

Revenues up 10 per cent over prior-year period

Intelsat, Ltd., a global satellite communications leader providing services in over 200 countries and territories, has reported results for the quarter and nine months ended 30 September 2005.

Intelsat, Ltd. and its subsidiaries, (Intelsat), have reported revenue of \$293.6 million and a net loss of \$54.5 million for the quarter ended 30 September 2005. Intelsat has also reported Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of \$195.2 million and covenant EBITDA of \$206.3 million for the quarter ended 30 September 2005.

Intelsat generated strong free cash flow from operations of \$53.2 million for the third quarter of 2005. Free cash flow from operations is defined as net cash provided by operating activities, less payments for satellites and other property and equipment and payments for deposits on future satellites.

For the first nine months of 2005, Intelsat reported revenue of \$876.6 million and a net loss of \$259.6 million. EBITDA for the nine-month period was \$461.1 million, and covenant EBITDA was \$616.9 million.

"Intelsat's performance in lease services and managed solutions provides improved balance given the continued expected run-off in contracted channel revenue, and operating costs are now reflecting the changes we implemented earlier this year," said Intelsat, Ltd. Chief Executive Officer (CEO) David McGlade. "Meanwhile, we are working diligently on securing the necessary approvals for our planned merger with PanAmSat, a landmark transaction that will combine the complementary strengths of two great companies."

On 29 August, Intelsat and PanAmSat Holding Corporation announced that the two companies have signed a definitive merger agreement under which Intelsat will acquire PanAmSat for \$25 per share in cash, or \$3.2 billion. The transaction will



Intelsat Washington DC building. Photo courtesy of Intelsat. Inset: David McGlade, Intelsat CEO.



create a premier satellite company that will be a leader in the digital delivery of video content, the transmission of corporate data and the provisioning of government communications solutions. Using a combined fleet of 53 satellites, the company will serve customers in more than 200 countries and territories. Following the transaction, the company is expected to have pro forma annual revenues of more than \$1.9 billion and to maintain strong free cash flow from operations, providing significant resources for capital expenditures and debt service.

As was previously announced, at a special meeting of shareholders on 26 October, PanAmSat shareholders approved and adopted the merger agreement between the companies. Also on 26 October, Intelsat received a request from the United States Department of Justice seeking additional information and documentary materials in connection with the

merger. The companies continue to expect to complete the merger in the second or third quarter of 2006.

Financial Results for the Quarter Ended September 30, 2005

Total revenue increased \$27.4 million, or 10 per cent, to \$293.6 million for the quarter ended 30 September 2005 from \$266.2 million for the quarter ended 30 September 2004. Revenue highlights include:

- an increase in lease services of \$15.3 million to \$189.8 million;
- a \$6.6 million increase in managed solutions revenues, which totalled

\$29.8 million for the quarter;

- higher Mobile Satellite Services (MSS) revenues, totalling \$15.7 million, an offering of the COMSAT General business which was acquired in October 2004 and integrated into Intelsat General;
- a decline in channel services revenue of \$11.3 million to \$54.0 million, reflecting continued business trends in this area.

Total operating expenses for the quarter ended 30 September 2005 were \$242.6 million, compared to \$201.6 million in the prior year period. The largest component of total operating expenses was depreciation and amortization expense, which increased \$30.3 million to \$147.3 million due to purchase accounting treatment following the acquisition of Intelsat, Ltd. by Intelsat Holdings, Ltd. (the 'Acquisition') earlier this year, as well as the IS-10-02 and IA-8 satellites, which entered service in August 2004 and July 2005, respectively. These factors were offset in part by the write-off of the IS-804 satellite and the impairment of the IA-7 satellite. The increase in operating expenses was also due to higher Intelsat General direct cost of revenue, offset in part by the impact of our cost control efforts and staff reductions.

Net loss was \$54.5 million for the quarter ended 30 September 2005, compared with a net loss of \$17.1 million for the quarter ended 30 September 2004. The higher net loss for the 2005 period as compared with the prior year was primarily due to higher operating expenses and interest expense resulting from the financing in connection with the Acquisition and the financing in connection with the payment of a dividend by the Company to Intelsat Holdings, Ltd. in March 2005.

EBITDA increased \$42.3 million, to \$195.2 million, or 66 per cent of revenue, for the quarter ended 30 September 2005 from \$152.9 million, or 57 per cent of revenue, for the same period in 2004. The 2004 period was negatively affected by the loss from discontinued operations related to the Company's decision to dispose of its investment in Galaxy Satellite TV Holdings, Ltd. When excluding the impact of the Galaxy loss, which reduced EBITDA in 2004 by \$27.8 million, EBITDA as a percentage of revenue was maintained, despite the increased revenue contribution from managed solutions and Intelsat General, both of which carry lower EBITDA margins than traditional fixed satellite services. This was due primarily to our cost control efforts and staff reductions.

Financial Results for the Nine Months Ended September 30, 2005

On 28 January 2005, Intelsat, Ltd. was

acquired by Intelsat Holdings, Ltd., a Bermuda company formed at the direction of funds advised by or associated with certain private equity firms. For comparative purposes, when Intelsat refer to its results for the nine month period or the nine months ended 30 September 2005, it is referring to its combined results for the period from 1 January 2005 through January 31, 2005 and for the period (post-Acquisition) from 1 February 2005 through 30 September 2005.

Total revenue increased \$116.1 million, or 15 per cent, to \$876.6 million for the nine months ended 30 September 2005 from \$760.5 million for the nine months ended 30 September 2004. Revenue highlights include:

- an increase in lease services revenue of \$66.7 million to \$564.7 million;
- a \$23.4 million increase in revenue from managed solutions, which totalled \$78.7 million for the nine month period;
- higher MSS revenues, totalling \$49.7 million;
- a decline in channel services revenue of \$29.7 million to \$171.5 million, reflecting recent business trends in this area.

Total operating expenses for the nine months ended 30 September 2005 were \$838.8 million, compared to \$568.3 million in the year-ago period. Operating expenses in the 2005 nine month period included the \$69.2 million non-cash impairment charge related to the Intelsat 804 satellite anomaly recorded in the first quarter of 2005 and \$59.7 million of charges associated with the Acquisition. Depreciation and amortization expense increased \$90.0 million to \$426.3 million for the nine months ended 30 September 2005 due to: purchase accounting treatment following the Acquisition of the Company earlier this year; the IS-10-02

and IA-8 satellites, which entered service in September 2004 and July 2005, respectively; and, a full nine months of depreciation recorded on the Intelsat Americas satellites compared with less than seven months in the prior-year period. These factors were offset in part by the write-off of the IS-804 satellite and the write-down of the IA-7 satellite. The Company also had increased expenses associated with the first full three quarters of Intelsat General activity, among other expense items.

Net loss was \$259.6 million for the nine months ended 30 September 2005, compared with net income of \$18.2 million for the nine months ended 30 September 2004. The net loss for the 2005 period as compared with the prior year was primarily due to higher operating expenses and higher interest expense resulting from financing in connection with the Acquisition and the financing in connection with the payment of a dividend by the Company to Intelsat Holdings, Ltd. in March 2005.

EBITDA decreased \$27.7 million, to \$461.1 million, or 53 per cent of revenue, for the nine months ended 30 September 2005 from \$488.8 million, or 64 per cent of revenue, for the same period in 2004. The decrease in EBITDA reflects the impact of the IS-804 write-off and Acquisition-related charges.

The EBITDA margin comparison also reflects the impact of managed solutions and Intelsat General, both of which carry lower EBITDA margins than traditional fixed satellite services, somewhat offset by our cost control efforts and staff reductions.

As was previously announced, on 4 November 2005, the Company paid a dividend in the amount of \$198.8 million to its parent company, Intelsat Holdings. The dividend was funded from existing cash of the Company's consolidated subsidiaries. Intelsat Holdings used these funds to repurchase all of its remaining outstanding preferred shares. ■

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