we do not meet milestones regarding the construction, launch and operation of a satellite by deadlines that may be established in the authorization, we could lose our authorization to operate a satellite using certain frequencies in an orbital location. Any authorizations we obtain may also impose operational restrictions or permit interference that could affect our use of planned satellites.

If we do not occupy unused orbital locations by specified deadlines, or do not maintain satellites in orbital locations we currently use, those orbital locations may become available for other satellite operators to use.

Our in-orbit satellites do not currently occupy all of the orbital locations for which we have obtained regulatory authorizations. If we are unable to place satellites into currently unused orbital locations by specified deadlines and in a manner that satisfies the International Telecommunication Union, referred to as the ITU, or national regulatory requirements, or if we are unable to maintain satellites at the orbital locations that we currently use, we may lose our rights to use these orbital locations and the locations could become available for other satellite operators to use. We cannot operate our satellites without a sufficient number of suitable orbital locations in which to place the satellites. The loss of one or more of our orbital locations could negatively affect our plans and our ability to implement our business strategy.

Coordination results may adversely affect our ability to use a satellite at a given orbital location for our proposed service or coverage area.

We are required to record frequencies and orbital locations used by our satellites at the ITU and to coordinate the use of these frequencies and orbital locations in order to avoid interference to or from other satellites. The results of coordination may adversely affect our use of satellites at particular orbital locations. If we are unable to coordinate our satellites by specified deadlines, we may not be able to use a satellite at a given orbital location for our proposed service or coverage area. The use of our satellites may also be temporarily or permanently adversely affected if the operation of adjacent satellite networks does not conform to coordination agreements in a way that the acceptable interference levels are exceeded (e.g., due to operational errors associated with the transmissions to adjacent satellite networks).

Our failure to maintain or obtain authorizations under the U.S. export control and trade sanctions laws and regulations could have a material adverse effect on our business.

The export of satellites and technical information related to satellites, earth station equipment and provision of services to certain countries are subject to State Department, Commerce Department and Treasury Department regulations. If we do not maintain our existing authorizations or obtain necessary future authorizations under the export control laws and regulations of the United States, we may be unable to export technical information or equipment to non-U.S. persons and companies, including to our own non-U.S. employees, as required to fulfill existing contracts. If we do not maintain our existing authorizations or obtain necessary future authorizations under the trade sanctions laws and regulations of the United States, we may not be able to provide satellite capacity and related administrative services to certain countries subject to U.S. sanctions. In addition, because we conduct management activities from Bermuda, our U.S. suppliers must comply with U.S. export control laws and regulations in connection with their export of satellites and related equipment and technical information to us. Our ability to acquire new satellites, launch new satellites or operate our satellites could also be negatively affected if our suppliers do not obtain required U.S. export authorizations.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We operate as a fully integrated subsidiary of Intelsat. Intelsat owns the two facilities in which most of its operations and employees are located in Washington, D.C. and Ellenwood, Georgia. Intelsat Global Service Corporation, or IGSC, an indirect subsidiary of Intelsat Bermuda, owns the Washington, D.C. building where our administrative headquarters and primary satellite operations center are located. The land that underlies this building is leased from the U.S. government pursuant to a lease that expires in 2081. The building has approximately 917,000 gross square feet, of which approximately 546,500 square feet is used for office space and satellite operations facilities. See Item 1 Business Our Network Network Operations and Current Ground Facilities for descriptions of these facilities. The building also houses the majority of our sales and marketing support staff and other administrative personnel. Intelsat also leases approximately 25,785 square feet in Bethesda, Maryland where the employees of IGen are located.

We also own a facility in Ellenwood, Georgia in which our primary customer service center is located. The facility has approximately 129,000 square feet of office space and operations facilities, which are based in two buildings and multiple antenna shelters on the property. See Item 1 Business Our Network Network Operations and Current Ground Facilities for descriptions of these facilities.

The backup satellite operations center is located at a facility in Long Beach, California, which includes approximately 68,875 square feet for administrative and operational facilities. Intelsat's current plan is to lease a significant portion of this facility to third parties.

Intelsat uses a worldwide ground network to operate its satellite fleet and to manage the communications services that Intelsat provides to its customers. This network is comprised of 39 owned and leased earth station and teleport facilities around the world, including 17 earth stations that perform TT&C services.

The six TT&C earth stations in the ground network which Intelsat owns are located in Ellenwood, Georgia, Fillmore, Napa and Riverside, California, Paumalu, Hawaii and Fuchsstadt, Germany. Intelsat leases facilities at 11 other locations for TT&C services. Intelsat also contracts with the owners of some of these TT&C stations for the provision of additional services. Other earth stations in the ground network include earth stations in locations such as Argentina, Australia, Bahrain, India, Italy, South Korea, Russia, South Africa, French Polynesia, Taiwan, Uruguay and the United Arab Emirates. Intelsat's network also consists of the leased communications links that connect the earth stations to its satellite operations center located in the Washington, D.C. building and to the back-up operations facility.

In addition to providing TT&C services for the operation of its global satellite fleet, Intelsat owns and leases facilities in order to provide teleport services to its customers. Intelsat owns seven teleports in Riverside, Napa and Fillmore California, Ellenwood, Georgia, Paumalu, Hawaii, Hagerstown, Maryland and Fuchsstadt, Germany. Intelsat leases teleport facilities at a number of other U.S. and international locations, including Castle Rock, Colorado, Australia, the United Arab Emirates, Italy, China, South Korea and Kuwait.

Intelsat has established points of presence connected by leased fiber at key traffic exchange points around the world, including Los Angeles, New York, Hong Kong and London. Intelsat leases facilities at these traffic exchange points. Intelsat has also established video points of presence connected by leased fiber at key video exchange points around the world, including Los Angeles, Denver, New York, Washington, D.C. and London. Intelsat leases facilities at these video exchange points. Intelsat uses teleports and points of presence in combination with its satellite network to provide customers with managed services and video services.

Intelsat owns an approximately 40,000 square foot facility in Hagerstown, Maryland. In addition, Intelsat leases approximately 19,000 square feet of office space and 9,300 square feet of storage space at this location, which also includes a back-up facility and data center that Intelsat uses as back-up for its satellite and other business operations.

Intelsat leases office space in Hamilton, Bermuda, London, England, and Wilton, Connecticut. Our Bermuda office was established in 2001 and serves as the headquarters for Intelsat Global, Intelsat Global Subsidiary, Intelsat Holdings, Intelsat, Ltd., Intelsat Bermuda, Intelsat Jackson, Intermediate Holdco and Intelsat Sub Holdco. The London office houses the employees of Intelsat Global Sales, and functions as our global sales headquarters. The Wilton, Connecticut office formerly housed the administrative functions of the prior PanAmSat business. This facility is under a lease set to expire in 2011, and Intelsat subleased this space to third parties in mid-2007, when Intelsat discontinued operations at this facility under its integration plans. Intelsat also leases office space in New York, Florida, Australia, Brazil, China, France, Germany, India, Japan, Mexico, Singapore, South Africa and the United Arab Emirates for its local sales and marketing support offices.

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Prior to the completion of the Intelsat Acquisition Transactions on July 3, 2006, the common stock of our parent, PanAmSat Holdco, was traded on the New York Stock Exchange. Subsequent to these transactions, there is no market for our common stock.

Item 6. Selected Financial Data

The following selected historical consolidated financial data should be read in conjunction with, and is qualified by reference to, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and their notes included elsewhere in this Annual Report. The consolidated statement of operations data and consolidated cash flow data for the period January 1, 2006 to July 1, 2006 (predecessor entity), the period July 1, 2006 to December 31, 2006 (successor entity) and for the year ended December 31, 2007 and the consolidated balance sheet data as of December 31, 2006 and 2007 have been derived from consolidated financial statements audited by KPMG LLP, an independent registered public accounting firm, appearing elsewhere in this Annual Report. The consolidated statement of operations data and consolidated cash flow data for the year ended December 31, 2005 has been derived from consolidated financial statements audited by Deloitte & Touche LLP, an independent registered public accounting firm, appearing elsewhere in this Annual Report. The consolidated statement of operations data for the years ended December 31, 2003 and 2004 and the consolidated balance sheet data as of December 31, 2003, 2004 and 2005 have been derived from consolidated financial statements that are not included in this Annual Report.

As a result of the consummation of the Intelsat Acquisition Transactions, the financial results for the year ended December 31, 2006 have been separately presented for the Predecessor Entity for the period January 1, 2006 to July 1, 2006 and for the Successor Entity for the period July 1, 2006 to December 31, 2006. Although the effective date of the Intelsat Acquisition Transactions was July 3, 2006, due to the immateriality of the results of operations for the period between July 1, 2006 and July 3, 2006, we have accounted for the consummation of the Intelsat Acquisition Transactions as if they had occurred on July 1, 2006.

	Predecessor Entity Year Ended December 31,			January 1, 2006 to July 1, 2006 (in thousands)	Successor Entity Year Ended July 1, 2006 to December 31, 2006 2007	
	2003	2004	2005			
Consolidated Statement of Operations Data (1):						
Revenue:						
Transponder services, satellite-related services and other	\$ 814,006	\$ 811,124	\$ 847,149	\$ 436,864	\$ 419,694	\$ 825,187
Revenue from affiliates					102,653	215,010
Outright sales and sales-type leases (2)	17,005	15,946	13,854	5,895		
Total revenue	831,011	827,070	861,003	442,759	522,347	1,040,197
Operating expenses:						
Direct costs of revenue (exclusive of depreciation and amortization)	149,696	157,354	143,870	70,977	91,120	148,026
Cost of outright sales and sales-type leases (2)		2,224	(4,303)	(1,943)		
Costs from affiliates					31,711	74,104
Selling, general and administrative expenses	86,081	110,898	74,969	38,604	71,442	123,839
Depreciation and amortization	312,833	294,822	276,925	138,655	145,329	302,232
Prior Sponsor management fees		731	10,444			
Restructuring and transaction costs	4,227	161,323	4,294	145,186	9,327	8,776
Loss on termination of sales-type leases			2,307			
(Gain) loss on undesignated interest rate swap			(6,611)	(23,140)	11,731	11,699
Gain on insurance claim		(9,090)				
Gain on sale of teleport		(11,113)				
Satellite impairment loss		99,946				
Total operating expenses	552,837	807,095	501,895	368,339	360,660	668,676
Income from operations	278,174	19,975	359,108	74,420	161,687	371,521
Interest expense, net	143,632	186,754	261,383	107,601	143,514	257,459
Other income (expense), net				(2,108)	2,031	3,795
Income (loss) before income taxes	134,542	(166,779)	97,725	(35,289)	20,204	117,857
Provision for (benefit from) income taxes	35,010	(91,290)	2,105	8,007	6,112	20,822
Net income (loss)	\$ 99,532	\$ (75,489)	\$ 95,620	\$ (43,296)	\$ 14,092	\$ 97,035

	Predecessor Entity				Successor Entity	
	Year Ended December 31,			January 1, 2006	July 1, 2006 to	Year Ended
	2003	2004	2005	to July 1, 2006 (in thousands)	December 31, 2006	December 31, 2007
Consolidated Cash Flow Data (1):						
Net cash provided by operating activities	\$ 472,504	\$ 293,274	\$ 413,919	\$ 250,388	\$ 148,072	\$ 489,790
Net cash provided by (used in) investing activities	75,753	595,106	(242,533)	(133,012)	4,422	(375,983)
Net cash used in financing activities	(860,909)	(1,026,792)	(85,094)	(170,292)	(83,488)	(175,378)
Other Data:						
Capital expenditures	97,563	156,306	203,183	129,265	53,521	378,607

	Predecessor Entity As of December 31,			Successor Entity As of December 31,	
	2003	2004	2005	2006	2007
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 176,087	\$ 38,607	\$ 125,945	\$ 142,021	\$ 81,773
Satellites and other property and equipment, net	2,306,705	1,955,664	1,949,560	1,828,710	1,918,002
Goodwill	2,243,611	2,244,131	2,244,131	3,742,674	3,734,649
Total assets	5,734,877	4,764,495	4,828,081	7,495,384	7,429,108
Total debt	1,700,000	3,608,000	2,932,000	3,501,325	3,447,242
Shareholder's equity	3,178,758	697,759	1,312,530	2,908,777	2,943,525

- (1) As a result of the Intelsat Acquisition Transactions, certain prior period amounts have been reclassified to conform to Intelsat, Ltd.'s presentation.
- (2) As a result of the Intelsat Acquisition Transactions, certain of our accounting policies with respect to outright sales and sales-type leases have been changed to conform to Intelsat, Ltd.'s current accounting policies, and these outright sales and sales-type leases are now recognized as service contracts. Previously, under an outright sales contract, we sold all rights and title to a transponder to a customer, which in turn paid us the full amount of the sale price in cash at the commencement of the contract. At that time, we recognized the sale amount as revenue and recorded the cost of the transponder to cost of outright sales. Under sales-type leases, we recognized as revenue at the inception of the lease the net present value of the future minimum lease payments, but we continued to receive cash payments from the lessee throughout the term of the lease. In addition, during the life of the lease, we recognized as revenue the portion of each periodic lease payment deemed to be attributable to interest income. We have not entered into any new sales-type leases after 2001. The principal difference between a sales-type lease and an operating lease is when revenue and related costs are recognized, but not when the cash is received.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our historical consolidated financial statements covers periods before consummation of the New Sponsors Acquisition Transactions, and before and after the Intelsat Acquisition Transactions and the Government Business Merger (as defined below). This discussion should be read together with Item 6 Selected Financial Data and our consolidated financial statements and their notes included elsewhere in this Annual Report. Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, and, unless otherwise indicated, the other financial information contained in this Annual Report has also been prepared in accordance with U.S. GAAP. See Forward-Looking Statements and Item 1A Risk Factors for a discussion of factors that could cause our future financial condition and results of operations to be different from those discussed below. Certain monetary amounts, percentages and other figures included in this Annual Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them. Unless otherwise indicated, all references to dollars and \$ in this Annual Report are to, and all monetary amounts in this Annual Report are presented in, U.S. dollars.

Overview

Following the completion of the Intelsat Acquisition Transactions on July 3, 2006, as discussed below, we operate as a fully integrated subsidiary of Intelsat, our indirect parent. We provide service on a global fleet of 26 satellites that are integrated with 27 other satellites owned by other subsidiaries of Intelsat for a combined fleet of 53 satellites that supply video, data and voice connectivity in approximately 200 countries and territories for over 1,800 customers. Our combined company has one of the largest, most flexible and one of the most reliable satellite fleets in the world, which covers over 99% of the world's population. Our satellite fleet is operated via ground facilities used to monitor and control our satellites and is complemented by a terrestrial network of teleports, points of presence and leased fiber links for the provision of our hybrid managed services.

Impact of Significant Transactions*The New Sponsors Acquisition Transactions*

On February 4, 2008, pursuant to the BC Share Purchase Agreement, Serafina acquired 100% of the equity ownership of Intelsat Holdings. The aggregate cash purchase price for all of the equity securities of Intelsat Holdings was approximately \$5.0 billion. The former shareholders of Intelsat Holdings (other than management), including funds advised by or associated with Apax Partners Worldwide LLP, Apax Partners, L.P., Apollo Management V, L.P., MDP Global Investors Limited and Permira Advisers LLC (such funds collectively referred to herein as the Former Sponsors), sold 100% of their equity interests in Intelsat Holdings. Upon closing, management contributed to Serafina Holdings the portion of their equity interests in Intelsat Holdings not purchased for cash by Serafina (which was renamed Intelsat Global Subsidiary, Ltd. on February 8, 2008) for equity interests in Serafina Holdings (which was renamed Intelsat Global, Ltd. on February 8, 2008).

On February 4, 2008, in order to finance in part the New Sponsors Acquisition, Serafina borrowed \$4.96 billion in aggregate principal amount of term loans under a \$2.81 billion senior unsecured bridge loan credit agreement, referred to as the Senior Bridge Loan Credit Agreement, and a \$2.15 billion senior unsecured PIK election bridge loan credit agreement, referred to as the PIK Election Bridge Loan Credit Agreement, and together with the Senior Bridge Loan Credit Agreement, referred to collectively as the Bridge Loan Credit Agreements.

On February 4, 2008, promptly after the consummation of the New Sponsors Acquisition, Intelsat Bermuda transferred certain of its assets (including all of its direct and indirect ownership interests in Intermediate Holdco and Intelsat Corp) and certain of its liabilities and obligations (including its 9¹/₄% Senior Notes due 2016, 11¹/₄%

Senior Notes due 2016, Floating Rate Senior Notes due 2013, Floating Rate Senior Notes due 2015 and its senior unsecured credit facility) to a newly formed direct wholly-owned subsidiary, Intelsat Jackson, pursuant to an assignment and assumption agreement. Following that transfer, referred to as the Intelsat Bermuda Transfer, Intelsat Jackson became the owner of substantially all of Intelsat Bermuda's existing assets and the obligor with respect to substantially all of Intelsat Bermuda's existing liabilities and obligations.

On February 4, 2008, immediately after the consummation of the Intelsat Bermuda Transfer, Serafina assigned certain of its assets and liabilities to Intelsat Bermuda, referred to as the Serafina Assignment, including Serafina's rights and obligations under the Bridge Loan Credit Agreements and a commitment letter it had entered into with certain banks relating to the financing of the New Sponsors Acquisition and related transactions, referred to as the Financing Commitment Letter. As a result, Intelsat Bermuda is now the obligor under the Bridge Loan Credit Agreements.

In connection with the New Sponsors Acquisition, we entered into an amendment to our existing senior secured credit facility which became effective on February 4, 2008. We also borrowed an additional \$150.0 million of Tranche B-2 Term Loans under our senior secured credit facility. The amendment and the new term loan are described below under "Liquidity and Capital Resources—Subsequent Refinancing and Amendment."

The consummation of the New Sponsors Acquisition resulted in a change of control under the indentures governing certain of our outstanding series of notes, giving the holders of those notes the right to require us to repurchase those notes at 101% of their principal amount, plus accrued interest to the date of repurchase. On March 5, 2008, we commenced a tender offer to repurchase our 9% Senior Notes due 2014 and 9% Senior Notes due 2016, in each case in accordance with the terms of the indenture governing such notes. These tender offers are each referred to as a Change of Control Offer and collectively as the Change of Control Offers. Intelsat may engage in open market purchases of these notes before or after the expiration or consummation of the applicable Change of Control Offer.

Pursuant to the terms of the Financing Commitment Letter referred to above, as amended, which was assigned to Intelsat Bermuda by Serafina in the Serafina Assignment, the financial institutions party thereto committed to extend credit to Intelsat Bermuda and its subsidiaries (including Intelsat Corp) to finance all of the Change of Control Offers.

As part of the New Sponsors Acquisition Transactions, Intelsat Bermuda incurred substantial additional indebtedness. Intelsat is a highly leveraged company and in connection with the consummation of the New Sponsors Acquisition Transactions Intelsat has become a significantly more highly leveraged company.

The New Sponsors Acquisition Transactions will be accounted for under the purchase method of accounting. As a result, we expect the purchase price and related costs to be allocated to the assets acquired and liabilities assumed at the time of the acquisition based on management's best estimates of their fair value. In accordance with Topic 5J of the codified SEC Staff Accounting Bulletins, the purchase price paid to acquire Intelsat Holdings and related purchase accounting adjustments will be "pushed down" and recorded in our financial statements and will result in a new basis of accounting for the successor period beginning after completion of the New Sponsors Acquisition Transactions. Going forward, we expect our depreciation and amortization expense to increase, primarily due to the fair value adjustments increasing the carrying value of our long-lived fixed assets and amortizable intangible assets.

In addition, all outstanding restricted performance shares under the Intelsat Holdings 2005 Share Incentive Plan, or the 2005 Share Plan, vested upon completion of the New Sponsors Acquisition. Vesting in share-based compensation arrangements, or SCAs, issued under the 2005 Share Plan doubled if the awardee was still employed on February 4, 2008. The vested SCAs were cancelled in return for cash in an amount equal to the excess of approximately \$400 (the per share price of the transaction) over the exercise price. Vested restricted

shares (including time and performance vesting shares) were purchased at approximately \$400 per share. In connection with the vesting and modification of these awards, we will record compensation expense of \$62.2 million during the first quarter of 2008. We also expect to incur significant transaction related expenses in connection with the consummation of the New Sponsors Acquisition Transactions, primarily related to amendments of existing debt. We expect to incur additional transaction related expenses in connection with the Change of Control Offers.

The 2007 Refinancing

On January 19, 2007, we further amended the Amended and Restated Credit Agreement governing our senior secured credit facility, referred to as the Amended and Restated Credit Agreement. The amendment reduced the Term Loan A-3 interest rate and Term Loan B-2 interest rate from a range of LIBOR plus 2.125% to LIBOR plus 2.875% to a range of LIBOR plus 1.75% to LIBOR plus 2.00%. We refer to this amendment as the 2007 Refinancing.

The Intelsat Acquisition Transactions

On July 3, 2006, Intelsat Bermuda completed the acquisition of PanAmSat Holdco pursuant to a merger agreement entered into on August 28, 2005. In accordance with the merger agreement, Intelsat Bermuda acquired PanAmSat Holdco for \$25.00 per common share in cash, or approximately \$3.2 billion, plus a pro rata share of undeclared regular quarterly dividends. Each share of common stock of PanAmSat Holdco was converted into the right to receive \$25.00, plus approximately \$0.00927 as the pro rata share of undeclared regular quarterly dividends. Upon completion of the merger, referred to as the Merger Transaction, PanAmSat Holdco's equity holders ceased to hold shares or other equity interests in PanAmSat Holdco, and the common stock of PanAmSat Holdco was de-listed from the New York Stock Exchange.

In connection with the acquisition, PanAmSat Corp issued an aggregate principal amount of \$575.0 million of 9% Senior Notes due 2016, referred to as the Corp 2016 Senior Notes. In addition, PanAmSat Corp amended and restated its existing senior secured credit facility. We refer to these transactions and the Merger Transaction collectively as the Intelsat Acquisition Transactions. For more information regarding our debt structure following the completion of the Intelsat Acquisition Transactions, see Liquidity and Capital Resources.

Although the effective date of the Intelsat Acquisition Transactions was July 3, 2006, due to the immateriality of the results of operations for the period between July 1, 2006 and July 3, 2006, we accounted for the Intelsat Acquisition Transactions as if they had occurred on July 1, 2006. The purchase price and related costs of the Intelsat Acquisition Transactions were allocated to the fair values of the assets acquired and liabilities assumed at the time of the acquisition based on management's best estimates. In order to develop estimates of fair values, we considered the following generally accepted valuation approaches: the cost approach, income approach and market approach. Our estimates included assumptions about projected growth rates, cost of capital, effective tax rates, tax amortization periods, technology royalty rates and technology life cycles, the regulatory and legal environment, and industry and economic trends. While we believe that the estimates and assumptions underlying the valuation methodologies are reasonable, different assumptions could result in different market values. The purchase price allocation was finalized during the quarter ended June 30, 2007. As a result of these adjustments, our depreciation and amortization expense increased significantly. Also, our interest expense increased due to the interest on the Corp 2016 Senior Notes.

Certain of our accounting policies have been changed to conform to Intelsat's current accounting policies. The majority of these changes has not had, and are not expected to have, a significant impact on our consolidated financial statements. However, we identified transactions whereby contracts entered into with customers to provide satellite transponders and transponder capacity, and in certain cases, earth stations and teleport facility services had been accounted for as sales-type leases. For sales-type lease transactions, we previously recognized as revenue at the inception of the lease the net present value of the future minimum lease payments, and

continued to receive cash payments from the lessee throughout the term of the lease. In addition, during the life of the lease, we recognized as revenue the portion of each periodic lease payment deemed attributable to interest income.

There were no new sales-type leases entered into after 2001. As a result of the change to conform accounting policies, these sales-type leases are now recognized as service contracts. This accounting policy change resulted in a fair value adjustment in purchase accounting of approximately \$72.3 million of net assets related to previously recorded sales-type leases and the recording of approximately \$5.0 million of additional revenue during the successor period July 1, 2006 to December 31, 2006.

We believe we are on track with regard to our integration plan and our planned operating cost savings. Our combined company's total headcount at the time of the Intelsat Acquisition Transactions was approximately 1,370, and at December 31, 2007 the headcount was 1,074, reflecting reductions in line with our combined company's original plan. Because of our combined company's more favorable market position since closing the Intelsat Acquisition Transactions in July 2006, we have been able to capture new business opportunities and generate additional revenue growth. In certain areas headcount has increased to address these opportunities and to pursue new strategies that were not identified prior to the Intelsat Acquisition Transactions.

Our combined company believes that as of December 31, 2007, most of the one-time expenditures necessary to achieve the expected cost savings resulting from the Intelsat Acquisition Transactions had been incurred, although some costs will continue to be incurred through 2008. Our combined company expects that total expenditures to achieve the cost savings will be significantly below the original estimate of approximately \$180 million, which included \$40 to \$45 million in capital expenditures.

Following the completion of the Intelsat Acquisition Transactions, IGen acquired our former subsidiary, G2 Satellite Solutions Corporation, referred to as G2 Satellite Solutions, which comprised our government services business, for cash consideration of \$73.0 million. The acquisition occurred by means of a merger in which G2 Satellite Solutions merged into IGen, with IGen continuing as the surviving entity. The operating results of G2 Satellite Solutions were excluded from our consolidated financial statements following the July 3, 2006 transaction. Additionally, as a result of the sale of G2 Satellite Solutions, segment disclosures were no longer required. We refer to this transaction as the Government Business Merger.

Following the completion of the Intelsat Acquisition Transactions, substantially all of the employees of Intelsat Global Service Corporation, an indirect subsidiary of Intelsat Bermuda, referred to as IGSC, were transferred to us pursuant to an employee transfer agreement, referred to as the Employee Transfer Agreement. As the transaction occurred between entities under common control, the transaction was accounted for at carrying value, which approximated fair value. As such, net liabilities of \$14.8 million were recognized by us and were treated as a distribution to PanAmSat Holdco. In addition, substantially all of the direct and indirect subsidiaries of Intelsat Holdings, including PanAmSat Holdco and us, entered into a master intercompany services agreement, referred to as the MISA, pursuant to which these entities provide services to each other. In each case, services are provided on terms that we believe are not materially less favorable to each party than are available on an arms length basis and on terms that the relevant boards of directors have determined to be fair.

Upon the completion of the Intelsat Acquisition Transactions, PanAmSat Holdco and PanAmSat Corp were renamed as Intelsat Holding Corporation and Intelsat Corp, respectively.

On May 30, 2006, PanAmSat Holdco commenced a tender offer, referred to as the Tender Offer, to purchase any and all of its then outstanding \$416.0 million aggregate principal amount at maturity (\$289.5 million accreted principal amount at March 31, 2006) 10³/₈% Senior Discount Notes due 2014, referred to as the 10³/₈% discount notes, for cash. Approximately 99.65% of the outstanding 10³/₈% discount notes were repurchased by PanAmSat Holdco upon completion of the Tender Offer on July 3, 2006. The 10³/₈% discount notes not tendered to PanAmSat Holdco in the Tender Offer, or approximately \$1.5 million aggregate principal amount, were repurchased by PanAmSat Holdco on August 29, 2006.

Prior to and immediately after the Intelsat Acquisition Transactions, Intelsat Bermuda extended to PanAmSat Holdco several loans, referred to collectively as the Intelsat Bermuda Loan, in an aggregate principal amount at the time of borrowing equal to approximately \$1.3 billion, the proceeds of which were used by PanAmSat Holdco to fund a portion of the purchase price for the Merger Transaction and to fund the purchase of the 10³/8% discount notes tendered in the Tender Offer, plus related fees, referred to collectively as the Tender Amount.

In addition, Intelsat Bermuda created a new direct wholly-owned subsidiary organized in Gibraltar which owns all of the equity of a subsidiary organized in Luxembourg which owns all of the equity of a subsidiary organized in Poland, referred to as Intelsat Poland, which has registered a branch in Luxembourg, referred to as the Intelsat Poland, Luxembourg Branch. Following the consummation of the Intelsat Acquisition Transactions, Intelsat Bermuda effected the contribution of the Intelsat Bermuda Loan to the Intelsat Poland, Luxembourg Branch. On October 30, 2006, Intelsat Bermuda executed a series of transactions which resulted in the shares of PanAmSat Holdco, which were previously held by Intelsat Bermuda, being held by the Intelsat Poland, Luxembourg Branch.

The Recapitalization

The purchase transactions, completed in August 2004, whereby KKR, Carlyle and Providence, collectively referred to as the Prior Sponsors, acquired their equity interests in us, including our merger with a wholly-owned subsidiary of The DIRECTV Group, the related financing transactions and the related contractual arrangements entered into with The DIRECTV Group, are collectively referred to as the Recapitalization.

Initial Public Offering

On March 22, 2005, PanAmSat Holdco consummated an initial public offering of 50 million shares of its common stock at \$18.00 per share, and used the net proceeds to make a capital contribution to PanAmSat Corp of approximately \$658.4 million and to pay a \$200.0 million dividend to its then existing shareholders. PanAmSat Corp used this capital contribution to repay approximately \$265.0 million of the borrowings under the Term Loan A Facility of its senior secured credit facility, and on April 1, 2005, PanAmSat Corp redeemed \$353.5 million, or 35%, of its 9% senior notes due 2014, referred to as the Corp 2014 Senior Notes, and paid a redemption premium of \$31.8 million to holders of those notes. PanAmSat Corp also repaid an additional \$25.0 million of the Term Loan A facility under its senior secured credit facility with cash on hand on March 22, 2005. On June 17, 2005, PanAmSat Corp made a voluntary prepayment of \$28.4 million under its Term Loan A facility from available cash on hand.

Investment in Horizons

On August 1, 2005, we formed our second satellite joint investment with JSAT, a leading satellite operator in the Asia-Pacific region, to build and launch a Ku-band satellite to operate at 74.05°WL. The joint investment is named Horizons-2. The satellite will support digital video, high-definition television (HDTV) and IP-based content distribution networks to broadband Internet and satellite news gathering services in the United States. The Horizons-2 satellite entered service in February 2008. The total future joint investment is expected to be approximately \$205.4 million, and each of the Company and JSAT will be required to begin funding their 50% share. Our contribution obligation arises from our estimated future obligation to fund amounts due under Horizons-2's loan agreement with a third-party lender. We have entered into a security and pledge agreement with the lender and pursuant to this agreement, granted a security interest in our contribution obligation to the lender. Therefore, we have recorded a liability of \$83.0 million within our consolidated financial statements for the obligation as an indirect guarantee in accordance with the Financial Accounting Standards Board, or FASB, Interpretation No. 45 (as amended), *Guarantor's Accounting and Disclosure Requirements for Indebtedness of Others* (FIN 45). Our portion of the investment is being accounted for using the equity method.

*Europe*Star*

On August 31, 2005, we acquired multiple European orbital slots, as well as a satellite with European, Middle Eastern, African and Asian coverage, from Alcatel, a French communications company, for a purchase price of approximately \$60.2 million plus liabilities and costs incurred in relation to the acquisition of approximately \$13.7 million, including \$9.0 million of contingent performance payments due to Alcatel, in addition to the purchase price. This acquisition was accomplished in order to strengthen our presence in these markets and expand our global reach into key growth regions. Through December 31, 2007, we had paid \$63.9 million in aggregate purchase price, of which \$0.4 million was paid during the year ended December 31, 2007. The satellite acquired, formerly known as Europe*Star 1, was renamed IS-12, and is capable of providing a broad range of enhanced services to European customers for program distribution, broadcast contribution and enterprise networking. The results of this acquisition have been included in our consolidated financial statements from the date of acquisition. As of December 31, 2007, \$6.6 million of this purchase price, which was recorded as an incentive obligation, remained to be paid and approximately \$1.2 million of customer deposit liabilities remained outstanding.

Revenue*Revenue Overview*

We earn revenue primarily by providing services over satellite transponder capacity to our customers. Following the Intelsat Acquisition Transactions, we also earn revenue from affiliates under the MISA for services performed and for capacity on our satellites that is sold by subsidiaries of Intelsat Holdings. Communications satellites, including the satellites in our fleet, have components referred to as transponders that receive communications signals from the ground, convert signal frequency, amplify and then retransmit signals back to earth. The number of transponders on a satellite can be used as a measure of the communications capacity of that satellite.

Our customers generally obtain satellite capacity from us by placing an order pursuant to one of several master customer service agreements. The master customer agreements and related service orders under which we sell services specify, among other things, the amount of satellite capacity to be provided, whether service will be preemptible or non-preemptible and the service term. The service term can vary from occasional use service measured in minutes to full time service periods ranging from one day to as long as 15 years. These agreements offer different service types, including transponder services, managed services and mobile satellite services, or MSS. The following table describes our primary service types:

Service Type	Description
Transponder Services	Commitments by customers to receive service via, or to utilize, capacity on particular designated transponders according to specified technical and commercial terms
Managed Services	Hybrid services which combine satellite capacity, teleport facilities, satellite communications hardware and fiber optic cable and other ground facilities to provide managed and monitored broadband, Internet, video and private network services to customers typically marketed under the GlobalConnex or GXS service names
Mobile Satellite Services	Hand-held and mobile equipment and voice, data and video services via resale of mobile satellite services as supplied by multiple vendors

In addition, we earn revenue for a number of satellite-related consulting and technical services that are related to the lifecycle of satellite operations and related infrastructure, from satellite and launch vehicle procurement through TT&C services and related equipment sales.

According to transmission plans and traffic information supplied by our customers, we believe that our satellite capacity is used by our customers for various applications. We believe that the range of services for which our capacity is used contributes to the relatively high level of stability of our business. See Item 1 Business Our Customer Sectors for descriptions of these principal customers and services.

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

Trends Impacting Our Revenue

Our revenue at any given time is partially dependent on the supply of communications capacity available in a geographic region, including capacity from other satellite providers and from competing technologies such as fiber optic cable networks, as well as the level of demand for that capacity. In recent years, we have generated new revenue on our global system from growth in demand for transponder services for use in video applications such as HDTV services and DTH television services and satellite-based private data networks. In addition, new revenue has been generated from growth in demand for managed services for applications such as Internet backbone access and corporate broadband networks. There are a number of other factors affecting our revenue, including trends relating to the applications for which our capacity is used and the service types we offer, as well as pricing trends. Our satellite-related services revenue will be affected by the timing, number and type of consulting arrangements under contract. The margins for these services vary depending upon the amount of third-party services or hardware included, and will typically be substantially lower than for our satellite transponder services. We expect our consulting and technical services revenue associated with satellite and launch vehicle construction program management will become a larger percentage of our revenue in the future as we expand these service offerings. Subsequent to the completion of the Intelsat Acquisition Transactions, a portion of our capacity is sold to external customers under contracts executed by other subsidiaries of Intelsat, resulting in a decrease in transponder services, satellite-related services and other, and a corresponding increase in revenue from affiliates.

Customer Applications

Our transponder services, managed services and MSS are used by our customers for two primary customer applications: media applications and network service applications. In addition, we generate other revenue by selling satellite-related consulting services which support the life cycle of satellite operations, including the design, launch, and monitor and control phases.

Industry trends impacting our services for video applications include increased demand for transponder services by programmers distributing high definition and standard definition programming, international programmers seeking to distribute their programming into other foreign markets, and increased demand for transponder services by DTH television service providers in international markets. Revenue for network service applications has increased over the last twelve months. The growth trend in transponder services for network service applications is due to the continued growth of satellite-based private data networks in North America and other regions. Revenue from services used for media applications, primarily transponder services and managed services for occasional video services, referred to as OVS, have been slightly down over the last twelve months. This trend is due to flat demand for capacity in North America as certain customers accommodate capacity for new channels by converting analog programming to digital. We expect the impact of this trend to diminish by early 2009 as the quantity of this type of transponder in our network is limited and is declining. We believe that managed services, which enjoy strong demand from network service applications such as mobile broadband applications and other Internet-related services, will continue to have a positive effect on our revenue over the long term. See Item 1 Business Our Business Strategy for a discussion of our strategies with respect to our network service offerings.

Pricing

We believe that the flexibility that we have to help our customers optimize their services and in pricing services in new markets has positively affected our revenue. Although the pricing of our services is fixed for the duration of existing service commitments, we price new and renew existing service commitments competitively to reflect regional demand and other market factors. We believe that this flexibility in pricing our services will positively affect our revenue from certain geographic regions. In 2006 and 2007, we experienced improved pricing trends in many of the regions we serve, as compared to unfavorable pricing trends that impacted our revenue in prior periods. In particular, the pricing trends improved in North America, Africa, the Middle East and Eastern Europe. Less favorable pricing dynamics existed in Asia and Latin America, generally due to overcapacity, although improved economic conditions are resulting in increased demand in these regions, resulting in some stabilization, particularly in Latin America. However, this could change as other operators launch new capacity into the region.

Outright Sale and Sales-Type Leases

Prior to the consummation of the Intelsat Acquisition Transactions, certain contracts qualifying for capital lease treatment (typically based, among other factors, on the term of the lease) were accounted for as sales-type leases. For sales-type lease transactions, we recognized as revenue the net present value of the future minimum lease payments at the time of the transactions. The cost basis of the transponder was charged to cost of outright sales and sales-type leases. During the life of the lease, we recognized as revenue, in each respective period, that portion of each periodic lease payment deemed to be attributable to interest income. We did not enter into any new sales-type leases after 2001 and there were no outright sales impacting our operating results in 2005, 2006 or 2007. As a result of the Intelsat Acquisition Transactions, the accounting for sales-type leases and outright sales were changed to conform to the current accounting policies of our indirect parent, Intelsat. See Note 2 Significant Accounting Policies Revenue Recognition in our consolidated financial statements appearing elsewhere in this Annual Report.

Revenue from Affiliates

Subsequent to the closing of the Intelsat Acquisition Transactions and in connection with the associated Employee Transfer Agreement and MISA, we recognize revenue from affiliates for providing satellite capacity and intercompany administrative, engineering and sales-related services to other subsidiaries of Intelsat.

Operating Expenses

Our ongoing operating expenses include direct costs of revenue; selling, general and administrative expenses; and depreciation and amortization.

Direct Costs of Revenue (Exclusive of Depreciation and Amortization)

Direct costs of revenue relate to costs associated with the operation and control of our satellites, our communications network and engineering support and consist principally of salaries and related employment costs, in-orbit insurance, earth station operating costs and facilities costs. Our direct costs of revenue may fluctuate based on the number and type of services offered and under development, although given the scale of our business this impact is generally not significant.

We expect our direct costs of revenue to increase as we add customers, expand our managed services and provide customized communications services to our customers. Due to the higher costs of providing managed services to our customers, managed services typically have lower gross margins than the other services we provide, although the scale of this service type is growing quickly and the rate of cost increases are slowing. The timing, number and type of satellite-related service arrangements under contract during 2006 and 2007 have increased our direct costs of revenue. These services typically realize lower gross margins than do our satellite communication services.

Costs from Affiliates

Subsequent to the closing of the Intelsat Acquisition Transactions and in connection with the associated Employee Transfer Agreement and MISA, we recognize costs from affiliates for services provided by other subsidiaries of Intelsat to Intelsat Corp. These services are primarily related to the operation of Intelsat Corp's satellites, and to sales and administrative functions.

Selling, General and Administrative Expenses

Selling, general and administrative expenses relate to costs associated with our sales and marketing staff and our administrative staff, which includes legal, finance and human resources. Staff expenses consist primarily of salaries and related employment costs, travel costs and office occupancy costs. Selling, general and administrative expenses also include building maintenance and rent expenses and the provision for uncollectible accounts.

Selling, general and administrative expenses fluctuate with the number of customers served and the number and types of services offered. These costs also fluctuate with the number of jurisdictions and markets in which we operate, as well as the number of regional offices we operate. However, fluctuations in these expenses are not always directly proportional to changes in these factors, because our systems have been designed to accommodate some level of growth and because we have implemented a fully integrated operating philosophy and structure in order to capture economies of scale as our business grows.

Our selling, general and administrative expenses increased as a result of the transfer of IGSC employees to us in connection with the Intelsat Acquisition Transactions; however, this impact is partially offset by the realization of cost savings over time from the integration of all general and administrative functions with those of Intelsat.

Depreciation and Amortization

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

Capital assets are depreciated or amortized on a straight-line basis over their estimated useful lives. The remaining depreciable lives of our satellites range from less than one year to over 14 years. Depreciation and amortization costs increased, principally due to the acquired satellites and the acquired intangible assets being recorded at fair value in connection with the Intelsat Acquisition Transactions.

Backlog

As a result of the Intelsat Acquisition Transactions, our accounting for backlog was changed to conform to the current accounting policy of our indirect parent, Intelsat. We previously reported backlog on a cash basis (cash backlog). We now report backlog on a revenue basis (revenue backlog). Cash backlog is calculated based on the cash payments yet to be received from customers for contracted services, while revenue backlog is calculated based on the expected future revenue under our customer contracts. This change in our accounting policy did not have a significant impact on our backlog.

Our revenue backlog was approximately \$4.5 billion as of December 31, 2007. As of December 31, 2007, the weighted average remaining customer contract life was approximately five years. We currently expect to deliver services associated with approximately \$744.4 million, or approximately 17%, of our December 31, 2007

revenue backlog during the year ending December 31, 2008. The amount included in revenue backlog represents the full service charge for the duration of the contract and does not include termination fees. As of December 31, 2007, 98% of our total revenue backlog related to contracts that either were non-cancelable or had substantial termination fees. Our revenue backlog figures exclude the impact of the MISA transactions. Our expected future revenue under contracts with customers as of December 31, 2007 was as follows:

Period	(in millions)
2008	\$ 744.4
2009	615.5
2010	526.0
2011	448.1
2012	379.8
2013 and thereafter	1,781.4
Total	\$ 4,495.2

Our backlog by service type as of December 31, 2007 was as follows:

Service	Amount (in millions, except percentages)	Percent
Transponder services	\$ 4,137.7	92%
Managed services	78.3	2
Mobile satellite services and other	279.2	6
Total	\$ 4,495.2	100%

We believe this backlog and the predictable level of non-cash depreciation expense in the FSS sector reduce the volatility of the net cash provided by operating activities more than would be typical for a company outside our industry.

Results of Operations

As a result of the consummation of the Intelsat Acquisition Transactions, the financial results for 2006 have been separately presented for the Predecessor Entity for the period January 1, 2006 to July 1, 2006 and for the Successor Entity for the period July 1, 2006 to December 31, 2006 in accordance with Rule 3-05 of Regulation S-X promulgated under the Exchange Act. Furthermore, the readers of our consolidated financial statements should note that as a part of the Intelsat Acquisition Transactions, as described above, certain of our accounting policies have been changed to conform to Intelsat's current accounting policies. The majority of these changes have not had, and are not expected to have, a significant impact on our consolidated financial statements. However, the change in our accounting for sales-type leases to conform to Intelsat's current accounting policies did have, and is expected to have, a significant impact on our consolidated financial statements. Also, the classification of revenue by product group during the year ended December 31, 2006 has been changed to conform to Intelsat's presentation. Prior period amounts have been reclassified to conform to this new presentation. In addition, we sold our former subsidiary, G2 Satellite Solutions, to IGen and as a result, the results of operations of our government business subsidiary are excluded from our consolidated financial statements after July 3, 2006. We now operate in a single industry segment and as such, segment disclosures are no longer required and are not included for any of the periods presented.

Additionally, subsequent to the closing of the Intelsat Acquisition Transactions and in connection with the associated Employee Transfer Agreement and MISA, we now incur costs for employees transferred to us and recognize revenue from affiliates for providing satellite capacity and for intercompany administrative, engineering and sales-related services provided by these employees to other subsidiaries of Intelsat. We also recognize costs from affiliates for services primarily related to the operation of our satellites, and for sales and

administrative functions provided by other subsidiaries of Intelsat. As a result of the above described changes, the reported results of operations during the years ended December 31, 2006 and 2007 are not necessarily comparable. The primary differences include higher revenue and cost from affiliates, higher direct costs of revenue and selling, general and administrative expenses, higher interest expense resulting from the acquisition financing and higher depreciation and amortization cost principally due to the fair value adjustments to long-lived assets in connection with the Intelsat Acquisition Transactions. The historical results are not necessarily indicative of results to be expected for any future period.

For comparative purposes, we combined the periods from January 1, 2006 through December 31, 2006 in our discussion below, as we believe this combination is useful to provide the reader a year-over-year comparison for purposes of presenting our Management's Discussion and Analysis of Financial Condition and Results of Operations. This combination of results for the Predecessor Entity and Successor Entity periods facilitates an investor's understanding of our results of operations for 2006 compared to the year ended December 31, 2007. However, this combination is not a GAAP measure, and should not be used in isolation or substituted for the separate Predecessor Entity and Successor Entity results.

Years Ended December 31, 2006 and 2007

The following table sets forth our financial results for 2006 that have been separately presented for the Predecessor Entity for the period January 1, 2006 to July 1, 2006 and for the Successor Entity for the period July 1, 2006 to December 31, 2006 in accordance with Rule 3-05 of Regulation S-X promulgated under the Exchange Act and on a combined basis for the year ended December 31, 2006 as discussed above:

	Predecessor Entity Period January 1, 2006 to July 1, 2006	Successor Entity Period July 1, 2006 to December 31, 2006 (in thousands)	Combined Year Ended December 31, 2006
Revenue:			
Transponder services, satellite-related services and other	\$ 436,864	\$ 419,694	\$ 856,558
Revenue from affiliates		102,653	102,653
Outright sales and sales-type leases	5,895		5,895
Total revenue	442,759	522,347	965,106
Operating expenses:			
Direct costs of revenue (exclusive of depreciation and amortization)	70,977	91,120	162,097
Cost of outright sales and sales-type leases	(1,943)		(1,943)
Costs from affiliates		31,711	31,711
Selling, general and administrative	38,604	71,442	110,046
Depreciation and amortization	138,655	145,329	283,984
Restructuring and transaction costs	145,186	9,327	154,513
(Gain) loss on undesignated interest rate swap	(23,140)	11,731	(11,409)
Total operating expenses	368,339	360,660	728,999
Income from operations	74,420	161,687	236,107
Interest expense, net	107,601	143,514	251,115
Other income (expense), net	(2,108)	2,031	(77)
Income (loss) before income taxes	(35,289)	20,204	(15,085)
Provision for income taxes	8,007	6,112	14,119
Net income (loss)	\$ (43,296)	\$ 14,092	\$ (29,204)

Edgar Filing: Intelsat CORP - Form 10-K

The following table sets forth our comparative statements of operations on a combined basis for the year ended December 31, 2006 and for the year ended December 31, 2007, with the increase (decrease) and percentage changes, except those deemed not meaningful, or NM, between the periods presented:

	Combined Year Ended December 31, 2006	Year Ended December 31, 2007 (in thousands, except percentages)	Increase (Decrease)	Percentage Change
Revenue:				
Transponder services, satellite-related services and other	\$ 856,558	\$ 825,187	\$ (31,371)	(4)%
Revenue from affiliates	102,653	215,010	112,357	NM
Outright sales and sales-type leases	5,895		(5,895)	(100)
Total revenue	965,106	1,040,197	75,091	8
Operating expenses:				
Direct costs of revenue (exclusive of depreciation and amortization)	162,097	148,026	(14,071)	(9)
Cost of outright sales and sales-type leases	(1,943)		1,943	(100)
Costs from affiliates	31,711	74,104	42,393	NM
Selling, general and administrative	110,046	123,839	13,793	13
Depreciation and amortization	283,984	302,232	18,248	6
Restructuring and transaction costs	154,513	8,776	(145,737)	(94)
(Gain) loss on undesignated interest rate swap	(11,409)	11,699	23,108	NM
Total operating expenses	728,999	668,676	(60,323)	(8)
Income from operations	236,107	371,521	135,414	57
Interest expense, net	251,115	257,459	6,344	3
Other income (expense), net	(77)	3,795	3,872	NM
Income (loss) before income taxes	(15,085)	117,857	132,942	NM
Provision for income taxes	14,119	20,822	6,703	47
Net income (loss)	\$ (29,204)	\$ 97,035	\$ 126,239	