

ARCHIVED REPORT

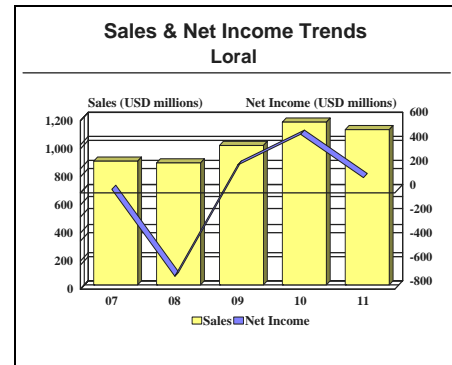
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Loral Space & Communications

Outlook

- In November 2012, Space Systems/Loral was sold to Canada's MacDonald, Dettwiler and Associates Ltd (MDA)
- MDA bought the operation in order to gain much-needed critical mass in the U.S. market
- MDA is expected to be quite aggressive, as it seeks to capture market share in these times of declining government spending
- With its manufacturing unit now divested, this report will be archived in 2014



Headquarters

Loral Space & Communications Ltd
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Loral Space & Communications was formed as a result of the January 8, 1996, agreement to sell its defense electronics and systems integration business to Lockheed Martin. At that time, the company focused on satellite and space-based telecommunications and was composed of four operations: Space Systems/Loral, an international manufacturer of telecommunication and environmental satellites; Loral Skynet, a U.S. satellite communications provider; Globalstar LP, a satellite-

based global wireless telecommunications venture; and K and F Industries, a manufacturer of aircraft braking systems.

Loral Space & Communications emerged from Chapter 11 bankruptcy protection in November 2005 after selling off a large part of its business. Now the company is organized around Space Systems/Loral (SS/L), its satellite manufacturing unit, and its stake in Telesat, a satellite communications services business.

In November 2012, Loral Space & Communications completed the sale of SS/L to MacDonald, Dettwiler and Associates Ltd (MDA).

Structure and Personnel

Avi Katz
President, General Counsel and Secretary
Harvey B. Rein
Senior Vice President and Chief Financial Officer
John Capogrossi
Vice President and Controller

Barry J. Sitler
Vice President, Tax
John Stack
Treasurer
Daniel S. Goldberg
President and CEO, Telesat

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Product Area

Loral Space & Communications Ltd is a public company whose operations concentrate on space-based telecommunications.

In October 2007, Loral and the Public Sector Pension Investment Board (PSP Investments) completed the acquisition of Telesat Canada, including the transfer of Loral's fixed satellite services business, Loral Skynet. Loral holds a 64 percent interest in the operation and PSP Investments holds a 36 percent interest. Consistent

with Canadian law, Loral's voting equity is 33.3 percent, with PSP Investments and other Canadian investors having 66.7 percent equity.

Loral also owns 56 percent of XTAR, a joint venture between Loral and HISDESAT, a consortium comprised of leading Spanish telecommunications companies, including Hispasat SA and agencies of the Spanish government.

Facilities

Telesat Canada
1601 Telesat Ct, Ottawa
Ontario K1B 5P4
Telephone: + 1 (613) 748-0123
Web site: <http://www.telesat.com>

Corporate Overview

New Products and Services

Protected MILSATCOM. In October 2012, Space Systems/Loral was selected by the U.S. Air Force Space and Missile Systems Center (SMC) to develop affordable design concepts for next-generation Protected Military Satellite Communications (MILSATCOM). The objective of the SMC program is to develop practical new architectures and technologies that will protect increasingly contested and threatened high-security communications. Space Systems/Loral will combine its expertise and existing technologies from commercial developments with existing military technologies provided by a team of domain experts to assess options for both space and ground segment design.

NBN Co 1A and 1B. In February 2012, Loral was awarded a contract to provide two high-throughput communications satellites that will be used to deliver high-speed broadband service to rural and remote areas of Australia. The satellites will be operated by NBN Co Ltd. The two satellites, NBN Co 1A and 1B, are both Ka-band, high-throughput broadband satellites that use multiple spot beams that tailor capacity to Australia's vastly distributed population. When launched in 2015, the satellites will provide service to some of the most remote places in Australia as well as its coastal islands and external territories, including Norfolk Island, Cocos Island, Christmas Island, and Macquarie Island in the Antarctic.

DLA-1 and -2. In September 2011, Loral was awarded a contract to provide two high-power satellites to Intelsat for direct-to-home television service in Latin America. The two satellites, DLA-1 and DLA-2, will be operated by Intelsat, which will provide them to DIRECTV Latin America. The two satellites are scheduled for launch in 2014 and 2015, respectively, and will be co-located with Intelsat's Galaxy 3C satellite at 95° W.

THOR 7. In June 2011, Loral was awarded a contract to provide a multimission spacecraft for Telenor Satellite Broadcasting. The satellite, THOR 7, will include Telenor's first Ka-band payload, which will be used for maritime broadband services. It also includes a Ku-band payload for expanded broadcast capacity in Central and Eastern Europe. THOR 7, based on the 1300 satellite platform, is scheduled to begin service in early 2014 and is designed to provide service for 15 years or longer.

USAF Study. In March 2011, Space Systems/Loral was awarded a \$1.5 million study contract by the U.S. Air Force Space and Missile Systems Center's MILSATCOM Systems Directorate to evaluate options available to meet future warfighting communications needs. SS/L will study how commercial technologies and best practices can fulfill military communications mission needs cost effectively while exceeding mission assurance requirements. The Air Force Space and Missile Systems Center stated that the goal of the study is to assess the application of innovative and feasible

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commercial-like acquisition approaches to enhance affordability, reduce delivery time, and expand the space industrial base.

ABS-2. In October 2010, Asia Broadcast Satellite contracted Space Systems/Loral to manufacture the ABS-2 spacecraft, which is scheduled for launch in 2013. According to Loral, ABS-2 will be one of the most powerful commercial satellites launched for service in the Eastern Hemisphere. The satellite will have over 12 kW of payload power and up to 87 active C-band, Ku-band, and Ka-band transponders across 10 beams, bringing increased capacity and transmission power to the Middle East, Africa, the Asia/Pacific region, and CIS/Russia. ABS-2 is designed for a wide range of services, including direct-to-home, cable TV distribution, VSAT, data network, and telecommunications services. The ABS-2 spacecraft is based on Space Systems/Loral's 1300 satellite bus.

Plant Expansion/Organization Update

Loral Emerges from Bankruptcy. In November 2005, Loral Space & Communications concluded its reorganization and successfully emerged from Chapter 11 bankruptcy protection. Loral exited Chapter 11 with approximately \$180 million in cash. During the Chapter 11 reorganization, Loral did not require any debtor-in-possession financing, and as of its emergence from Chapter 11, had only \$126 million of debt in the form of the notes issued by Loral Skynet. Loral Skynet also issued \$200 million of preferred stock to certain creditors of Loral Orion.

"Over the last two and a half years, we have created a stronger, leaner, and more efficient Loral," said Bernard L. Schwartz, then Loral's chairman and chief executive officer, following the reorganization. "We have won new awards and customers, and we continue to seek and capture opportunities in many new and traditional markets. We are confident that the momentum we have built will benefit all our constituents."

Loral Files Revised Plan of Reorganization. In October 2004, Loral Space & Communications filed a revised plan of reorganization and a Disclosure Statement with the bankruptcy court.

The plan, which revised the terms of one previously filed on August 19, 2004, reflected a consensual agreement on financial terms between the company and the Creditors' Committee appointed in the Chapter 11 cases of Loral and certain of its subsidiaries. It was subject to final documentation and resolution of certain other issues between the company and the Creditors' Committee and confirmation by the bankruptcy court.

Loral Files Chapter 11 Bankruptcy. In July 2003, Loral Space & Communications agreed to sell its six North American telecommunications satellites to Intelsat Ltd for up to \$1.1 billion in cash. The acquisition was consummated in March 2004 (see entry below).

Mergers/Acquisitions/Divestitures

Space Systems/Loral Sold. In November 2012, Loral Space and Communications completed the sale of its satellite unit to MacDonald, Dettwiler and Associates in a deal valued at almost \$1 billion. MDA paid \$875 million for Space Systems/Loral, plus another \$135 for real estate and cash dividends. The deal was first announced in June 2012.

"Combining the world-recognized communications capabilities of MDA with SS/L creates a powerful space communications leader and enhances the business prospects, both commercial and government, for each of MDA and SS/L," said Michael B. Targoff, chief executive officer of Loral Space & Communications.

Telesat Canada Acquired. In October 2007, Loral and the Public Sector Pension Investment Board (PSP Investments) completed the CAD3.25 billion (\$3.4 billion) acquisition of Telesat Canada, including the transfer of Loral's fixed satellite services business Loral Skynet. Under the agreement, Loral and PSP Investments hold a 64 percent and 36 percent economic interest, respectively, in the new company. Consistent with Canadian law, Loral's total voting equity is 33.3 percent, with PSP Investments and other Canadian investors having 66.7 percent equity.

This new company is one of the world's largest operators of telecommunications satellites, with a combined fleet of 11 satellites. Four additional satellites were to be launched over the following three years.

The new company features a management team drawn from both Telesat and Loral Skynet, and Daniel Goldberg continues to serve as chief executive officer.

Intelsat Acquires Satellites. In March 2004, Loral Space & Communications completed its transactions with Intelsat yielding \$1.027 billion, consisting of \$977 million for Loral's North American fleet and related assets after adjustments and a \$50 million deposit for the construction of a new Intelsat satellite to be built by Loral's manufacturing unit, Space Systems/Loral of Palo Alto, California. The completion of the Intelsat transactions represented the achievement of a major milestone in Loral's plan for reorganization under Chapter 11. Proceeds from the transaction were to be used to pay in full Loral's \$967 million of

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outstanding secured bank debt – nearly half of the company's \$2.0 billion in principal debt obligations at the time.

Teaming/Competition/Joint Ventures

International Space Technology Inc (ISTI). ISTI is a joint venture of Fakel Experimental Design Bureau of Kaliningrad, Russia, Snecma Moteurs of France, and Space Systems/Loral. The purpose of the venture was to market the Fakel SPT-100 0.08N Hall Xenon stationary plasma thrusters with some Western electronics. An SPT-100 was given a test run aboard the Gals 1 satellite, which was launched in January 1994. ISTI officials stated that the new propulsion system would improve the operating efficiency of the next-generation communications satellite by reducing spacecraft weight by 20 percent, thereby lowering fuel consumption and allowing the use of smaller launch vehicles. At that time, there was no similar technology in the West.

Northrop Grumman. In February 2008, Northrop Grumman and Space Systems/Loral announced that they would collaborate on a series of satellite systems. The agreement would also enable SS/L to expand its manufacturing capacity as needed – through the use of Northrop Grumman's satellite test facilities and services in Redondo Beach, California – in order to address near-term increased satellite demand.

Under the agreement, the two companies would pursue efforts involving strategic collaborations in the following areas:

- SS/L will gain access to Northrop Grumman's integration and test facilities in order to expand commercial satellite production capacity.
- Collaboration on future projects will enable Northrop Grumman's Space Technology sector to use the SS/L 1300 satellite platform and other SS/L-built components for future space system procurements.
- The companies will jointly pursue hosted payload opportunities for government applications. Payloads designed and built by Northrop Grumman's Space Technology sector will be hosted on commercial satellites produced by SS/L.
- Northrop Grumman's Astro Aerospace business unit in Carpinteria, California, producer of AstroMesh reflectors, will collaborate with SS/L for future commercial satellite applications.

XTAR. Loral holds 56 percent of XTAR LLC, a joint venture between Loral and Hisdesat Servicios Estrategicos SA, a consortium of Spanish telecommunications companies including Hispasat SA and agencies of the Spanish government. XTAR's first satellite, XTAR-EUR, entered service in March 2005, offering X-band services to government users in the United States and Spain and to other friendly and allied nations.

Web site: <http://www.xtar.com>

Financial Results/Corporate Statistics

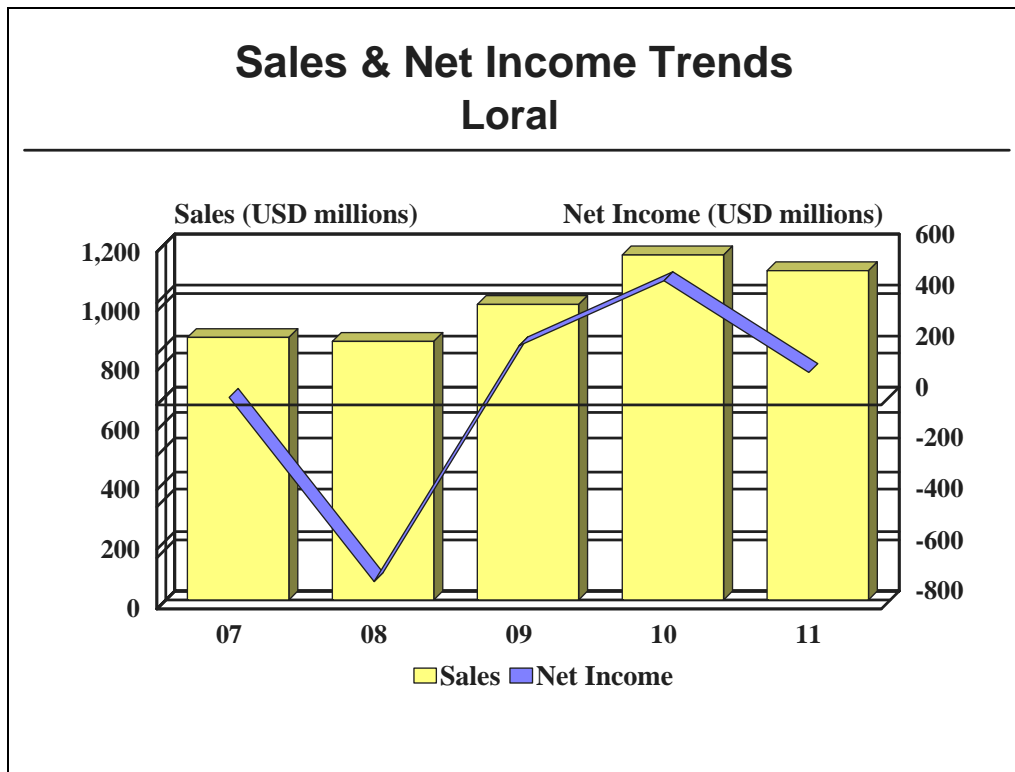
For 2011, Loral reported revenue of \$1.11 billion, down 4 percent from 2010 sales of \$1.16 billion. The company posted net income of \$127.2 million, compared to \$487.3 million in 2010. A loss in 2008 was due to both Loral and Telesat recording significant non-cash charges. At SS/L, a \$188 million impairment charge for the entire balance of goodwill was recorded, and Telesat recorded a \$455 million impairment charge for other intangible assets and a net foreign exchange loss of \$400 million. The impairment charges for goodwill and other intangible assets resulted primarily from the adverse economic conditions.

As of December 31, 2011, SS/L had \$1.4 billion in backlog for 22 satellites for customers including, among others, Intelsat Global SA, SES SA, Telesat Holdings Inc, Hispasat SA, EchoStar Corporation, Sirius-XM Satellite Radio, TerreStar Networks Inc, Asia Satellite Telecommunications Co Ltd, Hughes Network Systems LLC, ViaSat Inc, Eutelsat/ictQatar, DIRECTV, Sing Tel Optus, Satélites Mexicanos SA de CV, Asia Broadcast Satellite, and Telenor Satellite Broadcasting.

Latest-year statistics are provided below. Results have been restated to conform to the company's current presentation.

Y/E December 31	2006	2007	2008	2009	2010	2011
(USD millions)						
Sales	797.3	882.5	869.4	993.4	1,159	1,107.4
Net Income	-22.7	29.6	-692.9	231.7	487.3	127.2
Backlog (satellite mfg)	1,347.0	1,025.0	1,381.0	1,632.0	1,621.0	1,426.0

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Strategic Outlook

As it recovers from the financial crisis, Loral has decided on narrowing its focus to that of a satellite service provider rather than a manufacturer. In late 2012, the company completed the sale of its satellite manufacturing unit – Space Systems/Loral – to Canada’s MacDonald, Dettwiler and Associates (MDA).

With the sale, Loral Space and Communications is now focused on two satellite communication operations. Its primary interest is Telesat, in which it holds a 64 percent interest. Telesat provides broadband services around the world via its fleet of 13 satellites (with one satellite awaiting launch). Telesat also manages the operations of additional satellites for third parties.

In addition, the company also holds a controlling stake in XTAR, a joint venture between Loral and HISDESAT, a consortium comprised of Spanish telecommunications companies including Hispasat SA and agencies of the Spanish government. This operation consists of two satellites, XTAR-EUR and XTAR-LANT, operating in the X-band frequency. Through these satellites, XTAR provides high-bandwidth communications services to government

users in the United States, Spain, and other allied countries.

For Space Systems/Loral, not much is expected to change under its new owners; even the name remains the same. MDA – perhaps best known for the robotic arm on the Space Shuttle and International Space Station – has long sought to expand its reach into the U.S. marketplace, and this purchase is expected to give the company the leverage it needs. This critical mass comes at a time when government spending is set to decline, and officials within MDA feel that they can meet the needs – both operational and fiscal – of future requirements.

Orders for satellites continue at a reasonable pace, bolstering Space Systems/Loral’s backlog of spacecraft. Most recently, SS/L won a \$10.1 million contract with the U.S. Air Force to study modifying existing commercial designs for next-generation protected military satellite communications.

The company’s commercial 1300 satellite bus continues to be a dominant system in the marketplace. A number of satellite operators have selected the 1300 for future

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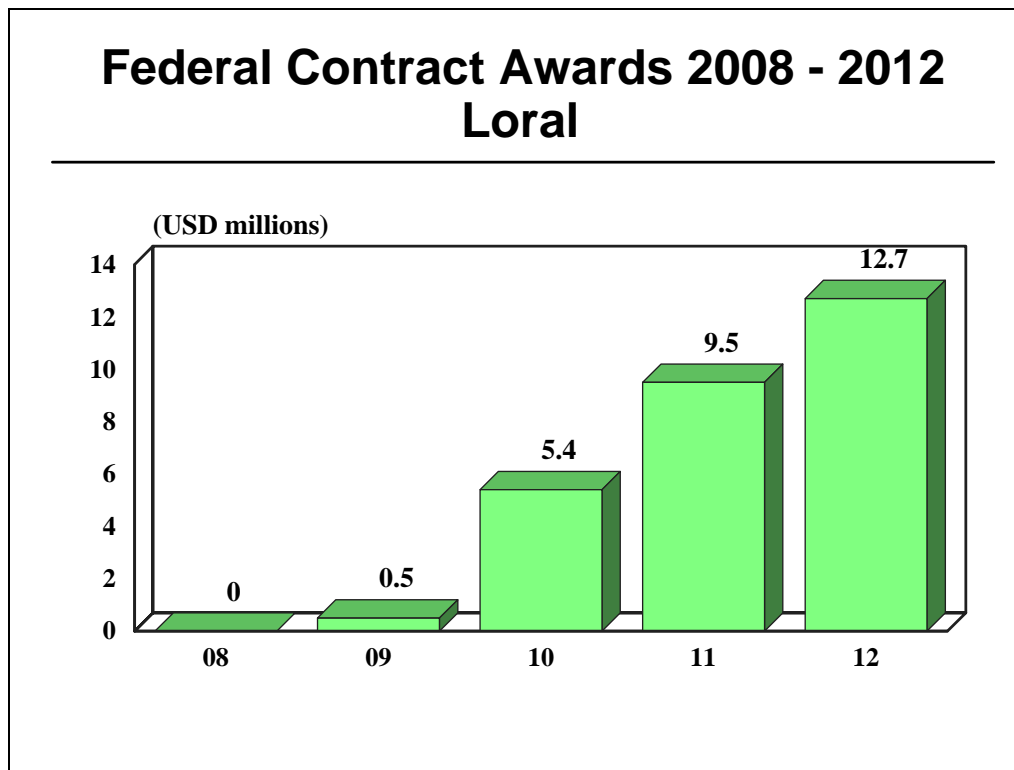
production, including EchoStar, Intelsat, and SES SA. Orders for the 1300 continue to be solid.

With MDA looking to make the most of its purchase, the future of SS/L is expected to remain strong.

Prime Award Summary

The following chart and table show the dollar volume of federal prime contracts awarded to Loral Space & Communications from 2008 through 2012, and the top 100 rank of the company in terms of federal contracts for each of the five years. For more information, refer to Appendix I, "Recipients of Federal Contract Awards."

Loral (USD millions)	2008	2009	2010	2011	2012
Rank	-	-	-	-	-
Total Federal Awards	0.0	0.5	5.4	9.5	12.7



Source: <http://www.usaspending.gov>

Program Activity

Some important aerospace and government programs currently under way at Loral are listed below. The briefs are intended to provide a listing of programs that are of major importance to the company. For detailed information on or analysis of specific aerospace and defense programs or equipment, please refer to the applicable Forecast International binder (for example, *Civil Aircraft, Military Aircraft, Military Vehicles, Warships, Missiles, Electronic Systems, and Aviation Gas Turbines*).

Space System Programs

1300

The 1300 (formerly FS-1300) is a high-power, large-capacity commercial communications satellite intended to meet current and future civilian communications requirements. Its biggest customer is the Intelsat telecommunications consortium. Working with Loral on the Intelsat VII program is Alcatel Espace, Courbevoie, France, which is responsible for the

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satellite's communications repeater, and Mitsubishi Electric Corporation, Tokyo, Japan, which provides major structural, thermal, and electronic components. Space Systems/Loral has produced approximately 90 1300 satellites.

Amos

Amos (Affordable Modular Optimized Satellite) is a family of small communications satellites for deployment in geosynchronous orbit. Space Systems/Loral is providing the batteries for the Israeli-developed Amos. The first Amos satellite was launched aboard an Ariane 4 vehicle in May 1996, Amos-2 was launched in December 2003, and Amos-3 was launched in April 2008. Amos-5 was launched in 2011 and primarily serves the African commercial market. Amos-4 will be launched in 2013.

Arabsat

Arabsat is a geostationary commercial telecommunications satellite. Thales Alenia Space is the prime contractor for Arabsat, with Loral supplying the payload and attitude orbit and control system components. Arabsat is nearing the end of a major buying program. Between 2006 and 2010, the company took delivery of four satellites. Two more were expected to be delivered in 2012.

EchoStar

In December 2009, Space Systems/Loral was selected to provide a new direct broadcast satellite, EchoStar XVI, to a subsidiary of EchoStar Corporation. The satellite, based on the SS/L 1300 satellite bus, was planned for launch in 2012.

GOES-Next

GOES-Next (Geostationary Operational Environmental Satellites) is a series of advanced geostationary weather satellites designed to provide both wide-field-of-view and small-area weather coverage of the Western Hemisphere. Loral built the first five satellites of the GOES-Next series: GOES-I/J/K/L/M. Boeing Satellite Systems is building three GOES satellites (GOES-N/O/P). NASA has awarded Lockheed Martin Space Systems Company a contract for two GOES-R spacecraft, with options for two additional spacecraft, for a total contract value of \$1.09 billion.

Insat

Insat (Indian National Satellite System) is a multimission satellite providing telecommunications, broadcasting, and meteorological services. Insat 1 satellites were produced by Space Systems/Loral. The Insat 2 series was developed by the Indian Space Research Organization, Bangalore, India.

Intelsat

Intelsat is an international satellite telecommunications system provided by the International Telecommunications Satellite Consortium. The Intelsat 9 satellites were produced by Loral. Intelsat 7 satellites were also built by SS/L. Hughes (now Boeing Satellite Systems) was responsible for the design, development, and fabrication of Intelsat 1, 2, 4, and 4A, and is producing the Intelsat 6 series. The new Intelsat 10 satellites are being produced by EADS Astrium. Intelsat selected Space Systems/Loral to manufacture its new Intelsat 14 in 2007. The IS-14 was launched on an Atlas V in November 2009. In June 2009, Intelsat selected Space Systems/Loral to build IS-19 and IS-20.

Satellite Radio

Satellite radio refers to satellite systems designed to provide consumers with digital audio radio service via compact, portable receivers or specially designed car radios. The Sirius spacecraft are based on the SS/L 1300 platform. The satellites were custom-designed for Sirius and include an S-band communications package. High-efficiency solar arrays and nickel-hydrogen batteries provide electrical power. The design life of the satellite is 15 years.

Satmex

Satmex is a Latin American telecommunications satellite company and also the name given to the company's most recent line of communications satellites. Satmex is owned by Loral Space & Communications and Principia through holding company Servicios Corporativos Satelitales, the Mexican government, and various shareholders. EchoStar's \$374 million bid for Satmex was rejected by bondholders in March 2010; negotiations for the sale continue. Satmex 8, based on the SS/L 1300 satellite bus, is expected to launch in 2013.

Web site: <http://www.satmex.com.mx>

Telesat

The Anik series of satellites provides a wide communications network covering Canada and the transponder areas in the C- and Ku-bands of the spectrum. Standard traffic-handling capabilities include telex, data, TV, telephony, voice, and business traffic. Telesat's Nimiq satellites carry the signals of two major customers: ExpressVu, one of Canada's two direct-to-home television services and a new service called Electronic Digital Delivery, an electronic on-demand video service that allows viewers to order movies and other programming downloaded by way of satellite.

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Telesat Canada is currently the sole Canadian satellite services operator in the world. Space telecommunications satellite operator. Telesat operates Systems/Loral is building the Nimiq 6, which launched a fleet of 12 satellites. Telesat is the fourth-largest fixed in 2012.

U.S. Contract Awards

Loral Space & Communications has received no major contracts from the United States government in the past year.

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