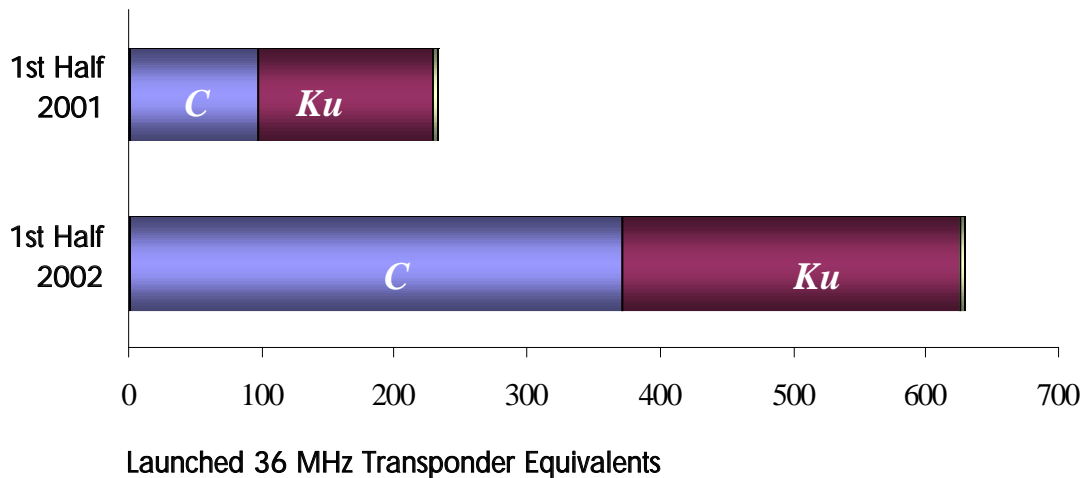




Record Breaking New Capacity Entering a Sluggish Market

Despite the lackluster year so far for satellite operators, the industry is on pace to launch more than one thousand 36 MHz transponder equivalents to geosynchronous orbit (GSO) before the end of the year. During the first half of 2002, twelve commercial GSO communications satellites were placed in orbit, introducing more than 629 transponder equivalents to the marketplace. Fifteen more satellites serving the commercial communications market are slated to launch later this year. By contrast, during the first half of 2001, only 232 transponder equivalents had been launched, and the 2001 total was only 375.



This year's surge in satellite capacity during a market downturn is confirmation of the cyclical nature of the satellite industry. The new capacity is a direct result of the banner year satellite manufacturers had in 2000. Commercial satellite operators ordered an industry-high 35 commercial GSO satellites in 2000. Given the production cycle for these satellites — Futron calculates that the length of the average production cycle for satellites ordered in 2000 was about 30 months—this year is the year for satellites fresh off the manufacturers' production lines. Conversely, the proceeding year, 1999, was relatively slow for manufacturers, when they received only 22 orders.

The irony is the 35 commercial GSO satellites ordered in 2000 were ordered when the market was at the peak of the telecommunications boom and the bubble had yet to burst on visions of exponential growth in content and bandwidth requirements. Today, just when the large capacity ordered in 2000 is coming online, the telecommunications industry is undergoing a period of reassessment, with sluggish demand and falling prices for transponder time. To not launch the new satellites would be to forego whatever revenue-generating capacity — albeit diminished from expectations—those assets possess. Hence



today's dilemma — operators are launching new satellites and creating record-breaking capacity, which is contributing to a currently oversupplied market and exerting increasing downward price pressure on new and old capacity alike.

Operators are faced with the extremely difficult task of determining, years in advance, when to launch a satellite, what its capacity should be, what service it will provide, and what geographic region it should serve. During that time lag, markets mutate, new governments are elected, and policies and regulations change, sometimes dramatically. Comprehensive, rigorous market analysis can help reduce these uncertainties and improve an operator's chances of avoiding the dilemma the industry faces today.

