

## **LORAL SPACE & COMMUNICATIONS**

**August 11, 2009  
10:00 am CT**

Operator: Good day everyone and welcome to the Loral Space & Communications 2009 Second Quarter Results conference call.

At this time, all participants are in a listen only mode. Later, we will conduct a question and answer session. At that time if you have a question, you may signal by pressing the star key followed by the digit 1 on your touch tone phone.

As a reminder, today's conference is being recorded.

And now, I would like to turn the conference over to Wendy Lewis, Director of Communications. Please go ahead, ma'am.

Wendy Lewis: Good morning. As we proceed with the call today, some of the remarks we make about our future expectations, plans and prospects will be forward looking statements under the Private Securities Litigation Reform Act of 1995.

As you know, actual results may differ materially from those discussed here as a result of a wide variety of factors and conditions. Please refer to the most recent 10-K and 10-Q forms that we have filed with the SEC for information on those factors and conditions.

Now I would like to turn the call over to Michael Targoff, Chief Executive Officer of Loral Space & Communications.

Michael Targoff: Thank you, Wendy and good morning everyone. With me today are two of our senior executives, Harvey Rein, our Chief Financial Officer and Richard Mastoloni, our Treasurer and Senior Vice President.

Yesterday, we announced our results for the three months and six months ending June 30 and filed our 10-Q for the quarter. I'd like to take this opportunity to review the quarter, to draw your attention to some of the important highlights and discuss our current status. At the end of the call, as we have in the past, we will open the call for questions.

Despite the continued challenging economic environment, there is good news at Space Systems/ Loral and Telesat. I believe our reported results, our current status and our prospects continue to provide ample evidence that we are on track to drive growth and shareholder value at Loral.

Speaking first about our manufacturing operation, I have often said that we look at ourselves not on a quarter to quarter basis, but in terms of long term creation of shareholder value.

We have advanced significantly over the past few years and continue to report improved results. Moreover, when you delve deeper into our operation there are positive indications to support further growth.

This is demonstrated in a number of ways:

- The backlog at SSL has grown to a robust \$1.76 billion which is nearly \$400 million higher than it was at the end of the prior year, the end of 2008.
- We continue to demonstrate our leadership position in the high power and advanced satellite technology areas where we see continued future market requirements. Examples of this are:

- The high throughput broadband satellites. We are the supplier of the world's two highest capacity satellites on order.
  - In direct broadcast, including DMV for hand held devices and high power for high definition TV, we supply Dish, DirecTV, Sirius XM and multinational customers.
  - In the mobile satellite services area with high power and state of the art extra large antennae and sophisticated ground based beam forming networks that allow service to conventional size smart phones, we are recognized leaders.
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- We steadily build a significant financial asset in our orbital receivables. We currently have over \$200 million in orbital receivables. This is up from about \$40 million at the end of 2005.
  - Our reported numbers themselves provide further support for our continued growth expectations. Our second quarter adjusted EBITDA at SS/L was \$12 million versus the \$10 million reported last year. But as I said earlier when we examine the numbers more closely we see that our quarter was negatively impacted by approximately \$20 million for items that I do not believe are fully reflective of the quality of our operations in the quarter. These items primarily include the recognition of charges related to contract milestones and incremental pension expense.

Even with these favorable indications for growth, it is important in today's economic environment to discuss liquidity.

As of June 30 Loral had a \$104 million in cash and cash equivalents and SSL had \$92 million of undrawn availability on its revolving credit facility. This reflects an improvement in our net cash position of approximately \$41 million this year.

The tenor of our troubled customer payment issue that was reported in our 10-K is much healthier than it was at the end of 2008. Since that time, we have received \$104 million from customers that we considered being at some risk at year end. We continue to monitor the financial condition of certain of our

customers and as you probably know two of our customers, ICO and ProtoStar have both recently sought bankruptcy protection. Based upon our analysis of their filings and plans, it is quite clear that our satellites are essential to their business plans or asset realization and as a result we remain confident that the payment obligations will be met.

Regarding our prospects, SSL has already booked five satellite awards for the year. New satellite contracts include one high throughput broadband satellite for Hughes network systems that I alluded to earlier, two fixed satellite service contracts for Intelsat including one of the most powerful FSS satellites ever built, and another fixed satellite services satellite for Telesat. We are encouraged by the level of bookings and we see an active pipeline for more business as we look forward into the months ahead.

Further reinforcing our market position we are very proud of our accomplishments in the recent launches of two satellites that reflect significant technical advances. Satellites that we built for Sirius XM Radio and TerreStar networks are some of the most complex and powerful commercial satellites ever built. Both have very large antenna reflectors and TerreStar's 18 meter reflector is about half the size of a basketball court is the largest ever on a commercial satellite. These reflectors successfully deployed when the satellites reached their orbital locations and they are both performing as planned. These were challenging deployments as evidenced by a very recent failure of a competitor's large scale antenna deployment.

As an aside, a satellite that we built for Hong Kong based AsiaSat is planned to be launched later today and we are all hopeful that that will be successful.

Turning back to the numbers, adjusted EBITDA at SSL for the first half of 2009 was \$22.5 million compared to 14.9 in 2008. While this reflects significant growth remember that our margins were impacted by the reasons I mentioned earlier. Much of these charges are within our control and we continue to place significant attention on our production processes and expect to see improvements in this area as we go forward in the future.

Turning to Telesat,

- Telesat's FSS business has demonstrated remarkable strength world wide.
- Telesat continues to match or exceed our expectations when we made our acquisition.
- The leverage at Telesat is dramatically down because of their EBITDA growth as we anticipated.
- And expenses have meaningfully benefited from the synergies and tight management.
- We have strengthened our core market position
- and we have new growth initiatives in our sights,

a very promising picture.

Telesat's two newest satellites are producing revenue according to plan and the third will be launched within the next few months. In addition Telesat recently contracted with SSL to build another new powerful satellite to replace an existing satellite. This will provide expanded service primarily in South America and the Atlantic Ocean region where broadband to maritime and aeronautical customers seems to be an attractive market.

When viewed in Canadian dollars, Telesat's results for the second quarter of 2009 clearly demonstrate the benefit of its two newest satellites, Nimiq 4 and TeleStar 11N. Telesat's reported revenues on a Canadian dollar basis for the quarter in the first six months of 2009 were CAD 201 million and CAD 405 million respectively. This reflects an increase of CAD 32 million for the quarter and CAD 73 million for the first six months of 2009. As a result of this revenue growth and the concerted efforts to continue to lower expenses, adjusted EBITDA margin was 71% for the first six months of 2009 compared to 61% for the first six months of the prior year.

Adjusted EBITDA for the quarter was CAD 142 million, an increase of CAD 38 million over the same quarter in 2008. Adjusted EBITDA for the six months ending June 30 was CAD 286 million, an increase of CAD 83 million compared to the same six month period in 2008.

The reporting of Telesat's results is complicated by the impact of foreign exchange fluctuations. In Canadian dollars, Telesat's revenue and EBITDA growth actually benefited from the stronger US dollar versus the Canadian dollar as approximately 45% of Telesat's revenues are paid in US dollars.

Just to frame the impact, approximately 25% of the EBITDA increase at Telesat is due to this currency fluctuation. Earlier I made a reference to Telesat's performance resulting in substantial deleveraging. Just to frame that again, more specifically, our debt to adjusted EBITDA ratio has improved from 7.3 at December 31 2008 to 6.2 at June 30 2009.

Looking forward Telesat's next new satellite, Nimiq 5, a direct broadcast satellite which is fully leased and was built by Space Systems/Loral is scheduled to be launched and to begin service before year end. The benefits of Nimiq 5 will be seen in 2010 revenues.

In closing, I would like to reiterate that despite the world's continuing economic difficulties Loral's performance is encouraging and our liquidity remains solid. We have well managed our two biggest concerns which were satellite bookings and customer ability to pay their obligations and we are weathering the current financial uncertainties quite well. We continue to implement plans that will improve our margins and support our strategy of long term growth and shareholder value.

With that, I'd like to turn the call over to the operator so that we can open up the phones for any questions you may have.

Operator: Thank you, sir. As a reminder that is star 1 if you would like to ask a question. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is star 1 if you would like to ask a question and we'll pause for a moment to allow everyone a chance to signal. Again, that is star 1 if you would like to ask a question.

And we have no questions at this time.

Michael Targoff: Okay, thank you very much everyone, appreciate your attendance and look forward to speaking with you at the end of the next quarter.

Operator: Once again, that does conclude today's conference call and we thank you for your participation.

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