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

Form 10-Q

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

For the quarterly period ended March 31, 2007

OR

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

For the transition period from _____ to _____

Commission file number 000-50262

INTELSAT, LTD.

(Exact Name of Registrant as Specified in Its Charter)

Bermuda
(State or Other Jurisdiction of
Incorporation or Organization)

98-0346003
(I.R.S. Employer
Identification No.)

Wellesley House North, 2nd Floor
90 Pitts Bay Road
Pembroke, Bermuda
(Address of principal executive offices)

HM 08
(Zip Code)

(441) 294-1650
Registrant's telephone number, including area code

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of May 14, 2007, 12,000 ordinary shares, par value \$1.00 per share, were outstanding.

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INTRODUCTION

In this Quarterly Report, unless otherwise indicated or the context otherwise requires, (1) the terms “we,” “us,” “our” and the “Company” refer to Intelsat, Ltd. and its currently existing subsidiaries on a consolidated basis, (2) the term “Intelsat Bermuda” refers to Intelsat (Bermuda), Ltd., Intelsat, Ltd.’s direct wholly-owned subsidiary, (3) the term “Intermediate Holdco” refers to Intelsat Intermediate Holding Company, Ltd., Intelsat Bermuda’s direct wholly-owned subsidiary, (4) the term “Intelsat Sub Holdco” refers to Intelsat Subsidiary Holding Company, Ltd., Intermediate Holdco’s direct wholly-owned subsidiary, (5) the term “Intelsat Holdings” refers to our parent, Intelsat Holdings, Ltd., (6) the term “PanAmSat Holdco” refers to Intelsat Holding Corporation, formerly known as PanAmSat Holding Corporation, (7) the terms “PanAmSat Opco” and “Intelsat Corp” refer to Intelsat Corporation, formerly known as PanAmSat Corporation, (8) the term “PanAmSat” refers to PanAmSat Holdco and its subsidiaries on a consolidated basis and (9) the term “PanAmSat Acquisition Transactions” refers to our acquisition of PanAmSat and the related transactions discussed under Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview —Impact of the PanAmSat Acquisition Transactions.

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

On July 3, 2006, Intelsat Bermuda completed its acquisition of PanAmSat Holdco, pursuant to a merger agreement dated August 28, 2005 by and among Intelsat Bermuda, PanAmSat Holdco and Proton Acquisition Corporation, a wholly-owned subsidiary of Intelsat Bermuda, referred to as the Merger Agreement, for approximately \$3.2 billion in cash consideration. Upon completion of the PanAmSat Acquisition Transactions, 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. The PanAmSat Acquisition Transactions are described in further detail below in Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview—Impact of the PanAmSat Acquisition Transactions. This Quarterly Report relates to periods both prior to and after the acquisition of PanAmSat Holdco by Intelsat Bermuda, which was completed on July 3, 2006.

Our principal executive offices are located at Wellesley House North, 2nd Floor, 90 Pitts Bay Road, Pembroke HM 08, Bermuda. Our telephone number is (441) 294-1650.

FINANCIAL AND OTHER INFORMATION

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

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

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

FORWARD-LOOKING STATEMENTS

Some of the statements in this Quarterly Report constitute forward-looking statements that do not directly or exclusively relate to historical facts. 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 Quarterly Report, the words “may,” “will,” “might,” “should,” “expect,” “plan,” “anticipate,” “project,” “believe,” “estimate,” “predict,” “intend,” “potential,” “outlook” and “continue,” and the negative of these terms and other similar expressions, are intended to identify forward-looking statements and information.

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

- risks associated with operating our in-orbit satellites;
- satellite launch failures, satellite launch and construction delays and in-orbit failures or reduced performance;
- our ability to obtain new satellite insurance policies on commercially reasonable terms or at all;
- 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;
- competition;
- customer defaults on their obligations owed to us;
- our international operations and other uncertainties associated with doing business internationally; and
- litigation.

The forward-looking statements made in this Quarterly Report reflect our intentions, plans, expectations, assumptions and beliefs about future events. These forward-looking statements speak only as of 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 in our Annual Report on Form 10-K for the year ended December 31, 2006, 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.

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

SATELLITE NAME CHANGES

As indicated in the chart below, we recently renamed 16 of our satellites, including certain of the PanAmSat satellites that we acquired in connection with the PanAmSat Acquisition Transactions. Unless the context requires otherwise, references to satellites in this Quarterly Report refer to the new names which became effective on February 1, 2007.

<u>Location</u>	<u>Previous Name</u>	<u>New Name Effective February 1, 2007</u>	<u>Acronym</u>
129°W	IA-7	Galaxy 27	G-27
121°W	IA-13	Galaxy 23	G-23
97°W	IA-5	Galaxy 25	G-25
93°W	IA-6	Galaxy 26	G-26
89°W	IA-8	Galaxy 28	G-28
58°W	PAS-9	Intelsat 9	IS-9
45°W	PAS-1R	Intelsat 1R	IS-1R
43°W	PAS-3R	Intelsat 3R	IS-3R
43.1°W	PAS-6B	Intelsat 6B	IS-6B
26.15°E	PAS-5	Intelsat 5	IS-5
45°E	PAS-12	Intelsat 12	IS-12
68.65°E	PAS-7	Intelsat 7	IS-7
68.5°E	PAS-10	Intelsat 10	IS-10
72°E	PAS-4	Intelsat 4	IS-4
166°E	PAS-8	Intelsat 8	IS-8
169°E	PAS-2	Intelsat 2	IS-2

Item 1. Financial Statements

INTELSAT, LTD.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	<u>As of December 31, 2006</u>	<u>As of March 31, 2007 (unaudited)</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 583,656	\$ 473,578
Receivables, net of allowance of \$29,947 in 2006 and \$34,203 in 2007	301,018	299,024
Deferred income taxes	42,403	42,426
Tax indemnification receivable	34,009	—
Prepaid expenses and other current assets	22,874	25,667
Total current assets	<u>983,960</u>	<u>840,695</u>
Satellites and other property and equipment, net	4,729,135	4,658,473
Goodwill	3,908,032	3,905,499
Non-amortizable intangible assets	1,676,600	1,676,600
Amortizable intangible assets, net	785,004	761,625
Other assets	318,677	317,125
Total assets	<u>\$ 12,401,408</u>	<u>\$ 12,160,017</u>
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 142,278	\$ 109,683
Taxes payable	72,547	—
Employee related liabilities	71,267	46,223
Customer advances for satellite construction	41,543	33,741
Accrued interest payable	243,918	249,246
Current portion of long-term debt	69,817	216,338
Deferred satellite performance incentives	18,374	20,395
Other current liabilities	105,025	93,396
Total current liabilities	<u>764,769</u>	<u>769,022</u>
Long-term debt, net of current portion	11,209,798	11,050,414
Deferred satellite performance incentives, net of current portion	132,449	124,497
Deferred revenue, net of current portion	148,867	143,331
Deferred income taxes	460,207	456,061
Accrued retirement benefits	98,573	98,089
Other long-term liabilities	128,086	173,990
Total liabilities	<u>12,942,749</u>	<u>12,815,404</u>
Shareholder's deficit:		
Ordinary shares, 12,000 shares authorized, issued and outstanding	12	12
Paid-in capital	29,746	31,307
Accumulated deficit	(571,174)	(686,744)
Accumulated other comprehensive income	75	38
Total shareholder's deficit	<u>(541,341)</u>	<u>(655,387)</u>
Total liabilities and shareholder's deficit	<u>\$ 12,401,408</u>	<u>\$ 12,160,017</u>

See accompanying notes to unaudited consolidated financial statements.

INTELSAT, LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Three Months Ended March 31,	
	2006	2007
Revenue	\$280,446	\$518,237
Operating expenses:		
Direct costs of revenue (exclusive of depreciation and amortization)	55,111	82,962
Selling, general and administrative	39,965	58,216
Depreciation and amortization	154,604	195,604
Restructuring costs	—	4,827
Loss on undesignated interest rate swap	—	1,832
Total operating expenses	<u>249,680</u>	<u>343,441</u>
Income from operations	30,766	174,796
Interest expense, net	105,821	280,671
Other expense, net	<u>(5,560)</u>	<u>(4,835)</u>
Loss from operations before income taxes	(80,615)	(110,710)
Provision for income taxes	9,495	4,362
Net loss	<u>\$ (90,110)</u>	<u>\$ (115,072)</u>

See accompanying notes to unaudited consolidated financial statements.

INTELSAT, LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended March 31,	
	2006	2007
Cash flows from operating activities:		
Net loss	\$ (90,110)	\$ (115,072)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	154,604	195,604
Provision for doubtful accounts	(758)	4,741
Foreign currency transaction (gain) loss	(220)	36
Gain on disposal of assets	—	(360)
Stock compensation	81	1,262
Compensation cost paid by parent	5,832	288
Amortization and write-off of bond discount and issuance costs	17,089	46,023
Share in loss of affiliates	6,270	7,378
Loss on undesignated interest rate swap	—	1,832
Loss on prepayment of debt and other non-cash items	—	10,542
Changes in operating assets and liabilities, net of effects of acquisitions:		
Receivables	8,955	(2,386)
Prepaid expenses and other assets	(13,275)	2,784
Accounts payable and accrued liabilities	(42,959)	(26,927)
Deferred revenue	(21,020)	(17,164)
Accrued retirement benefits	714	(484)
Other long-term liabilities	(714)	4,102
Net cash provided by operating activities	<u>24,489</u>	<u>112,199</u>
Cash flows from investing activities:		
Payments for satellites and other property and equipment	(21,479)	(131,383)
Net cash used in investing activities	<u>(21,479)</u>	<u>(131,383)</u>
Cash flows from financing activities:		
Repayments of long-term debt	(1,750)	(1,620,038)
Proceeds from issuance of long-term debt	—	1,595,000
New debt issuance costs	—	(28,924)
Repayments of funding of capital expenditures by customer	—	(21,660)
Payment of premium on early retirement of debt	—	(10,000)
Principal payments on deferred satellite performance incentives	(648)	(3,212)
Principal payments on capital lease obligations	(1,897)	(2,024)
Net cash used in financing activities	<u>(4,295)</u>	<u>(90,858)</u>
Effect of exchange rate changes on cash	220	(36)
Net change in cash and cash equivalents	(1,065)	(110,078)
Cash and cash equivalents, beginning of period	360,070	583,656
Cash and cash equivalents, end of period	<u>\$ 359,005</u>	<u>\$ 473,578</u>
Supplemental cash flow information:		
Interest paid, net of amount capitalized	\$ 118,225	\$ 216,562
Income taxes paid	\$ 1,474	\$ 8,791
Supplemental disclosure of non-cash investing and financing activities:		
Capital expenditures	\$ 5,881	\$ 4,547

See accompanying notes to unaudited consolidated financial statements.

INTELSAT, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(in thousands, except percentages, share and per share amounts and where otherwise noted)

Note 1 General

Basis of presentation

The accompanying consolidated financial statements of Intelsat, Ltd. (“Intelsat” or the “Company”) and its subsidiaries have not been audited, but are prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of these financial statements. The results of operations for the periods presented are not necessarily indicative of operating results for the full year.

These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Intelsat, Ltd.’s Annual Report on Form 10-K for the fiscal year ended December 31, 2006 on file with the Securities and Exchange Commission (“Intelsat’s Form 10-K”).

On July 3, 2006, Intelsat (Bermuda), Ltd. (“Intelsat Bermuda”), a wholly-owned indirect subsidiary of Intelsat Holdings, Ltd. (“Intelsat Holdings”), completed the acquisition of Intelsat Holding Corporation, formerly known as PanAmSat Holding Corporation (“PanAmSat Holdco”), pursuant to a merger agreement, dated as of August 28, 2005, by and among Intelsat Bermuda, Proton Acquisition Corporation (“Merger Sub”), a wholly-owned subsidiary of Intelsat Bermuda, and PanAmSat Holdco (the “Merger Agreement”). Pursuant to the Merger Agreement, Merger Sub merged with and into PanAmSat Holdco, with PanAmSat Holdco surviving the merger. Upon completion of the PanAmSat Acquisition Transactions (as defined below), PanAmSat Holdco became a wholly-owned subsidiary of Intelsat Bermuda. As a result of the PanAmSat Acquisition Transactions, the financial results of Intelsat for the three months ended March 31, 2007 include the results of PanAmSat Holdco and its subsidiaries.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Examples of estimates include the allocation of fair value to assets acquired and liabilities assumed in acquisitions, the allowance for doubtful accounts, pension and post-retirement benefits, the fair value of an interest rate swap, income taxes, useful lives of satellites and other property and equipment and recoverability of goodwill and other intangible assets. Changes in such estimates may affect amounts reported in future periods.

New accounting pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, *Fair Value Measurements* (“SFAS 157”), which is intended to increase consistency and comparability in fair value measurements by defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is in the process of evaluating this guidance and therefore has not yet determined the impact that SFAS 157 will have on its consolidated financial statements upon adoption.

In September 2006, the FASB issued SFAS No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (“SFAS 158”). SFAS 158 requires companies to recognize in their balance sheets the funded status of pension and other

INTELSAT, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)

(in thousands, except percentages, share and per share amounts and where otherwise noted)

postretirement benefit plans. Previously unrecognized items under SFAS No. 87, *Employers' Accounting for Pensions*, and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, will now be recognized as a component of accumulated other comprehensive income, net of applicable income tax effects. The Company is required to adopt SFAS 158 as of December 31, 2007. The Company is evaluating the impact that adoption of SFAS 158 will have on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). This statement permits companies to choose to measure many financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS 159 on its consolidated financial statements.

Reclassifications

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

Note 2 The PanAmSat Acquisition Transactions

On July 3, 2006, Intelsat Bermuda completed the acquisition of PanAmSat Holdco. The Company acquired PanAmSat Holdco to expand its global satellite fleet, to rationalize its fleet and ground infrastructure, and to enhance service offerings to its customers. Pursuant to the Merger Agreement, the stockholders of PanAmSat Holdco received \$25.00 per common share, plus approximately \$0.00927 as the pro rata share of undeclared regular quarterly dividends, in cash. Merger Sub was newly formed for the purpose of consummating the PanAmSat Acquisition Transactions. As part of this transaction, approximately \$3.2 billion in existing debt of PanAmSat Holdco and its subsidiaries was either refinanced or remained outstanding.

In connection with, and in order to effect, the transactions contemplated by the Merger Agreement and the related financing, the following transactions occurred:

- Intelsat Bermuda created a new direct wholly-owned subsidiary, Intelsat Intermediate Holding Company, Ltd. ("Intermediate Holdco");
- Intelsat Bermuda transferred substantially all its assets (other than cash, certain prepaid expenses and the capital stock of Merger Sub) and liabilities to Intermediate Holdco; and
- Merger Sub merged with PanAmSat Holdco, with PanAmSat Holdco continuing as the surviving corporation and being a direct wholly-owned subsidiary of Intelsat Bermuda. Upon completion of this merger, PanAmSat Holdco's equity holders ceased to hold shares or other equity interests in PanAmSat Holdco.

In addition, on July 3, 2006, the Company incurred substantial debt to finance this acquisition, including \$260.0 million principal amount of Floating Rate Senior Notes due 2013, \$1.3 billion principal amount of 11 1/4% Senior Notes due 2016 and \$750.0 million principal amount of 9 1/4% Senior Notes due 2016, issued by Intelsat Bermuda; \$575.0 million principal amount of 9% Senior Notes due 2016 issued by PanAmSat Opco, referred to as the Intelsat Corp 2016 Senior Notes; and a borrowing by Intelsat Bermuda under a new \$600.0 million senior unsecured credit facility, referred to as the Senior Unsecured Bridge Loan. On July 3, 2006, Intelsat Sub Holdco also terminated its prior senior secured credit facilities and entered into new senior secured credit facilities under a credit agreement referred to as the New Sub Holdco Credit Agreement, and PanAmSat Opco amended and restated its senior secured credit facilities under a credit agreement, referred to as the Intelsat Corp Amended and Restated Credit Agreement, to change certain of the terms thereunder. These transactions and the Merger Transaction are collectively referred to as the PanAmSat Acquisition Transactions.

INTELSAT, LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)****(in thousands, except percentages, share and per share amounts and where otherwise noted)**

Following consummation of the PanAmSat Acquisition Transactions, Intelsat General Corporation, a wholly-owned indirect subsidiary of Intelsat Sub Holdco and referred to as IGen, acquired G2 Satellite Solutions Corporation, a subsidiary of Intelsat Corporation, formerly known as PanAmSat Corporation (“Intelsat Corp”) and the government services business of Intelsat Corp, for cash consideration in the amount of \$73.0 million by means of a merger in which G2 Satellite Solutions Corporation merged into IGen with IGen continuing as the surviving entity. Also, substantially all of the employees of Intelsat Global Service Corporation (“IGSC”), an indirect subsidiary of Intelsat Bermuda, were transferred to Intelsat Corp pursuant to an employee transfer agreement. In addition, substantially all of the direct and indirect subsidiaries of Intelsat Holdings entered into a master intercompany services agreement pursuant to which these entities will provide services to each other. In each case, services are provided on terms that are not materially less favorable to each party than are available on an arm’s length basis and on terms that the relevant boards of directors have determined to be fair.

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

The PanAmSat Acquisition Transactions have been accounted for under the purchase method of accounting. An allocation of the purchase price was performed using information currently available and is based on estimates of the fair values of assets acquired and liabilities assumed in connection with the PanAmSat Acquisition Transactions. These estimates are based on available information and certain assumptions the Company considers reasonable and may be revised as additional information becomes available. These valuation estimates were derived using the assistance of an independent appraiser. Any final adjustments may change the allocation of the purchase price, which could affect the fair value assigned to the assets acquired and liabilities assumed and could result in a material change, including the recording of additional goodwill.

The estimated values of the assets acquired and liabilities assumed have been based on a purchase price which was calculated as follows:

Cash paid	\$ 3,168,201
Transaction costs	87,106
	<u>\$ 3,255,307</u>

The PanAmSat Acquisition Transactions included the payment of a substantial portion of the cash purchase price paid to the PanAmSat Holdco shareholders by PanAmSat Holdco and Intelsat Corp of \$3.2 billion cash purchase paid.

INTELSAT, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)
(in thousands, except percentages, share and per share amounts and where otherwise noted)

A reconciliation of the purchase price allocation is presented below:

	<u>Fair Value of Net Assets Acquired</u>
Current assets acquired	\$ 263,771
Satellites and other property and equipment	1,861,829
Other non-current assets	86,204
Intangible assets	1,473,800
Goodwill	3,794,572
Assumed debt	(3,234,840)
Current liabilities less current portion of debt	(337,425)
Deferred tax liability	(456,924)
Other non-current liabilities	(195,680)
	<u>\$ 3,255,307</u>

Note 3 Stock-Based and Other Compensation Plans**(a) 2001 and 2004 Share Plans**

Prior to January 28, 2005, the Company had two stock-based employee compensation plans, the 2001 Share Option Plan (the “2001 Plan”) and the 2004 Share Incentive Plan (the “2004 Plan” and collectively the “Plans”). These plans provided for the granting of stock options, stock appreciation rights, performance awards, restricted stock awards and other stock unit awards to eligible employees and directors. Options granted under both plans had an exercise price equal to the estimated fair value of the underlying ordinary shares on the date of grant and options awarded generally vested over three years.

At the closing of the acquisition of the Company on January 28, 2005 (the “Acquisition”), all outstanding awards under the 2001 Plan vested, in the money awards were cashed out, and all other awards were cancelled. All outstanding awards made under the 2004 Plan were canceled and unvested awards were converted into deferred compensation accounts. The opening balance for each deferred compensation account was the excess of \$18.75 per share over the exercise price of the relevant award made under the 2004 Plan. Generally, deferred compensation plus interest is payable to employees in accordance with vesting schedules in the original 2004 Plan awards, and unvested amounts will be forfeited upon employee termination. As of March 31, 2007, approximately \$5.5 million in deferred compensation remains payable with full vesting in June 2007, of which \$4.8 million was recorded within accrued liabilities. The Company records compensation expense over the vesting period following the conversion to deferred compensation, and \$0.7 million and \$0.8 million were expensed for the three months ended March 31, 2006 and 2007, respectively.

(b) 2005 Share Plan

The board of directors of Intelsat Holdings adopted the Intelsat Holdings, Ltd. 2005 Share Incentive Plan (the “2005 Share Plan”) with an effective date of January 28, 2005, pursuant to which up to 1,300,000 ordinary shares were reserved for grants to employees and directors of Intelsat Holdings and its subsidiaries. The 2005 Share Plan permits granting of awards in the form of incentive share options, nonqualified share options, restricted shares, restricted share units, share appreciation rights, phantom shares and performance awards. In conjunction with the Acquisition, 928,978 restricted shares were awarded, of which 725,282 were awarded to executive officers under employment agreements. These shares are subject to transfer, vesting and other restrictions as set forth in the applicable employment agreements. A portion of these restricted shares generally

INTELSAT, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)

(in thousands, except percentages, share and per share amounts and where otherwise noted)

vest over 60 months, subject to the executive's continued employment with the Company. The vesting of certain of the shares awarded is also subject to the meeting of certain performance criteria similar in nature to the performance criteria described below.

The remaining restricted shares that were awarded were to other employees pursuant to restricted share agreements. These restricted share agreements include transfer and other restrictions, and provide for vesting principally as follows: 50% of the shares awarded are time vesting shares, with 7/60 of the time vesting shares vesting on August 1, 2005 and the remainder of the time vesting shares vesting in fifty-three equal monthly installments of 1/60 of the shares per month beginning September 1, 2005; and the remaining 50% of such restricted shares awarded are performance shares that vest if and when, prior to the eighth anniversary of January 28, 2005, the Investors, as defined in the 2005 Share Plan, have received a cumulative total return between 2.5 to 3 times the amounts invested by the Investors. Outstanding performance shares not vested by the eighth anniversary of their award shall be forfeited.

Recipients of awards who terminate employment with Intelsat Holdings or its subsidiaries will forfeit unvested shares awarded, except that performance shares will remain outstanding for 180 days and will vest if performance vesting criteria are met within 180 days following termination without cause. Additionally, the restricted share agreements have certain repurchase features which provide that if an employee is terminated without cause or upon death or disability, Intelsat Holdings has the right for two years to repurchase any vested shares at fair value as determined on the termination date. In the event an employee resigns, Intelsat Holdings' repurchase right for vested shares is the lesser of fair value or \$2.15 per share.

The restricted share grants are classified as a liability due to certain repurchase features in the 2005 Share Plan. Intelsat Holdings has determined that the fair value of a restricted share is limited to \$2.15 unless it is probable that an employee will be terminated without cause. The Company is recording compensation expense for the time vesting restricted shares over the five-year vesting period. The Company has recorded compensation expense over the service period for the time vesting shares based on the intrinsic value (which equaled fair value) at the date of the grant of \$2.15 per share. Since awards made consisted of shares of the Company's parent, Intelsat Holdings, compensation costs for vested awards and the cost to repurchase shares are reflected as capital contributions in the Company's consolidated financial statements. The Company recognized \$81 and \$21 of compensation costs for restricted shares during the three months ended March 31, 2006 and 2007, respectively. No compensation expense was recorded for performance vesting shares since it was not probable that the performance criteria would be met.

A summary of the status of Intelsat Holdings' non-vested restricted shares as of March 31, 2007, and the changes during the three months ended March 31, 2007, is set forth below:

	<u>Number of Shares</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Restricted shares:		
Non-vested restricted shares outstanding as of January 1, 2007	413,483	\$ 2.15
Restricted shares forfeited	(37,342)	2.15
Vested	(9,714)	2.15
Total non-vested restricted shares at March 31, 2007	<u>366,427</u>	<u>\$ 2.15</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)
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The non-vested restricted shares have a remaining weighted-average vesting period of 34 months and the performance shares will, unless otherwise forfeited or repurchased, remain outstanding until January 28, 2013, at which time they will be forfeited if the performance criteria have not been met.

(c) Share-Based Compensation Arrangements Under the 2005 Share Plan

During 2006 and 2007, Intelsat Holdings entered into share-based compensation arrangements (“SCAs”) with a number of employees of Intelsat Holdings and its direct and indirect subsidiaries under the 2005 Share Plan which may permit such employees to purchase Intelsat Holdings common shares. These SCAs vest over time and are subject to continued employment through each applicable vesting date. The vesting of these SCAs accelerates in the event of the occurrence of both a change in control and a termination without cause (each as defined in the 2005 Share Plan) of the relevant employee.

Any common shares held by employees as a result of the exercise of SCAs may be repurchased by Intelsat Holdings, and any outstanding but unexercised SCAs may be cancelled, at any time after termination of employment. Shares issued as a result of the exercise of SCAs may be repurchased at the lesser of fair market value and the exercise price in the event of voluntary termination by the employee and other defined circumstances. Since these repurchase features enable the Company to recover the shares without transferring any appreciation in value if the employee terminates voluntarily, the SCA is not deemed to be granted under SFAS No. 123R, *Share-Based Payment* (“SFAS 123R”).

In connection with the PanAmSat Acquisition Transactions, two of the Company’s executives who were executives of Intelsat Corp prior to July 3, 2006 and held options to purchase common stock of PanAmSat Holdco rolled over such options by entering into SCAs to purchase Intelsat Holdings common shares. While the rollover adjusted the exercise price and number of applicable shares covered, the vesting period associated with the previous PanAmSat Holdco stock options continued and the share-based compensation arrangements vest in annual installments through August 2009. In the case of one of the executives, the SCA is deemed a grant of options to purchase Intelsat Holdings common shares under SFAS 123R.

The Company granted 54,702 new SCAs to the executive at an exercise price of \$243.00 per share and 9,174 rollover options at an exercise price of \$25.00 per share. These options have a weighted average fair value at the date of grant of \$9.9 million, of which \$1.2 million was recorded as compensation expense during the three months ended March 31, 2007. The remaining expense will be recognized through July 2008. The fair value of the options was determined using the Black-Scholes option pricing model and the Company’s assumptions included a five-year term, volatility of 65.1% (based on industry competitors), a risk-free interest rate of 5.08%, no dividend yield and a fair value of the Company’s stock of \$243.00 per share. During the three months ended March 31, 2007, the Company recorded \$1.2 million of compensation expense related to options considered granted.

(d) Deferred Compensation Plan and Supplemental Savings Plan

PanAmSat Opco had a Deferred Compensation Plan and a Supplemental Savings Plan for eligible employees. Under both plans, executives and other highly compensated employees were entitled to defer a portion of their compensation to future years. In connection with the PanAmSat Acquisition Transactions, PanAmSat Opco terminated both the Supplemental Savings Plan and the Deferred Compensation Plan immediately before the closing of the PanAmSat Acquisition Transactions on July 3, 2006. Payments of account balances to participants of the plans in the aggregate amount of approximately \$6.2 million were paid in the first quarter of 2007. There was no remaining liability to be paid under either plan as of March 31, 2007.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)

(in thousands, except percentages, share and per share amounts and where otherwise noted)

Note 4 Retirement Plans and Other Retiree Benefits**(a) Pension and Other Post-Retirement Benefits**

The Company was not required to make any additional contributions in 2006 to the defined benefit retirement plan, and it does not currently expect that it will be required to make any such contributions during 2007. Furthermore, it does not expect to make any contributions to its post-retirement health insurance plan, which is an unfunded plan. Net periodic pension benefits costs (benefit) include the following components for the three months ended March 31, 2006 and 2007:

	Three Months Ended March 31,	
	2006	2007
Service cost	\$ 1,020	\$ 809
Interest cost	4,754	4,440
Expected return on plan assets	(6,148)	(5,890)
Unrecognized prior service cost	—	(98)
Total benefit	<u>\$ (374)</u>	<u>\$ (739)</u>

Net periodic other post-retirement benefits costs include the following components for the three months ended March 31, 2006 and 2007:

	Three Months Ended March 31,	
	2006	2007
Service cost	\$ 890	\$ 394
Interest cost	1,152	1,060
Amortization of unrecognized net loss	44	(24)
Total costs	<u>\$ 2,086</u>	<u>\$ 1,430</u>

(b) Other Retirement Plans

Intelsat maintains two defined contribution retirement plans for employees in the United States, one for legacy Intelsat employees who were hired before July 19, 2001 and one for legacy Intelsat employees hired on or after July 19, 2001. Effective January 1, 2007, the defined contribution plan covering legacy PanAmSat employees was merged into the Intelsat plan for employees hired on or after July 19, 2001. The Company recognized compensation expense of \$0.5 million and \$1.5 million for the three months ended March 31, 2006 and 2007, respectively. Intelsat also maintains an unfunded deferred compensation plan for executives; however, benefit accruals under the plan were discontinued during 2001. The accrued liability for the deferred compensation plan for executives was \$1.4 million as of December 31, 2006 and \$0.1 million as of March 31, 2007. Intelsat maintains other defined contribution retirement plans in several non-U.S. jurisdictions.

INTELSAT, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)
(in thousands, except percentages, share and per share amounts and where otherwise noted)**Note 5 Receivables**

Receivables were comprised of the following:

	As of December 31, 2006	As of March 31, 2007
Service charges:		
Billed	\$ 306,228	\$ 302,839
Unbilled	16,025	21,176
Other	8,712	9,212
Allowance for doubtful accounts	(29,947)	(34,203)
Total	<u>\$ 301,018</u>	<u>\$ 299,024</u>

Unbilled satellite utilization charges represent amounts earned and accrued as receivables from customers for their usage of the Intelsat satellite system prior to the end of the period. Unbilled service charges are expected to be billed within twelve months of the respective balance sheet date. Other receivables as of December 31, 2006 and March 31, 2007 include \$5.8 million and \$5.7 million, respectively, of receivables due from the Company's parent, Intelsat Holdings, and relate to funds paid by Intelsat, Ltd. and its subsidiaries on behalf of its parent for the repurchase of parent common shares, and some operating expenses in late 2005.

Note 6 Satellites and Other Property and Equipment

Satellites and other property and equipment, including a satellite leased under a capital lease agreement, were comprised of the following:

	As of December 31, 2006	As of March 31, 2007
Satellites and launch vehicles	\$ 5,105,294	\$ 5,196,018
Information systems and ground segment	480,573	492,051
Buildings and other	260,169	259,503
Total cost	5,846,036	5,947,572
Less: accumulated depreciation	(1,116,901)	(1,289,099)
Total	<u>\$ 4,729,135</u>	<u>\$ 4,658,473</u>

Satellites and other property and equipment as of December 31, 2006 and March 31, 2007 included construction-in-progress of \$540.7 million and \$641.9 million, respectively. These amounts relate primarily to satellites under construction and related launch services. Interest costs of \$2.4 million and \$11.7 million were capitalized during the three months ended March 31, 2006 and 2007, respectively. The satellite under capital lease had a net book value of \$15.9 million and \$14.3 million as of December 31, 2006 and March 31, 2007, respectively.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)
(in thousands, except percentages, share and per share amounts and where otherwise noted)

Note 7 Investments

(a) WildBlue Communications, Inc

The Company has an ownership interest of approximately 28.8% in WildBlue Communications, Inc. (“WildBlue”), a company offering broadband Internet access services in the continental United States via satellite. The Company accounts for its investment using the equity method of accounting. Intelsat’s share of losses of WildBlue are included in other expense, net in the accompanying consolidated statements of operations and were \$6.3 million and \$7.4 million for the three months ended March 31, 2006 and 2007, respectively. At December 31, 2006, the investment balance of \$7.4 million was included within other assets in the accompanying consolidated balance sheet. During the three months ended March 31, 2007, cumulative equity losses exceeded the investment, and as a result, no additional losses from WildBlue will be recognized and the investment balance was zero at March 31, 2007.

(b) Horizons-1 and Horizons-2

As a result of the PanAmSat Acquisition Transactions, the Company has a joint venture with JSAT, a leading satellite operator in the Asia-Pacific region. The joint venture is named Horizons Satellite Holdings, LLC, and consists of two investments: Horizons-1 and Horizons-2.

Horizons-1 is fully operational and owns and operates the Horizons-1 satellite in the fixed satellite services sector, offering service to customers in the Asia-Pacific region. The Company accounts for its investment using the equity method of accounting. Intelsat’s share of results of Horizons-1 are included in other expense, net in the accompanying consolidated statements of operations and was \$0.1 million for the three months ended March 31, 2007. The investment balance of \$22.1 million and \$22.2 million as of December 31, 2006 and March 31, 2007, respectively, was included within other assets in the accompanying consolidated balance sheets.

Horizons-2 will build and launch a Ku-band satellite to replace the SBS-6 satellite at 74.05 degrees west longitude. The satellite will support digital video, high-definition television and IP-based content distribution networks to broadband Internet and satellite news gathering services in the United States. This Horizons-2 satellite is currently being constructed and is expected to be in service by late 2007. The total joint investment is expected to be approximately \$215.5 million, of which each of the joint venture partners is required to fund their 50% share beginning in early 2008. The contribution obligation arises from the obligation to fund amounts due under Horizon-2’s loan agreement with a third-party lender. The Company has entered into a security and pledge agreement with the lender and pursuant to this agreement, granted a security interest in the contribution obligation to the lender. The Company has, therefore, recorded this obligation as an indirect guarantee in accordance with FASB Interpretation No. 45 (as amended), *Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. The Company’s investment is being accounted for using the equity method. As of December 31, 2006 and March 31, 2007, the investment balance of \$37.3 million and \$40.6 million, respectively, is included within other assets and the Company has recorded a liability of \$37.3 million and \$40.6 million as of December 31, 2006 and March 31, 2007, respectively, within the consolidated financial statements in relation to the future funding of this investment in Horizons-2.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)
(in thousands, except percentages, share and per share amounts and where otherwise noted)**Note 8 Goodwill and Other Intangible Assets**

The carrying amount and accumulated amortization of acquired intangible assets subject to amortization consisted of the following:

	As of December 31, 2006	As of March 31, 2007
Backlog and other	\$ 591,400	\$ 591,400
Customer relationships	283,988	283,988
Technology	10,000	10,000
Subtotal	885,388	885,388
Less: accumulated amortization	(100,384)	(123,763)
Total	<u>\$ 785,004</u>	<u>\$ 761,625</u>

Backlog and other is amortized over its weighted useful life of approximately 10 years. Customer relationships are amortized over their weighted useful lives of approximately 13 years. Technology is amortized over a weighted useful life of six years. The Company recorded amortization expense of \$9.4 million and \$23.4 million for the three months ended March 31, 2006 and 2007, respectively.

The carrying amounts of acquired intangible assets not subject to amortization consist of the following:

	As of December 31, 2006	As of March 31, 2007
Goodwill	\$ 3,908,032	\$ 3,905,499
Tradename	\$ 30,000	\$ 30,000
Orbital locations	\$ 1,646,600	\$ 1,646,600

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)
(in thousands, except percentages, share and per share amounts and where otherwise noted)

Note 9 Long-Term Debt

The carrying amounts of notes payable and long-term debt were as follows:

	As of December 31, 2006	As of March 31, 2007
	(in thousands)	
<i>Intelsat, Ltd.:</i>		
6.5% Senior Notes due November 2013	\$ 700,000	\$ 700,000
Unamortized discount on 6.5% Senior Notes	(98,921)	(96,302)
7.625% Senior Notes due April 2012	600,000	600,000
Unamortized discount on 7.625% Senior Notes	(45,352)	(43,685)
5.25% Senior Notes due November 2008	400,000	400,000
Unamortized discount on 5.25% Senior Notes	(13,068)	(11,399)
<i>Total Intelsat, Ltd. obligations</i>	<u>1,542,659</u>	<u>1,548,614</u>
<i>Intelsat Sub Holdco:</i>		
Floating Rate Senior Notes due January 2012	1,000,000	—
8.25% Senior Notes due January 2013	875,000	875,000
8.625% Senior Notes due January 2015	675,000	675,000
Senior Secured Credit Facilities, due July 2013	344,750	343,888
Capital lease obligations	18,605	16,581
7% Note payable to Lockheed Martin Corporation due annually from 2007 to 2011	20,000	15,000
<i>Total Intelsat Sub Holdco obligations</i>	<u>2,933,355</u>	<u>1,925,469</u>
<i>Intermediate Holdco:</i>		
9.25% aggregate principal amount at maturity of \$478,700 Senior Discount Notes due February 2015	362,276	370,592
<i>Intelsat Bermuda:</i>		
Floating Rate Senior Notes due June 2013	260,000	260,000
11.25% Senior Notes due June 2016	1,330,000	1,330,000
9.25% Senior Notes due June 2016	750,000	750,000
11.25% (LIBOR + 5.74%) Bridge Loan	600,000	—
Floating Rate Senior Notes due January 2015	—	600,000
Senior Unsecured Credit Facilities due February 2014	—	1,000,000
Unamortized discount on Senior Unsecured Credit Facilities due 2014	—	(4,911)
<i>Total Intelsat Bermuda obligations</i>	<u>2,940,000</u>	<u>3,935,089</u>
<i>Intelsat Corp:</i>		
Senior Secured Credit Facilities, due January 2014	1,635,100	1,631,012
Senior Secured Credit Facilities, due July 2012	355,910	347,012
9% Senior Notes due August 2014	656,320	656,320
Unamortized premium on 9.0% Senior Notes	16,329	16,220
9% Senior Notes due January 2016	575,000	575,000
6.375% Senior Notes due January 2008	150,000	150,000
Unamortized discount on 6.375% Senior Notes	(337)	(264)
6.875% Senior Notes due January 2028	125,000	125,000
Unamortized discount on 6.875% Senior Notes	(13,187)	(13,312)
8.5% Senior Notes due June 2012	1,190	—
<i>Total Intelsat Corp obligations</i>	<u>3,501,325</u>	<u>3,486,988</u>
Total Intelsat, Ltd. long-term debt	<u>11,279,615</u>	<u>11,266,752</u>
<i>Less:</i>		
Current portion of capital lease obligations	8,237	6,212
Current portion of long-term debt	61,580	210,126
Total current portion	<u>69,817</u>	<u>216,338</u>
Total long-term debt, excluding current portion	<u>\$ 11,209,798</u>	<u>\$ 11,050,414</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)

(in thousands, except percentages, share and per share amounts and where otherwise noted)

The Refinancings

On January 12, 2007, Intelsat Bermuda issued \$600.0 million in Floating Rate Senior Notes due 2015, referred to as the Refinancing Notes. The net proceeds of this offering, together with cash on hand, were used to repay the \$600.0 million Senior Unsecured Bridge Loan, and to pay related fees and expenses. On January 19, 2007, Intelsat Sub Holdco amended the New Sub Holdco Credit Agreement to reduce the Term Loan B facility interest rate from a range of LIBOR plus 2.00% to LIBOR plus 2.25% to a range of LIBOR plus 1.75% to LIBOR plus 2.00%. Also on January 19, 2007, Intelsat Corp further amended the Intelsat Corp Amended and Restated Credit Agreement to reduce the Term Loan A-3 interest rate and Term Loan B-2 interest rate from a range of LIBOR plus 2.125% to LIBOR plus 2.875% to a range of LIBOR plus 1.75% to LIBOR plus 2.00%. In addition, on February 2, 2007, Intelsat Bermuda borrowed under a \$1.0 billion term loan due 2014 pursuant to a new unsecured credit agreement, referred to as the Intelsat Bermuda Unsecured Credit Agreement. The net proceeds of the borrowing thereunder were contributed to Intermediate Holdco, and Intermediate Holdco contributed the net proceeds to Intelsat Sub Holdco, which used the net proceeds, together with cash on hand, to redeem its outstanding \$1.0 billion Floating Rate Senior Notes due 2012 and pay the related premium, fees and expenses. The Company incurred a redemption premium of \$10.0 million on the \$1.0 billion Floating Rate Senior Notes and it wrote off approximately \$28.1 million in deferred financing costs. The premiums and financing costs have been recorded as interest expense in the accompanying consolidated financial statements. The issuance of the Refinancing Notes, the amendments to Intelsat Sub Holdco and Intelsat Corp's credit agreements, the borrowing under the Intelsat Bermuda Unsecured Credit Agreement and the related repayment of Intelsat Bermuda's Senior Unsecured Bridge Loan and redemption of Intelsat Sub Holdco's \$1.0 billion Floating Rate Senior Notes due 2012 are referred to collectively as the Refinancings.

Debt Repayment

On March 16, 2007, the Company redeemed and paid off Intelsat Corp's \$1.2 million outstanding 8 1/2% Senior Notes due 2012.

Availability Under the Senior Secured Credit Facilities

Under the terms of the credit agreements governing both Intelsat Sub Holdco's senior secured credit facilities and Intelsat Corp's amended and restated senior credit facilities, the ability of each company to borrow under its respective revolving credit facility is subject to compliance by each company's indirect parent, Intelsat, Ltd., under a senior secured debt covenant included in the indenture governing Intelsat, Ltd.'s outstanding senior notes. As a result, under certain circumstances, Intelsat Sub Holdco may not be able to borrow up to the full amount of borrowing availability under its revolving credit facility if Intelsat Corp has certain amounts outstanding under its revolving credit facility, and Intelsat Corp may not be able to borrow up to the full amount of borrowing availability under its revolving credit facility if Intelsat Sub Holdco has certain amounts outstanding under its revolving credit facility. The aggregate availability under the two revolving credit facilities was therefore limited to \$360.8 million as of March 31, 2007, and the availability under Intelsat Sub Holdco's and Intelsat Corp's revolving credit facilities was \$285.0 million and \$195.5 million, respectively, subject to the aggregate availability restriction just mentioned.

Note 10 Derivative Instruments and Hedging Activities

Interest Rate Swap

As of March 31, 2007, the Company held a cash flow interest rate swap with a notional amount of \$1.25 billion which was acquired as part of the PanAmSat Acquisition Transactions. The notional amount will amortize

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)

(in thousands, except percentages, share and per share amounts and where otherwise noted)

down to \$625.0 million from March 14, 2008 until expiration on March 15, 2010. This swap was entered into as a hedge to reduce the variability in cash flow on a portion of the Company's floating-rate term loans. On a quarterly basis, the Company receives a floating rate of interest equal to the three-month LIBOR and pays a fixed rate of interest that is subject to scheduled rate increases. On March 31, 2007, the rate the Company would pay averaged 4.65% and the rate the Company would receive averaged 5.35%.

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

This interest rate swap hedges against the variability in interest payments that would result from a change in interest rates. In evaluating the changes in fair value of the underlying term loan with those of the interest rate swap to meet the required criteria under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, this derivative instrument does not qualify for hedge accounting treatment in the consolidated financial statements, and so the changes in the fair value of this instrument are recognized in earnings during the period of change. During the three months ended March 31, 2007, the Company recorded a loss of \$1.8 million as a result of the change in the fair value of the interest rate swap. As of March 31, 2007, an asset of \$3.2 million representing the fair value of the swap at that date was included in other assets on the Company's consolidated balance sheet.

Note 11 Income Taxes

The difference in the Company's tax expense for the three months ended March 31, 2006 and 2007 was primarily caused by higher pre-tax book income in 2006 in the Company's historical U.S. and U.K. subsidiaries, offset by book losses at the Company's recently acquired Intelsat Holdco subsidiary. Because Bermuda does not currently impose an income tax, Intelsat's statutory tax rate is zero. The difference between tax expense reported in the consolidated statements of operations and tax computed at statutory rates is attributable to the provision for foreign taxes, which were principally in the United States and United Kingdom as well as withholding taxes on revenue earned in many of the foreign markets.

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. Under FIN 48, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values. FIN 48 also revises disclosure requirements and introduces a prescriptive, annual, tabular roll-forward of the unrecognized tax benefits.

The Company adopted FIN 48 on January 1, 2007. The cumulative effect of adopting FIN 48 was immaterial, however the Company reclassified certain reserve amounts and corresponding indemnity receivables within the consolidated balance sheet. As of January 1, 2007, the Company's gross unrecognized tax benefits were \$83.0 million (including interest and penalties), of which \$14.5 million, if recognized, would affect the Company's effective tax rate. The Company continues to recognize interest and, to the extent applicable, penalties accrued with respect to unrecognized tax benefits as income tax expense. As of January 1, 2007, the Company has recorded reserves for interest and penalties in the amount of \$24.9 million.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)
(in thousands, except percentages, share and per share amounts and where otherwise noted)

The Company operates in various taxable jurisdictions throughout the world and its tax returns are subject to audit and review from time to time. The Company considers the United Kingdom and United States to be its significant tax jurisdictions. The Company's U.S. and U.K. subsidiaries are subject to federal, state and local income tax examination for periods after July 18, 2001.

Tax Contingency

Prior to August 20, 2004, the Company's subsidiary, Intelsat Corp, joined with The DIRECTV Group and General Motors Corporation ("GM") in filing a consolidated U.S. Federal income tax return. In April 2004, Intelsat Corp entered into a tax separation agreement with The DIRECTV Group that superseded four earlier tax-related agreements among Intelsat Corp and its subsidiaries, The DIRECTV Group and certain of its affiliates. Pursuant to the tax separation agreement, The DIRECTV Group agreed to indemnify Intelsat Corp for all federal and consolidated state and local income taxes a taxing authority may attempt to collect from Intelsat Corp regarding any liability for the federal or consolidated state or local income taxes of GM and The DIRECTV Group, except those income taxes Intelsat Corp is required to pay under the tax separation agreement. In addition, The DIRECTV Group agreed to indemnify Intelsat Corp for any taxes (other than those taxes described in the preceding sentence) related to any periods or portions of such periods ending on or prior to the day of the closing of a PanAmSat Recapitalization, which occurred on August 20, 2004, in amounts equal to 80% of the first \$75.0 million of such other taxes and 100% of any other taxes in excess of the first \$75.0 million. As a result, Intelsat Corp's tax exposure after indemnification related to these periods is capped at \$15.0 million. The tax separation agreement with The DIRECTV Group was effective from August 20, 2004 until the expiration of the statute of limitations with respect to all taxes to which the tax separation agreement relates.

The Company's income tax provision, prior to and including the three month period ended March 31, 2007, includes estimates of potential tax expense for the possible reduction upon the Internal Revenue Service audit of the tax benefits the Company derived from a deduction for the extra-territorial income, or ETI, and its predecessor regime (the Foreign Sales Corporation) as well as for the potential tax expense that may arise from an adverse outcome from its foreign tax withholding issues. For all periods prior to and including the three months ended March 31, 2007, the Company has assessed the minimum and maximum exposure for federal tax issues, including Foreign Sales Corporation and ETI issues, as well as foreign tax withholding issues, and has provided taxes in the amount of the estimated exposure.

The Company has outstanding tax claims related to withholding taxes assessed on revenue derived from broadcasters inside and outside of India who broadcast from or into India. The total amount assessed for all periods from March 31, 1996 through March 31, 2004 is approximately \$73.2 million. The Company is contesting the imposition of such taxes. On August 11, 2006, the Income Tax Appellate Tribunal in New Delhi issued a decision which overturned the tax assessment for the 1997/98 assessment year. If the decision is not appealed or is ultimately upheld on appeal, this decision would resolve the dispute at issue in the Company's favor. The Company was informed that the tax authorities have appealed this decision to the High Court. In April 2007, the Company was informed by The DIRECTV Group that the U.S. and Indian Competent Authorities had reached an agreement with respect to all assessed tax years under the mutual agreement procedures of the U.S. / Indian Double Taxation Treaty. Although the Company has not formally settled its outstanding claims with the Indian tax authorities, it intends to do so in the amount agreed to by the U.S. and Indian Competent Authorities. As a result of this agreement, the Company reduced its tax reserves by \$28.4 million, tax indemnification receivable from The DIRECTV Group by \$22.8 million, tax receivable by \$2.1 million and goodwill by \$3.6 million during the three months ended March 31, 2007.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)

(in thousands, except percentages, share and per share amounts and where otherwise noted)

Note 12 Restructuring and Transaction Costs

The Company's restructuring and transaction costs include its historical facilities restructuring plans and management-approved restructuring plans to consolidate and integrate the management and operations of Intelsat, Ltd. and PanAmSat Holdco subsequent to consummation of the PanAmSat Acquisition Transactions. Total restructuring and transaction costs were \$4.8 million for the three months ended March 31, 2007. No comparable expenses were incurred during the prior year period.

(a) Facilities Restructuring Plans

The restructuring plan approved subsequent to the consummation of the PanAmSat Acquisition Transactions includes the closure of the PanAmSat former corporate headquarters in Wilton, Connecticut, as well as two other locations in the United States. The facility restructuring costs relate primarily to payments due on existing lease obligations that are expected to be incurred and paid through 2011. PanAmSat Holdco also had recorded liabilities in connection with its 2002 approval of a plan to restructure several of its United States locations and close certain facilities, some of which are currently being leased through 2011. Additionally, in an effort to further streamline operations, during 2004 PanAmSat Opco consolidated its Manhattan Beach, El Segundo and Long Beach, California facilities. The remaining liability of \$8.8 million and \$8.7 million as of December 31, 2006 and as of March 31, 2007, respectively, remained unpaid and will be paid through 2011.

(b) Workforce Restructuring Plan

As part of the acquisition consolidation and integration associated with the PanAmSat Acquisition Transactions, the Company has approved a workforce restructuring plan. This plan provides for the retention of key employees and the relocation and/or severance of employees due to planned facility closures. This workforce reduction covers approximately 400 employees. During the three months ended March 31, 2007, approximately \$4.8 million of operating expenses were recorded in the consolidated statements of operations in relation to these plans. These costs included employee compensation, benefits, outplacement services, legal services and relocation. They are expected to be incurred and paid through June 2008.

The following table summarizes the recorded accruals which are included in employee related liabilities and accrued liabilities in the consolidated financial statements and activity related to the facilities restructuring and workforce restructuring (in millions):

	Facilities Restructuring Plans	Workforce Restructuring Plans	Total
Balance at December 31, 2006	\$ 8.8	\$ 18.7	\$27.5
Restructuring charges	—	4.8	4.8
Net cash payments	(0.3)	(7.2)	(7.5)
Other adjustments ¹	0.2	—	0.2
Balance at March 31, 2007	<u>\$ 8.7</u>	<u>\$ 16.3</u>	<u>\$25.0</u>

¹ Capital contribution from the Company's parent, Intelsat Holdings, for vested restricted stock awards (see Note 3) and other non-cash items.

The Company expects to incur additional expenses of \$3.3 million related to severance and retention and expects additional expenses for workforce relocation during 2007 and 2008 as part of the PanAmSat Acquisition Transactions related workforce plan. No additional expenses related to the facilities restructuring plans are expected to be incurred.

INTELSAT, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)
(in thousands, except percentages, share and per share amounts and where otherwise noted)

Note 13 Contingencies

(a) Insurance

As of March 31, 2007, the Company had in effect in-orbit insurance policies covering three satellites with an aggregate insured value of \$270.0 million, and an aggregate net book value of \$342.8 million. As of December 31, 2006 and March 31, 2007, the Company had 48 uninsured satellites in orbit that had a net book value in the aggregate of \$3.3 billion and \$3.2 billion, respectively.

An uninsured failure of one or more of the Company's satellites could have a material adverse effect on its financial condition and results of operations. In addition, higher premiums on insurance policies will increase costs, thereby reducing income from operations by the amount of such increased premiums.

(b) Litigation and Claims

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

Two putative class action complaints that were filed against Intelsat, Ltd. and IGSC in 2004 in the U.S. District Court for the District of Columbia by certain named plaintiffs who are Intelsat retirees, spouses of retirees or surviving spouses of deceased retirees, were consolidated into a single case. The complaint, which has been amended several times, arose out of a resolution adopted by the governing body of the International Telecommunications Satellite Organization (the "IGO"), the predecessor to Intelsat, prior to privatization regarding medical benefits for retirees and their dependents. The plaintiffs allege that Intelsat wrongfully modified health plan terms to deny coverage to surviving spouses and dependents of deceased retirees, thereby breaching the fiduciary duty obligations of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the "contract" represented by the IGO resolution.

It is the Company's position that the IGO resolution does not create obligations that are enforceable against Intelsat, Ltd. or IGSC. The Company intends to continue to defend vigorously against all allegations made in the amended and consolidated complaint.

On March 13, 2007, Intelsat, Ltd. and counsel for the majority of the named plaintiffs signed a settlement agreement, which was filed on that same date under a joint motion to certify a class for settlement purposes only, to preliminarily approve the agreement of settlement of the consolidated ERISA class action, and to approve the form and manner of notice. The settlement agreement nullifies all potential obligations under the pre-privatization IGO resolution, including, most significantly, the obligation to establish a trust to fund lifetime retiree medical benefits at 2001 levels for the putative class members. Instead, Intelsat, Ltd. will provide to the retiree class certain health benefits that are essentially the same as those currently provided to active employees, the value of which, taken as a whole, cannot be reduced or eliminated. The retiree class members will have lifetime affordable health care coverage, for which they will pay modest increases in premiums, deductibles and co-pay amounts, such increases to be capped in accordance with certain cost of living adjustment provisions. The settlement extends the obligation to provide the benefits to transferees, affiliates and successors of Intelsat under certain circumstances. Intelsat also will pay an award of attorneys' fees of up to \$0.2 million. On April 3, 2007, the court entered an order certifying the class for settlement purposes, preliminarily approving the settlement agreement, and scheduling the fairness hearing on July 12, 2007. Notices of the settlement and hearing were sent to all class members on April 25, 2007.

INTELSAT, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)

(in thousands, except percentages, share and per share amounts and where otherwise noted)

(c) LCO Protection

Most of the customer service commitments entered into prior to the privatization were transferred to Intelsat pursuant to novation agreements. These agreements contain provisions, including provisions for lifeline connectivity obligation (“LCO”) protection, which constrain Intelsat’s ability to price services in some circumstances. Intelsat’s LCO contracts require the Company to provide customers with the right to renew their service commitments covered by LCO contracts at prices no higher than the prices charged for those services on the privatization date. Under some circumstances, Intelsat may also be required by an LCO contract to reduce the price for a service commitment covered by the contract. LCO protection may continue until July 18, 2013. As of March 31, 2007, Intelsat has not been required to reduce prices for its LCO-protected service commitments. However, there can be no assurances that Intelsat will not be required to reduce prices in the future under its LCO commitments.

(d) Launch Termination Fees

In connection with the Company’s purchase of the business of COMSAT General Corporation and certain of its affiliates in October 2004, the Company entered into an agreement with Lockheed Martin Commercial Launch Services for the launch of an unspecified future satellite. This agreement provides that the Company may terminate at its option, subject to the payment of a termination fee that is the greater of: (a) 50% of the launch service price and accommodation fee paid or due as of the effective date of the termination; or (b) \$30.0 million. As of March 31, 2007, the Company is continuing to explore opportunities related to this launch vehicle, however, if the Company fails to renegotiate the terms of the agreement or resell the launch vehicle to a third party, the aforementioned payment of up to \$30.0 million would become due on June 30, 2007. Any payments will result in a charge to operations.

(e) Other

Boeing Satellite Systems, Inc., formerly Hughes Space and Communications Company, has security interests in certain transponders on the IS-2, IS-3, IS-4 and IS-5 satellites to secure incentive payments owed by the Company pursuant to satellite construction contracts.

Letters of credit of \$54.5 million were outstanding as of March 31, 2007, which primarily related to the India tax issue noted above.

Note 14 Business and Geographic Segment Information

Intelsat operates in a single industry segment, in which it provides satellite services to its communications customers around the world. Revenue by region is based on the locations of customers to which services are billed. Intelsat’s satellites are in geosynchronous orbit, and consequently are not attributable to any geographic location. Of Intelsat’s remaining assets, substantially all are located in the United States.

The geographic distribution of Intelsat’s revenue was as follows:

	Three Months Ended	
	March 31,	
	2006	2007
North America	40%	48%
Africa and Middle East	21%	18%
Europe	21%	15%
Latin America and Caribbean	9%	11%
Asia Pacific	9%	8%

INTELSAT, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)
(in thousands, except percentages, share and per share amounts and where otherwise noted)

Approximately 4% and 5% of Intelsat's revenue was derived from its largest customer during the three months ended March 31, 2006 and 2007, respectively. The ten largest customers accounted for approximately 23% of Intelsat's revenue for each of the three months ended March 31, 2006 and 2007.

For the three months ended March 31, 2006 and 2007, revenues were derived from the following services:

	Three Months Ended March 31,			
	2006		2007	
Transponder services	\$ 189,825	68%	\$ 396,644	77%
Channel	48,632	17%	43,568	8%
Managed solutions	31,330	11%	58,309	11%
Mobile satellite services and other	10,659	4%	19,716	4%
Total	<u>\$280,446</u>	<u>100%</u>	<u>\$518,237</u>	<u>100%</u>

Note 15 Related Party Transactions**(a) Shareholders Agreement**

The shareholders of Intelsat Holdings, including recipients of restricted stock awards of Intelsat Holdings, entered into a shareholders agreement relating to Intelsat Holdings on January 28, 2005. The shareholders agreement and the bye-laws of Intelsat Holdings provide, among other things, for the governance of Intelsat Holdings and its subsidiaries and provide specific rights to and limitations upon the holders of Intelsat Holdings' share capital with respect to shares held by such holders.

(b) Monitoring Fee Agreements and Transaction Fees

In connection with the closing of the Acquisition, Intelsat Bermuda (assumed by Intelsat Sub Holdco in March 2005) entered into a monitoring fee agreement (the "2005 MFA") with Intelsat Holdings and the Sponsors, or affiliates of, or entities advised by, designated by or associated with, the Sponsors, as the case may be (collectively, the "2005 MFA parties"), pursuant to which the 2005 MFA parties provide certain monitoring, advisory and consulting services to Intelsat. The term "Sponsors" refers collectively to funds advised by or associated with Apax Partners Worldwide LLP and Apax Partners, L.P., Apollo Management V, L.P., MDP Global Investors Limited, and Permira Advisers LLC. Pursuant to the 2005 MFA, Intelsat Sub Holdco is obligated to pay an annual fee equal to the greater of \$6.25 million and 1.25% of adjusted EBITDA as defined in the indenture governing the notes entered into to finance the Acquisition (the "acquisition finance notes"), and to reimburse the 2005 MFA parties for their out-of-pocket expenses. Intelsat Sub Holdco also agreed to indemnify the 2005 MFA parties and their directors, officers, employees, agents and representatives for losses relating to the services contemplated by the 2005 MFA and the engagement of the 2005 MFA parties pursuant to, and the performance by them of the services contemplated by, the 2005 MFA. To the extent permitted by the agreements and indentures governing indebtedness of Intelsat Sub Holdco and its subsidiaries, on a change of control or qualified initial public offering, the Sponsors may at their option receive a lump sum payment equal to the then present value of all then current and future monitoring fees payable, assuming a termination date of January 28, 2017. Intelsat recorded expense for services associated with these fees of \$3.0 million during each of the three months ended March 31, 2006 and 2007.

In connection with the closing of the PanAmSat Acquisition Transactions, Intelsat Bermuda entered into a monitoring fee agreement (the "2006 MFA"), with the Sponsors, or affiliates of, or entities advised by, designated by or associated with, the Sponsors, as the case may be, referred to collectively as the 2006 MFA

INTELSAT, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)

(in thousands, except percentages, share and per share amounts and where otherwise noted)

parties, pursuant to which the 2006 MFA parties provide certain monitoring, advisory and consulting services with respect to Intelsat Bermuda, PanAmSat Holdco and their respective subsidiaries. Pursuant to the 2006 MFA, an annual fee equal to the greater of \$6.25 million and 1.25% of Intelsat Corp Adjusted EBITDA (as defined in the indenture governing the Intelsat Corp 2016 Senior Notes) will be paid, and Intelsat Bermuda will reimburse the 2006 MFA parties for their out-of-pocket expenses. Intelsat Bermuda also agreed to indemnify the 2006 MFA parties and their directors, officers, employees, agents and representatives for losses relating to the services contemplated by the 2006 MFA and the engagement of the 2006 MFA parties pursuant to, and the performance by them of the services contemplated by, the 2006 MFA. To the extent permitted by the agreements and indentures governing indebtedness of Intelsat Bermuda, Intelsat Holdco and their respective subsidiaries, upon a change of control or qualified initial public offering as defined in the 2006 MFA, the 2006 MFA parties may at their option receive, in lieu of the annual fee, a lump sum payment equal to the then present value of all then current and future monitoring fees payable, based on certain assumptions, including a termination date which will be the earlier of (i) the twelfth anniversary of the date of the closing of the PanAmSat Acquisition Transactions (July 3, 2018), (ii) such time as the Sponsors and their affiliates own less than 5% of the beneficial economic interest of Intelsat Holdings and (iii) such earlier date as the 2006 MFA parties and Intelsat Holdco may mutually agree upon. Intelsat recorded expense for services associated with the 2006 MFA of \$3.1 million during the three months ended March 31, 2007.

(c) Ownership by Management

As part of the Acquisition, certain members of management purchased common equity of Intelsat Holdings and were granted restricted common equity of Intelsat Holdings.

(d) Sponsor Investment

Apollo Management L.P., one of the controlling shareholders of Intelsat Holdings, is the indirect controlling stockholder of Hughes Communications, Inc. (“Hughes Communications”) and Hughes Network Systems, LLC (“HNS”). HNS is one of the Company’s largest corporate network services customers. Messrs. Africk and Stone, two members of the Company’s board of directors, serve on the board of directors of Hughes Communications and the board of managers of HNS.

The Company recorded approximately \$7.6 million and \$26.0 million of revenue during the three months ended March 31, 2006 and 2007, respectively, for satellite capacity and other services provided to HNS. The receivable outstanding from HNS as of December 31, 2006 and March 31, 2007 was approximately \$13.5 million and \$10.0 million, respectively.

(e) Receivable from Parent

The Company has a receivable from its parent, Intelsat Holdings, as of December 31, 2006 and March 31, 2007 of \$5.8 million and \$5.7 million, respectively. See Note 5.

(f) Other Related Party Transactions

The Company has a 50% ownership interest in Horizons-1, an investment which is accounted for under the equity method of accounting (see Note 7—Investments). During the three months ended March 31, 2007, approximately \$1.0 million of expenses were recorded in relation to the lease of such Ku-band satellite capacity. Additionally, the Company provides telemetry, tracking and control services for the Horizons-1 satellite. During the three months ended March 31, 2007, approximately \$0.2 million of revenue was recorded.

INTELSAT, LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(CONTINUED)
(in thousands, except percentages, share and per share amounts and where otherwise noted)

In March 2007, the Company entered into an agreement with Horizons-2, an affiliate of the Company, to purchase and assume a launch service contract of Horizons-2. Under the agreement, the Company agreed to pay Horizons-2 for amounts paid to date of \$14.7 million and assumed the remaining contractual obligation payable to the launch services provider. This vehicle will either be used for the launch of Intelsat's IS-15 satellite or as a replacement launch vehicle should existing launch services under contract be delayed.

Note 16 Supplemental Consolidating Financial Information

In connection with the Acquisition and related amalgamations, Intelsat Sub Holdco issued \$2.6 billion of acquisition finance notes. The acquisition finance notes are fully and unconditionally guaranteed, jointly and severally, by Intelsat, Ltd., its wholly-owned direct subsidiary, Intelsat Bermuda, Intermediate Holdco, and certain wholly-owned subsidiaries of Intelsat Sub Holdco (the "Subsidiary Guarantors").

On February 11, 2005, Intelsat, Ltd. and Zeus Special Subsidiary Limited issued \$478.7 million in aggregate principal amount at maturity of senior discount notes due 2015 (the "discount notes"), yielding approximately \$305.3 million of net proceeds at issuance. On March 3, 2005, Intelsat Bermuda transferred substantially all of its assets to Intelsat Sub Holdco and Intelsat Sub Holdco assumed substantially all of the then-existing liabilities of Intelsat Bermuda. Following these transactions, Zeus Special Subsidiary Limited was amalgamated with Intelsat Bermuda, and Intelsat Bermuda became an obligor on the discount notes. Intelsat Bermuda is a wholly-owned subsidiary of Intelsat, a co-obligor of the discount notes.

On July 3, 2006, in connection with the PanAmSat Acquisition Transactions, Intelsat Bermuda transferred the obligation on the discount notes to its wholly-owned subsidiary, Intermediate Holdco. Intermediate Holdco became an obligor on the discount notes and confirmed its guarantee of the acquisition finance notes and Intelsat Bermuda became a guarantor of the discount notes and confirmed its guarantee of the acquisition finance notes. The discount notes are not guaranteed by any of Intelsat Bermuda's direct or indirect subsidiaries.

In connection with the PanAmSat Acquisition Transactions, Intelsat Bermuda issued \$1.33 billion of 11 1/4% Senior Notes due 2016 and \$260.0 million of Floating Rate Senior Notes due 2013, referred to together as the July 2006 Notes. The July 2006 Notes are fully and unconditionally guaranteed, jointly and severally, by Intelsat, Ltd. The July 2006 Notes are not guaranteed by any of Intelsat Bermuda's direct or indirect subsidiaries.

On January 12, 2007, Intelsat Bermuda issued \$600.0 million of the Refinancing Notes, which are fully and unconditionally guaranteed, jointly and severally, by Intelsat, Ltd. The Refinancing Notes are not guaranteed by any of Intelsat Bermuda's direct or indirect subsidiaries.

Separate financial statements of Intelsat, Ltd., Intelsat Bermuda, Intermediate Holdco, Intelsat Sub Holdco (an indirect subsidiary of Intelsat Bermuda) and the Subsidiary Guarantors are not presented because management believes that such financial statements would not be material to investors. Investments in subsidiaries in the following condensed consolidating financial information are accounted for under the equity method of accounting. Consolidating adjustments include the following:

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

INTELSAT, LTD. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 31, 2007
(in thousands)

	Intelsat, Ltd.	Intelsat Bermuda	Intermediate Holdco	Intelsat Sub Holdco	Intelsat Sub Holdco Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 6,261	\$ 6,336	\$ —	\$ 339,976	\$ 227,319	\$ 121,006	\$ (227,320)	\$ 473,578
Receivables, net of allowance	4,790	—	565	168,366	167,962	125,302	(167,961)	299,024
Deferred income taxes	—	—	—	8,151	8,151	34,275	(8,151)	42,426
Prepaid expenses and other current assets	323	3,125	90	9,644	9,645	12,486	(9,646)	25,667
Intercompany receivables	—	—	—	1,083,326	—	—	(1,083,326)	—
Total current assets	11,374	9,461	655	1,609,463	413,077	293,069	(1,496,404)	840,695
Satellites and other property and equipment, net	—	—	—	2,757,285	2,754,870	1,901,192	(2,754,874)	4,658,473
Goodwill	—	—	—	110,929	—	3,794,570	—	3,905,499
Non-amortizable intangible assets	—	—	—	560,000	—	1,116,600	—	1,676,600
Amortizable intangible assets, net	—	—	—	446,507	—	315,119	(1)	761,625
Investment in affiliate	1,839,110	5,814,246	3,182,545	(7,391)	(7,391)	63,384	(10,821,119)	63,384
Other assets	—	94,165	3,768	63,656	15,251	92,147	(15,246)	253,741
Total assets	<u>\$1,850,484</u>	<u>\$5,917,872</u>	<u>\$ 3,186,968</u>	<u>\$ 5,540,449</u>	<u>\$ 3,175,807</u>	<u>\$ 7,576,081</u>	<u>\$(15,087,644)</u>	<u>\$ 12,160,017</u>
LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)								
Current liabilities:								
Accounts payable and accrued liabilities	\$ 2,755	\$ 1,047	\$ 158	\$ 53,440	\$ 44,103	\$ 132,249	\$ (44,105)	\$ 189,647
Accrued interest payable	48,677	97,335	—	39,384	5,682	63,850	(5,682)	249,246
Current portion of long-term debt	—	—	—	14,634	11,187	201,704	(11,187)	216,338
Deferred satellite performance incentives	—	—	—	3,862	3,862	16,533	(3,862)	20,395
Other current liabilities	—	—	—	60,645	60,645	32,751	(60,645)	93,396
Intercompany payables	905,825	45,291	40,888	—	1,179,980	91,322	(2,263,306)	—
Total current liabilities	957,257	143,673	41,046	171,965	1,305,459	538,409	(2,388,787)	769,022
Long-term debt, net of current portion	1,548,614	3,935,089	370,592	1,910,670	20,229	3,285,450	(20,230)	11,050,414
Deferred satellite performance incentives, net of current portion	—	—	—	29,017	29,017	95,480	(29,017)	124,497
Deferred revenue, net of current portion	—	—	—	128,034	128,034	15,297	(128,034)	143,331
Deferred income taxes	—	—	—	7,199	7,199	448,862	(7,199)	456,061
Accrued retirement benefits	—	—	—	68,199	68,199	29,890	(68,199)	98,089
Other long-term liabilities	—	—	—	42,820	32,105	131,168	(32,103)	173,990
Total liabilities	<u>2,505,871</u>	<u>4,078,762</u>	<u>411,638</u>	<u>2,357,904</u>	<u>1,590,242</u>	<u>4,544,556</u>	<u>(2,673,569)</u>	<u>12,815,404</u>
Shareholder's equity (deficit):								
Ordinary shares	12	12	—	12	—	50	(74)	12
Other shareholder's equity (deficit)	(655,399)	1,839,098	2,775,330	3,182,533	1,585,565	3,031,475	(12,414,001)	(655,399)
Total shareholder's equity (deficit)	<u>(655,387)</u>	<u>1,839,110</u>	<u>2,775,330</u>	<u>3,182,545</u>	<u>1,585,565</u>	<u>3,031,525</u>	<u>(12,414,075)</u>	<u>(655,387)</u>
Total liabilities and shareholder's equity (deficit)	<u>\$1,850,484</u>	<u>\$5,917,872</u>	<u>\$ 3,186,968</u>	<u>\$ 5,540,449</u>	<u>\$ 3,175,807</u>	<u>\$ 7,576,081</u>	<u>\$(15,087,644)</u>	<u>\$ 12,160,017</u>

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

INTELSAT, LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2006
(in thousands)

	Intelsat, Ltd.	Intelsat Bermuda	Intermediate Holdco	Intelsat Sub Holdco	Intelsat Sub Holdco Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 6,834	\$ 41,990	\$ —	\$ 341,413	\$ 139,969	\$ 193,418	\$ (139,968)	\$ 583,656
Receivables, net of allowance	4,800	—	565	176,404	175,916	119,249	(175,916)	301,018
Deferred income taxes	—	—	—	8,151	8,151	34,252	(8,151)	42,403
Prepaid expenses and other current assets	758	—	91	6,790	6,724	49,244	(6,724)	56,883
Intercompany receivables	—	—	—	1,037,008	—	—	(1,037,008)	—
Total current assets	12,392	41,990	656	1,569,766	330,760	396,163	(1,367,767)	983,960
Satellites and other property and equipment, net	—	—	—	2,852,338	2,849,674	1,876,802	(2,849,679)	4,729,135
Goodwill	—	—	—	110,929	—	3,797,103	—	3,908,032
Non-amortizable intangible assets	—	—	—	560,000	—	1,116,600	—	1,676,600
Amortizable intangible assets, net	—	—	—	455,858	—	329,146	—	785,004
Investment in affiliate	1,903,625	4,807,038	2,185,777	1,166	1,166	60,093	(8,891,347)	67,518
Other assets	—	68,917	3,847	94,881	17,153	83,509	(17,148)	251,159
Total assets	<u>\$1,916,017</u>	<u>\$4,917,945</u>	<u>\$ 2,190,280</u>	<u>\$ 5,644,938</u>	<u>\$ 3,198,753</u>	<u>\$ 7,659,416</u>	<u>\$ (13,125,941)</u>	<u>\$ 12,401,408</u>
LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)								
Current liabilities:								
Accounts payable and accrued liabilities	\$ 4,210	\$ 2,099	\$ 158	\$ 92,210	\$ 69,544	\$ 228,959	\$ (69,545)	\$ 327,635
Accrued interest payable	20,615	27,953	193	123,336	7,247	71,821	(7,247)	243,918
Current portion of long-term debt	—	—	—	16,630	13,182	53,188	(13,183)	69,817
Deferred satellite performance incentives	—	—	—	3,463	3,463	14,912	(3,464)	18,374
Other current liabilities	—	—	—	60,598	60,599	44,426	(60,598)	105,025
Intercompany payables	889,875	44,268	40,266	—	1,033,842	62,598	(2,070,849)	—
Total current liabilities	914,700	74,320	40,617	296,237	1,187,877	475,904	(2,224,886)	764,769
Long-term debt, net of current portion	1,542,659	2,940,000	362,276	2,916,531	25,229	3,448,331	(25,228)	11,209,798
Deferred satellite performance incentives, net of current portion	—	—	—	33,021	33,021	99,428	(33,021)	132,449
Deferred revenue, net of current portion	—	—	—	132,078	132,078	16,789	(132,078)	148,867
Deferred income taxes	—	—	—	7,373	7,373	452,833	(7,372)	460,207
Accrued retirement benefits	—	—	—	66,814	66,814	31,759	(66,814)	98,573
Other long-term liabilities	—	—	—	7,106	7,107	120,980	(7,107)	128,086
Total liabilities	2,457,359	3,014,320	402,893	3,459,160	1,459,499	4,646,024	(2,496,506)	12,942,749
Shareholder's equity (deficit):								
Ordinary shares	12	12	—	12	—	50	(74)	12
Other shareholder's equity (deficit)	(541,353)	1,903,613	1,787,387	2,185,766	1,739,254	3,013,342	(10,629,361)	(541,353)
Total shareholder's equity (deficit)	(541,341)	1,903,625	1,787,387	2,185,778	1,739,254	3,013,392	(10,629,435)	(541,341)
Total liabilities and shareholder's equity (deficit)	<u>\$1,916,017</u>	<u>\$4,917,945</u>	<u>\$ 2,190,280</u>	<u>\$ 5,644,938</u>	<u>\$ 3,198,753</u>	<u>\$ 7,659,416</u>	<u>\$ (13,125,941)</u>	<u>\$ 12,401,408</u>

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

INTELSAT, LTD. AND SUBSIDIARIES
UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2007
(in thousands)

	<u>Intelsat, Ltd.</u>	<u>Intelsat Bermuda</u>	<u>Intermediate Holdco</u>	<u>Intelsat Sub Holdco</u>	<u>Intelsat Sub Holdco Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenue	\$ —	\$ —	\$ —	\$ 294,272	\$ 294,272	\$ 313,599	\$ (383,906)	\$ 518,237
Operating expenses:								
Direct costs of revenue (exclusive of depreciation and amortization)	—	—	—	65,777	309,365	109,518	(401,698)	82,962
Selling, general and administrative	4,957	3,373	—	8,926	5,300	38,262	(2,602)	58,216
Depreciation and amortization	—	—	—	119,889	110,289	75,715	(110,289)	195,604
Restructuring costs	—	—	—	67	67	4,759	(66)	4,827
Loss on undesignated interest rate swap	—	—	—	—	—	1,832	—	1,832
Total operating expenses	4,957	3,373	—	194,659	425,021	230,086	(514,655)	343,441
Income (loss) from operations	(4,957)	(3,373)	—	99,613	(130,749)	83,513	130,749	174,796
Interest expense, net	45,815	91,350	8,825	66,622	10,359	68,059	(10,359)	280,671
Subsidiary income (loss)	(64,285)	30,438	23,508	(1,144)	(1,144)	—	12,627	—
Other income (expense), net	—	—	—	(5,928)	(5,929)	1,094	5,928	(4,835)
Income (loss) from operations before income taxes	(115,057)	(64,285)	14,683	25,919	(148,181)	16,548	159,663	(110,710)
Provision for income taxes	15	—	—	2,411	1,768	1,936	(1,768)	4,362
Net income (loss)	<u>\$ (115,072)</u>	<u>\$ (64,285)</u>	<u>\$ 14,683</u>	<u>\$ 23,508</u>	<u>\$ (149,949)</u>	<u>\$ 14,612</u>	<u>\$ 161,431</u>	<u>\$ (115,072)</u>

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

INTELSAT, LTD. AND SUBSIDIARIES
UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2006
(in thousands)

	<u>Intelsat, Ltd.</u>	<u>Intelsat Bermuda</u>	<u>Intelsat Sub Holdco</u>	<u>Intelsat Sub Holdco Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenue	\$ —	\$ —	\$ 260,379	\$ 260,379	\$ 51,584	\$ (291,896)	\$ 280,446
Operating expenses:							
Direct costs of revenue (exclusive of depreciation and amortization)	—	—	62,324	293,897	44,354	(345,464)	55,111
Selling, general and administrative	9,380	—	7,391	2,398	3,143	17,653	39,965
Depreciation and amortization	—	—	152,558	142,956	2,046	(142,956)	154,604
Total operating expenses	<u>9,380</u>	<u>—</u>	<u>222,273</u>	<u>439,251</u>	<u>49,543</u>	<u>(470,767)</u>	<u>249,680</u>
Income (loss) from operations	(9,380)	—	38,106	(178,872)	2,041	178,871	30,766
Interest expense, net	46,472	7,594	49,258	10,616	2,499	(10,618)	105,821
Subsidiary loss	(34,258)	(26,664)	(51)	(51)	—	61,024	—
Other income (expense), net	—	—	(5,845)	(5,843)	286	5,842	(5,560)
Loss from operations before income taxes	(90,110)	(34,258)	(17,048)	(195,382)	(172)	256,355	(80,615)
Provision for income taxes	—	—	9,616	9,374	(121)	(9,374)	9,495
Net loss	<u>\$ (90,110)</u>	<u>\$ (34,258)</u>	<u>\$ (26,664)</u>	<u>\$ (204,756)</u>	<u>\$ (51)</u>	<u>\$ 265,729</u>	<u>\$ (90,110)</u>

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

INTELSAT, LTD. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2007
(in thousands)

	<u>Intelsat, Ltd.</u>	<u>Intelsat Bermuda</u>	<u>Intermediate Holdco</u>	<u>Intelsat Sub Holdco</u>	<u>Intelsat Sub Holdco Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash flows from operating activities	\$ (574)	\$ (26,231)	\$ —	\$ 53,983	\$ 108,908	\$ 85,021	\$ (108,908)	\$ 112,199
Cash flows from investing activities:								
Payments for satellites and other property and equipment	—	—	—	(13,678)	(13,678)	(117,705)	13,678	(131,383)
Investment in subsidiaries	—	(977,000)	(977,000)	—	—	—	1,954,000	—
Net cash used in investing activities	—	(977,000)	(977,000)	(13,678)	(13,678)	(117,705)	1,967,678	(131,383)
Cash flows from financing activities:								
Repayment of long-term debt	—	(600,000)	—	(1,005,862)	(5,000)	(14,176)	5,000	(1,620,038)
Proceeds from bond issuance	—	1,595,000	—	—	—	—	—	1,595,000
New debt issuance costs	—	(27,424)	—	—	—	(1,500)	—	(28,924)
Repayments of funding of capital expenditures by customer	—	—	—	—	—	(21,660)	—	(21,660)
Payment of premium on early retirement of debt	—	—	—	(10,000)	—	—	—	(10,000)
Capital contributions from parent companies	—	—	977,000	977,000	—	—	(1,954,000)	—
Principal payments on deferred satellite performance incentives	—	—	—	(885)	(885)	(2,327)	885	(3,212)
Principal payments on capital lease obligations	—	—	—	(1,995)	(1,995)	(29)	1,995	(2,024)
Net cash provided by (used in) financing activities	—	967,576	977,000	(41,742)	(7,880)	(39,692)	(1,946,120)	(90,858)
Effect of exchange rate changes on cash	—	—	—	—	—	(36)	—	(36)
Net change in cash and cash equivalents	(574)	(35,655)	—	(1,437)	87,350	(72,412)	(87,350)	(110,078)
Cash and cash equivalents, beginning of period	6,835	41,990	—	341,413	139,969	193,418	(139,969)	583,656
Cash and cash equivalents, end of period	<u>\$ 6,261</u>	<u>\$ 6,335</u>	<u>\$ —</u>	<u>\$ 339,976</u>	<u>\$ 227,319</u>	<u>\$ 121,006</u>	<u>\$ (227,319)</u>	<u>\$ 473,578</u>

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

INTELSAT, LTD. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2006
(in thousands)

	<u>Intelsat, Ltd.</u>	<u>Intelsat Bermuda</u>	<u>Intelsat Sub Holdco</u>	<u>Intelsat Sub Holdco Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash flows from operating activities	\$ (19,334)	\$ —	\$ 42,526	\$ 43,381	\$ 28,122	\$ (70,206)	\$ 24,489
Cash flows from investing activities:							
Payments for satellites and other property and equipment	—	—	(21,299)	(21,299)	(180)	21,299	(21,479)
Advances to/from subsidiaries, net	13,552	—	(6,483)	(9,865)	(33,894)	36,690	—
Investment in subsidiaries	63,700	63,700	—	—	—	(127,400)	—
Net cash provided by (used in) investing activities	<u>77,252</u>	<u>63,700</u>	<u>(27,782)</u>	<u>(31,164)</u>	<u>(34,074)</u>	<u>(69,411)</u>	<u>(21,479)</u>
Cash flows from financing activities:							
Repayment of long-term debt	—	—	(1,750)	—	—	—	(1,750)
Principal payments on deferred satellite performance incentives	—	—	(648)	(648)	—	648	(648)
Principal payments on capital lease obligations	—	—	(1,897)	(1,897)	—	1,897	(1,897)
Dividends to shareholders	—	(63,700)	(63,700)	—	—	127,400	—
Net cash used in financing activities	<u>—</u>	<u>(63,700)</u>	<u>(67,995)</u>	<u>(2,545)</u>	<u>—</u>	<u>129,945</u>	<u>(4,295)</u>
Effect of exchange rate changes on cash	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>220</u>	<u>—</u>	<u>220</u>
Net change in cash and cash equivalents	57,918	—	(53,251)	9,672	(5,732)	(9,672)	(1,065)
Cash and cash equivalents, beginning of period	65	—	341,204	7,501	18,801	(7,501)	360,070
Cash and cash equivalents, end of period	<u>\$ 57,983</u>	<u>\$ —</u>	<u>\$ 287,953</u>	<u>\$ 17,173</u>	<u>\$ 13,069</u>	<u>\$ (17,173)</u>	<u>\$ 359,005</u>

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

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On March 3, 2005, Intelsat Bermuda transferred substantially all of its assets to Intelsat Sub Holdco and Intelsat Sub Holdco assumed substantially all of the then-existing liabilities of Intelsat Bermuda.

In connection with the PanAmSat Acquisition Transactions, Intelsat Bermuda issued \$750.0 million of 9 1/4% Senior Notes due 2016 (the “Bermuda 2016 Guaranteed Senior Notes”). The Bermuda 2016 Guaranteed Senior Notes are fully and unconditionally guaranteed, jointly and severally, by Intelsat, Ltd., its indirect wholly-owned subsidiary, Intelsat Sub Holdco and the Subsidiary Guarantors.

Separate financial statements of Intelsat, Ltd., Intelsat Bermuda, Intelsat Sub Holdco and the Subsidiary Guarantors are not presented because management believes that such financial statement would not be material to investors.

Investments in subsidiaries in the following condensed consolidating financial information are accounted for under the equity method of accounting. Consolidating adjustments include the following:

- elimination of investment in subsidiaries;
- elimination of intercompany accounts;
- elimination of intercompany sales between guarantor and non-guarantor subsidiaries; and
- elimination of equity in earning of subsidiaries.

INTELSAT, LTD. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 31, 2007
(in thousands)

	Intelsat, Ltd.	Intelsat Bermuda	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 6,261	\$ 346,312	\$ 339,976	\$ 121,006	\$ (339,977)	\$ 473,578
Receivables, net of allowance	4,790	168,366	168,366	125,867	(168,365)	299,024
Deferred income taxes	—	8,151	8,151	34,275	(8,151)	42,426
Prepaid expenses and other current assets	323	12,769	9,644	12,576	(9,645)	25,667
Intercompany receivables	—	1,038,035	1,083,326	—	(2,121,361)	—
Total current assets	11,374	1,573,633	1,609,463	293,724	(2,647,499)	840,695
Satellites and other property and equipment, net	—	2,757,285	2,757,285	1,901,192	(2,757,289)	4,658,473
Goodwill	—	110,929	110,929	3,794,570	(110,929)	3,905,499
Non-amortizable intangible assets	—	560,000	560,000	1,116,600	(560,000)	1,676,600
Amortizable intangible assets, net	—	446,507	446,507	315,119	(446,508)	761,625
Investment in affiliate	1,839,110	2,624,310	(7,391)	63,385	(4,456,030)	63,384
Other assets	—	157,820	63,656	95,914	(63,649)	253,741
Total assets	<u>\$1,850,484</u>	<u>\$8,230,484</u>	<u>\$5,540,449</u>	<u>\$7,580,504</u>	<u>\$(11,041,904)</u>	<u>\$12,160,017</u>
LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 2,755	\$ 54,486	\$ 53,440	\$ 132,407	\$ (53,441)	\$ 189,647
Accrued interest payable	48,677	136,719	39,384	63,850	(39,384)	249,246
Current portion of long-term debt	—	14,634	14,634	201,704	(14,634)	216,338
Deferred satellite performance incentives	—	3,862	3,862	16,533	(3,862)	20,395
Other current liabilities	—	60,645	60,645	32,751	(60,645)	93,396
Intercompany payables	905,825	—	—	132,210	(1,038,035)	—
Total current liabilities	957,257	270,346	171,965	579,455	(1,210,001)	769,022
Long-term debt, net of current portion	1,548,614	5,845,759	1,910,670	3,656,042	(1,910,671)	11,050,414
Deferred satellite performance incentives, net of current portion	—	29,017	29,017	95,480	(29,017)	124,497
Deferred revenue, net of current portion	—	128,034	128,034	15,297	(128,034)	143,331
Deferred income taxes	—	7,199	7,199	448,862	(7,199)	456,061
Accrued retirement benefits	—	68,199	68,199	29,890	(68,199)	98,089
Other long-term liabilities	—	42,820	42,820	131,168	(42,818)	173,990
Total liabilities	<u>2,505,871</u>	<u>6,391,374</u>	<u>2,357,904</u>	<u>4,956,194</u>	<u>(3,395,939)</u>	<u>12,815,404</u>
Shareholder's equity (deficit):						
Ordinary shares	12	24	12	50	(86)	12
Other shareholder's equity (deficit)	(655,399)	1,839,086	3,182,533	2,624,260	(7,645,879)	(655,399)
Total shareholder's equity (deficit)	<u>(655,387)</u>	<u>1,839,110</u>	<u>3,182,545</u>	<u>2,624,310</u>	<u>(7,645,965)</u>	<u>(655,387)</u>
Total liabilities and shareholder's equity (deficit)	<u>\$1,850,484</u>	<u>\$8,230,484</u>	<u>\$5,540,449</u>	<u>\$7,580,504</u>	<u>\$(11,041,904)</u>	<u>\$12,160,017</u>

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

INTELSAT, LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2006
(in thousands)

	Intelsat, Ltd.	Intelsat Bermuda	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 6,834	\$ 383,403	\$ 341,413	\$ 193,418	\$ (341,412)	\$ 583,656
Receivables, net of allowance	4,800	176,404	176,404	119,814	(176,404)	301,018
Deferred income taxes	—	8,151	8,151	34,252	(8,151)	42,403
Prepaid expenses and other current assets	758	6,790	6,790	49,335	(6,790)	56,883
Intercompany receivables	—	992,740	1,037,008	—	(2,029,748)	—
Total current assets	12,392	1,567,488	1,569,766	396,819	(2,562,505)	983,960
Satellites and other property and equipment, net	—	2,852,338	2,852,338	1,876,802	(2,852,343)	4,729,135
Goodwill	—	110,929	110,929	3,797,103	(110,929)	3,908,032
Non-amortizable intangible assets	—	560,000	560,000	1,116,600	(560,000)	1,676,600
Amortizable intangible assets, net	—	455,858	455,858	329,146	(455,858)	785,004
Investment in affiliate	1,903,625	2,622,426	1,166	60,093	(4,519,792)	67,518
Other assets	—	163,799	94,881	87,356	(94,877)	251,159
Total assets	<u>\$1,916,017</u>	<u>\$8,332,838</u>	<u>\$5,644,938</u>	<u>\$7,663,919</u>	<u>\$(11,156,304)</u>	<u>\$12,401,408</u>
LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 4,210	\$ 94,309	\$ 92,210	\$ 229,117	\$ (92,211)	\$ 327,635
Accrued interest payable	20,615	151,290	123,336	72,014	(123,337)	243,918
Current portion of long-term debt	—	16,630	16,630	53,188	(16,631)	69,817
Deferred satellite performance incentives	—	3,463	3,463	14,912	(3,464)	18,374
Other current liabilities	—	60,598	60,598	44,426	(60,597)	105,025
Intercompany payables	889,875	—	—	102,864	(992,739)	—
Total current liabilities	914,700	326,290	296,237	516,521	(1,288,979)	764,769
Long-term debt, net of current portion	1,542,659	5,856,531	2,916,531	3,810,607	(2,916,530)	11,209,798
Deferred satellite performance incentives, net of current portion	—	33,021	33,021	99,428	(33,021)	132,449
Deferred revenue, net of current portion	—	132,078	132,078	16,789	(132,078)	148,867
Deferred income taxes	—	7,373	7,373	452,833	(7,372)	460,207
Accrued retirement benefits	—	66,814	66,814	31,759	(66,814)	98,573
Other long-term liabilities	—	7,106	7,106	120,980	(7,106)	128,086
Total liabilities	<u>2,457,359</u>	<u>6,429,213</u>	<u>3,459,160</u>	<u>5,048,917</u>	<u>(4,451,900)</u>	<u>12,942,749</u>
Shareholder's equity (deficit):						
Ordinary shares	12	24	12	50	(86)	12
Other shareholder's equity (deficit)	(541,353)	1,903,601	2,185,766	2,614,952	(6,704,318)	(541,353)
Total shareholder's equity (deficit)	<u>(541,341)</u>	<u>1,903,625</u>	<u>2,185,778</u>	<u>2,615,002</u>	<u>(6,704,404)</u>	<u>(541,341)</u>
Total liabilities and shareholder's equity (deficit)	<u>\$1,916,017</u>	<u>\$8,332,838</u>	<u>\$5,644,938</u>	<u>\$7,663,919</u>	<u>\$(11,156,304)</u>	<u>\$12,401,408</u>

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

INTELSAT, LTD. AND SUBSIDIARIES
UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2007
(in thousands)

	<u>Intelsat, Ltd.</u>	<u>Intelsat Bermuda</u>	<u>Subsidiary Guarantors</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenue	\$ —	\$ 294,272	\$ 294,272	\$ 313,599	\$ (383,906)	\$ 518,237
Operating expenses:						
Direct costs of revenue (exclusive of depreciation and amortization)	—	65,777	65,777	109,518	(158,110)	82,962
Selling, general and administrative	4,957	12,299	8,926	38,262	(6,228)	58,216
Depreciation and amortization	—	119,889	119,889	75,715	(119,889)	195,604
Restructuring costs	—	67	67	4,759	(66)	4,827
Loss on undesignated interest rate swap	—	—	—	1,832	—	1,832
Total operating expenses	<u>4,957</u>	<u>198,032</u>	<u>194,659</u>	<u>230,086</u>	<u>(284,293)</u>	<u>343,441</u>
Income (loss) from operations	(4,957)	96,240	99,613	83,513	(99,613)	174,796
Interest expense, net	45,815	157,972	66,622	76,884	(66,622)	280,671
Subsidiary income (loss)	(64,285)	5,787	(1,144)	—	59,642	—
Other income (expense), net	—	(5,929)	(5,928)	1,094	5,928	(4,835)
Income (loss) from operations before income taxes	<u>(115,057)</u>	<u>(61,874)</u>	<u>25,919</u>	<u>7,723</u>	<u>32,579</u>	<u>(110,710)</u>
Provision for income taxes	15	2,411	2,411	1,936	(2,411)	4,362
Net income (loss)	<u>\$ (115,072)</u>	<u>\$ (64,285)</u>	<u>\$ 23,508</u>	<u>\$ 5,787</u>	<u>\$ 34,990</u>	<u>\$ (115,072)</u>

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

INTELSAT, LTD. AND SUBSIDIARIES
UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2006
(in thousands)

	<u>Intelsat, Ltd.</u>	<u>Intelsat Bermuda</u>	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenue	\$ —	\$ 260,379	\$ 260,379	\$ 51,584	\$ (291,896)	\$ 280,446
Operating expenses:						
Direct costs of revenue (exclusive of depreciation and amortization)	—	62,324	62,324	44,354	(113,891)	55,111
Selling, general and administrative	9,381	7,391	7,391	3,143	12,659	39,965
Depreciation and amortization	—	152,558	152,558	2,046	(152,558)	154,604
Total operating expenses	9,381	222,273	222,273	49,543	(253,790)	249,680
Income (loss) from operations	(9,381)	38,106	38,106	2,041	(38,106)	30,766
Interest expense, net	46,472	56,851	49,258	2,499	(49,259)	105,821
Subsidiary income (loss)	(34,257)	(51)	(51)	—	34,359	—
Other income (expense), net	—	(5,845)	(5,845)	286	5,844	(5,560)
Loss from operations before income taxes	(90,110)	(24,641)	(17,048)	(172)	51,356	(80,615)
Provision for income taxes	—	9,616	9,616	(121)	(9,616)	9,495
Net loss	\$ (90,110)	\$ (34,257)	\$ (26,664)	\$ (51)	\$ 60,972	\$ (90,110)

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

INTELSAT, LTD. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2007
(in thousands)

	Intelsat, Ltd.	Intelsat Bermuda	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities	\$ (574)	\$ 27,752	\$ 53,983	\$ 85,021	\$ (53,983)	\$ 112,199
Cash flows from investing activities:						
Payments for satellites and other property and equipment	—	(13,678)	(13,678)	(117,705)	13,678	(131,383)
Investment in subsidiaries	—	(977,000)	—	(977,000)	1,954,000	—
Net cash used in investing activities	—	(990,678)	(13,678)	(1,094,705)	1,967,678	(131,383)
Cash flows from financing activities:						
Repayment of long-term debt	—	(1,605,862)	(1,005,862)	(14,176)	1,005,862	(1,620,038)
Proceeds from bond issuance	—	1,595,000	—	—	—	1,595,000
New debt issuance costs	—	(27,424)	—	(1,500)	—	(28,924)
Repayments of funding of capital expenditures by customer	—	—	—	(21,660)	—	(21,660)
Payment of premium on early retirement of debt	—	(10,000)	(10,000)	—	10,000	(10,000)
Capital contributions from parent companies	—	977,000	977,000	977,000	(2,931,000)	—
Principal payments on deferred satellite performance incentives	—	(885)	(885)	(2,327)	885	(3,212)
Principal payments on capital lease obligations	—	(1,995)	(1,995)	(29)	1,995	(2,024)
Net cash provided by (used in) financing activities	—	925,834	(41,742)	937,308	(1,912,258)	(90,858)
Effect of exchange rate changes on cash	—	—	—	(36)	—	(36)
Net change in cash and cash equivalents	(574)	(37,092)	(1,437)	(72,412)	1,437	(110,078)
Cash and cash equivalents, beginning of period	6,835	383,403	341,413	193,418	(341,413)	583,656
Cash and cash equivalents, end of period	<u>\$ 6,261</u>	<u>\$ 346,311</u>	<u>\$ 339,976</u>	<u>\$ 121,006</u>	<u>\$ (339,976)</u>	<u>\$ 473,578</u>

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

INTELSAT, LTD. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2006
(in thousands)

	Intelsat, Ltd.	Intelsat Bermuda	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities	\$(19,334)	\$ 42,526	\$ 42,526	\$ 28,122	\$ (69,351)	\$ 24,489
Cash flows from investing activities:						
Payments for satellites and other property and equipment	—	(21,299)	(21,299)	(180)	21,299	(21,479)
Advances to/from subsidiaries, net	13,552	(6,483)	(6,483)	(33,894)	33,308	—
Investment in subsidiaries	63,700	—	—	—	(63,700)	—
Net cash provided by (used in) investing activities	<u>77,252</u>	<u>(27,782)</u>	<u>(27,782)</u>	<u>(34,074)</u>	<u>(9,093)</u>	<u>(21,479)</u>
Cash flows from financing activities:						
Repayment of long-term debt	—	(1,750)	(1,750)	—	1,750	(1,750)
Principal payments on deferred satellite performance incentives	—	(648)	(648)	—	648	(648)
Principal payments on capital lease obligations	—	(1,897)	(1,897)	—	1,897	(1,897)
Dividends to shareholders	—	(63,700)	(63,700)	—	127,400	—
Net cash used in financing activities	<u>—</u>	<u>(67,995)</u>	<u>(67,995)</u>	<u>—</u>	<u>131,695</u>	<u>(4,295)</u>
Effect of exchange rate changes on cash	—	—	—	220	—	220
Net change in cash and cash equivalents	57,918	(53,251)	(53,251)	(5,732)	53,251	(1,065)
Cash and cash equivalents, beginning of period	65	341,204	341,204	18,801	(341,204)	360,070
Cash and cash equivalents, end of period	<u>\$ 57,983</u>	<u>\$ 287,953</u>	<u>\$ 287,953</u>	<u>\$ 13,069</u>	<u>\$ (287,953)</u>	<u>\$ 359,005</u>

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and their notes included elsewhere in this Quarterly Report. The following discussion and analysis relates to periods both prior to and after the completion of the PanAmSat Acquisition Transactions and the Merger Transaction, each as defined below, which were completed on July 3, 2006. See "Forward-Looking Statements" for a discussion of factors that could cause our future financial condition and results of operations to be different from those discussed below. Certain monetary amounts, percentages and other figures included in this Quarterly Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them. Unless otherwise indicated, all references to "dollars" and "\$" in this Quarterly Report are to, and all monetary amounts in this Quarterly Report are presented in, U.S. dollars.

Overview

We are the largest provider of fixed satellite communications services worldwide, supplying video, data and voice connectivity in approximately 200 countries and territories for over 1,800 customers, many of which we have had relationships with for over 30 years. Our global communications network includes 52 satellites in orbit, leased capacity on one additional satellite owned by another satellite operator and ground facilities related to the operation and control of our satellites. We have the largest, most flexible and one of the most reliable satellite fleets in the world, which covers over 99% of the world's population. Our satellite fleet is operated via ground facilities used to monitor and control our satellites and is complemented by a terrestrial network of teleports, points of presence and leased fiber links for the provision of our hybrid managed solutions. We have undertaken a number of strategic initiatives to expand our business regionally and by customer set, including the acquisition of satellites serving North America, the acquisition of a satellite service provider to the government sector, and most recently the PanAmSat Acquisition Transactions.

Impact of the PanAmSat Acquisition Transactions

On August 28, 2005, Intelsat Bermuda entered into a merger agreement, referred to as the Merger Agreement, with PanAmSat Holdco and Proton Acquisition Corporation, a wholly-owned subsidiary of Intelsat Bermuda, referred to as Merger Sub. Pursuant to the Merger Agreement, Intelsat Bermuda acquired PanAmSat Holdco on July 3, 2006 for total cash consideration of approximately \$3.2 billion, with the stockholders of PanAmSat Holdco receiving \$25.00 per common share in cash, plus approximately \$0.00927 as the pro rata share of undeclared regular quarterly dividends. Merger Sub was newly formed for the purpose of consummating the PanAmSat Acquisition Transactions. As part of this transaction, approximately \$3.2 billion in existing debt of PanAmSat Holdco and its subsidiaries was either refinanced or remained outstanding.

In connection with, and in order to effect, the transactions contemplated by the Merger Agreement and the related financing, the following transactions occurred:

- Intelsat Bermuda created a new direct wholly-owned subsidiary, Intermediate Holdco;
- Intelsat Bermuda transferred substantially all its assets (other than cash, certain prepaid expenses and the capital stock of Merger Sub) and liabilities to Intermediate Holdco; and
- Merger Sub merged with PanAmSat Holdco, with PanAmSat Holdco continuing as the surviving corporation and being a direct wholly-owned subsidiary of Intelsat Bermuda. Upon completion of this merger, referred to as the Merger Transaction, PanAmSat Holdco's equity holders ceased to hold shares or other equity interests in PanAmSat Holdco.

In addition, on July 3, 2006, we incurred substantial debt to finance this acquisition, including \$260.0 million principal amount of Floating Rate Senior Notes due 2013, \$1.33 billion principal amount of 11 1/4% Senior Notes due 2016 and \$750.0 million principal amount of 9 1/4% Senior Notes due 2016, issued by Intelsat

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Bermuda, referred to collectively as the Intelsat Bermuda Senior Notes; \$575.0 million principal amount of 9% Senior Notes due 2016 issued by PanAmSat Opco, referred to as the Intelsat Corp 2016 Senior Notes; and a borrowing by Intelsat Bermuda under a new \$600.0 million senior unsecured credit facility, referred to as the Senior Unsecured Bridge Loan. In connection with the PanAmSat Acquisition Transactions, Intelsat Sub Holdco also terminated its prior senior secured credit facilities and entered into new senior secured credit facilities under a credit agreement referred to as the New Sub Holdco Credit Agreement, and PanAmSat Opco amended and restated its senior secured credit facilities, under a credit agreement referred to as the Intelsat Corp Amended and Restated Credit Agreement, to change certain of the terms thereunder. We refer to these transactions and the Merger Transaction collectively as the PanAmSat Acquisition Transactions. We are a significantly more highly leveraged company than we were prior to the acquisition, and this will result in a significant increase in our interest expense in future periods.

Following consummation of the PanAmSat Acquisition Transactions, Intelsat General Corporation, a wholly-owned indirect subsidiary of Intelsat Sub Holdco and referred to as IGen, acquired G2 Satellite Solutions Corporation, a subsidiary of PanAmSat Opco and the government services business of PanAmSat Opco, for cash consideration in the amount of \$73.0 million by means of a merger in which G2 Satellite Solutions Corporation merged into IGen with IGen continuing as the surviving entity.

On May 30, 2006, PanAmSat Holdco commenced a tender offer, referred to as the Tender Offer, to purchase any and all of its then outstanding \$416.0 million aggregate principal amount at maturity (\$289.5 million accreted principal amount at March 31, 2006) 10^{3/8}% Senior Discount Notes due 2014, referred to as the 10^{3/8}% discount notes, for cash. Approximately 99.65% of the outstanding 10^{3/8}% discount notes were repurchased by PanAmSat Holdco upon completion of the Tender Offer on July 3, 2006. The 10^{3/8}% discount notes not tendered to PanAmSat Holdco in the Tender Offer, or approximately \$1.5 million aggregate principal amount, were repurchased by PanAmSat Holdco on August 29, 2006.

Prior to and immediately after the PanAmSat Acquisition Transactions, Intelsat Bermuda extended to PanAmSat Holdco several loans, referred to collectively as the Intelsat Bermuda Loan, in an aggregate principal amount at the time of borrowing equal to approximately \$1.3 billion, the proceeds of which were used by PanAmSat Holdco to fund a portion of the purchase price of the PanAmSat acquisition and to fund the purchase of the 10^{3/8}% discount notes tendered in the Tender Offer, plus related fees.

Following the completion of the PanAmSat Acquisition Transactions, substantially all of the employees of Intelsat Global Service Corporation, an indirect subsidiary of Intelsat Bermuda, were transferred to PanAmSat Opco pursuant to an employee transfer agreement. In addition, substantially all of the direct and indirect subsidiaries of Intelsat Holdings entered into a master intercompany services agreement pursuant to which these entities provide services to each other. In each case, services are provided on terms that are not materially less favorable to each party than are available on an arm's length basis and on terms that the relevant boards of directors have determined to be fair.

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

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

The purchase price and related costs of the PanAmSat Acquisition Transactions were allocated to the assets acquired and liabilities assumed at the time of the acquisition based on management's best estimates, which were

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based in part on the work of third-party appraisers. More specifically, PanAmSat assets and liabilities were adjusted to fair value as of the closing date of the PanAmSat Acquisition Transactions. As a result of these adjustments, our depreciation and amortization expense increased significantly. Also, our interest expense increased due to the interest on the Intelsat Corp 2016 Senior Notes.

In connection with and since the closing of the PanAmSat Acquisition Transactions, Intelsat Holdings has entered into share-based compensation arrangements under its existing 2005 Share Incentive Plan with certain directors, officers and key employees of Intelsat Holdings and its subsidiaries. In the aggregate, these arrangements outstanding as of March 31, 2007 provided for the issuance of approximately 4% of the outstanding voting equity of Intelsat Holdings. Since awards made consist of share and share-based compensation grants of our parent, Intelsat Holdings, compensation costs for vested awards and any costs to repurchase shares will be reflected as capital contributions in Intelsat, Ltd.'s consolidated financial statements.

We have identified various cost-saving initiatives that have been or will be implemented in connection with the integration process following the closing of the PanAmSat Acquisition Transactions. These initiatives include workforce reductions and related salary and benefit savings, insurance costs, operating expense reductions due to consolidation of facilities, and cost savings expected to result from the implementation of improved operating processes and conforming policies in both companies to achieve best practices. We believe we can realize approximately \$92 million in estimated annual net operating cost savings in the near to medium term resulting from the PanAmSat Acquisition Transactions.

In order to achieve these expected annual savings, we believe it will be necessary for the combined company to incur approximately \$180 million in one-time expenditures including \$40 to \$45 million in capital expense. Approximately \$35 million of these costs were incurred by PanAmSat prior to the closing of the PanAmSat Acquisition Transactions. The remainder of these costs for the combined company are expected to include staff related costs, such as relocation, retention and severance, necessary to achieve a fully integrated and reduced workforce; satellite control facilities integration costs; system integration costs; professional fees and costs associated with early termination of existing leases and other binding commitments.

Impact of the Refinancings

On January 12, 2007, Intelsat Bermuda issued \$600.0 million in Floating Rate Senior Notes due 2015, referred to as the Refinancing Notes. The net proceeds of this offering, together with cash on hand, were used to repay the \$600.0 million Senior Unsecured Bridge Loan, and to pay related fees and expenses. On January 19, 2007, Intelsat Sub Holdco amended the New Sub Holdco Credit Agreement to reduce the Term Loan B facility interest rate from a range of LIBOR plus 2.00% to LIBOR plus 2.25% to a range of LIBOR plus 1.75% to LIBOR plus 2.00%. Also on January 19, 2007, Intelsat Corp further amended the Intelsat Corp Amended and Restated Credit Agreement to reduce the Term Loan A-3 interest rate and Term Loan B-2 interest rate from a range of LIBOR plus 2.125% to LIBOR plus 2.875% to a range of LIBOR plus 1.75% to LIBOR plus 2.00%. In addition, on February 2, 2007, Intelsat Bermuda borrowed under a \$1.0 billion term loan due 2014 pursuant to a new unsecured credit agreement, referred to as the Intelsat Bermuda Unsecured Credit Agreement. The proceeds of the borrowing thereunder were contributed to Intermediate Holdco, and Intermediate Holdco contributed the proceeds to Intelsat Sub Holdco, which used the proceeds, together with cash on hand, to redeem its outstanding \$1.0 billion Floating Rate Senior Notes due 2012 and pay the related premium, fees and expenses. The issuance of the Refinancing Notes, the amendments to Intelsat Sub Holdco and Intelsat Corp's credit agreements, the borrowing under the Intelsat Bermuda Unsecured Credit Agreement and the related repayment of Intelsat Bermuda's Senior Unsecured Bridge Loan and redemption of Intelsat Sub Holdco's \$1.0 billion Floating Rate Senior Notes due 2012 are referred to collectively as the Refinancings.

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Results of Operations

Three Months Ended March 31, 2006 and 2007

The following table sets forth our comparative statements of operations for the three months ended March 31, 2006 and 2007 with the increase (decrease) and percentage changes, except those deemed not meaningful (“NM”) between the periods presented:

	Three Months Ended March 31,		Increase (Decrease)	Percentage Change
	2006	2007		
	(in thousands, except percentages)			
Revenue	\$280,446	\$ 518,237	\$237,791	85%
Operating expenses:				
Direct costs of revenue (exclusive of depreciation and amortization)	55,111	82,962	27,851	51
Selling, general and administrative expenses	39,965	58,216	18,251	46
Depreciation and amortization	154,604	195,604	41,000	27
Restructuring costs	—	4,827	4,827	NM
Loss on undesignated interest rate swap	—	1,832	1,832	NM
Total operating expenses	249,680	343,441	93,761	38
Income from operations	30,766	174,796	144,030	NM
Interest expense, net	105,821	280,671	174,850	165
Other expense, net	(5,560)	(4,835)	(725)	13
Loss before income taxes	(80,615)	(110,710)	30,095	37
Provision for income taxes	9,495	4,362	(5,133)	(54)
Net loss	\$ (90,110)	\$ (115,072)	\$ 24,962	28%

Revenue

The following table sets forth our comparative revenue by service type for the three months ended March 31, 2006 and 2007 with increase (decrease) and percentage changes between periods presented:

	Three Months Ended March 31,		Increase (Decrease)	Percentage Change
	2006	2007		
	(in thousands, except percentages)			
Transponder services	\$189,825	\$396,644	\$206,819	109%
Channel	48,632	43,568	(5,064)	(10)
Managed solutions	31,330	58,309	26,979	86
Mobile satellite services and other	10,659	19,716	9,057	85
Total	\$280,446	\$518,237	\$237,791	85%

Revenue increased by \$237.8 million, or 85%, to \$518.2 million for the three months ended March 31, 2007 from \$280.4 million for the three months ended March 31, 2006. The increase was primarily due to the impact of the PanAmSat Acquisition Transactions. The operations of the former PanAmSat Holdco business contributed approximately \$215.6 million to the revenue increase. Transponder services revenue increased by \$206.8 million to \$396.6 million for the three months ended March 31, 2007 as compared to \$189.8 million for the three months ended March 31, 2006. Further favorable transponder services revenue resulted from strong growth in network services due to new customers in Africa and the Middle East and new business from existing North American customers. Managed solutions revenue increased \$27.0 million to \$58.3 million for the three months ended March 31, 2007 from \$31.3 million for the three months ended March 31, 2006. In addition to the revenue increase which resulted from the acquired operations of PanAmSat Holdco, increases resulted from both new

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customers and new business generated from existing customers. Our legacy channel services revenue declined by \$5.0 million to \$43.6 million for the three months ended March 31, 2007 as compared to \$48.6 million for the three months ended March 31, 2006. The decline in legacy channel services revenue reflected the continued migration of point-to-point satellite traffic to fiber optic cables across transoceanic routes, a trend which we expect will continue, and the optimization of customer networks. Mobile satellite services and other revenue increased by \$9.0 million to \$19.7 million for the three months ended March 31, 2007 as compared to \$10.7 million for the three months ended March 31, 2006.

Operating Expenses

Direct Costs of Revenue (Exclusive of Depreciation and Amortization)

Direct costs of revenue increased by \$27.9 million, or 51%, to \$83.0 million for the three months ended March 31, 2007 from \$55.1 million for the three months ended March 31, 2006. The increase was principally due to the acquired PanAmSat Holdco operations. Increases include higher staff-related expenses of \$6.9 million driven by an increase in the number of employees that directly support our satellite operations due to the acquisition of the PanAmSat Holdco operations. Further increases in cost of sales of \$11.1 million were due to higher costs associated with increased satellite-related services revenue, including launch services, customer premise equipment and related services, principally driven by the acquired PanAmSat Holdco operations. Higher costs associated with the acquired PanAmSat Holdco operations also included insurance expenses of \$2.2 million primarily due to the increased insurance costs related to the July 2006 launch of Galaxy 16, \$2.2 million in higher occupancy expense and \$5.0 million in higher earth station operating expenses due to an increase in the number of owned and leased teleports and other operational locations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by \$18.3 million, or 46%, to \$58.2 million for the three months ended March 31, 2007 from \$40.0 million for the three months ended March 31, 2006. The increase was principally due to the acquired PanAmSat Holdco operations, which entailed higher staff related expenses of \$1.7 million due to an increase in the number of employees, higher office and occupancy expenses of \$0.9 million and higher licenses and fees of \$0.7 million. Professional fees increased by \$8.5 million to support the integration of the businesses and transaction and financing related activity during the first quarter of 2007. Additional increases in bad debt expenses between 2006 and 2007 were related to an increase in delinquent payments from certain customers as well as the addition of the PanAmSat receivables from the acquisition of PanAmSat.

Depreciation and Amortization

Depreciation and amortization increased by \$41.0 million, or 27%, to \$195.6 million for the three months ended March 31, 2007 from \$154.6 million for the three months ended March 31, 2006. The increase resulted from the PanAmSat Acquisition Transactions, including an increase of \$53.8 million of satellite depreciation due to the addition of PanAmSat's 24 satellites to our fleet and an increase of \$14.1 million in amortization of intangible assets as a result of new customer lists and increased revenue backlog, offset by \$21.3 million of decreased depreciation during 2007 for two satellites that were fully depreciated at the end of 2006. These increases were partially offset by a decrease of \$1.5 million in depreciation of ground segment assets from the retirement of obsolete assets during the second half of 2006.

Restructuring and Transaction Costs

Restructuring costs were \$4.8 million for the three months ended March 31, 2007. The costs incurred during 2007 related primarily to severance and facility closing costs associated with the PanAmSat Acquisition Transactions. There were no comparable amounts during the prior year period.

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Loss on Undesignated Interest Rate Swap

During the three months ended March 31, 2007, we recorded a loss on an undesignated interest rate swap of \$1.8 million. We acquired, as part of the PanAmSat Acquisition Transactions, an existing \$1.25 billion notional amount interest rate swap agreement to swap a floating rate obligation into a fixed rate obligation. This interest rate swap has been ineffective against the underlying debt, under provisions in Statement of Financial Accounting Standards (“SFAS”) No. 133, *Accounting for Derivative Instruments and Hedging Activities* as amended and interpreted (“SFAS 133”), since our July 3, 2006 acquisition date, and had previously been ineffective for PanAmSat prior to its acquisition by us. The notional amount of the swap agreement will amortize down to \$625.0 million from March 2008 until its expiration in March 2010. We may be subject to either gains or losses in future periods as market conditions change and the swap agreement remains ineffective. We did not have any interest rate swap agreements prior to the PanAmSat Acquisition Transactions and accordingly did not have any gain or loss on undesignated interest rate swap in the comparable prior period.

Income from Operations

Our income from operations was \$174.8 million for the three months ended March 31, 2007 compared to \$30.8 million for the three months ended March 31, 2006. This increase of \$144.0 million was principally due to increased revenue related to the acquired PanAmSat Holdco operations, as described above, partially offset by increases in direct costs of revenue (exclusive of depreciation and amortization); selling, general and administrative expenses; depreciation and amortization; restructuring costs; and loss on undesignated interest rate swap.

Interest Expense, Net

We incurred \$280.7 million of net interest costs during the three months ended March 31, 2007. Net interest expense consists of the gross interest costs we incur less the amount of interest we capitalize related to capital assets under construction and less interest income for the year. Interest expense, net increased \$174.9 million, or 165%, from \$105.8 million for the three months ended March 31, 2006. The increase in interest expense was principally due to the incurrence or assumption of approximately \$6.4 billion of additional debt in connection with the PanAmSat Acquisition Transactions. Interest expense during the three months ended March 31, 2007 also included \$28.1 million associated with the write-off of financing costs associated with refinancing activity and a \$10.0 million redemption premium on the \$1.0 billion of Intelsat Sub Holdco’s Floating Rate Senior Notes due 2012 that were redeemed. Furthermore, the non-cash portion of interest expense of \$18.0 million included the amortization and accretion of discounts and premiums recorded on existing debt. These increases were partially offset by improved investment returns earned on higher cash investment balances during the three months ended March 31, 2007 compared to the three months ended March 31, 2006. In addition, \$11.7 million of interest was capitalized during the three months ended March 31, 2007 as compared to \$2.4 million during the three months ended March 31, 2006.

Other Expense, Net

Other expense, net decreased by \$0.7 million to \$4.8 million for the three months ended March 31, 2007 from \$5.6 million for the three months ended March 31, 2006. The decrease was primarily due to a \$1.8 million increase in miscellaneous income. This was partially offset by an increase in equity method losses from our investment in satellite-based broadband services provider, WildBlue Communications, Inc., or WildBlue, from \$6.3 million during the three months ended March 31, 2006 to \$7.4 million for the three months ended March 31, 2007. During the three months ended March 31, 2007, cumulative equity method losses exceeded our original investment and, as a result, no additional losses from WildBlue will be recognized.

Income Taxes

Our provision for income taxes decreased by \$5.1 million to \$4.4 million for the three months ended March 31, 2007 from \$9.5 million for the three months ended March 31, 2006. The decrease in expense was

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principally due to book losses at Intelsat Holding Corporation and subsidiaries, partially offset by higher earnings in our historical subsidiaries subject to U.S. and U.K. tax as compared to the three months ended March 31, 2006. Because Bermuda does not currently impose an income tax, our statutory tax rate was zero. The difference between tax expense reported in our consolidated statements of operations and tax computed at statutory rates was attributable to the provision for foreign taxes, which were principally U.S. and U.K. taxes, as well as withholding taxes on revenue earned in many of our foreign markets.

EBITDA

EBITDA consists of earnings before interest, taxes and depreciation and amortization. EBITDA is a measure commonly used in the fixed satellite services sector, and we present EBITDA to enhance understanding of our operating performance. We use EBITDA as one criterion for evaluating our performance relative to that of our peers. We believe that EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. However, EBITDA is not a measure of financial performance under U.S. GAAP, and our EBITDA may not be comparable to similarly titled measures of other companies. EBITDA should not be considered as an alternative to operating or net income, determined in accordance with U.S. GAAP, as an indicator of our operating performance, or as an alternative to cash flows from operating activities, determined in accordance with U.S. GAAP, as an indicator of cash flows, or as a measure of liquidity.

A reconciliation of net loss to EBITDA for the three months ended March 31, 2006 and 2007 is as follows:

	Three Months Ended March 31,	
	2006	2007
	(in thousands)	
Net loss	\$ (90,110)	\$ (115,072)
Add:		
Interest expense, net	105,821	280,671
Provision for income taxes	9,495	4,362
Depreciation and amortization	154,604	195,604
EBITDA	<u>\$ 179,810</u>	<u>\$ 365,565</u>

EBITDA of \$365.6 million for the three months ended March 31, 2007 reflected an increase of \$185.8 million, or 103%, from \$179.8 million for the three months ended March 31, 2006. The increase was primarily attributable to the PanAmSat Acquisition Transactions.

Liquidity and Capital Resources

Cash Flow Items

Net cash provided by operating activities of \$112.2 million for the three months ended March 31, 2007 reflected an increase of \$87.7 million from \$24.5 million for the three months ended March 31, 2006. The increase was primarily due to the impact on operating cash flow of the acquired PanAmSat Holdco operations. For the three months ended March 31, 2006, net cash provided by operating activities was principally comprised of \$90.1 million in net loss, \$154.6 million in depreciation and amortization, \$5.8 million in compensation costs associated with the repurchase of shares of Intelsat Holdings, \$17.1 million of non-cash amortization of bond discount and issuance costs, and a decrease in cash flows from operating assets and liabilities of \$68.3 million. For the three months ended March 31, 2007, net cash provided by operating activities was principally comprised of \$115.1 million in net loss, \$195.6 million in depreciation and amortization, \$0.3 million in compensation costs associated with the repurchase of shares of Intelsat Holdings, \$46.0 million of non-cash amortization of bond discount and issuance costs, \$7.4 million primarily from our share in losses of WildBlue and a decrease in cash flows from operating assets and liabilities of \$40.1 million.

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We recorded a foreign currency exchange loss of \$0.04 million during the three months ended March 31, 2007 and a gain of \$0.2 million during the three months ended March 31, 2006. The gain or loss in each year was primarily attributable to the conversion of our Brazilian *reais* cash balances held in Brazil and other working capital account balances to U.S. dollars at the exchange rate in effect on the last day of the applicable period or, with respect to exchange transactions effected during the period, at the time the exchange transactions occurred.

Net cash used in investing activities increased \$109.9 million to \$131.4 million for the three months ended March 31, 2007 from \$21.5 million for the three months ended March 31, 2006. This increase reflected the increased capital expenditures for a satellite under construction in 2007.

Net cash used in financing activities was \$90.9 million for the three months ended March 31, 2007 compared to cash used in financing activities of \$4.3 million for the three months ended March 31, 2006. Our financing activities for the three months ended March 31, 2007 primarily included \$1.6 billion of proceeds from borrowings, offset by \$1.6 billion of repayments on debt and \$28.9 million in new debt issuance costs in connection with the Refinancings. During the three months ended March 31, 2007, we also repaid \$21.7 million of funding of capital expenditures to a customer and incurred a \$10.0 million premium on early retirement of debt. Our financing activities for the three months ended March 31, 2006 consisted of debt repayments of \$1.8 million, \$1.9 million of payments for capital lease obligations and \$0.6 million of payments for deferred satellite performance incentives.

Receivables

Our net receivables totaled \$301.0 million at December 31, 2006. Of this amount, gross trade receivables, consisting of total billed and unbilled service charges, were \$322.3 million at December 31, 2006. The remaining balance represented the allowance for doubtful accounts and other receivables. Our net receivables totaled \$299.0 million at March 31, 2007. Of this amount, gross trade receivables, consisting of total billed and unbilled service charges, were \$324.0 million at March 31, 2007. The remaining balance represented the allowance for doubtful accounts and other receivables.

Sub Holdco Adjusted EBITDA and Intelsat Bermuda Adjusted EBITDA

In addition to EBITDA which is calculated as set forth in “—Results of Operations,” we calculate a measure called Sub Holdco Adjusted EBITDA, based on the term Consolidated EBITDA, as defined in the New Sub Holdco Credit Agreement establishing the new senior secured credit facilities. Sub Holdco Adjusted EBITDA consists of EBITDA as adjusted to exclude or include certain unusual items, certain other operating expense items and other adjustments permitted in calculating covenant compliance under the New Sub Holdco Credit Agreement as described in the table and related footnotes below. Sub Holdco Adjusted EBITDA as presented below is calculated only with respect to Intelsat Sub Holdco and its subsidiaries. Sub Holdco Adjusted EBITDA is a material component of certain ratios used in the New Sub Holdco Credit Agreement, such as the secured debt leverage ratio and the total leverage ratio.

Under the New Sub Holdco Credit Agreement, Intelsat Sub Holdco must maintain a secured net debt leverage ratio not greater than 1.50 to 1.00, at the end of each fiscal quarter, and generally may not incur additional indebtedness (subject to certain exceptions) if the total leverage ratio calculated on a pro forma basis at the time of incurrence would exceed 4.75 to 1.00. In addition, under the investments and dividends covenants contained in the New Sub Holdco Credit Agreement, the ability of Intelsat Sub Holdco to make investments and pay dividends is restricted by formulas based on the amount of Sub Holdco Adjusted EBITDA measured from April 1, 2006.

We also calculate a measure called Intelsat Bermuda Adjusted EBITDA, based on the term Adjusted EBITDA, as defined in the indentures for the Intelsat Bermuda Senior Notes. Intelsat Bermuda Adjusted EBITDA consists of EBITDA as adjusted to exclude or include certain unusual items, certain other operating

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expense items and other adjustments permitted in calculating covenant compliance under these indentures as described in the table and related footnotes below. Intelsat Bermuda Adjusted EBITDA as presented below is calculated only with respect to Intelsat Bermuda and its subsidiaries. Intelsat Bermuda Adjusted EBITDA is a material component of certain ratios used in the indentures governing the Intelsat Bermuda Senior Notes such as the debt to Intelsat Bermuda Adjusted EBITDA ratio and the secured indebtedness leverage ratio.

Under Intelsat Bermuda's indentures, Intelsat Bermuda generally may not incur additional indebtedness (subject to certain exceptions) if the debt to Intelsat Bermuda Adjusted EBITDA ratio calculated on a pro forma basis at the time of such incurrence would exceed 6.75 to 1.00 and Intelsat Bermuda cannot incur certain liens to secure indebtedness (subject to certain exceptions) if the secured indebtedness leverage ratio, after giving effect to the incurrence, exceeds 2.50 to 1.00. In addition, under these indentures, satisfaction of a 5.50 to 1.00 debt to Intelsat Bermuda Adjusted EBITDA ratio is generally (subject to certain exceptions) a condition to the making of restricted payments by Intelsat Bermuda. Furthermore, under the restricted payments covenants contained in these indentures (subject to certain exceptions), the ability of Intelsat Bermuda to make restricted payments (including the making of investments and the payment of dividends), is restricted by a formula based on the amount of Intelsat Bermuda Adjusted EBITDA measured from January 1, 2005 and calculated without making pro forma adjustments.

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Sub Holdco Adjusted EBITDA was \$205.6 million and \$229.0 million for the three months ended March 31, 2006 and 2007, respectively. Intelsat Bermuda Adjusted EBITDA was \$204.8 million and \$390.1 million for the three months ended March 31, 2006 and 2007, respectively. A reconciliation of net cash provided by Intelsat, Ltd. operating activities to Intelsat, Ltd. net loss, Intelsat, Ltd. net loss to Intelsat, Ltd. EBITDA, Intelsat, Ltd. EBITDA to Intelsat Bermuda Adjusted EBITDA, and Intelsat Bermuda Adjusted EBITDA to Sub Holdco Adjusted EBITDA for the three months ended March 31, 2006 and 2007 is as follows:

	Three Months Ended March 31,	
	2006	2007
(in thousands)		
Reconciliation of net cash provided by operating activities to net loss:		
Net cash provided by operating activities	\$ 24,489	\$ 112,199
Depreciation and amortization	(154,604)	(195,604)
Provision for doubtful accounts	758	(4,741)
Foreign currency transaction (loss) gain	220	(36)
Gain on disposal of assets	—	360
Stock-based compensation	(81)	(1,262)
Compensation cost paid by Intelsat Holdings	(5,832)	(288)
Amortization and write-off of bond discount and issuance costs	(17,089)	(46,023)
Share in losses of affiliate	(6,270)	(7,378)
Loss on undesignated interest rate swap	—	(1,832)
Loss on prepayment of debt and other non-cash items	—	(10,542)
Changes in assets and liabilities, net of effects of acquisitions	68,299	40,075
Intelsat, Ltd. net loss	<u>(90,110)</u>	<u>(115,072)</u>
Add:		
Interest expense, net (1)	105,821	280,671
Provision for income taxes	9,495	4,362
Depreciation and amortization	154,604	195,604
Intelsat, Ltd. EBITDA	<u>179,810</u>	<u>365,565</u>
Add (Subtract):		
Parent and intercompany expenses, net (2)	4,507	3,694
Compensation and benefits (3)	983	1,869
Restructuring costs (4)	—	4,827
Acquisition related expenses (5)	3,000	6,125
Equity investment losses (6)	6,270	7,378
Loss on undesignated interest rate swap (7)	—	1,832
Non-recurring and other non-cash items (8)	11,027	2,928
Satellite performance incentives (9)	(788)	(4,087)
Intelsat Bermuda Adjusted EBITDA	<u>204,809</u>	<u>390,131</u>
Add (Subtract):		
Intelsat Corp Adjusted EBITDA (10)	—	(165,553)
Parent and intercompany expenses (11)	—	343
Satellite performance incentives (9)	788	4,087
Sub Holdco Adjusted EBITDA	<u>\$ 205,597</u>	<u>\$ 229,008</u>

- (1) Includes a \$10.0 million redemption premium paid on the redemption of the Intelsat Sub Holdco \$1.0 billion Floating Rate Senior Notes and \$28.1 million in deferred financing costs written off.
- (2) Represents expenses incurred at Intelsat, Ltd. for employee salaries and benefits, office operating costs and other expenses incurred at Intelsat, Ltd. and Intelsat Bermuda.

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- (3) Reflects the portion of the expenses incurred relating to our equity compensation plans, defined benefit pension plan and other post-retirement benefits that are excludable under the definitions of Intelsat Bermuda Adjusted EBITDA and Sub Holdco Adjusted EBITDA.
- (4) Reflects restructuring costs reported in our consolidated statements of operations.
- (5) Reflects expenses incurred in connection with the monitoring fee agreements with the Sponsors to provide certain monitoring, advisory and consulting services to Intelsat Bermuda, PanAmSat Holdco and their respective subsidiaries.
- (6) Represents losses incurred under the equity method of accounting.
- (7) Represents the changes in the fair value of the undesignated interest rate swap asset which is recognized in operating income.
- (8) Reflects certain non-recurring gains and losses (principally costs incurred in connection with the PanAmSat Acquisition Transactions) and non-cash income related to the recognition of deferred revenue on a straight-line basis of certain prepaid capacity leases which are excluded from Intelsat Bermuda Adjusted EBITDA and Sub Holdco Adjusted EBITDA by definition.
- (9) Amount represents satellite performance incentive interest expense required to be excluded from interest expense for the calculation of Intelsat Bermuda Adjusted EBITDA as defined under the terms of the Intelsat Bermuda indentures, but permitted to be included as part of interest expense for the calculation of Intelsat Sub Holdco Adjusted EBITDA as defined under the terms of the New Sub Holdco Credit Agreement.
- (10) This measure is reported publicly by our subsidiary, Intelsat Corp, which is not a subsidiary of Intelsat Sub Holdco.
- (11) Reflects expenses of Intelsat Bermuda, PanAmSat Holdco and other holding companies not consolidated under Intelsat Sub Holdco.

We believe that the inclusion of Sub Holdco Adjusted EBITDA and Intelsat Bermuda Adjusted EBITDA in this Quarterly Report is appropriate to provide additional information to investors about the calculation of certain covenants in the New Sub Holdco Credit Agreement and the Intelsat Bermuda indentures as mentioned above. We believe that some investors may use Sub Holdco Adjusted EBITDA and Intelsat Bermuda Adjusted EBITDA to evaluate our liquidity and financial condition. Sub Holdco Adjusted EBITDA and Intelsat Bermuda Adjusted EBITDA are not measures of financial performance under U.S. GAAP, and our Sub Holdco Adjusted EBITDA and Intelsat Bermuda Adjusted EBITDA may not be comparable to similarly titled measures of other companies. You should not consider Sub Holdco Adjusted EBITDA and Intelsat Bermuda Adjusted EBITDA as alternatives to operating or net income, determined in accordance with U.S. GAAP, as indicators of our operating performance, or as alternatives to cash flows from operating activities, determined in accordance with U.S. GAAP, as indicators of cash flows, or as measures of liquidity.

Funding Sources and Uses

Other than the recent Refinancings described above, we expect our most significant cash outlays in the next twelve months to be debt service on our outstanding debt and capital expenditures as described below in “—Capital Expenditures.” We intend to fund these requirements through cash on hand, cash provided by operating activities and, if necessary, borrowings under the Intelsat Sub Holdco and Intelsat Corp senior secured credit facilities.

The PanAmSat Acquisition Transactions were financed by the incurrence of significant debt, including the issuance of \$575.0 million of Intelsat Corp 2016 Senior Notes, \$2.3 billion of Intelsat Bermuda Senior Notes and the \$600.0 million Senior Unsecured Bridge Loan, and involved the assumption of existing PanAmSat debt, all of which increased our interest expense significantly. On July 3, 2006, we also terminated the existing Intelsat Sub Holdco credit facility, entered into the New Sub Holdco Credit Agreement and entered into the Intelsat Corp Amended and Restated Credit Agreement. In January 2007, we completed the Refinancings as noted above. Also, on March 16, 2007, we redeemed and paid off Intelsat Corp’s \$1.2 million outstanding 8 1/2% Senior Notes due 2012.

Under the terms of the credit agreements governing both Intelsat Sub Holdco’s senior secured credit facilities and Intelsat Corp’s amended and restated senior credit facilities, the ability of each company to borrow

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under its respective revolving credit facility is subject to compliance by each company's indirect parent, Intelsat, Ltd., under a senior secured debt covenant included in the indenture governing the Intelsat, Ltd.'s outstanding senior notes. As a result, under certain circumstances, Intelsat Sub Holdco may not be able to borrow up to the full amount of borrowing availability under its revolving credit facility if Intelsat Corp has certain amounts outstanding under its revolving credit facility, and Intelsat Corp may not be able to borrow up to the full amount of borrowing availability under its revolving credit facility if Intelsat Sub Holdco has certain amounts outstanding under its revolving credit facility. The aggregate availability under the two revolving credit facilities was therefore limited to \$360.8 million as of March 31, 2007, and the availability under Intelsat Sub Holdco's and Intelsat Corp's revolving credit facility was \$285.0 million and \$195.5 million, respectively, subject to the aggregate availability restriction just mentioned.

Contracted Backlog

We have historically had and currently have a substantial backlog, which provides some assurance regarding our future revenue expectations. Backlog is our expected actual future revenue under customer contracts, and includes both non-cancelable contracts and contracts that are cancelable. Our backlog was approximately \$8.1 billion as of December 31, 2006 and March 31, 2007. This backlog and the predictable level of non-cash depreciation expense in the fixed satellite services sector reduce the volatility of the net cash provided by operating activities more than would be typical for a firm outside our industry.

Satellite Construction and Launch Obligations

As of December 31, 2006, we had approximately \$353.6 million of expenditures remaining under existing satellite construction contracts and satellite launch contracts. During the three months ended March 31, 2007, we entered into agreements for satellite construction and launch services. In January 2007, we entered into an agreement for the construction of the IS-14 satellite, which will serve as a replacement for IS-1R. In February 2007, we converted a contingent replacement satellite option for IS-11 into a firm satellite construction contract for the IS-11GS, a ground spare satellite, which will be used as a replacement for the IS-6B in the event of an IS-11 launch failure. In March 2007, we entered into a launch services contract for the launch of the IS-11 satellite, currently scheduled for the third quarter of 2007, and into an agreement for the construction of the IS-15 satellite. Additionally, in March 2007, we entered into an agreement with Horizons-2, an affiliate of ours, to purchase and assume a launch service contract. Under the agreement, we agreed to pay Horizons-2 \$14.7 million for amounts paid to date and assumed the remaining contractual obligation payable to the launch services provider. This vehicle will either be used for launch of the IS-15 satellite or as a replacement launch vehicle should existing launch services under contract be delayed. The aggregate commitment associated with these contracts was \$389.8 million. During the three months ended March 31, 2007, we made milestone payments of \$126.8 million primarily related to our repayment of customer funded capital expenditures and our G-17 satellite launch. As of March 31, 2007, we did not have any non-cancelable commitments related to existing launch insurance or in-orbit insurance contracts for satellites to be launched.

Effective May 1, 2007, we obtained launch insurance plus one year of in-orbit insurance for all of our currently planned satellite launches.

Capital Expenditures

Our capital expenditures depend on our business strategies and reflect our commercial responses to opportunities and trends in our industry. Our actual capital expenditures may differ from our expected capital expenditures if, among other things, we enter into any currently unplanned strategic transactions. Levels of capital spending from one year to the next are also influenced by the age profile and utilization of the satellites in our fleet and by the capital-intensive nature of the satellite industry. For example, we incur significant capital expenditures during the years in which we have satellites under construction. We typically procure a new satellite within a timeframe that would allow the satellite to be deployed at least one year prior to the end of the service life of the satellite to be replaced. As a result, we frequently experience significant variances in our capital expenditures from year to year.

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Payments for satellites and other property and equipment during the three months ended March 31, 2007 included \$131.4 million for capital expenditures. We recently updated our capital expenditure plans in response to improving market conditions and a supply chain disruption with regard to satellite launch services. As a result, following the Galaxy 17 launch described below, we currently have orders for seven satellites which will be built over a period of two years and two of which will be launched by the end of 2007. For the remainder of 2007, we expect our remaining capital expenditures to be approximately \$481.0 million, mostly related to the construction and launch activities of the seven satellites on order and the recently launched Galaxy 17 satellite, and \$28.6 million in integration related activities, but excluding approximately \$31.5 million of projected capitalized performance incentives. We intend to fund these requirements through cash on hand, cash provided by operating activities and, if necessary, borrowings under the revolving facility of our senior secured credit facilities.

On May 4, 2007, we successfully launched our Galaxy 17 satellite into orbit. This satellite will replace our G-11 satellite and will initially operate from 74 degrees west longitude and offer high-power capacity to customers in North America and the Caribbean. Galaxy 17 will eventually be located at 91 degrees west longitude and will serve North American cable and broadcasting customers. The satellite is expected to enter into service in the third quarter of 2007.

Satellite Health and Technology

In September 2006, our IS-802 satellite experienced a reduction of electrical power capability that resulted in a degraded capability of the satellite. Eleven transponders on IS-802 were subsequently reactivated and are operating normally. We restored service for substantially all IS-802 customers on both IS-802 and other satellites of our fleet.

We also established an anomaly review board ("ARB") with the manufacturer of IS-802, Lockheed Martin Corporation, to investigate the cause of the anomaly. Based on the ARB's report, we believe that the IS-802 anomaly is most likely to have been caused by an electrical short internal to the solar array harness located on the South solar array boom.

The IS-802 satellite is a Lockheed Martin ("LM") 7000 series satellite, and we operate two other satellites in the LM 7000 series, the IS-801 and IS-805 satellites. The ARB has found that this anomaly is significantly different from previous LM 7000 series spacecraft failures. It is also the first failure of this type on a solar array of the LM 7000 series. Although this risk exists for our other LM 7000 series satellites, the risk to any individual satellite of having a similar anomaly is low. We do not currently believe that any operational steps or adjustments to our satellite deployment plan are required to mitigate the risk.

Disclosures about Market Risk

We are primarily exposed to the market risk associated with unfavorable movements in interest rates and foreign currencies. The risk inherent in our market risk sensitive instruments and positions is the potential loss arising from adverse changes in those factors. We use derivative instruments only for hedging purposes. Hedging activity may be done for purposes of mitigating the risks associated with an asset, liability, committed transaction or probable forecasted transaction. We seek to minimize counterparty credit risk through the selection of only the most creditworthy counterparties and thorough legal review of contracts.

Interest Rate Risk

The satellite communications industry is a capital intensive, technology driven business. We are subject to interest rate risk primarily associated with our borrowings. Interest rate risk is the risk that changes in interest rates could adversely affect earnings and cash flows. Specific interest rate risks include: the risk of increasing interest rates on short-term debt; the risk of increasing interest rates for planned new fixed rate long-term financings; and the risk of increasing interest rates for planned refinancings using long-term fixed rate debt.

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Cash Flow Hedges

We may enter into interest rate swap agreements designated as cash flow hedges to reduce the impact of interest rate movements on future interest expense by effectively converting a portion of our floating-rate debt to a fixed rate.

As of March 31, 2007, we held a cash flow interest rate swap with a notional amount of \$1.25 billion. The notional amount will amortize down to \$625.0 million from March 14, 2008 until expiration on March 15, 2010. This swap was entered into as a hedge to reduce the variability in cash flow on a portion of the floating-rate term loans under our senior secured credit facilities. On a quarterly basis, we receive a floating rate of interest equal to the three-month LIBOR and pay a fixed rate of interest that is subject to scheduled rate increases. On March 31, 2007, the rate we would pay averaged 4.65% and the rate we would receive averaged 5.35%.

This derivative instrument does not currently qualify for hedge accounting treatment in our consolidated financial statements, and so the changes in the fair value of this instrument are recognized in earnings during the period of change. Based on market prices on March 31, 2007, a one percentage point change in interest rates would result in a decrease in the fair value of this instrument by approximately \$20.4 million.

Foreign Currency Risk

We do not currently use foreign currency derivatives to hedge our foreign currency exposures. Substantially all of our customer contracts, capital expenditure contracts and operating expense obligations are denominated in U.S. dollars. Consequently, we are not exposed to material currency exchange risk. However, our service contracts with our Brazilian customers provide for payment in Brazilian *reais*. Accordingly, we are subject to the risk of a reduction in the value of the Brazilian *real* as compared to the U.S. dollar in connection with payments made by Brazilian customers, and our exposure to fluctuations in the exchange rate for Brazilian *reais* is ongoing. However, the rates payable under our service contracts with the majority of our Brazilian customers are adjusted annually to account for inflation in Brazil, thereby mitigating our risk. For the three months ended March 31, 2007, our Brazilian customers represented approximately 2% of our third-party revenue. Transactions in other currencies are converted into U.S. dollars using rates in effect on the dates of the transactions.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (the "FASB") issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. Under FIN 48, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values. FIN 48 also revises disclosure requirements and introduces a prescriptive, annual, tabular roll-forward of the unrecognized tax benefits. We adopted FIN 48 on January 1, 2007 and the cumulative effect of adopting FIN 48 was immaterial, however we reclassified certain reserve amounts and corresponding indemnity receivables within the balance sheet. As of January 1, 2007, our gross unrecognized tax benefits were \$83.0 million (including interest and penalties), of which \$14.5 million, if recognized, would affect our effective tax rate. We continue to recognize interest and to the extent applicable, penalties accrued with respect to unrecognized tax benefits as income tax expense. As of January 1, 2007, we had recorded reserves for interest and penalties in the amount of \$24.9 million.

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In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (“SFAS 157”), which is intended to increase consistency and comparability in fair value measurements by defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are in the process of evaluating this guidance and therefore have not yet determined the impact that SFAS 157 will have on our consolidated financial statements upon adoption.

In September 2006, the FASB issued SFAS No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (“SFAS 158”). SFAS 158 requires companies to recognize in their balance sheets the funded status of pension and other postretirement benefit plans. Previously unrecognized items under SFAS No. 87, *Employers’ Accounting for Pensions*, and SFAS No. 106, *Employers’ Accounting for Postretirement Benefits Other Than Pensions*, will now be recognized as a component of accumulated other comprehensive income, net of applicable income tax effects. We are required to adopt SFAS 158 as of December 31, 2007. We are evaluating the impact that adoption of SFAS 158 will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (“SFAS 159”). This statement permits companies to choose to measure many financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently assessing the impact of SFAS 159 on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Disclosures about Market Risk.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act, is recorded, processed, summarized and timely reported as provided in Securities and Exchange Commission rules and forms. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. We periodically review the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting worldwide, including compliance with various laws and regulations that apply to our operations. We make modifications to improve the design and effectiveness of our disclosure controls and procedures and internal control structure, and may take other corrective action, if our reviews identify a need for such modifications or actions. In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Evaluation of Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures,” as defined in, and pursuant to, Rule 15d-15 of the Exchange Act, as of March 31, 2007 under the supervision and with the participation of our management, including our Chief Executive Officer (the “CEO”) and our Chief Financial Officer (the “CFO”). Because of a material weakness in our internal control over financial reporting related to financial reporting processes described below, our CEO and CFO concluded that as

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of March 31, 2007 our disclosure controls and procedures were not effective. However, as described below under “Remedial Efforts Related to the Material Weakness in Internal Control,” we are working to eliminate the material weakness. Additionally, because the material weakness described below has not been fully remediated as of the filing date of this Quarterly Report on Form 10-Q, management, including our CEO and CFO, continues to conclude that our disclosure controls and procedures are not effective as of the filing date of this Quarterly Report on Form 10-Q.

Material Weakness in Internal Control over Financial Reporting with Respect to Financial Reporting Processes

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2006, because of a material weakness in our internal control over financial reporting related to financial reporting processes, our CEO and CFO concluded that as of December 31, 2006 our disclosure controls and procedures were not effective. In particular, we had (i) ineffective controls over review of journal entries; (ii) ineffective controls to ensure the completeness and timeliness of certain general ledger account reconciliations conducted in connection with the period-end financial reporting process; and (iii) insufficient accounting systems infrastructure and processes to efficiently support accounting operations following the PanAmSat Acquisition Transactions.

Remedial Efforts Related to the Material Weakness in Internal Control

In an effort to address the material weakness, we have implemented, or are in the process of implementing, the following remedial steps:

- In addition to supervising all financial aspects of the Company, our Chief Financial Officer is also supervising our information technology functions to better facilitate the coordination and development of improved systems to support our financial reporting process.
- We reestablished an internal audit function and engaged an international public accounting firm to perform internal audit services under an outsourcing arrangement. Our internal audit service provider is currently reviewing the policies, procedures and systems to address the material weakness.
- We have hired experienced accounting personnel and expect to hire additional experienced accounting personnel. We hired staff to handle the increased workload associated with the reporting structure in place after the PanAmSat Acquisition Transactions and continue to recruit additional staff in key areas including financial reporting and tax accounting.
- We have engaged temporary staff and consultants to assist in achieving accurate and timely reporting, including hiring additional consultants to assist in the development and enhancement of IT infrastructure systems to support accounting.
- We have provided training to our finance and accounting personnel for timely and accurate preparation and management review of documentation to support our financial reporting and period-end close procedures. We expect to continue this training for all accounting personnel.
- We continue to conduct the assessment and review of our accounting general ledger system to further identify changes that can be made to improve our overall control environment with respect to journal entries. We are continuing to implement more formal procedures related to the review and approval of journal entries.
- We have formalized the periodic account reconciliation process for all significant balance sheet accounts. We are continuing to implement more formal review of these reconciliations by our accounting management and we will increase the number of supervisory personnel to ensure that reviews are performed.
- We continue to migrate accounting and financial reporting systems used by our recently acquired subsidiary, Intelsat Corp, into the systems historically used by the Company. Subsequent to December 31, 2006, we began accounting for Intelsat Corp activities within the same general ledger system as the remainder of the Company.

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Other Changes in Internal Control over Financial Reporting

Other than as discussed above, no other changes occurred during the quarter ended March 31, 2007 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Future Assessment of Internal Control over Financial Reporting

Beginning with our Annual Report on Form 10-K for the fiscal year ending December 31, 2007, we will be subject to the provisions of Section 404 of the Sarbanes-Oxley Act of 2002 that require an annual management assessment of our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Two putative class action complaints that were filed against Intelsat, Ltd. and Intelsat Global Service Corporation in 2004 in the U.S. District Court for the District of Columbia by certain named plaintiffs who are Intelsat retirees, spouses of retirees or surviving spouses of deceased retirees, were consolidated into a single case. The complaint, which has been amended several times, arose out of a resolution adopted by the governing body of the International Telecommunications Satellite Organization, referred to as the IGO, the predecessor to Intelsat, prior to privatization regarding medical benefits for retirees and their dependents. The plaintiffs allege that Intelsat wrongfully modified health plan terms to deny coverage to surviving spouses and dependents of deceased retirees, thereby breaching the fiduciary duty obligations of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the “contract” represented by the IGO resolution. It is our position that the IGO resolution does not create obligations that are enforceable against Intelsat, Ltd. or Intelsat Global Service Corporation.

On March 13, 2007, Intelsat, Ltd. and counsel for the majority of the named plaintiffs signed a settlement agreement, which was filed on that same date under a joint motion to certify a class for settlement purposes only, to preliminarily approve the agreement of settlement of the consolidated ERISA class action, and approve the form and manner of notice. The settlement agreement nullifies all potential obligations under the pre-privatization IGO resolution, including, most significantly, the obligation to establish a trust to fund lifetime retiree medical benefits at 2001 levels for the putative class members. Instead, Intelsat, Ltd. will provide to the retiree class certain health benefits that are essentially the same as those currently provided to active employees, the value of which, taken as a whole, cannot be reduced or eliminated. The retiree class members will have lifetime affordable health care coverage, for which they will pay modest increases in premiums, deductibles and co-pay amounts, such increases to be capped in accordance with certain cost of living adjustment provisions. The settlement extends the obligation to provide the benefits to transferees, affiliates and successors of Intelsat under certain circumstances. Intelsat also will pay an award of attorneys’ fees of up to \$0.2 million. On April 3, 2007, the court entered an order certifying the class for settlement purposes, preliminarily approving the settlement agreement, and scheduling the Fairness Hearing on July 12, 2007. Notices of the settlement and hearing were sent to all class members on April 25, 2007.

We are subject to litigation in the normal course of our business, but we do not believe that the resolution of any pending proceedings will have a material impact on our financial position or results of operations.

Item 1A. Risk Factors

No material changes in the risks related to our business have occurred since we filed our Annual Report on Form 10-K for the year ended December 31, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

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Item 6. Exhibits

<u>Exhibit No.</u>	<u>Document Description</u>
3.1	Amended and Restated Bye-laws of Intelsat, Ltd.
10.1	Amendment No. 1 to Credit Agreement, dated January 19, 2007, among Intelsat Intermediate Holding Company, Ltd., Intelsat Subsidiary Holding Company, Ltd. and the other parties named therein (incorporated by reference to Exhibit 10.1 of Intelsat, Ltd.'s Report on Form 8-K, File No. 000-50262, filed on January 25, 2007).
10.2	Amendment No. 2 to Credit Agreement, dated January 19, 2007, among Intelsat Intermediate Holding Company, Ltd., Intelsat Subsidiary Holding Company, Ltd. and the other parties named therein (incorporated by reference to Exhibit 10.2 of Intelsat, Ltd.'s Report on Form 8-K, File No. 000-50262, filed on January 25, 2007).
10.3	Amendment No. 1 to Credit Agreement, dated January 19, 2007, among Intelsat Corporation and the other parties named therein (incorporated by reference to Exhibit 10.1 of Intelsat Corporation's Report on Form 8-K, File No. 000-22531, filed on January 25, 2007).
10.4	Credit Agreement, dated as of February 2, 2007, by and among Intelsat (Bermuda), Ltd., as the Borrower, Intelsat, Ltd., as Guarantor, and the Several Lenders from time to time parties thereto, Bank of America, N.A., as Administrative Agent, Deutsche Bank Securities Inc., as Syndication Agent, Banc of America Securities LLC and Deutsche Bank Securities Inc., as Joint Lead Arrangers, and Banc of America Securities LLC, Deutsche Bank Securities Inc., Credit Suisse Securities (USA) LLC and Morgan Stanley Senior Funding, Inc., as Joint Bookrunners (incorporated by reference to Exhibit 10.1 of Intelsat, Ltd.'s Report on Form 8-K, File No. 000-50262, filed on February 6, 2007).
10.5	Third Amendment and Acknowledgement, effective March 16, 2007, to Employment Agreement, dated as of January 28, 2005, between Intelsat Holdings, Ltd. and David McGlade. (incorporated by reference to Exhibit 10.43 of Intelsat, Ltd.'s Annual Report on Form 10-K, File No. 000-50262 filed on April 2, 2007).
10.6	Third Amendment and Acknowledgement, effective March 16, 2007, to Employment Agreement, dated as of March 16, 2006, between Intelsat Holdings, Ltd. and Jeffrey Freimark. (incorporated by reference to Exhibit 10.44 of Intelsat, Ltd.'s Annual Report on Form 10-K, File No. 000-50262 filed on April 2, 2007).
10.7	Third Amendment and Acknowledgement, effective March 16, 2007, to Employment Agreement, dated as of May 18, 2006, between Intelsat Holdings, Ltd. and James Frownfelter. (incorporated by reference to Exhibit 10.45 of Intelsat, Ltd.'s Annual Report on Form 10-K, File No. 000-50262 filed on April 2, 2007).
10.8	Third Amendment and Acknowledgement, effective March 16, 2007, to Employment Agreement, dated as of January 31, 2005, between Intelsat Holdings, Ltd. and Phillip Spector. (incorporated by reference to Exhibit 10.46 of Intelsat, Ltd.'s Annual Report on Form 10-K, File No. 000-50262 filed on April 2, 2007).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTELSAT, LTD.

By _____ /s/ DAVID MCGLADE
David McGlade
Chief Executive Officer

Date: May 15, 2007

By _____ /s/ JEFFREY FREIMARK
Jeffrey Freimark
Chief Financial Officer

Date: May 15, 2007

B Y E - L A W S

of

Intelsat, Ltd.

I HEREBY CERTIFY that the within written Bye-Laws are a true copy of the Bye-Laws of Intelsat, Ltd. as adopted and approved as the amended and restated Bye-laws of the Company by resolution of the Shareholders adopted on the 30 March 2007

Director

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INTERPRETATION

1. Interpretation

- (1) In these Bye-laws the following words and expressions shall, where not inconsistent with the context, have the following meanings respectively:
- (a) “Act” means the Companies Act 1981 as amended from time to time;
 - (b) “Alternate Director” means an alternate Director appointed in accordance with these Bye-laws;
 - (c) “Auditor” includes any individual or partnership;
 - (d) “Board” means the Board of Directors appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the Directors present at a meeting of Directors at which there is a quorum;
 - (e) “Company” means the company for which these Bye-laws are approved and confirmed;
 - (f) “Director” means a director of the Company and shall include an Alternate Director;
 - (g) “ITSO” means the International Telecommunications Satellite Organization;
 - (h) “ITU” means the International Telecommunications Union;
 - (i) “Member” means the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons as the context so requires;
 - (j) “notice” means written notice as further defined in these Bye-laws unless otherwise specifically stated;
 - (k) “Officer” means any person appointed by the Board to hold an office in the Company;
 - (l) “Public Services Agreement” means the agreement, dated as of July 18, 2001, among ITSO, the Company, Intelsat Services Corporation, a company incorporated under the laws of the State of Delaware, U.S.A. (now known as Intelsat Global Services Corporation), and Intelsat LLC, a limited liability company under the laws of the State of Delaware, U.S.A., relating to certain public service agreements;

- (m) "Register of Directors and Officers" means the Register of Directors and Officers of the Company referred to in these Bye-laws;
- (n) "Register of Members" means the Register of Members of the Company referred to in these Bye-laws;
- (o) "Resident Representative" means any person appointed to act as resident representative and includes any deputy or assistant resident representative;
- (p) "Secretary" means the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary;
- (q) "Shareholders Agreement" means the agreement, dated as of July 18, 2001, among the Company and the Shareholders (as defined therein); and

(2) In these Bye-laws, where not inconsistent with the context:

- (a) words denoting the plural number include the singular number and vice versa;
- (b) words denoting the masculine gender include the feminine gender;
- (c) words importing persons include companies, associations or bodies of persons whether corporate or not;
- (d) the word:
 - (i) "may" shall be construed as permissive;
 - (ii) "shall" shall be construed as imperative; and
- (e) unless otherwise provided herein words or expressions defined in the Act shall bear the same meaning in these Bye-laws.

(3) Expressions referring to writing or written shall, unless the contrary intention appears, include facsimile, electronic mail, printing, lithography, photography and other modes of representing words in a visible form.

(4) Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

BOARD OF DIRECTORS

2. Board of Directors

The business of the Company shall be managed and conducted by the Board.

3. Management of the Company

(1) In managing the business of the Company, the Board may exercise all such powers of the Company except those powers that are required by the Act or these Bye-laws to be exercised by the Members.

(2) No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

(3) The Board may procure that the Company pays all expenses incurred in promoting and incorporating the Company.

4. Power to appoint managing director or chief executive officer

The Board may from time to time appoint one or more persons to the office of managing director or chief executive officer of the Company who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company.

5. Power to appoint manager

The Board may appoint a person to act as manager of the Company's day to day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business.

6. Power to authorise specific actions

The Board may from time to time and at any time authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company.

7. Power to appoint attorney

The Board may from time to time and at any time by power of attorney appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. Such attorney may, if so authorised under the power of attorney, execute any deed or instrument or other document on behalf of the Company.

8. Power to delegate to a committee

The Board may delegate any of its powers to a committee appointed by the Board, which may consist partly or entirely of non-Directors, and every such committee shall conform to such directions as the Board shall impose on it.

9. Power to appoint and dismiss employees

The Board may appoint, suspend or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties.

10. Exercise of power to purchase shares of or discontinue the Company

The Board may exercise all of the powers of the Company to purchase all or any part of its own shares pursuant to Section 42A of the Act.

(1) The Board may exercise all the powers of the Company to discontinue the Company to a named country or jurisdiction outside Bermuda pursuant to Section 132G of the Act.

11. Election of Directors

The Board shall consist of not less than three Directors or such number in excess thereof as the Members may from time to time determine who shall be elected or appointed in the first place at the statutory meeting of the Company and thereafter, except in the case of casual vacancy, at the annual general meeting or at any special general meeting called for the purpose; PROVIDED THAT for so long as Intelsat Holdings, Ltd. (formerly Zeus Holdings Limited), a company incorporated under the laws of Bermuda ("Intelsat Holdings"), holds a majority of the outstanding voting shares of the Company, the only persons eligible to be so elected or appointed as Directors of the Company shall be persons who have been selected by the shareholders of Intelsat Holdings as Designated Company Directors in accordance with the Bye-laws of Intelsat Holdings (each such person, a "Designated Company Director"). Directors shall hold office for such term as the Members may determine or, in the absence of such determination, until the next annual general meeting or until their successors are elected or appointed or their office is otherwise vacated, and any general meeting may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.

12. Defects in appointment of Directors

All acts done bona fide by any meeting of the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

13. Alternate Directors

(1) Any general meeting of the Company may elect a person or persons to act as a Director in the alternative to any one or more of the Directors of the Company or may authorise the Board to appoint such Alternate Directors. Unless the Members otherwise resolve, any Director may appoint a person or persons to act as a Director in the alternative to himself or herself by notice in writing deposited with the Secretary. For so long as Intelsat Holdings holds a majority of the outstanding voting shares of the

Company, the only persons eligible to be so elected or appointed as Alternate Directors of the Company shall be Designated Company Directors. Any person so elected or appointed shall have all the rights and powers of the Director or Directors for whom such person is appointed in the alternative and such person may be counted more than once in determining whether or not a quorum is present if he is attending both as Director and Alternate Director.

(2) An Alternate Director shall be entitled to receive notice of all meetings of the Board and to attend and vote at any such meeting at which a Director for whom such Alternate Director was appointed in the alternative is not personally present and generally to perform at such meeting all the functions of such Director for whom such Alternate Director was appointed. Every person acting as an Alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director).

(3) An Alternate Director shall cease to be such if the Director for whom such Alternate Director was appointed ceases for any reason to be a Director but may be re-appointed by the Board as alternate to the person appointed to fill the vacancy in accordance with these Bye-laws.

14. Removal of Directors

(1) Subject to any provision to the contrary in these Bye-laws, the Members may, at any special general meeting convened and held in accordance with these Bye-laws, remove a Director provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for such Director's removal.

(2) A vacancy on the Board created by the removal of a Director under the provisions of subparagraph (1) of this Bye-law may be filled by the Members at the meeting at which such Director is removed and, in the absence of such election or appointment, the Board may fill the vacancy; PROVIDED THAT for so long as Intelsat Holdings holds a majority of the outstanding voting shares of the Company, any vacancy on the Board of Directors occurring as the result of the removal of a Director may only be filled with another Designated Company Director.

15. Vacancies on the Board

(1) The Board shall have the power from time to time and at any time to appoint any person as a Director to fill a vacancy on the Board occurring as the result of the death, disability, disqualification or resignation of any Director and to appoint an Alternate Director to any Director so appointed; PROVIDED THAT for so long as Intelsat Holdings holds a majority of the outstanding voting shares of the Company, any vacancy on the Board of Directors occurring as the result of the death, disability, disqualification or resignation of a Director may only be filled with another Designated Company Director.

(2) The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Bye-laws as the quorum necessary for the transaction of business at meetings of the Board, the continuing Directors or Director may act for the purpose of (i) summoning a general meeting of the Company or (ii) preserving the assets of the Company.

(3) The office of Director shall be vacated if the Director:

- (a) is removed from office pursuant to these Bye-laws or is prohibited from being a Director by law;
- (b) is or becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (c) is or becomes of unsound mind or dies; or
- (d) resigns his or her office by notice in writing to the Company.

16. Notice of meetings of the Board

(1) A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Board.

(2) Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director verbally in person or by telephone or otherwise communicated or sent to such Director by post, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible and non-transitory form at such Director's last known address or any other address given by such Director to the Company for this purpose.

(3) Any defect in notice of meeting with respect to a particular Director shall be deemed waived by the participation of such Director in the meeting of the Board.

17. Quorum at meetings of the Board

The quorum necessary for the transaction of business at a meeting of the Board shall be a majority of the entire Board at the time of the meeting, which majority shall include a majority of Directors who are also Designated Company Directors. Directors participating in any meeting of the Board by means of telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously shall constitute presence in person at such meeting for quorum purposes.

18. Meetings of the Board

(1) The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit.

(2) Directors may participate in any meeting of the Board by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

(3) A resolution put to the vote at a meeting of the Board shall be carried only if such resolution receives the affirmative vote of at least three-fourths of the total number of Directors, assuming no vacancies.

19. Unanimous written resolutions

A resolution in writing signed by all the Directors, which may be in counterparts, shall be as valid as if it had been passed at a meeting of the Board duly called and constituted, such resolution to be effective on the date on which the last Director signs the resolution. For the purposes of this Bye-law only, "Director" shall not include an Alternate Director.

20. Contracts and disclosure of Directors' interests

(1) Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in a professional capacity for the Company and such Director or such Director's firm, partner or such company shall be entitled to remuneration for professional services as if such Director were not a Director, provided that nothing herein contained shall authorise a Director or Director's firm, partner or such company to act as Auditor of the Company.

(2) A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by the Act.

(3) Following a declaration being made pursuant to this Bye-law, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

21. Remuneration of Directors

The remuneration (if any) of the Directors shall be determined by the Company in general meeting and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally.

OFFICERS

22. Officers of the Company

(1) The Officers of the Company, who may or may not be Directors, may be appointed by the Board at any time, all of whom shall be deemed to be Officers for the purposes of these Bye-laws. Any person appointed pursuant to this Bye-law shall hold office for such period and upon such terms as the Board may determine and the Board may revoke or terminate any such appointment. Any such revocation or termination

shall be without prejudice to any claim for damages that such Officer may have against the Company or the Company may have against such Officer for any breach of any contract of service between him and the Company which may be involved in such revocation or termination. Save as provided in the Act or these Bye-laws, the powers and duties of the Officers of the Company shall be such (if any) as are determined from time to time by the Board.

(2) The provisions of these Bye-laws as to resignation and disqualification of Directors shall *mutatis mutandis* apply to the resignation and disqualification of Officers.

23. Remuneration of Officers

The Officers shall receive such remuneration as the Board may from time to time determine.

24. Duties of Officers

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

25. Chairman of meetings

Unless otherwise agreed by a majority of those attending and entitled to attend and vote thereat, the Chairman (or President) or, in his absence, the Deputy Chairman (or Vice President), shall preside as chairman at every meeting of the Board. If there is no such Chairman or Deputy Chairman (or President or Vice President), or if at any meeting the Chairman or Deputy Chairman (or President or Vice President) is not present within five (5) minutes after the time appointed for holding the meeting, or is not willing to act as chairman, the Directors present may choose one of their number to be chairman of the meeting.

26. Register of Directors and Officers

The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers and shall enter therein the particulars required by the Act.

MINUTES

27. Obligations of Board to keep minutes

(1) The Board shall cause minutes to be duly entered in books provided for the purpose:

- (a) of all elections and appointments of Officers;
- (b) of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and

- (c) of all resolutions and proceedings of general meetings of the Members, meetings of the Board, meetings of managers and meetings of committees appointed by the Board.

(2) Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the registered office of the Company.

INDEMNITY

28. Indemnification of Directors and Officers of the Company

The Directors, Secretary and other Officers (such term to include, for the purposes of Bye-laws 28 and 29, any person appointed to any committee by the Board and any person serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including without limitation, any direct or indirect subsidiary of the Company)) for the time being acting in relation to any of the affairs of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and every one of them, and their heirs, executors and administrators, shall be indemnified and secured harmless to the fullest extent permitted by law out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

29. Waiver of claims by Members

Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director or Officer.

MEETINGS

30. Notice of annual general meeting

The annual general meeting of the Company shall be held in each year other than the year of incorporation at such time and place as the President or the Chairman or any two Directors or any Director and the Secretary or the Board shall appoint. At least five

days' notice of such meeting shall be given to each Member stating the date, place and time at which the meeting is to be held, that the election of Directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting.

31. Notice of special general meeting

The President, the Chairman or any two Directors or any Director and the Secretary or the Board may convene a special general meeting of the Company whenever in their judgement such a meeting is necessary, upon not less than five days' notice which shall state the date, time, place and the general nature of the business to be considered at the meeting.

32. Accidental omission of notice of general meeting

The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

33. Meeting called on requisition of Members

Notwithstanding anything herein, the Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at the date of the deposit carries the right to vote at general meetings of the Company, forthwith proceed to convene a special general meeting of the Company and the provisions of Section 74 of the Act shall apply.

34. Short notice

A general meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in these Bye-laws, be deemed to have been properly called if it is so agreed by (i) all the Members entitled to attend and vote thereat in the case of an annual general meeting; and (ii) by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving a right to attend and vote thereat, in the case of a special general meeting.

35. Postponement of meetings

The Secretary may postpone any general meeting called in accordance with the provisions of these Bye-laws (other than a meeting requisitioned under these Bye-laws) provided that notice of postponement is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with the provisions of these Bye-laws.

36. Quorum for general meeting

At any general meeting of the Company two or more persons present in person and representing in person or by proxy in excess of 50% of the total issued and outstanding voting shares in the Company throughout the meeting shall form a quorum for the transaction of business, PROVIDED that if the Company shall at any time have only one Member, one Member present in person or by proxy shall form a quorum for the transaction of business at any general meeting of the Company held during such time. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Secretary may determine.

37. Adjournment of meetings

The chairman of a general meeting may, with the consent of the Members at any general meeting at which a quorum is present (and shall if so directed), adjourn the meeting. Unless the meeting is adjourned to a specific date and time, fresh notice of the date, time and place for the resumption of the adjourned meeting shall be given to each Member in accordance with the provisions of these Bye-laws.

38. Attendance at meetings

Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

39. Resolutions in Writing

(1) Subject to subparagraph (7), anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members of the Company, may be done by resolution in writing signed by the Members (or the holder of such class of shares) who at the date of the notice of the resolution in writing represent the majority of votes that would be required if the resolution had been voted on at a meeting of the Members. Such resolution in writing may be signed by the Member, or its proxy, or in the case of a Member that is a corporation whether or not a company within the meaning of the Act by its representative on behalf of such Member, in as many counterparts as necessary.

(2) Notice of any resolution in writing to be made under this Bye-law shall be given to all the Members who would be entitled to attend a meeting and vote on the resolution. The requirement to give notice of any resolution in writing to be made under this Bye-law to such Members shall be satisfied by giving to those Members a copy of that resolution in writing in the same manner as that required for a notice of a general meeting of the Company at which the resolution could have been considered, except that the length of the period of notice shall not apply. The date of the notice shall be set out in the resolution in writing.

(3) The accidental omission to give notice, in accordance with this Bye-law, of a resolution in writing to, or the non-receipt of such notice by, any person entitled to receive such notice shall not invalidate the passing of the resolution in writing.

(4) For the purposes of this Bye-law, the date of the resolution in writing is the date when the resolution in writing is signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, the Member who establishes the majority of votes required for the passing of the resolution in writing and any reference in any Bye-law to the date of passing of a resolution in writing is, in relation to a resolution in writing made in accordance with this Bye-law, a reference to such date.

(5) A resolution in writing made in accordance with this Bye-law is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Bye-law to a meeting at which a resolution is passed or to Members voting in favour of a resolution shall be construed accordingly.

(6) A resolution in writing made in accordance with this Bye-law shall constitute minutes for the purposes of Sections 81 and 82 of the Act.

(7) This Bye-law shall not apply to:

- (a) a resolution passed pursuant to Section 89(5) of the Act; or
- (b) a resolution passed for the purpose of removing a Director before the expiration of his term of office under these Bye-laws.

40. Attendance of Directors

The Directors of the Company shall be entitled to receive notice of and to attend and be heard at any general meeting.

41. Voting at meetings

(1) Subject to the provisions of the Act and these Bye-laws, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of these Bye-laws and in the case of an equality of votes the resolution shall fail.

(2) No Member shall be entitled to vote at any general meeting unless such Member has paid all the calls on all shares held by such Member.

42. Voting on show of hands

At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to the provisions of these Bye-laws, (a) every Member present in person and every person holding a valid proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his or her hand.

43. Decision of chairman

At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to the provisions of these Bye-laws, be conclusive evidence of that fact.

44. Demand for a poll

(1) Notwithstanding the provisions of the immediately preceding two Bye-laws, at any general meeting of the Company, in respect of any question proposed for the consideration of the Members (whether before or on the declaration of the result of a show of hands as provided for in these Bye-laws), a poll may be demanded by any of the following persons:

- (a) the chairman of such meeting; or
- (b) at least three Members present in person or represented by proxy; or
- (c) any Member or Members present in person or represented by proxy and holding between them not less than one-tenth of the total voting rights of all the Members having the right to vote at such meeting; or
- (d) any Member or Members present in person or represented by proxy holding shares in the Company conferring the right to vote at such meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all such shares conferring such right.

(2) Where, in accordance with the provisions of subparagraph (1) of this Bye-law, a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meeting shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted in the manner set out in subparagraph (4) of this Bye-law or, in the case of a general meeting at which one or more Members are present by telephone in such manner as the chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands.

(3) A poll demanded in accordance with the provisions of subparagraph (1) of this Bye-law, for the purpose of electing a chairman of the meeting or on a question of adjournment, shall be taken forthwith and a poll demanded on any other question shall be taken in such manner and at such time and place as the Chairman (or acting chairman) may direct and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

(4) Where a vote is taken by poll, each person present and entitled to vote shall be furnished with a ballot paper on which such person shall record his or her vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialled or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. At the conclusion of the poll, the ballot papers shall be examined and counted by a committee of not less than two persons appointed by the chairman for the purpose and the result of the poll shall be declared by the chairman.

45. Seniority of joint holders voting

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

46. Instrument of proxy

The instrument appointing a proxy shall be in writing in a form approved by the Board, under the hand of the appointor or of the appointor's attorney duly authorised in writing, or if the appointor is a corporation, either under its seal, or under the hand of a duly authorised officer or attorney. The decision of the chairman of any general meeting as to the validity of any instrument of proxy shall be final.

47. Representation of corporations at meetings

A corporation which is a Member may, by written instrument, authorise such person as it thinks fit to act as its representative at any meeting of the Members and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member. Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he or she thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

SHARE CAPITAL AND SHARES

48. Rights of shares

(1) Subject to any resolution of the Members to the contrary and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the share capital of the Company shall be divided into shares of a single class the holders of which shall, subject to the provisions of these Bye-laws:

- (2)
- (a) be entitled to one vote per share;
 - (b) be entitled to such dividends as the Board may from time to time declare;
 - (c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and

- (d) generally be entitled to enjoy all of the rights attaching to shares.

49. Power to issue shares

(1) Subject to these Bye-laws and to any resolution of the Members to the contrary and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have power to issue any unissued shares of the Company on such terms and conditions as it may determine and any shares or class of shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by resolution of the Members prescribe.

(2) The Board shall, in connection with the issue of any share, have the power to pay such commission and brokerage as may be permitted by law.

(3) The Company shall not give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of a purchase or subscription made or to be made by any person of or for any shares in the Company, but nothing in this Bye-law shall prohibit transactions mentioned in Sections 39A, 39B and 39C of the Act.

(4) The Company may from time to time do any one or more of the following things:

- (a) make arrangements on the issue of shares for a difference between the Members in the amounts and times of payments of calls on their shares;
- (b) accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up;
- (c) pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others; and
- (d) issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

50. Variation of rights; alterations of share capital; purchase of shares of the Company.

(1) Subject to the provisions of Sections 42 and 43 of the Act, any preference shares may be issued or converted into shares that, at a determinable date or at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by resolution of the Members determine.

(2) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class in accordance with Section 47(7) of the Act. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(3) The Company may from time to time by resolution of the Members change the currency denomination of, increase, alter or reduce its share capital in accordance with the provisions of Sections 45 and 46 of the Act. Where, on any alteration of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks fit including, without limiting the generality of the foregoing, the issue to Members, as appropriate, of fractions of shares and/or arranging for the sale or transfer of the fractions of shares of Members.

(4) The Company may from time to time purchase its own shares in accordance with the provisions of Section 42A of the Act.

51. Registered holder of shares

(1) The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable or other claim to, or interest in, such share on the part of any other person.

(2) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members or, in the case of joint holders, to such address of the holder first named in the Register of Members, or to such person and to such address as the holder or joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

52. Death of a joint holder

Where two or more persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

53. Share certificates

(1) Every Member shall be entitled to a certificate under the seal of the Company (or a facsimile thereof) or signed by a Director, the Secretary or any person authorised by the Board for that purpose specifying the number and, where appropriate, the class of shares held by such Member and whether the same are fully paid up and, if not, how much has been paid thereon. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.

(2) The Company shall be under no obligation to complete and deliver a share certificate unless specifically called upon to do so by the person to whom such shares have been allotted.

(3) If any such certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

54. Calls on shares

(1) The Board may from time to time make such calls as it thinks fit upon the Members in respect of any monies unpaid on the shares allotted to or held by such Members and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

(2) The Board may, on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

55. Forfeiture of shares

(1) If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward to such Member a notice in a form approved by the Board.

(2) If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine.

(3) A Member whose share or shares have been forfeited as aforesaid shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture and all interest due thereon.

REGISTER OF MEMBERS

56. Contents of Register of Members

The Board shall cause to be kept in one or more books a Register of Members and shall enter therein the particulars required by the Act.

57. Inspection of Register of Members

The Register of Members shall be open to inspection at the registered office of the Company on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection. The Register of Members may, after notice has been given by advertisement in an appointed newspaper to that effect, be closed for any time or times not exceeding in the whole thirty days in each year.

58. Determination of record dates

Notwithstanding any other provision of these Bye-laws, the Board may fix any date as the record date for:

- (1) determining the Members entitled to receive any dividend; and
- (2) determining the Members entitled to receive notice of and to vote at any general meeting of the Company.

TRANSFER OF SHARES

59. Instrument of transfer

(1) An instrument of transfer shall be in a form approved by the Board. Such instrument of transfer shall be signed by or on behalf of the transferor and transferee, provided that in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Members.

(2) The Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

60. Restriction on transfer

(1) The Board may in its absolute discretion and without assigning any reason therefore refuse to register the transfer of a share. The Board shall refuse to register a transfer unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained.

(2) If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

61. Transfers by joint holders

The joint holders of any share or shares may transfer such share or shares to one or more of such joint holders, and the surviving holder or holders of any share or shares previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

TRANSMISSION OF SHARES

62. Representative of deceased Member

In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having a title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of Section 52 of the Act, for the purpose of this Bye-law, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may in its absolute discretion decide as being properly authorised to deal with the shares of a deceased Member.

63. Registration on death or bankruptcy

Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in a form approved by the Board. On the presentation thereof to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member but the Board shall, in either case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

DIVIDENDS AND OTHER DISTRIBUTIONS

64. Declaration of dividends by the Board

The Board may, subject to these Bye-laws and in accordance with Section 54 of the Act, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie, in which case the Board may fix the value for distribution in specie, of any assets.

65. Other distributions

The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company.

66. Reserve fund

The Board may from time to time before declaring a dividend set aside, out of the surplus or profits of the Company, such sum as it thinks proper as a reserve to be used to meet contingencies or for equalising dividends or for any other special purpose.

67. Deduction of amounts due to the Company

The Board may deduct from the dividends or distributions payable to any Member all monies due from such Member to the Company on account of calls or otherwise.

CAPITALISATION

68. Issue of bonus shares

The Board may resolve to capitalise any part of the amount for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Members.

The Company may capitalise any sum standing to the credit of a reserve account or sums otherwise available for dividend or distribution by applying such amounts in paying up in full partly paid shares of those Members who would have been entitled to such sums if they were distributed by way of dividend or distribution.

ACCOUNTS AND FINANCIAL STATEMENTS

69. Records of account

The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

- (a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;
- (b) all sales and purchases of goods by the Company; and
- (c) the assets and liabilities of the Company.

Such records of account shall be kept at the registered office of the Company or, subject to Section 83(2) of the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours.

70. Financial year end

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31st December in each year.

71. Financial statements

Subject to any rights to waive laying of accounts pursuant to Section 88 of the Act, financial statements as required by the Act shall be laid before the Members in general meeting.

AUDIT

72. Appointment of Auditor

Subject to Section 88 of the Act, at the annual general meeting or at a subsequent special general meeting in each year, an independent representative of the Members shall be appointed by them as Auditor of the accounts of the Company. Such Auditor may be a Member but no Director, Officer or employee of the Company shall, during his or her continuance in office, be eligible to act as an Auditor of the Company.

73. Remuneration of Auditor

The remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine.

74. Vacation of office of Auditor

If the office of Auditor becomes vacant by the resignation or death of the Auditor, or by the Auditor becoming incapable of acting by reason of illness or other disability at a time when the Auditor's services are required, the Board shall, as soon as practicable, convene a special general meeting to fill the vacancy thereby created.

75. Access to books of the Company

The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto, and the Auditor may call on the Directors or Officers of the Company for any information in their possession relating to the books or affairs of the Company.

76. Report of the Auditor

(1) Subject to any rights to waive laying of accounts or appointment of an Auditor pursuant to Section 88 of the Act, the accounts of the Company shall be audited at least once in every year.

(2) The financial statements provided for by these Bye-laws shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the Members in general meeting.

(3) The generally accepted auditing standards referred to in subparagraph (2) of this Bye-law may be those of a country or jurisdiction other than Bermuda. If so, the financial statements and the report of the Auditor must disclose this fact and name such country or jurisdiction.

NOTICES

77. Notices to Members of the Company

A notice may be given by the Company to any Member by delivering it to such Member in person or by sending it to such Member's address in the Register of Members or to such other address given for the purpose. For the purposes of this Bye-law, a notice may be sent by mail, courier service, cable, telex, telecopier, facsimile or other mode of representing words in a legible and non-transitory form.

78. Notices to joint Members

Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

79. Service and delivery of notice

Any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, and the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile or other method, as the case may be.

SEAL OF THE COMPANY

80. The seal

(1) The seal of the Company shall be in such form as the Board may from time to time determine and shall provide for the custody of every seal. The Board may adopt one or more duplicate seals for use outside Bermuda.

(2) Any document required to be under seal or executed as a deed on behalf of the Company may be:

- (a) executed under the seal in accordance with these Bye-laws; or
- (b) signed or executed by any person authorised by the Board for that purpose, without the use of the seal.

81. Manner in which seal is to be affixed

The seal shall only be used by authority of the Board or of a committee constituted by the Board. Subject to these Bye-laws, the seal of the Company shall not be affixed to any instrument except attested by the signature of the Secretary or any one Director, or any one person authorised by the Board for the purpose.

WINDING-UP

82. Winding-up/distribution by liquidator

If the Company shall be wound up the liquidator may, with the sanction of a resolution of the Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he or she deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

ALTERATION OF BYE-LAWS

83. Alteration of Bye-laws

No Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and by a resolution of the Members.

CERTAIN CORPORATE OBJECTIVES

84. Public Service Obligation of the Company.

(1) the Company shall provide international public telecommunication services on a commercial basis, in a manner consistent with the following public service obligations, which shall be deemed to have been met if the Company: (i) maintains global connectivity and coverage and serves its lifeline connectivity customers by providing the capability for any country or territory to connect with any other country or territory through the provision of capacity from at least one satellite in each of the three ocean regions: the Atlantic Ocean region (304.5° to 359° E), the Indian Ocean region (60° to 66° E), and the Pacific Ocean region (174° to 180° E) such that these satellites together provide global coverage to all ITU regions; (ii) honours its obligations under the LCO Contracts and (iii) provides non-discriminatory access to the Intelsat system. Subject only to Article 7 of the Public Services Agreement relating to force majeure events, the provision of international public telecommunications services on a commercial basis, in a manner consistent with the public service obligations, will not be deemed to be met if any country or territory which seeks or permits the services provided by the Intelsat system is denied full and complete access to all services provided by the Intelsat system on any ground other than a commercial basis.

(2) For purposes of subparagraph (1) of this Bye-law, (i) “on a commercial basis” means in accordance with usual and customary commercial practice in the telecommunications industry; (ii) “global connectivity” means the interconnection capabilities available to the Company’s users through the global coverage the Company provides in order to make communication possible within and between the five ITU regions defined by the Plenipotentiary Conference of the International Telecommunication Union, held in Montreux in 1965; (iii) “global coverage” means the maximum geographic coverage of the earth towards the northernmost and southernmost parallels visible from satellites deployed in geostationary orbital locations; (iv) “non-discriminatory access” means fair and equal opportunity to access the Intelsat system; (v) “LCO Contracts” shall have the meaning set forth in the Shareholders Agreements; and (vi) “Intelsat system” means the Company’s space segment and satellite communications operations.

(3) In performing its public service obligations, the Company shall be subject to applicable national law. In the event the Company reasonably believes the application of national law, or proposed changes to national law, will prevent the Company from complying with the public service obligations, the Company shall, on a commercial basis, use its best efforts to mitigate the adverse consequences of such law to the extent permitted under law.

(4) This Bye-law 84 shall not create any right of enforcement independent of the public services obligation of the Company, which shall be enforced exclusively pursuant to the Public Services Agreement. Any claim arising out of or in connection with the Company’s public service obligations may only be made by the ITSO pursuant to the Public Services Agreement.

CERTIFICATIONS

I, David McGlade, Chief Executive Officer of Intelsat, Ltd., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Intelsat, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and we have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [omitted in accordance with the guidance of SEC Release No. 33-8238 and 34-47986]
 - (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: May 15, 2007

/s/ DAVID MCGLADE

David McGlade
Chief Executive Officer

CERTIFICATIONS

I, Jeffrey Freimark, Chief Financial Officer of Intelsat, Ltd., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Intelsat, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and we have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [omitted in accordance with the guidance of SEC Release No. 33-8238 and 34-47986]
 - (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: May 15, 2007

/s/ JEFFREY FREIMARK

Jeffrey Freimark
Chief Financial Officer

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Intelsat, Ltd. (the "Company") hereby certifies that to such officer's knowledge, the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2007

/s/ DAVID MCGLADE

David McGlade
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Intelsat, Ltd. (the "Company") hereby certifies that to such officer's knowledge, the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2007

/s/ JEFFREY FREIMARK

Jeffrey Freimark
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.