Intelsat CORP
Form 10-K
March 19, 2009
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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, 2008

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)

Delaware	95-4607698
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer 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 x

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 x 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 x

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. x

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 x 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 x

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, 2009, an aggregate of 548 shares of our common stock were outstanding.

Documents incorporated by reference: None

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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, pr 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 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 assessments regarding how long satellites that have experienced anomalies in the past should be able to provide service on their transponders; our assessment of the risk of additional anomalies occurring on our satellites; our expectation that certain anomalies will not result in the acceleration of capital expenditures; our plans for satellite launches in the near term; our expected capital expenditures in 2009 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;

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potential changes in the number of companies offering commercial satellite launch services and the number of commercial satellite launch opportunities available in any given time period that could impact our ability to timely schedule future launches and the prices we have to pay for such launches;

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

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

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.

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.

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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 (as defined below), (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 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 Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Impact of Significant Transactions. We refer to Intelsat General Corporation, Intelsat s government business subsidiary, as Intelsat General. 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, our indirect parent. We provide service on a global fleet of 25 satellites that are integrated with 27 other satellites owned by other subsidiaries of Intelsat for a combined fleet of 52 satellites that supply video, data and voice connectivity in approximately 200 countries and territories for approximately 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 (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, 2008, our revenue backlog, which is based on long-term customer commitments of up to 15 years, was approximately $4.5 billion, approximately 97% of which relates to contracts that are non-cancelable or cancelable only upon payment of substantial termination fees. For the combined year ended December 31, 2008, we generated revenue (including revenue from affiliates) of $1.1 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

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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. We use a disciplined capacity management program to increase the financial returns on our satellite fleet. Examples of our capacity management program include building 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 program allows us to take a more strategic approach to our fleet replacement cycle, which we believe results in capital expense savings, since some retiring satellites are not being replaced on a one-for-one basis. We believe our capacity management program 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 continually invest in our communications network in response to the needs of our customers and opportunities in the marketplace, and to address risk management considerations. We have spent approximately $513.1 million on satellites and other property and equipment from January 2007 to December 2008, during which time we launched three satellites and had several others under construction. The average remaining service life of our satellites was approximately 8.4 years as of December 31, 2008, weighted on the basis of nominally available capacity for the 21 station-kept satellites of the 26 satellites we operated at that time.

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 $9.3 billion in 2009 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. 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

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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 4.6% from 2009 to 2014 according to *NSR.*

Significant Transactions

The New Sponsors Acquisition Transactions

On February 4, 2008, Serafina completed its acquisition of 100% of the equity ownership of Intelsat Holdings (the New Sponsors Acquisition) for total cash consideration of approximately $5.0 billion, pursuant to a share purchase agreement among Serafina, Intelsat Holdings, certain shareholders of Intelsat Holdings and Serafina Holdings. Serafina Holdings is an entity newly formed by funds controlled by BC Partners Holdings Limited (the BCEC Funds) and certain other investors. Subsequent to the execution of the share purchase agreement, two investment funds controlled by Silver Lake Partners, L.P. (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 two Silver Lake Partners funds and the other equity sponsors collectively as the New Sponsors. As a result of completion of the New Sponsors Acquisition and related financing transactions, 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, Intelsat General, 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. For details regarding the distribution of our revenue by geographic region and service type, refer to Note 16 Business and Geographic Segment Information to our consolidated financial statements appearing elsewhere in this Annual Report.

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Media

The media sector represented approximately 48% of our revenue for the combined year ended December 31, 2008. Video applications currently use more FSS capacity than any other application, representing approximately 70% of total global C- and Ku-band FSS transponder revenue in 2008, 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 Africa.

- 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.

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Global C- and Ku-band transponder demand and revenue for FSS video applications is forecasted to grow overall at CAGRs of approximately 5.1% and 5.5%, respectively, from 2009 to 2014, according to *NSR*.

Our revenue from video applications is highly predictable given agreement terms of up to 15 years, and benefits from primarily non-cancelable contracts.

Network Services

The network services sector represented 23% of our revenue for the combined year ended December 31, 2008. 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. Network service providers that target regional markets or vertical markets, such as maritime and oil and gas, use our transponder services and managed services in their respective service offerings. 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 demand for broadband connectivity, the growing requirement for mobile services and the continued growth of Internet services and applications.

Highlights of our network services business include the following:

We believe that our combined company is the leading provider of satellite capacity for voice and data applications, 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 8.0% from 2009 to 2014, 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 one hundred forty-six 36 MHz transponders from 2009 to 2014, representing an 11.3% 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.

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Satellite-Related Services

The satellite-related services sector represented 4% of our revenue for the combined year ended December 31, 2008. We perform satellite-related consulting and technical services for various third parties. These services include satellite and launch vehicle construction program management, launch vehicle and satellite procurement, and 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 Intelsat General.

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 19 satellite carries approximately 179 channels offering ethnic programming, including many that are brought to the United States on our system, and we believe that the Galaxy 19 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 493 to 1,004 channels between 2009 and 2014, 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

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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 5.4% between 2009 and 2014.

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 Voice over Internet Protocol, or VoIP. These trends have resulted in increased satellite demand for our services in developing regions and in vertical markets such as the maritime and oil and gas sectors. 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 $750.9 million, or approximately 17% of our December 31, 2008 backlog, over the year ending December 31, 2009. Our backlog provides significant near-term revenue visibility, particularly since approximately 97% of our total backlog as of December 31, 2008 relates to contracts that either are non-cancelable or cancelable only upon payment of substantial termination fees. Our backlog is our expected future revenue under all our customer contracts, but includes only our pro rata share of backlog of our joint venture investments. In the last three years, at the beginning of each year the current year portion of our backlog represented on average approximately 83% of that year s actual revenue. 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% of our revenue and no single customer accounted for more than 13% of our revenue during the combined year ended December 31, 2008. 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.

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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, 2008, our revenue backlog was approximately $4.5 billion. Our backlog has increased 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, 2008 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 approximately 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, 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

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 generates high margins and strong free cash flow from operations.

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Our combined companies continually invest in our communications infrastructure in response to the needs of our customers and opportunities in the marketplace, and to address risk management requirements. We have spent $513.1 million on three satellites and other property and equipment from January 2007 to December 2008 during which we launched four satellites and had several others under construction. The average fill rate and remaining service life of our 21 station-kept satellites as of December 31, 2008 were approximately 82.9% and 8.4 years, respectively. As a result, we have the ability to expand our customer and revenue base without significant increases in operating costs. Since the Intelsat Acquisition Transactions in 2006, we have rationalized the size of our combined fleet and are consolidating 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 25 satellites that are integrated with 27 satellites owned by other subsidiaries of Intelsat for a combined fleet of 52 satellites. Our combined global system features 52 satellites that cover 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 one in-orbit satellite serving in a back-up position. 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

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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 competitive position and to address attractive new business opportunities. We believe that 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 maintain and strengthen our leadership in 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 to build our neighborhood 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 programmers are increasingly interested in pursuing business expansion opportunities outside of the United States. With assets spanning the globe, we believe we can be an attractive supplier to cable programmers as they pursue this strategy.

We also believe that demand for HDTV will continue to grow, resulting in continued strong demand for satellite bandwidth. We will continue to build up on the success of the Galaxy 13/Horizons-1 satellite, which was

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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 100. 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 high definition 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 for vertical markets such as the maritime and oil and gas sectors, 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 high data rate point-to-point connections or 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 Combined Asset Base through Disciplined Management of Capacity

As we execute on our first strategy to focus on certain applications and regions, we will require capacity in certain regions to respond to customer requirements. We are employing a disciplined capacity management program to optimize our inventory of capacity and improving our returns on our assets. Our capacity management program establishes 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 are increasing 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

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management program also includes creating additional marketable capacity through reassigning (grooming) traffic, repointing steerable beams and relocating satellites. Over the past two years we have groomed existing customer traffic from individual satellites to other satellites in our fleet based upon the customer s application and the amount of capacity required. This 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 the past two years we have implemented a strategy to rationalize the size of our fleet and consolidate the number of orbital locations required to serve our customers. The most recent example of this rationalization strategy is our decision to replace two existing satellites with a single replacement satellite, thus reducing capital expense. 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. For instance, Office des Postes et Telecommunications of French Polynesia recently signed a 15-year agreement for capacity on the yet to be launched IS-18 satellite. At the same time, we have accelerated the build of certain satellites in order to capture new opportunities and because of overall fleet management considerations. 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 minimal 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. In the past two years, we have introduced 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 being marketed by a North American distributor. We are developing a portfolio of several mobility-related services to serve high growth vertical markets. Our global maritime broadband service, which provides on-the-move IP connectivity to the fishing, oil and gas, and shipping sectors, is now being marketed by five different distributors around the world. 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 four years ago and which has grown to revenues of $44.1 million for the combined year ended December 31, 2008. 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. In 2008, we were awarded a contract to provide teleport and staff services at our Paumalu, Hawaii teleport for mobile satellite services provider, Inmarsat plc. In addition, as of December 31, 2008, we operated eleven third-party satellites in addition to our owned satellite fleet, utilizing the same integrated satellite operations infrastructure and with minimal additional headcount.

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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 2008, our combined company announced a joint venture with a South African investor group led by Convergence SPV Ltd. that will utilize project financing to build and launch a new satellite into the 33º east longitude orbital location, ideally positioned to serve Africa. The satellite, to be called Intelsat New Dawn, will feature a payload optimized to deliver wireless backhaul, broadband and television programming to Africa and is expected to enter service in early 2011. The satellite will be operated and marketed as part of the global Intelsat fleet. In this project, which is expected to be 85% financed with non-recourse debt provided by African financial institutions, Intelsat retained 74.9% of the equity of the joint venture (New Dawn) in exchange for an investment which is expected to total approximately $25 million. With over 50% of the payload already contracted at announcement in December 2008, this project is an example of a business development activity which replaces capacity at a current orbital location through a business arrangement with attractive return on investment characteristics.

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 life. This agreement expands Intelsat s DTH business, and further strengthens our combined company s long-term relationship with these platform operators. The terms of this agreement allow 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 25 satellites that are integrated with 27 satellites owned by other subsidiaries of Intelsat for a combined fleet of 52 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;

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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, 2008, excluding the 28 satellites owned by other subsidiaries of Intelsat.

Satellite	Manufacturer	Orbital Location	Launch Date	Estimated End of Service Life (1)
Station Kept:				
HGS-3	BSS(2)	38°E	2/96	9/11
IS-1R (3)	BSS	45°W	11/00	6/10
IS-2	BSS	169°E	7/94	7/11
IS-3R	BSS	43°W	1/96	9/09
IS-4	BSS	72°E	8/95	8/10
IS-5 (4)	BSS	26.15°E	8/97	10/12
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(6)	316.9°E	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 11	BSS	32.8°E	12/99	4/15
Galaxy 12	ORB	123°W	4/03	4/20
Galaxy 13/Horizons-1 (7)	BSS	127°W	9/03	12/18
Galaxy 14	ORB	125°W	8/05	12/20
Galaxy 15	ORB	133°W	10/05	10/22
Galaxy 16	SS/L	99°W	6/06	6/22
Galaxy 17	Thales(8)	91°W	5/07	5/23
Galaxy 18	SS/L	123°W	5/08	5/24
Horizons-2 (9)	ORB	74.05°W	12/07	12/23
Inclined Orbit:				
Leasat F5 (10)	BSS	100°E	1/90	2/11
Galaxy 4R	BSS	76.85°W	4/00	3/09
Galaxy 9 (11)	BSS	81°W	5/96	6/10
SBS-6 (12)	BSS	81°W	10/90	2/09

(1) Engineering estimates of the service life as of December 31, 2008 as determined by remaining fuel levels, consumption rates and other considerations (including power) and assuming no relocation of the satellite.

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(2) Boeing Satellite Systems, Inc., formerly Hughes Aircraft Company.
(3) After transfer of traffic to the replacement satellites and relocation to another longitude, we expect that IS-1R will have sufficient power to operate a significant subset of its transponders through the end of design life, which is February 2016.
(4) In January 2009, IS-5 was co-located with IS-2 at 169°E.
(5) Space Systems/Loral, Inc.
(6) Orbital Sciences Corporation.
(7) Horizons Satellite Holdings, LLC (Horizons) our joint venture with JSAT International Inc. (JSAT International), owns and operates the Ku-band payload on this satellite. We are the exclusive owner of the C-band payload.
(8) Thales Alenia Space.
(9) Horizons owns and operates the payload on this satellite.
(10) Leasat F5 provides services in the X-band and UHF-band frequencies for military applications.
(11) Galaxy 9 was relocated from 74.15ºW to 81ºW and placed into an inverted North/South attitude in order to serve Latin America.
(12) SBS-6 was de-orbited in February 2009.

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. As of December 31, 2008, the Leasat F5 satellite, the SBS-6 satellite and the Galaxy 4R satellite were operating in an inclined orbit and, as a result, were 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.

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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, 2008, our in-orbit fleet of satellites had 347 and 406 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, 2008 was 82.7%.

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 8.4 years as of December 31, 2008, weighted on the basis of nominally available capacity for the station-kept satellites we own.

Planned Satellites

We currently have orders for one satellite. Generally, satellites are being built over a period of three years.

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° west longitude (WL). The IS-14 satellite is currently expected to be launched in the third 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 our customer service center in Ellenwood, Georgia.

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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.

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 (TT&C stations) that provide TT&C services for our satellites, 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. 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.

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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. We do not currently insure against lost revenue in the event of a total or partial loss of a satellite.

As of December 31, 2008, the majority of our satellites were uninsured. Of the three insured satellites, one was covered by an insurance policy with substantial exclusions or exceptions to coverage for failures of specific components identified by the underwriters as at risk for possible failure (Significant Exclusion Policies). The Significant Exclusion Policies reduce the probability of an insurance recovery in the event of a loss on this satellite. Galaxy 13/Horizons-1, which was placed in service in January 2004 and is insured by a policy with an exclusion for Xenon-Ion Propulsion System (XIPS) related anomalies, continues to have XIPS available as its primary propulsion system. It also has a bi-propellant fuel system currently in use, with sufficient bi-propellant fuel to maintain station-kept orbit until approximately 2016.

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. (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

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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 combined year ended December 31, 2008. 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 in recent years. 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 XIPS used to maintain the in-orbit position of Boeing 601 High Power Series (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 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 HP 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, 2008, we operated five BSS 601 HP satellites, one of which has experienced failures of both XIPS. Galaxy 4R has experienced failure of both primary and secondary XIPS. This satellite is operating as designed on its backup bi-propellant propulsion system. We and the manufacturer of this satellite determined that

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the XIPS on Galaxy 4R were 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 remaining four BSS 601 HP satellites still in operation 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. IS-5 has available bi-propellant fuel for approximately two and a half years from December 31, 2008. Both IS-9 and IS-10 have available bi-propellant fuel for approximately three and a half years from December 31, 2008. Galaxy 13/Horizons-1, which was placed into service in January 2004, has available bi-propellant fuel for approximately eight years from December 31, 2008.

During 2008 we replaced two satellites that had experienced failure of both XIPS in the past. The first replaced satellite with failure of both primary and secondary XIPS was IS-6B. We and the manufacturer of this satellite determined that the XIPS on IS-6B were no longer available. This satellite was replaced by the IS-11 satellite during the first quarter of 2008. The second replaced satellite with failure of both primary and secondary XIPS was Galaxy 10R. We and the manufacturer of this satellite determined that the XIPS on Galaxy 10R were no longer available. As a result, this satellite s estimated remaining service life, based on the bi-propellant fuel on board, was until April 2008. This satellite was replaced by the Galaxy 18 satellite during the second quarter of 2008.

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, 2008, 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 April 2015 and IS-1R has a remaining useful life until June 2010. Galaxy 11 has been replaced by the Galaxy 17 satellite, and has been redeployed 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 third quarter of 2009. After the transfer of traffic to the replacement satellite and relocation to another longitude, we expect that IS-1R will have sufficient power to operate a significant subset of its transponders through the end of its design life. Pursuant to contracts with our customers, a substantial portion of our customer activity on these satellites will continue onto the replacement satellites and the reduced estimate of 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, 2008, 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.

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As of December 31, 2008, we operated three additional BSS 601 satellites: HGS-3, which is utilized by a third-party, 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 (point-to-multipoint services) and the provision of satellite capacity between two fixed points (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 expenditures 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

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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 privately owned global satellite systems, 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 or a license modification 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

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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.

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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 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 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 locations is subject to the frequency coordination and recording process of the International Telecommunication Union (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

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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 regulations.

Employees

As of December 31, 2008, the combined company had 1,090 full-time regular employees. These employees consisted of:

- 515 employees in engineering, operations and related information systems;
- 270 employees in finance, legal, corporate information systems and other administrative functions;
- 218 employees in sales, marketing and strategy; and
- 87 employees in support of government sales and marketing.

As of December 31, 2008, 974 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., The Carlyle Group, Providence Equity Partners, Inc. 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 the 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 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 are reflected herein at their historical amounts.

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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

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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.

The FSS sector has in the past decade experienced periods of pricing pressures that have resulted in reduced revenues of FSS operators. If similar pricing pressures were to occur in the future, this could have a significant negative impact on our revenues and financial condition.

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. Approximately 38%, 49% and 44% of our transponder services, satellite-related services and other revenue was derived from our ten largest customers for the combined year ended December 31, 2006, for the year ended December 31, 2007 and the combined year ended December 31, 2008, respectively. 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.

The current global recession may have significant effects on our customers and suppliers, which could adversely affect our business, operating results and financial condition.

The current global recession, as well as a slow recovery period, may lead to lower demand for our services, increased incidences of our customers inability to pay for our services, or the insolvency of our customers. In addition, if our suppliers face challenges in obtaining credit, selling their products or otherwise in operating their businesses profitably, they may raise prices, lower production levels or cease operations. Many economists are now predicting that the current recession in the United States economy and the global economy may be prolonged as a result of the deterioration in the credit markets and related financial crisis, as well as a variety of other factors. Any of these events may negatively impact our sales, revenue generation and margins, and consequently adversely affect our business, operating results and financial condition.

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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, 2008, we had approximately $3.4 billion of total third-party debt and we had $172.9 million (net of standby letters of credit) of availability under the revolving loan facility of our senior secured credit facility. One of the lenders under our revolving credit facilities, representing approximately 12% of the aggregate lender commitments under our revolving credit facilities, equivalent to approximately $20.8 million of the availability as of December 31, 2008, did not provide any funds in response to our September 2008 borrowing request that was made under the revolving credit facilities. We are currently pursuing various alternatives with other potential lenders to obtain commitments to fill this availability shortfall, but cannot as yet confirm whether we will be successful. The September 2008 revolver borrowing was subsequently repaid in full in December 2008.

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 through refinancing, 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. Furthermore, our interest expense could increase if interest rates rise because certain portions of debt bear interest at floating rates. 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.

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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 repayment of 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 2009 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, June 2007 and again in 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

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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.

Long-term disruptions in the capital and credit markets as a result of uncertainty due to the current global recession, changing or increased regulation or failures of significant financial institutions could adversely affect our access to capital. If financial market disruptions intensify it may make it difficult for us to raise additional capital or refinance debt when needed, on acceptable terms or at all. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Such measures could include deferring capital expenditures and reducing or eliminating other discretionary uses of cash.

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 pay for our services in U.S. dollars, although we are exposed to some risk related to customers that do not pay us 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.

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 also own a portion of the outstanding notes issued by 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.

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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.

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 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

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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 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 five satellites of this type, one of which has 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.

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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 more than $200 million.

Of the 47 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.

Our dependence on outside contractors could result in increased costs and delays related to the launch of our new satellites, which would in turn adversely affect our business, operating results and financial condition.

There are a limited number of companies that we are able to use to launch our satellites and a limited number of commercial satellite launch opportunities available in any given time period. Adverse events with respect to our launch service providers, such as satellite launch failures, could result in increased costs or delays in the launch of our satellites. General economic conditions may also affect the ability of launch providers to provide launch services on commercially reasonable terms or to fulfill their obligations in terms of launch dates, pricing, or both. In the event that our launch service providers are unable to fulfill their obligations, we may have difficulty procuring alternative services in a timely manner and may incur significant additional expenses as a result. Any such increased costs and delays could have a material adverse effect on our business, operating results and financial condition.

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

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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 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 with 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

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permanently adversely affected if the operation of adjacent satellite networks does not conform to coordination agreements resulting in the acceptable interference levels being 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 Intelsat General 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 49 owned and leased earth station and teleport facilities around the world, including 21 earth stations that perform TT&C services.

The six TT&C 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 15 other locations for TT&C services. Intelsat also contracts with the owners of some of these TT&C stations for

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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 leases office space in Hamilton, Bermuda, London, England, and Wilton, Connecticut. Intelsat s 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, Luxembourg and the United Arab Emirates for its local sales and marketing support offices.

Item 3. Legal Proceedings

We are subject to litigation in the ordinary 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.

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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 (predecessor entity), the year ended December 31, 2007, the period January 1, 2008 to January 31, 2008 (predecessor entity) and the period February 1, 2008 to December 31, 2008 (successor entity), and the consolidated balance sheet data as of December 31, 2007 and 2008 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 and consolidated cash flow data for the years ended December 31, 2004 and 2005 and the consolidated balance sheet data as of December 31, 2004 and 2005 have been derived from consolidated financial statements that are not included in this Annual Report.

	Predecessor Entity			Predecessor Entity			Successor Entity
	Year Ended December 31,		January 1 to July 1, 2006	July 1 to December 31, 2006	Year Ended December 31, 2007	January 1 to January 31, 2008	February 1 to December 31, 2008
	2004	2005		(in thousands)			
Consolidated Statement of Operations Data (1):							
Revenue:							
Transponder services, satellite-related services and other	$ 811,124	$ 847,149	$ 436,864	$ 419,694	$ 825,187	$ 71,026	$ 763,855
Revenue from affiliates				102,653	215,010	51,021	232,838
Outright sales and sales-type leases (2)	15,946	13,854	5,895				
Total revenue	827,070	861,003	442,759	522,347	1,040,197	122,047	996,693
Operating expenses:							
Direct costs of revenue (exclusive of depreciation and amortization)	157,354	143,870	70,977	91,120	148,026	11,152	153,218
Cost of outright sales and sales-type leases (2)	2,224	(4,303)	(1,943)				
Costs from affiliates				31,711	74,104	6,858	94,499
Selling, general and administrative expenses	110,898	74,969	38,604	71,442	123,839	12,117	99,636
Depreciation and amortization	294,822	276,925	138,655	145,329	302,232	26,851	319,412
Prior sponsor management fees	731	10,444					
Restructuring and transaction costs	161,323	4,294	145,186	9,327	8,776	62,675	1,926
Loss on termination of sales-type leases		2,307					
Impairment of asset value	99,946						256,000
(Gain) loss on undesignated interest rate swap		(6,611)	(23,140)	11,731	11,699	11,431	83,451
Gain on insurance claim	(9,090)						
Gain on sale of teleport	(11,113)						
Total operating expenses	807,095	501,895	368,339	360,660	668,676	131,084	1,008,142
Income (loss) from operations	19,975	359,108	74,420	161,687	371,521	(9,037)	(11,449)
Interest expense, net	186,754	261,383	107,601	143,514	257,459	21,224	222,822
Other income (expense), net			(2,108)	2,031	3,795	169	5,713
Income (loss) before income taxes	(166,779)	97,725	(35,289)	20,204	117,857	(30,092)	(228,558)
Provision for (benefit from) income taxes	(91,290)	2,105	8,007	6,112	20,822	(10,702)	(87,063)
Net income (loss)	$ (75,489)	$ 95,620	$ (43,296)	$ 14,092	$ 97,035	$ (19,390)	$ (141,495)

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	Predecessor Entity			Predecessor Entity			Successor Entity
	Year Ended December 31,		January 1 to July 1, 2006	July 1 to December 31, 2006	Year Ended December 31, 2007	January 1 to January 31, 2008	February 1 to December 31, 2008
	2004	2005		(in thousands)			
Consolidated Cash Flow Data (1):							
Net cash provided by operating activities	$ 293,274	$ 413,919	$ 250,388	$ 148,072	$ 489,790	$ 58,000	$ 456,139
Net cash provided by (used in) investing activities	595,106	(242,533)	(133,012)	4,422	(375,983)	(14,484)	(123,728)
Net cash used in financing activities	(1,026,792)						