

Intelsat CORP
Form 10-Q
November 08, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

OR

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

For the transition period from _____ to _____

Commission file number 0-22531

INTELSAT CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of

95-4607698
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

3400 International Drive, N.W.,

Washington, D.C.
(Address of Principal Executive Offices)

20008
(Zip Code)

(202) 944-6800

(Registrant's Telephone Number, Including Area Code)

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N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

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

As of November 1, 2010, an aggregate of 548 shares of our common stock, par value \$0.01 per share, were outstanding.

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INTRODUCTION

In this Quarterly Report, unless otherwise indicated or the context otherwise requires, (1) the terms Intelsat Corp, we, us, our, and the Company refer to Intelsat Corporation, formerly known as PanAmSat Corporation, a wholly-owned subsidiary of Intelsat Holding Corporation, formerly known as PanAmSat Holding Corporation, and its subsidiaries, (2) the term Intelsat Acquisition Transactions refers to the acquisition of Intelsat Holding Corporation by Intelsat (Bermuda), Ltd., now known as Intelsat (Luxembourg) S.A., on July 3, 2006 and related transactions, (3) the term Intelsat refers to Intelsat S.A., our indirect parent company, and its subsidiaries on a consolidated basis after giving effect to the acquisition of PanAmSat Holding Corporation on July 3, 2006, (4) the terms Serafina Holdings and Intelsat Global refer to Intelsat Global S.A. (formerly known as Serafina Holdings Limited), (5) the term Serafina refers to Intelsat Global Subsidiary S.A. (formerly known as Serafina Acquisition Limited), (6) the term Intelsat Holdings refers to Intelsat S.A.'s parent, Intelsat Holdings S.A., (7) the term Intelsat Luxembourg refers to Intelsat (Luxembourg) S.A., Intelsat S.A.'s direct wholly-owned subsidiary, (8) the term Intelsat Jackson refers to Intelsat Jackson Holdings S.A., Intelsat Luxembourg's direct wholly-owned subsidiary, (9) the term Intermediate Holdco refers to Intelsat Intermediate Holding Company S.A., Intelsat Jackson's direct wholly-owned subsidiary, (10) the term Intelsat Sub Holdco refers to Intelsat Subsidiary Holding Company S.A., Intermediate Holdco's direct wholly-owned subsidiary, and (11) the term New Sponsors Acquisition Transactions refers to the acquisition of Intelsat Holdings by Serafina on February 4, 2008 and related 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.

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, potential, outlook and continue, and the negative of these terms and other similar expressions, are intended to identify forward-looking statements and information.

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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 the date of this Quarterly Report 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, 2009, 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.

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;

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

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

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

domestic and international government regulation;

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

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

inadequate access to capital markets;

the competitive environment in which we operate;

customer defaults on their obligations owed to us;

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

litigation.

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.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****INTELSAT CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except share amounts)**

	As of December 31, 2009	As of September 30, 2010 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 116,705	\$ 259,638
Receivables, net of allowance of \$4,378 in 2009 and \$2,261 in 2010	58,421	47,885
Due from affiliates	132,335	158,109
Deferred income taxes	39,133	18,695
Prepaid expenses and other current assets	16,466	15,830
Total current assets	363,060	500,157
Satellites and other property and equipment, net	2,392,997	2,338,144
Goodwill	3,346,662	3,346,662
Non-amortizable intangible assets	652,970	652,970
Amortizable intangible assets, net	487,915	446,972
Deferred charges and other assets, net	160,088	147,745
Total assets	\$ 7,403,692	\$ 7,432,650
LIABILITIES AND SHAREHOLDER S EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 39,424	\$ 59,445
Taxes payable	5,443	
Employee related liabilities	36,523	22,792
Accrued interest payable	33,454	31,487
Current portion of long-term debt	89,051	89,051
Deferred satellite performance incentives	14,709	11,223
Deferred revenue	9,663	26,014
Other current liabilities	14,785	11,915
Total current liabilities	243,052	251,927
Long-term debt, net of current portion	3,177,672	2,465,840
Deferred satellite performance incentives, net of current portion	105,573	97,941
Deferred revenue, net of current portion	62,473	83,887
Deferred income taxes	566,189	508,414
Accrued retirement benefits	166,651	163,363
Long-term taxes payable, net of current portion	185,285	203,986
Deferred credits and other long-term liabilities	168,330	177,651

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Commitments and contingencies (Note 12)

Shareholder's equity:

Ordinary shares, \$0.01 par value; 1,000 shares authorized and 548 shares outstanding at December 31, 2009 and September 30, 2010

Paid-in capital	2,989,891	3,750,514
Accumulated deficit	(192,626)	(207,677)
Accumulated other comprehensive loss	(68,798)	(65,095)
Total Intelsat Corporation shareholder's equity	2,728,467	3,477,742
Noncontrolling interest		1,899
Total liabilities and shareholder's equity	\$ 7,403,692	\$ 7,432,650

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**INTELSAT CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2010
Revenue:				
Transponder services, satellite-related services and other	\$ 201,213	\$ 208,346	\$ 649,523	\$ 615,101
Revenue from affiliates	67,710	77,246	204,241	231,863
Total revenue	268,923	285,592	853,764	846,964
Operating expenses:				
Direct costs of revenue (exclusive of depreciation and amortization)	31,456	31,603	137,556	101,118
Costs from affiliates	30,187	39,868	87,443	111,534
Selling, general and administrative	28,238	22,338	89,949	70,059
Depreciation and amortization	83,232	83,312	252,383	255,521
Impairment of asset value			144,100	110,625
Losses on derivative financial instruments	19,608	16,128	11,800	43,606
Total operating expenses	192,721	193,249	723,231	692,463
Income from operations	76,202	92,343	130,533	154,501
Interest expense, net	44,871	44,782	142,692	136,844
Loss on early extinguishment of debt	(51)	(75,805)	(51)	(75,805)
Other income, net	607	1,435	3,178	2,801
Income (loss) before income taxes	31,887	(26,809)	(9,032)	(55,347)
Provision for (benefit from) income taxes	12,144	(30,943)	(2,629)	(42,638)
Net income (loss)	19,743	4,134	(6,403)	(12,709)
Net (income) loss attributable to noncontrolling interest		(22)		22
Net income (loss) attributable to Intelsat Corporation	\$ 19,743	\$ 4,112	\$ (6,403)	\$ (12,687)

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**INTELSAT CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2010
Cash flows from operating activities:		
Net loss	\$ (6,403)	\$ (12,709)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	252,383	255,521
Impairment of asset value	144,100	110,625
Provision for doubtful accounts	2,501	(69)
Foreign currency transaction gain	(1,799)	(695)
Deferred income taxes	(79,281)	(38,438)
Loss on disposal of assets	6,711	313
Share-based and other compensation expense	9,121	(1,765)
Amortization of discount and issuance costs	8,222	7,994
Unrealized (gains) losses on derivative financial instruments	(28,894)	22,627
Loss on early extinguishment of debt		73,247
Other non-cash items	(282)	2,226
Changes in operating assets and liabilities:		
Receivables	(15,100)	9,103
Prepaid expenses and other assets	28,114	20,857
Accounts payable and accrued liabilities	(50,552)	(16,154)
Due from affiliates	(10,226)	(27,812)
Accrued retirement benefits	2,384	(3,288)
Deferred gains and revenue	(10,277)	37,764
Other long-term liabilities	67,245	(12,316)
Net cash provided by operating activities	317,967	427,031
Cash flows from investing activities:		
Payments for satellites and other property and equipment (including capitalized interest)	(153,837)	(252,889)
Proceeds from sale of other property and equipment	128,648	
Capital contribution to unconsolidated affiliates	(12,210)	(12,209)
Other investing activities	5,437	9,585
Net cash used in investing activities	(31,962)	(255,513)
Cash flows from financing activities:		
Repayments of long-term debt	(67,815)	(738,004)
Dividends to shareholder	(71,594)	(71,611)
Payment of premium on early retirement of debt		(44,118)
Capital contribution from parent		834,000
Principal payments on deferred satellite performance incentives	(12,261)	(9,547)
Net cash used in financing activities	(151,670)	(29,280)

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Effect of exchange rate changes on cash and cash equivalents	1,799	695
Net change in cash and cash equivalents	136,134	142,933
Cash and cash equivalents, beginning of period	52,259	116,705
Cash and cash equivalents, end of period	\$ 188,393	\$ 259,638
Supplemental cash flow information:		
Interest paid, net of amounts capitalized	\$ 165,629	\$ 126,577
Income taxes paid, net	13,627	3,897
Supplemental disclosure of non-cash investing and financing activities:		
Accrued capital expenditures	\$ 13,365	\$ 25,833

See accompanying notes to unaudited condensed consolidated financial statements.

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INTELSAT CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) September 30, 2010

Note 1 General

Basis of Presentation

The accompanying condensed consolidated financial statements of Intelsat Corporation, formerly known as PanAmSat Corporation, and its subsidiaries (Intelsat Corp, PanAmSat, we, us or our) have not been audited, but are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. References to U.S. GAAP issued by the Financial Accounting Standards Board (FASB) in these footnotes are to the FASB Accounting Standards Codification (ASC or the Codification). The unaudited condensed consolidated financial statements include all adjustments (consisting only of normal and 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. The condensed consolidated balance sheet as of December 31, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 on file with the Securities and Exchange Commission. The term Intelsat refers to Intelsat S.A., our indirect parent company, and its subsidiaries on a consolidated basis after giving effect to the acquisition of PanAmSat Holding Corporation on July 3, 2006 referred to as the Intelsat Acquisition Transactions. The terms Holdco, PanAmSat Holdco and PanAmSat Holding Corp refer to our direct parent company, Intelsat Holding Corporation (formerly known as PanAmSat Holding Corporation), and not its subsidiaries.

On December 15, 2009, Intelsat, Ltd., our indirect parent, and certain of its parent holding companies and subsidiaries migrated their jurisdiction of organization from Bermuda to Luxembourg (the Migration). As a result of the Migration, Intelsat's headquarters are located in Luxembourg. Each company that migrated has continued its corporate and legal personality in Luxembourg. Subsequent to the Migration, Intelsat Global, Ltd. is known as Intelsat Global S.A. (Intelsat Global), Intelsat Global Subsidiary, Ltd. is known as Intelsat Global Subsidiary S.A., Intelsat Holdings, Ltd. is known as Intelsat Holdings S.A. (Intelsat Holdings), Intelsat, Ltd. is known as Intelsat S.A., Intelsat (Bermuda), Ltd. is known as Intelsat (Luxembourg) S.A. (Intelsat Luxembourg), Intelsat Jackson Holdings, Ltd. is known as Intelsat Jackson Holdings S.A., Intelsat Intermediate Holding Company, Ltd. is known as Intelsat Intermediate Holding Company S.A. and Intelsat Subsidiary Holding Company, Ltd. is known as Intelsat Subsidiary Holding Company S.A. (Intelsat Sub Holdco).

Use of Estimates

The preparation of these condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. Examples of estimates include the allowance for doubtful accounts, pension and postretirement benefits, the fair value of our derivative instruments, the fair value of share-based and other compensation awards, income taxes, useful lives of satellites, intangible assets and other property and equipment, the recoverability of goodwill and the fair value of non-amortizable intangible assets. Changes in such estimates may affect amounts reported in future periods.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

September 30, 2010

Recently Adopted Accounting Pronouncements

During the third quarter of 2009, the FASB issued Accounting Standards Update 2009-13 (EITF 08-1), *Multiple-Deliverable Revenue Arrangements* (ASU 2009-13). ASC Subtopic 605-25, *Revenue Recognition- Multiple-Element-Arrangements* (ASC Subtopic 605-25), sets forth requirements that must be met for an entity to recognize revenue from the sale of a delivered item that is part of a multiple-element arrangement when other items have not yet been delivered.

Historically, we have entered into contracts with customers to deliver multiple services such as tracking, telemetry and control (TT&C), satellite capacity and equipment. These elements usually have separate delivery dates. Under the previous guidance, in certain situations we deferred the revenue of all deliverables until the undelivered item had been provided because we were unable to demonstrate vendor-specific objective evidence (VSOE) or third-party evidence (TPE) for the undelivered items, primarily capacity. The arrangements with multiple deliverables are not common and are non-standard; therefore, they do not constitute a significant portion of the contracts entered into during a given year.

ASU 2009-13 amends ASC Subtopic 605-25 to eliminate the requirement that all undelivered elements must have VSOE or TPE before an entity can recognize the portion that is attributable to items already delivered. In the absence of VSOE or TPE of the stand-alone selling price for one or more delivered or undelivered elements in the arrangement, entities will be required to make a best estimate of the selling prices of those elements. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 with early adoption permitted.

We elected to early adopt ASU 2009-13 on a prospective basis, effective for the first quarter of 2010. The adoption of ASU 2009-13 did not have a material impact on our condensed consolidated statements of operations for the three and nine months ended September 30, 2010 and is not expected to significantly impact future periods.

Note 2 Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (FASB ASC 820), defines fair value, establishes a market-based framework or hierarchy for measuring fair value and provides for certain required disclosures about fair value measurements. The guidance is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value, but does not require any new fair value measurements.

The fair value hierarchy prioritizes the inputs used in valuation techniques into three levels as follows:

Level 1 unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted market prices that are observable or that can be corroborated by observable market data by correlation; and

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Level 3 unobservable inputs based upon the reporting entity's internally developed assumptions which market participants would use in pricing the asset or liability.

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INTELSAT CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

September 30, 2010

The following tables present assets and liabilities measured and recorded at fair value in our condensed consolidated balance sheets on a recurring basis and their level within the fair value hierarchy (in thousands), excluding long-term debt (see Note 8 Long-Term Debt):

Description	As of December 31, 2009	Fair Value Measurements at December 31, 2009	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets			
Marketable securities (1)	\$ 5,749	\$ 5,749	\$
Undesignated interest rate swap	15,662		15,662
Total assets	\$ 21,411	\$ 5,749	\$ 15,662
Liabilities			
Undesignated interest rate swap	\$ 67,461	\$	\$ 67,461
Total liabilities	\$ 67,461	\$	\$ 67,461

Description	As of September 30, 2010	Fair Value Measurements at September 30, 2010	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets			
Marketable securities (1)	\$ 5,702	\$ 5,702	\$
Total assets	\$ 5,702	\$ 5,702	\$
Liabilities			
Undesignated interest rate swap	\$ 88,363	\$	\$ 88,363
Total liabilities	\$ 88,363	\$	\$ 88,363

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- (1) The cost basis of our available-for-sale marketable securities was \$6.7 million at December 31, 2009 and \$6.3 million at September 30, 2010. We sold marketable securities with a cost basis of \$0.4 million during the nine months ended September 30, 2010 and recorded a gain on the sale which was included within other income, net in our condensed consolidated statement of operations. Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, such items are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances, such as if there is evidence of impairment.

The following table presents assets measured and recorded on a nonrecurring basis at fair value in our condensed consolidated balance sheets and their level within the fair value hierarchy (in thousands):

Description	Carrying Value As of September 30, 2010	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Total Losses
Long lived asset held and used	\$ 34,200	\$ 35,000	\$ 104,100

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INTELSAT CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

September 30, 2010

The fair value measurement of this long-lived asset was considered by us to be within Level 3 of the fair value hierarchy as the most significant inputs were derived utilizing our internally prepared budgets and forecast information, which we believe a market participant would use in pricing such an asset. The estimated fair value was determined based on a probability weighted discounted cash flow analysis and was discounted at an appropriate weighted average cost of capital. During the second quarter of 2010, this long-lived asset was written down to a fair value of \$35.0 million from its carrying value of \$139.1 million, and continues to be depreciated. In accordance with the FASB ASC Topic 360, Property, Plant and Equipment (FASB ASC 360), regarding the impairment or disposal of long-lived assets, we recorded an impairment charge of \$104.1 million, which was included in our condensed consolidated statements of operations for the nine months ended September 30, 2010 (see Note 5 Satellites and Other Property and Equipment).

Note 3 Share-Based and Other Compensation Plans

We maintain a variety of equity-based awards issued under the amended and restated Intelsat Global, Ltd. 2008 Share Incentive Plan (the 2008 Incentive Plan), which was adopted by the board of directors of Intelsat Global on May 6, 2009. The 2008 Incentive Plan provides for a variety of equity-based awards with respect to Class A common shares of Intelsat Global (the Class A Shares), and Class B common shares of Intelsat Global (the Class B Shares) and, together with the Class A Shares, the Common Shares), including non-qualified share options, incentive share options (within the meaning of Section 422 of the United States Internal Revenue Service Tax Code), restricted share awards, restricted share unit awards, share appreciation rights, phantom share awards and performance-based awards.

During the nine months ended September 30, 2010, Intelsat Global entered into share-based compensation arrangements (SCAs) permitting the purchase of 6,000 Class A shares on terms substantially similar to previous such grants. During the nine months ended September 30, 2010, Intelsat Global also cancelled 8,104 Class A rollover options and repurchased 5,075 Class A restricted shares and 6,413 vested Class B Shares. We recorded compensation expense of \$6.7 million during the nine months ended September 30, 2009, and a credit to compensation expense of \$1.8 million during the nine months ended September 30, 2010, related to our equity-based awards.

Note 4 Retirement Plans and Other Retiree Benefits

(a) Pension and Other Postretirement Benefits

We maintain a noncontributory defined benefit retirement plan covering substantially all of our employees hired prior to July 19, 2001. The cost of providing benefits to eligible participants under the defined benefit retirement plan is calculated using the plan's benefit formulas, which take into account the participants' remuneration, dates of hire, years of eligible service, and certain actuarial assumptions. In addition, as part of the overall medical plan, we provide postretirement medical benefits to certain current retirees who meet the criteria under the medical plan for postretirement benefit eligibility.

The defined benefit retirement plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. We expect that our future contributions to the defined benefit retirement plan will be based on the minimum funding requirements of the Internal Revenue Code and on the plan's funded status. Recent market conditions have resulted in an unusually high degree of volatility and increased risks related to the short-term liquidity of certain investments held by our defined benefit retirement plan, which could impact the value of the plan assets after the date of these condensed consolidated financial statements. Additionally, any significant decline in the fair value of our defined benefit retirement plan assets or other adverse changes to the significant assumptions used to determine the plan's funded status would negatively impact its funded status and could result in increased funding in future periods. The impact on the funded status as of October 1, the plan's

Table of Contents**INTELSAT CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED) (Continued)****September 30, 2010**

annual measurement date, is determined based upon market conditions in effect when we completed our annual valuation. During the nine months ended September 30, 2010, we made a contribution to the defined benefit retirement plan of \$7.2 million. In October 2010, we made an additional non-cash contribution of approximately \$2.2 million to the defined benefit retirement plan, whereby a credit was applied for this amount related to the defined benefit retirement plan's funding standard carryover balance. We do not anticipate any additional contributions to the defined benefit retirement plan during the remainder of 2010. We fund the postretirement medical benefits throughout the year based on benefits paid. We anticipate that our contributions to fund postretirement medical benefits in 2010 will be approximately \$0.3 million, which will be reimbursed by Intelsat Global Service Corporation, an indirect subsidiary of Intelsat S.A., pursuant to the indemnification provisions of the employee transfer agreement entered into at the time of the Intelsat Acquisition Transactions.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the Healthcare Reform Act), was signed into law in March 2010. The Healthcare Reform Act codifies health care reforms with staggered effective dates from 2010 to 2018 with many provisions in the Healthcare Reform Act requiring the issuance of additional guidance from various governmental agencies. We assessed the future impact of several of the Healthcare Reform Act's provisions on our other postretirement benefit liability and determined that as of September 30, 2010 the impact to our condensed consolidated balance sheets and condensed consolidated statements of operations would be immaterial. Given the complexity of the Healthcare Reform Act, the extended time period over which the reforms will be implemented, and the unknown impact of future regulatory guidance, further financial impact to our other postretirement benefit liability and related future expense may occur.

Included in accumulated other comprehensive loss at September 30, 2010 is \$102.6 million (\$64.2 million, net of tax) that has not yet been recognized in net periodic pension cost, which includes the amortization of unrecognized prior service credits and unrecognized actuarial losses.

Net periodic pension benefit costs included the following components (in thousands):

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2010
Service cost	\$ 694	\$ 726	\$ 2,081	\$ 2,179
Interest cost	5,176	5,221	15,529	15,661
Expected return on plan assets	(5,143)	(4,855)	(15,429)	(14,566)
Amortization of unrecognized prior service cost	(43)	(43)	(129)	(129)
Amortization of unrecognized net loss		910		2,731
Net periodic costs	\$ 684	\$ 1,959	\$ 2,052	\$ 5,876

Net periodic other postretirement benefit costs included the following components (in thousands):

Three Months Ended September 30,	Three Months Ended September 30,	Nine Months Ended September 30,	Nine Months Ended September 30,
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	2009	2010	2009	2010
Service cost	\$ 136	\$ 102	\$ 408	\$ 307
Interest cost	133	131	400	393
Total costs	\$ 269	\$ 233	\$ 808	\$ 700

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We maintain two defined contribution retirement plans, qualified under the provisions of Section 401(k) of the Internal Revenue Code, for our employees in the United States. We recognized compensation expense for these plans of \$5.9 million and \$3.9 million during the nine months ended September 30, 2009 and 2010, respectively. We also maintain other defined contribution retirement plans in several non-U.S. jurisdictions, but such plans are not material to our financial position or results of operations.

Note 5 Satellites and Other Property and Equipment***(a) Satellites and Other Property and Equipment, Net***

Satellites and other property and equipment, net were comprised of the following (in thousands):

	As of December 31, 2009	As of September 30, 2010
Satellites and launch vehicles	\$ 2,663,834	\$ 2,749,625
Information systems and ground segment	152,969	174,869
Buildings and other	100,421	101,370
Total cost	2,917,224	3,025,864
Less: accumulated depreciation	(524,227)	(687,720)
Total	\$ 2,392,997	\$ 2,338,144

Satellites and other property and equipment are stated at cost, with the exception of satellites that have been impaired, as discussed below. Satellites and other property and equipment acquired as part of an acquisition are based on their fair value at the date of acquisition.

Satellites and other property and equipment, net as of December 31, 2009 and September 30, 2010 included construction-in-progress of \$89.3 million and \$329.7 million, respectively. These amounts relate primarily to satellites under construction and related launch services. Interest costs of \$10.5 million and \$9.0 million were capitalized during the nine months ended September 30, 2009 and 2010, respectively.

We have entered into launch contracts for the launch of both specified and unspecified future satellites. Each of these launch contracts provides that such contract may be terminated at our option, 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, we may exercise our right to obtain a replacement launch within a specified period following our request for re-launch.

(b) Impairment of Asset Value

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On February 1, 2010 our IS-4 satellite experienced an anomaly of its backup satellite control processor (SCP). The anomaly has caused this satellite to be deemed unrecoverable, resulting in a net non-cash impairment charge in February 2010 of \$6.5 million to write off the remaining carrying value of the IS-4 satellite, which was not insured, and related deferred performance incentive obligations. Launched in 1995, IS-4 was expected to reach its end of service life later in 2010. IS-4 had previously experienced the failure of its primary SCP and was operating on its backup SCP.

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September 30, 2010

On April 5, 2010, our Galaxy 15 satellite experienced an anomaly. We transitioned all media traffic on this satellite to our Galaxy 12 satellite, which was our designated in-orbit spare satellite for the North America region. Galaxy 15 is a Star-2 satellite manufactured by Orbital Sciences Corporation (Orbital). Along with the manufacturer, we are conducting a technical investigation with respect to this anomaly. As of September 30, 2010, a final conclusion had not been reached as to the most likely cause of the anomaly. All recovery attempts thus far have been unsuccessful, and the likelihood that future attempts will be successful is uncertain. Furthermore, because we have been unable to communicate with the satellite since the anomaly, the exact health of Galaxy 15 is unknown and therefore there can be no assurance that the satellite can return to its pre-anomaly role in our satellite fleet should it be recovered.

In accordance with our policy and the guidance provided for under FASB ASC Topic 360, *Property, Plant and Equipment*, we review our long-lived assets for impairment whenever events and circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. The recoverability of an asset or asset group held and used is measured by a comparison of the carrying amount of the asset or asset group to the estimated undiscounted future cash flows expected to be generated by the asset or asset group. When a satellite experiences an anomaly or other health related issues, we believe the lowest level of identifiable cash flows exists at the individual satellite level. Accordingly, in the second quarter of 2010, we performed an impairment review of our Galaxy 15 satellite and recorded a non-cash impairment charge of \$104.1 million to write down the Galaxy 15 satellite to its estimated fair value following the anomaly. The estimated fair value of Galaxy 15 was determined by us based on a probability-weighted cash flow analysis derived primarily using our internally prepared budgets and forecast information including estimates of the potential revenue generating capacity of the satellite, if recovered, discounted at an appropriate weighted average cost of capital. Our analysis included an estimate of the likelihood of recovery of the satellite, based in part on discussions with Orbital and input from our engineers. In the event that remaining attempts to recover the Galaxy 15 satellite are unsuccessful, we may be required to take additional charges for impairment, including the possible full impairment of the remaining carrying value of the satellite, which was \$34.2 million at September 30, 2010. All attempts to recover this satellite are currently expected to be completed within the next several months.

Note 6 Investments

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS No. 167). Subsequent to the issuance of the accounting pronouncement, SFAS No. 167 was incorporated into the Codification under FASB ASC Topic 810, *Consolidations* (FASB ASC 810). FASB ASC 810 is intended to revise the previous methodology used to determine the primary beneficiary of a Variable Interest Entity (VIE). Historically, the analysis was primarily quantitative and contained certain considerations of qualitative factors. FASB ASC 810 eliminates the quantitative approach for determining the primary beneficiary of a VIE and revises the guidance to employ a more qualitative approach to analyzing a VIE, including consideration of the substance of the VIE as well as assessing the underlying factors driving the economics of the VIE. Additionally, the revised guidance requires an ongoing assessment of whether an entity is the primary beneficiary and includes additional disclosure requirements, which are included below, including further description and explanation as to how an entity determined the primary beneficiary of the VIE. Under FASB ASC 810, the primary beneficiary is the entity that consolidates a VIE. We adopted FASB ASC 810 in the first quarter of 2010.

During 2009 and 2010 we had ownership interests in a number of entities which met the criteria of a VIE, including Horizons-1, Horizons-2 and WP Com, which are further discussed below, including our analyses of the primary beneficiary determination as required under FASB ASC 810.

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(UNAUDITED) (Continued)

September 30, 2010

(a) Horizons-1 and Horizons-2

We have a joint venture with JSAT International, Inc. (JSAT), a leading satellite operator in the Asia-Pacific region. The joint venture is named Horizons Satellite Holdings, LLC (Horizons Holdings), and consists of two investments: Horizons-1 Satellite LLC (Horizons-1) and Horizons-2 Satellite LLC (Horizons-2). We provide certain services to the joint venture and utilize capacity from the joint venture.

In accordance with the guidance provided under FASB ASC 810, we are required to reassess the primary beneficiary determination of Horizons Holdings on a recurring basis, as well as consider more qualitative factors when considering the primary beneficiary. Upon inception of the joint venture, we originally concluded that we were not the primary beneficiary of the joint venture and therefore did not consolidate Horizons Holdings. The assessment considered both quantitative and qualitative factors surrounding the joint venture, including which entity was more exposed to risk of loss or gain as well as other factors such as whether one partner of the joint venture had more voting power or other control of the joint venture. Horizons Holdings is set up with a joint 50/50 share of management authority as well as an equal share of the profits and revenues from Horizons-1 and Horizons-2. Therefore the equal share of quantitative and qualitative rights from the joint venture alone was not persuasive in defining a primary beneficiary. However, JSAT guarantees the payment of the debt at Horizons Holdings which was incurred to finance the construction of the Horizons-2 satellite. As a result, it was determined that we were not the primary beneficiary and would not consolidate Horizons Holdings. Rather, our investment is accounted for using the equity method of accounting. Subsequent to inception, and considering the guidance in FASB ASC 810, there have been no events or revisions to the joint venture which would change our primary beneficiary determination. As of September 30, 2010, we continue to believe that we are not the primary beneficiary of the VIE and therefore we have not consolidated Horizons Holdings.

Horizons-1 owns and operates the Ku-band portion of the Horizons-1 satellite in the fixed satellite services sector, offering service to customers in the Asia-Pacific region. Through our investment in Horizons Holdings, we have an indirect 50% ownership interest in Horizons-1, an investment which is accounted for under the equity method of accounting. Our share of the results of Horizons-1 is included in other income, net in the accompanying condensed consolidated statements of operations and was income of \$0.1 million during each of the nine months ended September 30, 2009 and 2010. The investment balance of \$12.6 million and \$10.4 million as of December 31, 2009 and September 30, 2010, respectively, was included within other assets in the accompanying condensed consolidated balance sheets.

During each of the nine months ended September 30, 2009 and 2010, we recorded expenses of \$2.8 million in relation to the utilization of Ku-band satellite capacity from Horizons-1. Additionally, we provide TT&C and administrative services for the Horizons-1 satellite. We recorded revenue for these services of \$0.5 million during each of the nine months ended September 30, 2009 and 2010.

We also have a revenue share agreement with JSAT related to services sold on the Horizons-1 satellite. We are responsible for the billing and collecting for all such services sold, but recognize revenue on a net basis. The payable due to JSAT was \$1.8 million as of December 31, 2009 and September 30, 2010.

On August 1, 2005, we formed a second satellite joint investment with JSAT to build and launch a Ku-band satellite, Horizons-2. The Horizons-2 satellite was launched in December 2007 and placed into service in February 2008. Similar to the Horizons-1 joint venture, we share an indirect 50/50 ownership and voting interest in Horizons-2 with JSAT through our investment in Horizons Holdings. However, unlike Horizons-1, JSAT guarantees the payment of debt for the Horizons-2 joint venture.

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INTELSAT CORPORATION

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September 30, 2010

The total future joint investment obligation in Horizons-2 is estimated to be \$100.7 million as of September 30, 2010, of which each of the joint venture partners is required to fund their 50% share. Our share of the results of Horizons-2 is included in other income, net in the accompanying condensed consolidated statements of operations and was income of \$0.3 million and \$0.2 million during the nine months ended September 30, 2009 and 2010, respectively. As of December 31, 2009 and September 30, 2010, the investment balance of \$75.3 million and \$71.8 million, respectively, was included within other assets in the accompanying condensed consolidated balance sheets.

In connection with our investment in Horizons-2, we entered into a capital contribution and subscription agreement in August 2005, which requires us to fund our 50% share of the amounts due under Horizons-2's loan agreement with a third-party lender. Pursuant to this agreement, we made contributions of \$12.2 million during each of the nine months ended September 30, 2009 and 2010. We have entered into a security and pledge agreement with a third-party lender and, pursuant to this agreement, granted a security interest in our contribution obligation to the lender. Therefore, we have recorded this obligation as an indirect guarantee. We recorded a liability of \$12.2 million within accrued liabilities as of December 31, 2009 and September 30, 2010, and a liability of \$48.8 million and \$36.6 million within other long-term liabilities as of December 31, 2009 and September 30, 2010, respectively, in the accompanying condensed consolidated balance sheets.

We provide TT&C and administrative services for the Horizons-2 satellite. We recorded revenue for these services of \$0.6 million during each of the nine months ended September 30, 2009 and 2010. During the nine months ended September 30, 2009 and 2010, we recorded expenses of \$5.3 million and \$5.1 million, respectively, in relation to the utilization of satellite capacity for the Horizons-2 satellite.

We also have a revenue share agreement with JSAT related to services sold on the Horizons-2 satellite. We are responsible for the billing and collecting for all such services sold, but recognize revenue on a net basis. The amount payable to JSAT was \$1.8 million and \$1.7 million as of December 31, 2009 and September 30, 2010, respectively.

(b) WP Com

We have formed a joint venture with Corporativo W. Com S. de R.L. de C.V. (Corporativo) named WP Com, S. de R.L. de C.V. (WP Com). We own 49% of the voting equity shares and 88% of the economic interest in WP Com and Corporativo owns the remaining 51% of the voting equity shares. PanAmSat de Mexico, S. de R.L. de C.V. (PAS de Mexico) is a subsidiary of WP Com, 99.9% of which is owned by WP Com, with the remainder of the equity interest split between us and Corporativo. We formed WP Com to enable us to operate in Mexico, and PAS de Mexico acts as a reseller of our satellite services to customers in Mexico. Profits and losses of WP Com are allocated to the joint venture partners based upon the voting equity shares.

We have determined that this joint venture meets the criteria of a VIE under FASB ASC 810. In accordance with FASB ASC 810, we evaluated this joint venture to determine the primary beneficiary. We have concluded that we are the primary beneficiary because we influence the underlying business drivers of PAS de Mexico, including by acting as the sole provider for satellite services that PAS de Mexico resells. Furthermore, we have modified our pricing for these services to ensure that PAS de Mexico continues to operate in the Mexican market. Corporativo does not fund any of the operating expenses of PAS de Mexico. Thus, we have consolidated WP Com within our condensed consolidated financial statements and we have accounted for the percentage interest in the voting equity of WP Com owned by Corporativo as a noncontrolling interest, which is included in the equity section of our condensed consolidated balance sheet in accordance with FASB ASC 810.

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The carrying amounts of goodwill and acquired intangible assets not subject to amortization consist of the following (in thousands):

	As of December 31, 2009	As of September 30, 2010
Goodwill	\$ 3,346,662	\$ 3,346,662
Trade name	21,970	21,970
Orbital locations	631,000	631,000

We determine the estimated fair value of our rights to operate at orbital locations using the build up method, as described below, to determine the cash flows for the income approach, with the resulting projected cash flows discounted at an appropriate weighted average cost of capital. In instances where the build up method does not generate positive value for the right to operate at an orbital location, but the right is expected to generate revenue, we assigned a value based upon independent source data for recent transactions of similar orbital locations.

Under the build up method, the amount an investor would be willing to pay for the right to operate a satellite business at an orbital location within our network is calculated by first estimating the cash flows that typical market participants would assume could be available from the right to operate satellites using the orbital locations in a similar market. It is assumed that rather than acquiring such a business, the buyer would hypothetically start with the right to operate at the orbital locations and build a new operation with similar attributes. Thus the buyer or builder is considered to incur the start-up costs and losses typically associated with such a business, including costs for all other tangible and intangible assets.

We account for goodwill and other non-amortizable intangible assets in accordance with FASB ASC Topic 350, *Intangibles Goodwill and Other* (FASB ASC 350), and have deemed these assets to have indefinite lives. Therefore, these assets are not amortized but are tested on an annual basis for impairment during the fourth quarter, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. During the nine months ended September 30, 2009, we recognized a non-cash impairment charge of \$144.1 million related to the impairment of our rights to operate at orbital locations resulting from an increase in the discount rate used in our valuation process. There was no similar impairment charge recognized during the nine months ended September 30, 2010.

The carrying amount and accumulated amortization of acquired intangible assets subject to amortization consist of the following (in thousands):

	As of December 31, 2009			As of September 30, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Backlog and other	\$ 394,970	\$ (107,135)	\$ 287,835	\$ 394,970	\$ (143,953)	\$ 251,017
Customer relationships	204,920	(4,840)	200,080	204,920	(8,965)	195,955
Total	\$ 599,890	\$ (111,975)	\$ 487,915	\$ 599,890	\$ (152,918)	\$ 446,972

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Intangible assets are amortized based on the expected pattern of consumption. We recorded amortization expense of \$42.5 million and \$40.9 million for the nine months ended September 30, 2009 and 2010, respectively.

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In the first quarter of 2009, the FASB revised FASB ASC 350 to provide additional guidance for determining the useful life of intangible assets. The revised guidance provides that we are required to disclose on an interim and annual basis our policy related to the renewal or extension of the term of our intangible assets. Our policy is to expense all costs incurred to renew or extend the terms of our intangible assets. The renewal expenses for each of the three and nine months ended September 30, 2009 and 2010 were immaterial to our condensed consolidated results of operations.

Note 8 Long-Term Debt

The carrying values and fair values of our notes payable and long-term debt were as follows (in thousands):

	As of December 31, 2009		As of September 30, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Secured Credit Facilities due January 2014	\$ 1,733,391	\$ 1,630,427	\$ 1,719,989	\$ 1,653,597
Unamortized discount on Senior Secured Credit Facilities	(10,785)		(8,982)	
Senior Secured Credit Facilities due July 2012	204,648	195,644	151,261	148,433
9.25% Senior Notes due August 2014	658,119	676,217	111,833	115,188
9.25% Senior Notes due June 2016	580,719	599,592	580,719	618,466
6.875% Secured Senior Debentures due January 2028	125,000	104,688	71	85
Unamortized discount on 6.875% Senior Secured Debentures	(24,369)			
Total Intelsat Corp consolidated long-term debt	3,266,723	\$ 3,206,568	2,554,891	\$ 2,535,769
Less: current portion of long-term debt	89,051		89,051	
Total consolidated long-term debt, excluding current portion	\$ 3,177,672		\$ 2,465,840	

The fair value for publicly traded instruments is determined using quoted market prices and, for non-publicly traded instruments, fair value is based upon composite pricing from a variety of sources, including market leading data providers, market makers, and leading brokerage firms. Substantially all of the inputs used to determine the fair value are classified as Level 1 inputs within the fair value hierarchy from FASB ASC 820 except our senior secured credit facilities, the inputs for which are classified as Level 2.

Senior Secured Revolving Credit Facility

No amounts were outstanding under the revolving credit facility as of September 30, 2010; however, \$1.7 million in letters of credit were issued and outstanding under the facility. The borrowing availability under the revolving credit facility was \$152.5 million at September 30, 2010.

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2010 Tender Offers and Consent Solicitations

On September 30, 2010, we purchased \$546.3 million of our outstanding 9 ¹/₄% Senior Notes due 2014 (the 2014 Corp Notes) for \$571.7 million and \$124.9 million of our outstanding 6 ⁷/₈% Senior Secured Debentures due 2028 (the 2028 Corp Notes) for \$151.7 million, pursuant to cash tender offers (the Tender Offers). In connection with the Tender Offers, we received the consent of the holders of the 2014 Corp Notes and the 2028 Corp Notes to amend the indentures governing these notes, among other things, to eliminate substantially all of the restrictive covenants, certain events of default and certain other provisions contained in the indentures.

The Tender Offers were funded through an \$834.0 million capital contribution from our direct parent, Intelsat Holding Corporation, which received a majority of the proceeds of an offering by our indirect parent, Intelsat Jackson, of \$1.0 billion aggregate principal amount of 7 ¹/₄% Senior Notes due 2020, completed on September 30, 2010, together with cash on hand.

After giving effect to the Tender Offers, approximately \$109.6 million of cash from the capital contribution remained available for general corporate purposes, which could include the repayment, redemption, retirement or repurchase in the open market of other indebtedness of Intelsat Corp.

Note 9 Derivative Instruments and Hedging Activities

Interest Rate Swaps

We are subject to interest rate risk primarily associated with our variable rate borrowings. Interest rate risk is the risk that changes in interest rates could adversely affect earnings and cash flows. Specific interest rate risk includes: the risk of increasing interest rates on short-term debt; the risk of increasing interest rates for planned new fixed long-term financings; and the risk of increasing interest rates for planned refinancing using long-term fixed rate debt. In order to mitigate this risk, we have entered into interest rate swap agreements to reduce the impact of interest rate movements on future interest expense by converting substantially all of our floating-rate debt to a fixed rate.

As of September 30, 2010, we held interest rate swaps with an aggregate notional amount of \$1.3 billion which mature in 2013. These swaps were entered into as further described below to economically hedge the variability in cash flow on a portion of the floating-rate term loans under our senior secured credit facilities, but have not been designated as hedges for accounting purposes. On a quarterly basis, we receive a floating rate of interest equal to the three-month London Interbank Offered Rate and pay a fixed rate of interest. Certain of the interest rate swap agreements had options permitting us to terminate the underlying interest rate swaps on March 14, 2011, prior to the stated maturity date of March 14, 2013. On July 23, 2010, we received \$31.8 million in cash from our counterparties to the respective interest rate swap agreements in return for the cancellation of our options to terminate the underlying interest rate swaps on March 14, 2011.

On March 15, 2010, our interest rate swap with an aggregate notional principal amount of \$312.5 million matured. On March 14, 2010, our five-year interest rate swap to hedge interest expense on a notional amount of \$625.0 million (originally \$1.25 billion of debt, and reduced under the original terms of the swap agreement) expired.

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

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The swaps are marked-to-market quarterly, with any change in fair value recorded within (gains) losses on derivative financial instruments in our condensed consolidated statements of operations. We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements of our derivatives. The fair value measurement of derivatives could result in either a net asset or a net liability position for us. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting arrangements as applicable and necessary. When the swaps are in a net liability position for us, the credit valuation adjustments are calculated by determining the total expected exposure of the derivatives, incorporating the current and potential future exposures and then applying an applicable credit spread to the exposure. The total expected exposure of a derivative is derived using market-observable inputs, such as yield curves and volatilities. The inputs utilized for our own credit spread are based on implied spreads from traded levels of our debt. Accordingly, during the nine months ended September 30, 2010, we recorded a non-cash credit valuation adjustment of approximately \$4.6 million as a reduction to our liability.

As of December 31, 2009 and September 30, 2010, \$9.5 million and \$2.0 million was included in other current liabilities, respectively, and \$42.3 million and \$86.4 million was included in deferred credits and other long-term liabilities, respectively, within our condensed consolidated balance sheets related to the interest rate swaps.

In accordance with disclosure requirements provided under FASB ASC Topic 815, *Derivatives and Hedging*, we include the following tabular presentation, which sets forth the fair value of our derivatives by category (in thousands):

Derivatives not designated as hedging instruments	Balance Sheet Location	Asset Derivatives		Liability Derivatives	
		December 31, 2009	September 30, 2010	December 31, 2009	September 30, 2010
Undesignated interest rate swaps (a)	Deferred credits and other long-term liabilities	\$ 15,662	\$	\$ 57,941	\$ 86,378
Undesignated interest rate swaps	Other current liabilities			9,520	1,985
Total derivatives		\$ 15,662	\$	\$ 67,461	\$ 88,363

- (a) The value of undesignated interest rate swaps on our condensed consolidated balance sheet at December 31, 2009 is net of \$15.7 million, which represents the fair value of options permitting us to terminate certain swaps. The fair value of these options is classified as an asset derivative in the table above. In the third quarter of 2010, these options were cancelled, as discussed above. As of September 30, 2010, there are no asset derivatives included within our condensed consolidated balance sheets.

Note 10 Income Taxes

We are included within Intelsat Holding Corporation's consolidated federal and state tax returns as a consolidated member. Accordingly, we account for income taxes using the separate return method pursuant to FASB ASC Topic 740, *Income Taxes*. Our obligations under the separate return method are offset in the consolidated Intelsat Holding Corporation federal tax return by the cumulative tax benefit from net operating losses generated by Intelsat Holding Corporation and are classified as long-term taxes payable, net of current portion in our condensed consolidated balance sheets.

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As of December 31, 2009 and September 30, 2010, our gross unrecognized tax benefits were \$48.6 million and \$32.0 million, respectively (including interest and penalties), of which \$37.6 million and \$19.8 million, respectively, if recognized, would affect our effective tax rate. As of December 31, 2009 and September 30, 2010, we had recorded reserves for interest and penalties in the amount of \$2.8 million and \$4.5 million, respectively. We continue to recognize interest and, to the extent applicable, penalties with respect to the unrecognized tax benefits as income tax expense. Since December 31, 2009, the change in the balance of unrecognized tax benefits consisted of an increase of \$2.4 million related to current period positions, a decrease of \$20.7 million related to prior period tax positions, and an increase related to prior period positions of \$1.7 million.

We operate in various taxable jurisdictions throughout the world and our tax returns are subject to audit and review from time to time. We consider the United States to be our significant tax jurisdiction. Our U.S. subsidiaries are subject to federal, state and local income tax examination for periods beginning after December 31, 2006. Within the next twelve months, we believe that there are no jurisdictions in which the outcome of unresolved tax issues or claims is likely to be material to our results of operations, financial position or cash flows.

During the third quarter of 2010, the United States Internal Revenue Service closed an audit of our federal income tax returns for the years ended December 31, 2005 and 2006. None of the proposed adjustments had a material impact on our results of operations, financial position or cash flows.

Prior to August 20, 2004, PanAmSat joined with The DIRECTV Group and General Motors Corporation in filing a consolidated U.S. Federal income tax return. In April 2004, PanAmSat entered into a tax separation agreement with The DIRECTV Group that superseded four earlier tax-related agreements among PanAmSat and its subsidiaries, The DIRECTV Group and certain of its affiliates. Pursuant to the tax separation agreement, The DIRECTV Group agreed to indemnify PanAmSat for all federal and consolidated state and local income taxes a taxing authority may attempt to collect from PanAmSat regarding any liability for the federal or consolidated state or local income taxes of General Motors Corporation and The DIRECTV Group, except those income taxes PanAmSat 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 the 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, of which \$4.0 million has been paid to date. The tax separation agreement with The DIRECTV Group is 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. As of December 31, 2009 and September 30, 2010, we had a tax indemnification receivable of \$2.3 million.

Note 11 Restructuring Costs

Our restructuring costs include our historical facilities restructuring plans and management approved restructuring plans to consolidate and integrate the management and operations of Intelsat and PanAmSat subsequent to consummation of the Intelsat Acquisition Transactions.

We approved a facilities restructuring plan subsequent to the consummation of the Intelsat Acquisition Transactions, which included the closure of our former corporate headquarters in Wilton, Connecticut, as well as two other locations in the United States. These costs relate primarily to payments due on existing lease obligations that are expected to be incurred and paid through 2011. We also had recorded liabilities in connection with our 2002

Table of Contents**INTELSAT CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED) (Continued)****September 30, 2010**

approval of a plan to restructure several of our United States locations and close certain facilities, some of which are currently being leased through 2011. The facilities restructuring liability was \$2.9 million and \$1.5 million as of December 31, 2009 and September 30, 2010, respectively, the current portion of which is included in accounts payable and accrued liabilities. We made cash payments of \$1.2 million during the nine months ended September 30, 2010 in connection with the facilities restructuring plan and we expect to pay \$1.5 million within the next 12 months. No additional charges related to the facilities restructuring plan are expected to be incurred.

Note 12 Contingencies

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

Note 13 Business and Geographic Segment Information

We operate in a single industry segment, in which we provide satellite services to our communications customers around the world. Revenue by region is based on the locations of customers to which services are billed. Revenue from affiliates is included in the North America region. Our satellites are in geosynchronous orbit, and consequently are not attributable to any geographic location. Of our remaining assets, substantially all are located in the United States.

We earn revenue primarily by providing services over satellite transponder capacity to our customers. Our customers generally obtain satellite capacity from us by placing an order pursuant to one of several master customer service agreements. Our customer agreements also cover services that we procure from third parties and resell, which we refer to as off-network services. These services can include transponder services and other satellite-based transmission services in frequencies not available on our network. Under the category off-network and other revenues, we also include revenues from consulting and other services that we provide to other satellite operators.

The geographic distribution of our revenue was as follows:

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2010
North America	68%	70%
Latin America and Caribbean	13%	14%
Africa and Middle East	8%	8%
Asia Pacific	6%	5%
Europe	5%	3%

Approximately 12% of our transponder services, satellite-related services and other revenue was derived from our largest customer during each of the three months ended September 30, 2009 and 2010. Our ten largest customers accounted for approximately 44% and 45% of our transponder services, satellite-related services and other revenue for the three months ended September 30, 2009 and 2010, respectively.

Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2010
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North America	69%	71%
Latin America and Caribbean	11%	13%
Africa and Middle East	8%	8%
Asia Pacific	8%	5%
Europe	4%	3%

Table of Contents**INTELSAT CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED) (Continued)****September 30, 2010**

Approximately 11% and 12% of our transponder services, satellite-related services and other revenue was derived from our largest customer during the nine months ended September 30, 2009 and 2010, respectively. Our ten largest customers accounted for approximately 47% and 45% of our transponder services, satellite-related services and other revenue for the nine months ended September 30, 2009 and 2010, respectively.

Our revenues were derived from the following services, with Off-network and Other Revenues shown separately from On-Network Revenues (in thousands, except percentages):

	Three Months Ended September 30, 2009		Three Months Ended September 30, 2010		Nine Months Ended September 30, 2009		Nine Months Ended September 30, 2010	
On-Network Revenues								
Transponder services	\$ 177,352	66%	\$ 181,350	63%	\$ 536,258	63%	\$ 536,048	63%
Managed services	18,328	7%	19,390	7%	52,250	6%	60,183	7%
Total on-network revenues	195,680	73%	200,740	70%	588,508	69%	596,231	70%
Off-Network and Other Revenues	5,533	2%	7,606	3%	61,015	7%	18,870	3%
Total transponder services, satellite-related services and other	201,213	75%	208,346	73%	649,523	76%	615,101	73%
Revenue from affiliates	67,710	25%	77,246	27%	204,241	24%	231,863	27%
Total	\$ 268,923	100%	\$ 285,592	100%	\$ 853,764	100%	\$ 846,964	100%

Note 14 Related Party Transactions**(a) Shareholders Agreements and Ownership of Intelsat Global by Management**

The shareholders of Intelsat Global entered into a shareholders agreement on February 4, 2008. The shareholders agreement and the articles of incorporation of Intelsat Global provide, among other things, for the governance of Intelsat Global and its subsidiaries and provide specific rights to and limitations upon the holders of Intelsat Global's share capital with respect to shares held by such holders.

Certain directors, officers and key employees of Intelsat Corp and its subsidiaries hold restricted shares, options and SCAs of Intelsat Global (see Note 3 Share-based and Other Compensation Plans).

(b) Transactions with Affiliates

Following the Intelsat Acquisition Transactions, substantially all of the direct and indirect subsidiaries of Intelsat Holdings, including us and PanAmSat Holdco, entered into a master intercompany services agreement (the "MISA") pursuant to which these entities provide services to each other. In each case, services are provided on terms that we believe are not materially more or 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. The MISA may be amended from time to time as

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required for changes in services or pricing.

For the nine months ended September 30, 2009 and 2010, we recorded revenue of \$112.0 million and \$140.5 million, respectively, related to capacity purchased from us by other subsidiaries of Intelsat Holdings.

For the nine months ended September 30, 2009 and 2010, we recorded revenue of \$92.2 million and \$91.4 million, respectively, related to services we provided to other subsidiaries of Intelsat Holdings in accordance with the MISA.

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INTELSAT CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

September 30, 2010

For the nine months ended September 30, 2009 and 2010, we recognized \$56.4 million and \$83.5 million, respectively, of costs from affiliates related to capacity we purchased from other subsidiaries of Intelsat Holdings.

For the nine months ended September 30, 2009 and 2010, we recognized \$31.1 million and \$28.0 million, respectively, of costs from affiliates related to services provided to us by other subsidiaries of Intelsat Holdings in accordance with the MISA.

As of December 31, 2009 and September 30, 2010, we had a net receivable of \$132.3 million and \$158.1 million, respectively, from subsidiaries of Intelsat Holdings.

(c) Capital Contribution from Parent

We received an \$834.0 million capital contribution from our parent company, Intelsat Holding Corporation, during the three months ended September 30, 2010, which represents the transfer of a majority of the proceeds of an offering by our indirect parent, Intelsat Jackson, of \$1.0 billion aggregate principal amount at maturity of 7 1/4% Senior Notes due 2020, completed on September 30, 2010 (see Note 8 Long Term Debt 2010 Tender Offers and Consent Solicitations).

(d) Horizons

We have a 50% ownership interest in Horizons-1 and Horizons-2 as a result of a joint venture with JSAT (see Note 6 Investments).

(e) WP Com

We have a 49% ownership interest in WP Com as a result of a joint venture with Corporativo (see Note 6 Investments).

(f) Purchase of Intelsat 21 Satellite

On June 30, 2010, we entered into an agreement with Intelsat LLC whereby Intelsat LLC assigned to us its rights under a contract for the construction of the Intelsat 21 satellite in exchange for \$46.7 million in cash and our assumption of the remaining obligations under the contract.

Note 15 Dividends

On June 11, 2010 our board of directors declared and paid a cash dividend to Intelsat Holding Corporation of approximately \$71.6 million.

On May 14, 2009 our board of directors declared a cash dividend to Intelsat Holding Corporation of approximately \$71.6 million, which was paid on June 12, 2009.

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

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and their notes included elsewhere in this Quarterly Report. 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.

Overview

We operate as a fully integrated subsidiary of Intelsat S.A., our indirect parent. Our combined company operates the world's largest fixed satellite services business, providing a critical layer in the global communications infrastructure. We provide our infrastructure services on a satellite fleet comprised of over 20 satellites that are integrated with satellites owned by other subsidiaries of Intelsat S.A. for a combined fleet of over 50 satellites covering 99% of the earth's populated regions. Our satellite capacity is complemented by IntelsatONESM, a terrestrial network comprised of leased fiber optic cable and owned and operated teleports. Our combined company operates more satellite capacity in orbit, has more satellite capacity under contract, serves more commercial customers and delivers services in more countries than any other commercial satellite operator.

Results of Operations**Three Months Ended September 30, 2009 and 2010**

The following table sets forth our comparative statements of operations for the periods shown with the increase (decrease) and percentage changes, except those deemed not meaningful (NM), between the periods presented (in thousands, except percentages):

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2010	Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009 Increase (Decrease)	Percentage Change
Revenue				
Transponder services, satellite-related services and other	\$ 201,213	\$ 208,346	\$ 7,133	4%
Revenue from affiliates	67,710	77,246	9,536	14
Total revenue	268,923	285,592	16,669	6
Operating expenses:				
Direct costs of revenue (exclusive of depreciation and amortization)	31,456	31,603	147	0
Costs from affiliates	30,187	39,868	9,681	32
Selling, general and administrative	28,238	22,338	(5,900)	(21)
Depreciation and amortization	83,232	83,312	80	0
Losses on derivative financial instruments	19,608	16,128	(3,480)	(18)
Total operating expenses	192,721	193,249	528	0
Income from operations	76,202	92,343	16,141	21
Interest expense, net	44,871	44,782	(89)	(0)
Loss on early extinguishment of debt	(51)	(75,805)	(75,754)	NM
Other income, net	607	1,435	828	NM

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Income (loss) before income taxes	31,887	(26,809)	(58,696)	NM
Provision for (benefit from) income taxes	12,144	(30,943)	(43,087)	NM
Net income	19,743	4,134	(15,609)	(79)%
Net income attributable to noncontrolling interest		(22)	(22)	NM
Net income attributable to Intelsat Corporation	\$ 19,743	\$ 4,112	\$ (15,631)	(79)%

Table of Contents***Revenue***

We earn revenue primarily by providing services over satellite transponder capacity to our customers. We also earn revenue from affiliates pursuant to a master intercompany services agreement (the MISA) for services performed and for capacity on our satellites that is sold by other subsidiaries of Intelsat Holdings. Our third-party customers generally obtain satellite capacity from us by placing an order pursuant to one of several master customer service agreements. Our customer agreements also cover services that we procure from third parties (other than affiliates) and resell, which we refer to as off-network services. These services can include transponder services and other satellite-based transmission services sourced from other operators often in frequencies not available on our network. Under the category Off-Network and Other Revenues, we also include revenues from consulting and other services, as well as sales of customer premises equipment.

The following table sets forth our comparative revenue by service type, with Off-Network and Other Revenues shown separately from On-Network Revenues, for the periods shown (in thousands, except percentages):

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2010	Increase (Decrease)	Percentage Change
On-Network Revenues				
Transponder services	\$ 177,352	\$ 181,350	\$ 3,998	2%
Managed services	18,328	19,390	1,062	6
Total on-network revenues	195,680	200,740	5,060	3
Off-Network and Other Revenues	5,533	7,606	2,073	37
Total transponder services, satellite-related services and other	201,213	208,346	7,133	4
Revenue from affiliates	67,710	77,246	9,536	14
Total	\$ 268,923	\$ 285,592	\$ 16,669	6%

Total revenue for the three months ended September 30, 2010 increased by \$16.7 million, or 6%, as compared to the three months ended September 30, 2009. By service type, our revenue increased or decreased due to the following:

On-Network Revenues:

Transponder services an aggregate increase of \$4.0 million, largely due to a net increase in revenues from network services customers, primarily in the North America and the Latin America regions, and an increase in revenues from media customers in the Latin America region offset by lost revenues due to the IS-4 and Galaxy 15 satellite anomalies, in the Africa and Middle East and the North America regions, respectively, and reduced revenue from customers in the Asia Pacific region.

Managed services an aggregate increase of \$1.1 million, primarily due to an increase in revenue from network services customers of \$1.3 million resulting largely from new business and service expansion in trunking and private line solutions for customers in the Africa and Middle East and the North America regions.

Off-Network and Other Revenues

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Satellite-related services an aggregate increase of \$2.1 million, primarily due to an increase in revenue from network services and professional services sold to customers in the Latin America and Caribbean region.

Revenue from affiliates for the three months ended September 30, 2010 increased by \$9.5 million, or 14%, as compared to the three months ended September 30, 2009, primarily driven by a \$10.2 million increase in the

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sale of capacity to other subsidiaries of Intelsat S.A., partially offset by a decrease of \$0.7 million in revenues related to services provided pursuant to the MISA.

Operating Expenses

Direct Costs of Revenue (Exclusive of Depreciation and Amortization)

Direct costs of revenue increased by \$0.1 million, or less than 1%, to \$31.6 million for the three months ended September 30, 2010 as compared to the three months ended September 30, 2009. The increase was primarily due to \$1.0 million in satellite-related insurance costs related to recently launched satellites, partially offset by a decrease of \$0.6 million in earth station operation costs.

Costs from Affiliates

Costs from affiliates increased by \$9.7 million, or 32%, to \$39.9 million for the three months ended September 30, 2010 as compared to the three months ended September 30, 2009. This increase was primarily due to increased costs for capacity purchased by Intelsat Corp and its subsidiaries on satellites owned by other subsidiaries of Intelsat Holdings.

Selling, General and Administrative

Selling, general and administrative expenses decreased by \$5.9 million, or 21%, to \$22.3 million for the three months ended September 30, 2010 as compared to the three months ended September 30, 2009. The decrease was primarily due to a \$0.9 million decrease in professional fees, a \$0.9 million decrease in miscellaneous expense, and a decrease of \$2.7 million in staff-related expenses.

Depreciation and Amortization

Depreciation and amortization expense increased by \$0.1 million to \$83.3 million for the three months ended September 30, 2010 as compared to the three months ended September 30, 2009. This increase was primarily due to the following:

an increase of \$4.8 million in depreciation expense resulting from the impact of satellites placed into service in the fourth quarter of 2009; and

an increase of \$3.1 million from changes in the estimated remaining useful lives of certain satellites; partially offset by

a decrease of \$7.3 million in depreciation expense due to certain satellites, ground and other assets becoming fully depreciated and the impairment of our IS-4 and Galaxy 15 satellites following the anomalies that occurred in 2010.

Losses on Derivative Financial Instruments

Losses on derivative financial instruments were \$16.1 million for the three months ended September 30, 2010 compared to \$19.6 million for the three months ended September 30, 2009. The losses on our derivative financial instruments were primarily due to the change in fair value of our interest rate swaps.

Interest Expense, Net

Interest expense, net consists of the gross interest expense we incur less the amount of interest we capitalize related to capital assets under construction and less interest income earned. We also held interest rate swaps with an aggregate notional amount of \$1.3 billion to economically hedge the variability in cash flow on a portion of the floating-rate term loans under our senior secured credit facilities. The swaps have not been designated as hedges for accounting purposes. Interest expense, net decreased by \$0.1 million to \$44.8 million for the three months ended September 30, 2010, as compared to \$44.9 million for the three months ended September 30, 2009.

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The non-cash portion of total interest expense, net was \$2.7 million for the three months ended September 30, 2010, which included \$2.5 million related to the amortization of discounts associated with a portion of our debt as well as the amortization of debt issuance costs.

Loss on Early Extinguishment of Debt

Loss on early extinguishment of debt was \$75.8 million during the three months ended September 30, 2010 as compared to \$51 thousand during the three months ended September 30, 2009. The 2010 loss was recognized in connection with our purchase of \$546.3 million of our outstanding 9 1/4% Senior Notes due 2014 (the 2014 Corp Notes) for \$565.4 million (excluding accrued and unpaid interest of \$6.3 million) and \$124.9 million of our outstanding 6 7/8% Senior Secured Debentures due 2028 (the 2028 Corp Notes) for \$149.9 million (excluding accrued and unpaid interest of \$1.8 million) pursuant to cash tender offers. The loss of \$75.8 million was caused by a \$46.7 million difference between the carrying value of the notes purchased and the total cash amount paid (including related fees), and a write-off of \$29.1 million unamortized debt discounts and debt issuance costs.

Other Income, Net

Other income, net was \$1.4 million for the three months ended September 30, 2010 as compared to \$0.6 million for the three months ended September 30, 2009. The increase of \$0.8 million was primarily due to a \$0.6 million increase related to a realized gain on our available-for-sale investments in 2010 compared to a realized loss in 2009.

Provision for (Benefit from) Income Taxes

Our benefit from income taxes was \$30.9 million for the three months ended September 30, 2010, as compared to a provision for income taxes of \$12.1 million for the three months ended September 30, 2009. The difference was principally due to a reduction in unrecognized tax benefits of \$20.7 million and to pre-tax losses related to the loss on early extinguishment of debt of \$75.8 million during the three months ended September 30, 2010, as compared to pre-tax income earned during the three months ended September 30, 2009.

Table of Contents***Nine Months Ended September 30, 2009 and 2010***

The following table sets forth our comparative statements of operations for the periods shown with the increase (decrease) and percentage changes, except those deemed not meaningful (NM), between the periods presented (in thousands, except percentages):

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009 Increase (Decrease)	Percentage Change
Revenue				
Transponder services, satellite-related services and other	\$ 649,523	\$ 615,101	\$ (34,422)	(5)%
Revenue from affiliates	204,241	231,863	27,622	14
Total revenue	853,764	846,964	(6,800)	(1)
Operating expenses:				
Direct costs of revenue (exclusive of depreciation and amortization)	137,556	101,118	(36,438)	(26)
Costs from affiliates	87,443	111,534	24,091	28
Selling, general and administrative	89,949	70,059	(19,890)	(22)
Depreciation and amortization	252,383	255,521	3,138	1
Impairment of asset value	144,100	110,625	(33,475)	(23)
Losses on derivative financial instruments	11,800	43,606	31,806	NM
Total operating expenses	723,231	692,463	(30,768)	(4)
Income from operations	130,533	154,501	23,968	18
Interest expense, net	142,692	136,844	(5,848)	(4)
Loss on early extinguishment of debt	(51)	(75,805)	(75,754)	NM
Other income, net	3,178	2,801	(377)	(12)
Loss before income taxes	(9,032)	(55,347)	(46,315)	NM
Benefit from income taxes	(2,629)	(42,638)	(40,009)	NM
Net loss	(6,403)	(12,709)	(6,306)	98%
Net loss attributable to noncontrolling interest		22	22	NM
Net loss attributable to Intelsat Corporation	\$ (6,403)	\$ (12,687)	\$ (6,284)	98%

Table of Contents***Revenue***

The following table sets forth our comparative revenue by service type, with Off-Network and Other Revenues shown separately from On-Network Revenues, for the periods shown (in thousands, except percentages):

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Increase (Decrease)	Percentage Change
On-Network Revenues				
Transponder services	\$ 536,258	\$ 536,048	\$ (210)	(0)%
Managed services	52,250	60,183		