LORAL SPACE & COMMUNICATIONS INC.
Form 10-K
April 29, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

OR

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

Commission file number 1-14180

LORAL SPACE & COMMUNICATIONS INC.
(Exact name of registrant specified in the charter)

Jurisdiction of incorporation: Delaware

IRS identification number: 87-0748324

600 Third Avenue
New York, New York 10016
(Address of principal executive offices)
Telephone: (212) 697-1105

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $.01 par value	NASDAQ

Securities registered pursuant to Section 12(g) of the Act:

Indicate by check mark if the registrant is well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o **No** þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o **No** þ

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2 of the Act). Yes o No þ

At March 1, 2008, 20,287,649 shares of the registrant s common stock were outstanding.

As of June 30, 2007, the aggregate market value of the common stock, the only common equity of the registrant currently issued and outstanding, held by non-affiliates of the registrant, was approximately $642,348,094

Indicate by a check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

Documents incorporated by reference are as follows:

Document	**Part and Item Number of Form 10-K into which incorporated**
Loral Notice of Annual Meeting of Stockholders and Proxy Statement for the Annual Meeting of Stockholders to be held May 20, 2008	Part II, Item 5 (d) Part III, Items 11 through 14

PART I

Item 1. *Business*

THE COMPANY

Overview

Loral Space & Communications Inc. (New Loral) together with its subsidiaries is a leading satellite communications company with substantial activities in satellite manufacturing and investments in satellite-based communications services. New Loral, a Delaware corporation, was formed on June 24, 2005, to succeed to the business conducted by its predecessor registrant, Loral Space & Communications Ltd. (Old Loral), which emerged from chapter 11 of the federal bankruptcy laws on November 21, 2005 (the Effective Date) (see Reorganization below).

The terms Loral, the Company, we, our and us when used in this report with respect to the period prior to the Ef Date, are references to Old Loral, and when used with respect to the period commencing on and after the Effective Date, are references to New Loral. These references include the subsidiaries of Old Loral or New Loral, as the case may be, unless otherwise indicated or the context otherwise requires.

Loral is organized into two segments:

Satellite Manufacturing:

Our subsidiary, Space Systems/Loral, Inc. (SS/L), designs and manufactures satellites, space systems and space system components for commercial and government customers whose applications include fixed satellite services (FSS), direct-to-home (DTH) broadcasting, mobile satellite services (MSS), broadband data distribution, wireless telephony, digital radio, digital mobile broadcasting, military communications, weather monitoring and air traffic management.

Satellite Services:

Until October 31, 2007, the operations of our satellite services segment were conducted through Loral Skynet Corporation (Loral Skynet), which leased transponder capacity to commercial and government customers for video distribution and broadcasting, high-speed data distribution, Internet access and communications, and also provided managed network services to customers using a hybrid satellite and ground-based system. It also provided professional services to other satellite operators such as fleet operating services. At October 31, 2007, Loral Skynet had four in-orbit satellites and had one satellite under construction at SS/L.

On October 31, 2007, Loral and its Canadian partner, Public Sector Pension Investment Board (PSP), through Telesat Holdings Inc. (Telesat Holdco), a newly-formed joint venture, completed the acquisition of Telesat Canada from BCE Inc. (BCE). In connection with this acquisition, Loral transferred on that same date substantially all of the assets and related liabilities of Loral Skynet to Telesat Canada. Loral holds a 64% economic interest and a 331/3% voting interest in Telesat Holdco, the ultimate parent company of the resulting new entity (see Note 8 to the consolidated financial statements). We use the equity method of accounting for our investment in Telesat Canada.

We refer to the acquisition of Telesat Canada and the related transfer of Loral Skynet to Telesat Canada as the Telesat Canada transaction. References to Telesat Canada with respect to periods prior to the closing of this transaction are references to the subsidiary of BCE and with respect to the period after the closing of this transaction are references to

Telesat Holdco and/or its subsidiaries as appropriate. Similarly, unless otherwise indicated, references to Loral Skynet with respect to periods prior to the closing of this transaction are references to the operations of Loral s satellite services segment as conducted through Loral Skynet and with respect to the period commencing on and after the closing of this transaction are, if related to the fixed satellite services business, references to the Loral Skynet operations within Telesat Canada.

We adopted fresh start accounting as of October 1, 2005, in accordance with Statement of Position No. 90-7, *Financial Reporting of Entities in Reorganization Under the Bankruptcy Code* (SOP 90-7). Accordingly, our financial information disclosed under the heading Successor Registrant for the periods ended and as of December 31, 2005, 2006 and 2007, respectively, is presented on a basis different from, and is therefore not comparable to, our financial information disclosed under the heading Predecessor Registrant for the period ended and as of October 1, 2005 (the date we adopted fresh-start accounting) or for prior periods.

Segment Overview

Satellite Manufacturing

SS/L has been designing, manufacturing and integrating satellites and space systems for a wide variety of commercial and government customers for more than 50 years. Its products include mid-and high-powered satellites designed for applications such as fixed satellite services (FSS), direct-to-home (DTH) broadcasting, mobile satellite services (MSS), broadband data distribution, wireless telephony, digital radio, digital mobile broadcasting, military communications, weather monitoring and air traffic management. SS/L customers have included such satellite service providers and government organizations as APT Satellite, AsiaSat, DIRECTV, EchoStar, Hisdesat, ICO, Intelsat, Japan s Ministry of Transport and Civil Aviation Bureau, the National Oceanic & Atmospheric Administration (NOAA), Optus (SingTel), SES New Skies, Shin Satellite, Sirius Satellite Radio, Telesat Canada, TerreStar Networks, WildBlue Communications, XTAR and XM Satellite Radio. Since its inception, SS/L has delivered more than 220 satellites, which together have achieved more than 1,400 years of cumulative on-orbit service; many of these satellites significantly exceeded design life expectations. SS/L s broad product line meets the vast majority of customer requirements for satellites with up to 25 kilowatts of power. The capacity offered on these satellites ranges from one to as many as 150 transponders. According to industry research firm, Futron Corporation, global satellite manufacturing revenue was $12 billion in 2006 of which approximately $3 billion was for commercial satellites.

SS/L has a history of technology innovation and currently provides some of the world s most powerful commercial satellites. With 190 U.S. patents, the company has led the industry with research in advanced composites, antennas, multiplexers, power conversion, propulsion systems, and on-orbit controls. Its highly flexible satellite platform accommodates a broad range of applications such as regional and spot-beam technology, hybrid systems that maximize the value of orbital slot location, and imagers for precision weather forecasting. The SS/L platform accommodates some of the world s highest power payloads for television, radio and multimedia broadcast. With increasing demand for mobile devices for video, audio and data, SS/L is also a leader in providing satellite systems that include Ground Based Beam Forming (GBBF) capability so that upgradeable ground equipment can grow with new innovations and market demands.

SS/L has won a number of satellite construction awards over the last few years and, as a result, its backlog has expanded significantly. In order to complete construction of all the satellites in backlog and to accommodate future growth, SS/L is modifying and expanding its existing manufacturing facilities and coordinating with third parties for additional high-bay satellite integration and test facilities. SS/L is seeking, under this expansion plan, to accommodate as many as 13 satellite awards per year depending on the complexity and timing of the specific satellites awarded and to provide greater in-house manufacturing of RF components and subassemblies. This expansion which includes the use of third party offsite capacity and the upgrading of existing SS/L satellite test operations and RF assembly and test operations, is estimated to require total incremental capital expenditures of approximately $30 million.

Market and Competition

SS/L participates in the highly competitive commercial satellite manufacturing industry principally on the basis of superior customer relationships, technical excellence, reliability and pricing. Other competitors for satellite manufacturing contracts include Boeing, Lockheed Martin, and Orbital Sciences in the U.S., Thales Alenia Space and EADS Astrium in Europe and Mitsubishi Electric Corporation in Japan. SS/L s continued success depends on its ability to provide highly reliable satellites on a cost-effective and timely basis. SS/L may also face competition in the future from emerging low-cost competitors in India, Russia and China. The number of satellite manufacturing contracts awarded varies annually and is difficult to predict. For example, based on readily available industry information, we believe that, while only two contracts for mid-and high-power (8 kW or higher) commercial satellites were awarded worldwide in 2002, there were 12 and 16 contracts awarded in 2007 and 2006, respectively.

Satellite Manufacturing Performance

	Successor Registrant			Predecessor Registrant
	For the Year Ended December 31, 2007	For the Year Ended December 31, 2006	For the Period October 2, 2005 to December 31, 2005	For the Period January 1, 2005 to October 1, 2005
		(In millions)		
Total segment revenues	$ 814	$ 697	$ 162	$ 330
Eliminations	(53)	(60)	(1)	(11)
Revenues from satellite manufacturing as reported	$ 761	$ 637	$ 161	$ 319
Segment Adjusted EBITDA before eliminations[(1)]	$ 35	$ 66	$ 12	$ 15

(1) See Consolidated Operating Results in Management s Discussion and Analysis of Financial Condition and Results of Operations for significant items that affect comparability between the periods presented (see Note 18 to the consolidated financial statements for the definition of Adjusted EBITDA).

Total SS/L assets were $963 million and $945 million as of December 31, 2007 and 2006, respectively. Backlog at December 31, 2007 was $1.0 billion. This included $138 million of backlog for the construction of Nimiq 5 and Telstar 11N for Telesat Canada. Backlog at December 31, 2006 was $1.1 billion. This included $118 million of backlog for the construction of Nimiq 5 for Telesat Canada and intercompany backlog of $116 million, primarily for the construction of Telstar 11N for Loral Skynet. It is expected that approximately 74% of the backlog as of December 31, 2007, will be recognized as revenues during 2008. During 2007, two of SS/L s customers accounted for approximately 20% and 16% of our consolidated revenues.

Satellite Services

Until the closing of the Telesat Canada transaction on October 31, 2007, Loral Skynet was a global satellite operator, providing customers with a wide range of video and data transmission services. Its four globally-positioned satellites, which are now part of the Telesat Canada fleet, operate in geosynchronous earth orbit approximately 22,000 miles above the equator. In this orbit, satellites remain in a fixed position relative to points on the earth s surface and provide reliable, high-bandwidth services anywhere in their coverage areas, serving as the backbone for many forms of telecommunications.

Subsequent to the closing of the Telesat Canada transaction, Loral participates in satellite services operations principally through its investment in Telesat Canada. Telesat Canada is the world s fourth largest provider of FSS with industry leading backlog, and one of only three FSS providers operating on a global basis. The combination of Telesat Canada and Loral Skynet creates a powerful international organization with 12 in-orbit satellites and three satellites under construction, of which two are 100% leased for at least the design life of the satellite. Telesat Canada provides video distribution and DTH video, as well as end-to-end communications services using both satellite and hybrid satellite-ground networks. According to industry research firm Euroconsult, the global FSS industry grew by 8% in 2006 generating approximately $8.2 billion in revenues.

Telesat Canada categorizes its satellite services operations into broadcast, enterprise services, and consulting and other, as follows:

Broadcast:

DTH. Both Canadian DTH service providers (Bell ExpressVu and Star Choice) use Telesat Canada s satellites as a distribution platform for their services, delivering a package of television programming, audio and information channels directly to customers homes. In addition, EchoStar uses Anik F3, and DIRECTV uses one of Telesat Canada s orbital locations, for DTH services in the United States. In Asia, Telstar 10 supports DTH television distribution through Hung Kai, a leading cable and DTH distributor based in Taiwan.

Video Distribution. Major broadcasters, cable networks and DTH service providers use Telesat Canada satellites for the full-time transmission of television programming. Additionally, certain broadcasters and DTH service providers bundle value-added services that include satellite capacity, digital encoding of video channels and uplinking and downlinking services to and from Telesat Canada satellites and teleport facilities. In Asia, Telesat Canada is a leader in the distribution of video content to cable head ends from which approximately 80 million households can receive television programming distributed over Telstar 10, including HBO, Sony, Disney and Hallmark. In Europe, Telstar 12 provides satellite services to the largest cable distributor in Europe, UPC, and is used to transmit the television services of NBC and Fox. In both Brazil and Chile, Telesat Canada provides video distribution services on Telstar 14.

Occasional Use Services. Occasional use services consist of satellite transmission services for the timely broadcast of video news, sports and live event coverage on a short-term basis enabling broadcasters to conduct on-the-scene transmissions using small, portable antennas.

Enterprise Services:

North America Data Networks. Telesat Canada provides data networks in North America as well as the related ground segment and maintenance services supporting these networks. Telesat Canada is one of the largest operators of very small aperture terminal, or VSAT, systems in North America, managing approximately 26,000 VSAT terminals at customer sites in Canada and the United States. Some of these customers are provided end-to-end services including installation and maintenance of the end user terminal, maintenance of the VSAT hub, and provision of satellite capacity. Other customers may be provided a subset of these services, including maintenance of the VSAT terminal, while using other providers for hub maintenance and/or space segment capacity. Telesat Canada also provides networks that combine both satellite and DSL. Examples of North American data network services include the provision and maintenance of a network for an interactive distance learning (IDL) program for a major United States corporation, point of sale services for customers in Canada, and communications services to remote locations for the oil and gas industry.

International Enterprise Networks. Telesat Canada provides IP-based terrestrial extension services that allow enterprises to reach multiple locations worldwide many of which cannot be connected via terrestrial means. Leveraging satellite s one-to-many attributes, these managed services also enable multi-cast and broadcast functionality. These services are delivered to enterprises whose headquarters are typically in the United States or Europe through both terrestrial partners and directly to corporations.

Ka-band Internet Services. Telesat Canada provides Ka-band, two-way broadband Internet services in Canada through Barrett Xplore Inc. and other resellers, and Ka-band satellite capacity to WildBlue who uses it to provide services in the United States.

Telecommunication Carrier Services. Telesat Canada provides satellite capacity and end-to-end services for data and voice transmission to telecommunications carriers located throughout the world. These services include (i) connectivity and voice circuits to remote locations in Canada for customers such as Bell Canada, and NorthwesTel and (ii) space segment capacity and terrestrial facilities for Internet backhaul and access, GSM backhaul, and services such as rural telephony to carriers around the world.

Government Services. The United States Government is the largest single consumer of fixed satellite services in the world, and a significant user of Telesat Canada s international satellites. Over the course of several years Telesat Canada has implemented a successful strategy to sell through government service integrators, rather than directly to United States Government agencies. Satellite services are also provided to the Canadian Government, including a variety of services from a maritime network for a Canadian Government entity to protected satellite capacity to the Department of National Defense for the North Warning System.

4

Consulting & Other:

Consulting operations allow for increased operating efficiencies by leveraging Telesat Canada s existing employees and facility base. With over 35 years of engineering and technical experience, Telesat Canada is a leading consultant in establishing, operating and upgrading satellite systems worldwide, having provided services to businesses and governments in more than 30 countries across six continents. Telesat Canada operates 13 satellites for third parties. Currently, the international consulting business provides satellite-related services to over 35 customers in approximately 20 countries.

Telesat Canada is the world s fourth largest provider of FSS with an international platform supporting (i) strong video distribution and DTH neighborhoods in North America that result in long-term contracts with blue chip customers, industry leading backlog, and fully contracted expansion DTH satellites, (ii) an efficient and expanding enterprise services business that provides a wide range of North American customers with end-to-end communications services using satellite and hybrid satellite-DSL networks, and (iii) a strong international video distribution and enterprise services business that provides exposure to high-growth regions and satellite users around the world.

Through its commitment to customer service and focus on innovation and technical expertise, Telesat Canada has developed strong relationships with a diverse range of high-quality customers, including many of the world s largest video and data service providers. Its customers include North American DTH providers Bell ExpressVu, Star Choice and EchoStar, and leading telecommunications and media firms such as Disney, HBO, NBC, UPC, Canadian Broadcasting Corporation, Bell Canada, AT&T, Verizon, BT Group, Global Crossing and Lockheed Martin. Its North American Broadcast and Enterprise Services customer service contracts are typically multi-year in duration and, in the past, Telesat Canada has been successful in contracting all or a significant portion of a satellite s capacity prior to commencing construction. As a result, Telesat Canada had approximately $5.3 billion in contracted backlog as of December 31, 2007, of which approximately 10% will be recognized as revenues during 2008.

Market and Competition

The satellite services business sector is highly competitive and its players must also compete with non-satellite technologies for the provision of voice, data, video and Internet connectivity services. Telesat Canada operates in the FSS sector, providing communications links between fixed points on the earth s surface, referred to as point-to-point services, and the provision of satellite connectivity from one point to multiple points, referred to as point-to-multipoint services.

As the world s fourth largest satellite services company, Telesat Canada competes with the two other global operators, Intelsat, Ltd. and SES S.A., as well as with Eutelsat, S.A. in Europe. Intelsat, SES and Eutelsat are each substantially larger than Telesat Canada in terms of both the number of satellites they have in orbit as well as in terms of their revenues. In addition, Telesat Canada faces competition from regional players, some of whom enjoy competitive advantages in their local markets. They are Sirius, Arabsat, Hellasat and Turksat in Europe, the Middle East and Africa; AsiaSat, Measat Satellite Systems, Shin Satellite Plc, APT Satellite Holdings Ltd. (APT), PT Telkom and Optus in Asia; Satelites Mexicanos S.A. de C.V., Star One, NahuelSat S.A., and Hispasat S.A. in Latin America; and Ciel and EchoStar in North America.

Telesat Canada also competes with terrestrial service providers, principally on point-to-point long distance routes, as well as for certain types of data networks. While satellites are more efficient than terrestrial systems for certain applications, such as broadcast or point-to-multipoint transmission of video and broadband data, terrestrial networks are generally less expensive than satellite networks for point-to-point services. In developing countries, satellite plays a larger role in telecommunications networks due to the relatively undeveloped terrestrial communications networks. As a result of deregulation and economic growth, these terrestrial communication networks are expanding in certain countries, increasing competition for satellite services.

The market for satellite consulting services is generally comprised of a few service providers qualified to provide services in specific areas of expertise. Telesat Canada s competitors are primarily United States and European-based companies.

Satellite Fleet & Ground Resources

Telesat Canada has a global fleet of 12 satellites in-orbit, which includes one satellite leased from APT under a prepaid lease through the end of its life, for which the company has risk of loss and the right to replace at the end of its life, and another two satellites leased from DIRECTV. Three additional satellites are scheduled for launch in 2008 and 2009, two of which Telesat Canada has contracted to Bell ExpressVu for 15 years or such later date as the customer may request. In addition, the company leases fiber capacity around the world for use in developing hybrid terrestrial/satellite data networks for network services customers.

Telesat Canada also has ground facilities located around the world, providing both control services to its satellite fleet, as well as to the satellites of other operators as part of its consulting services offerings. It has two control centers located in Ottawa, Ontario and Allan Park, Ontario. In addition, Telesat Canada leases other technical facilities that provide customers with a host of teleport and hub services.

Telesat Canada s North American focused fleet is comprised of three owned FSS satellites, Anik F1-R, Anik F2 and Anik F3, and two owned direct broadcast services, or DBS, satellites, Nimiq 1 and Nimiq 2. Telesat Canada leases and operates two North American focused satellites, Nimiq 3 and Nimiq 4iR, that are owned by DIRECTV but are located in Telesat Canada s orbital locations and are used by Telesat Canada. Telesat Canada s international fleet is comprised of four owned FSS satellites, Anik F1, Telstar 12, Telstar 14/Estrela do Sul, and Telstar 18 and one satellite, Telstar 10, which is leased through end-of-life.

The table below summarizes selected data relating to Telesat Canada s owned and leased in-orbit satellites:

Orbital Location Regions Covered	Launch Date	Manufacturer s End-of-Service Life	Expected End-of-Commercial-Service Life(1)	Transponders(1) C-band(2)	Ku-band(2)	Ka-band	L-band(3)	
91.0° WL Canada, Continental United States	May 1999	2011	2024		32@24MHz			A21 (Lo Ma
82.0° WL Canada, Continental United States	December 2002	2015	2023		20@24MHz	2@500/100MHz		A21 (Lo Ma
82° WL Canada Continental United States	June 1995	2007	2010		16@24MHz			BSS (Bo
91° WL Canada Continental United States	December 1993	2006	2009		16@24MHz			BSS (Bo
107.3° WL Canada, Continental United States, South America	November 2000	2016	2013	12@36MHz (S. America)	16@27MHz (S. America)			BSS
111.1° **WL Canada,**	July 2004	2019	2028	24@36MHz	32@27MHz	31@56/112 MHz 6@500MHz		BSS (Bo

	Continental United States						1@56/112MHz		
	107.3º WL North America	September 2005	2020	2023	24@36MHz	32@27MHz		2@20MHz	E30 (EA Ast
	118.7º WL Canada, Continental United States	April 2007	2022	2026	24@36MHz	32@27MHz	2@75MHz (500MHz)		E30 (EA
	76.5º EL Asia and Portions of Europe, Africa and Australia	October 1997	2009	2012	1@30MHz 26@36MHz	9@54MHz			SS/
	15º WL Eastern United States, SE Canada, Europe, Russia, Middle East, North Africa, portions of South and Central America	October 1999	2012	2016		37@54MHz			SS/
(10)	63º WL Brazil And portions of Latin America, North America, Atlantic Ocean	January 2004	2019	2011		9@72MHz 10@36MHz 2@28MHz 1@56MHz			SS/
2)	138º EL India, South East Asia, China, Australia And Hawaii	June 2004	2017	2018	14@36MHz 1@54MHz	3@54MHz 1@40MHz			SS/

(1) The number of available transponders and expected end of life shown in this table reflect Telesat Canada s current estimate of each satellite s capacity and useful life, taking account of anomalies and malfunctions the satellites have experienced and other factors such as remaining

fuel levels and consumption rates and other available engineering data. Telesat Canada periodically reviews and updates these estimates based on a satellite s performance. Accordingly, these estimates are subject to change and it is possible that the actual commercial life of any of these satellites will be shorter than that indicated in the table. See Item 1A Risk Factors After launch, satellites remain vulnerable to in-orbit failures which may result in reduced revenues and profits and other financial consequences.

(2) Includes extended C-band and extended Ku-band in certain cases.

(3) Telesat Canada has contracted the L-band capacity on Anik F1-R to Lockheed Martin. This L-band spectrum is not Telesat Canada s; it is a United States spectrum licensed to Lockheed Martin.

(4) Due to malfunctions affecting available power on Nimiq 2, not all transponders are operational.

(5) These satellites are leased from DIRECTV, but are in Telesat Canada orbital positions. DIRECTV can terminate its lease agreement with Telesat Canada with respect to Nimiq 4iR if DIRECTV experiences one or more catastrophic failures with its other satellites. With respect to Nimiq 3, DIRECTV can terminate its lease agreement if it experiences two or more catastrophic failures with its other satellites. In the event of such termination, Telesat Canada may lose the revenues associated with these satellites if it cannot redeploy that capacity to other satellites.

(6) Due to a gradual decrease in power on Anik Fl, this satellite will experience a premature end-of-life.

(7) Telesat Canada has contracted for the sale of all of the Ku-band capacity of Anik F3 to EchoStar.

(8) Telstar 10 does not include 1 transponder @ 36MHz and 6 transponders @ 54MHz which have been turned off for satellite power management, and does not include 1 transponder @ 36MHz owned by APT.

(9) Telstar 12 has 38-54MHz transponders. Four of these transponders were given to Eutelsat to settle coordination issues, and Telesat Canada leases back three of these transponders.

(10) Telstar 14 has substantially reduced transponder capacity and a limited expected life due to the failure of a solar array to fully deploy upon launch.

(11) Includes 16.6MHz of C-band capacity provided to the Government of Tonga in lieu of a cash payment for the use of the orbital location.

(12) Additional transponders will be purchased from APT, four in 2008 and two in 2009.

In addition, Telesat Canada has the rights to the following satellite capacity to end of life of those satellites:

Satmex 5: 3-36MHz Ku transponders;

Satmex 6: 2-36MHz C-band transponders; 2-36MHz Ku transponders; and

Agila (Mabuhay): 3-36MHz C-band transponders

The table below summarizes selected data relating to Telesat Canada s satellites under construction:

	Nimiq 4	**Nimiq 5**	**Telstar 11N**
Orbital Location	82.0º WL	72.7º WL	37.55º WL
Regions Covered	Canada	Canada, Continental United States	North and Central America, Europe, Africa and the maritime Atlantic Ocean region
Planned In-Service Date	2008[(1)]	2009[(1)]	2009
Manufacturer s End-of-Service-Life	15 Years	15 Years	15 Years
Customer Committed Capacity	15 Years/Fixed	15 Years/Fixed	
Transponders:			
C-band			
Ku-band	32@24MHz	32@24MHz	39@54MHz
Ka-band	8@54MHz		
Model	E-3000 (EADS Astrium)	SS/L 1300	SS/L 1300

(1) The March 14, 2008 failure of a Proton rocket to lift its satellite payload to the appropriate orbit will cause a delay in the planned launch of the Nimiq 4 satellite, originally scheduled to be launched on a Proton rocket in mid-2008. The launch of Nimiq 5, which had been planned for the second half of 2009, may likewise also be delayed as a result of this launch failure. These launch delays will adversely affect Telesat Canada s financial performance for 2008 and potentially 2009 and 2010 and will defer the backlog run-off previously anticipated. It is not possible to quantify the impact of these delays until more information about the Proton failure and the resumption of the launch schedule becomes available.

Satellite Services Performance

The following summarizes the satellite services segment s performance including Loral Skynet through October 30, 2007 and Telesat Canada for the period from October 31, 2007 to December 31, 2007 (in millions):

	Successor Registrant			Predecessor Registrant
	For The Year Ended December 31, 2007	For The Year Ended December 31, 2006	For the Period October 2, 2005 to December 31, 2005	For the Period January 1, 2005 to October 1, 2005
	(in millions)			
Revenue:				
Total segment revenues	$ 241	$ 164	$ 37	$ 115
Eliminations	(2)	(3)	(1)	(4)
Affiliate eliminations[2]	(118)			
Revenues from satellite services as reported	$ 121	$ 161	$ 36	$ 111
Adjusted EBITDA:				
Total segment Adjusted EBITDA	$ 118	$ 68	$ 12	$ 40
Eliminations	(2)	(3)	(1)	(10)
Affiliate eliminations[2]	(65)			
Adjusted EBITDA from satellite services after eliminations[1]	$ 51	$ 65	$ 11	$ 30

(1) See Consolidated Operating Results in Management s Discussion and Analysis of Financial Condition and Results of Operations for significant items that affect comparability between the periods presented (see Note 18 to the consolidated financial statements for the definition of Adjusted EBITDA).

(2) Affiliate eliminations represent the elimination of amounts attributable to Telesat Canada.

Total Telesat Canada assets and backlog as of December 31, 2007 were $5.6 billion and $5.3 billion, respectively.

We use the equity method of accounting for our investment in Telesat Canada, and its results are not consolidated in our financial statements. Our investment in this company is included in equity in net losses of affiliates in our consolidated statements of operations and investments in affiliates in our consolidated balance sheet.

The following chart summarizes operating revenues and Adjusted EBITDA for Telesat Canada before the closing of the Telesat Canada transaction. Telesat Canada s Adjusted EBITDA as shown below is calculated in the same manner as Adjusted EBITDA in the segment chart above. The amounts presented below are in Canadian dollars (CAD) and are presented in accordance with Canadian generally accepted accounting principles.

	Telesat Canada		
	For the period from January 1, 2007 to October 30, 2007	For The Year Ended December 31, 2006	For The Year Ended December 31, 2005
		(in millions)	
Total operating revenues	CAD 457.8	CAD 479.0	CAD 474.7
Adjusted EBITDA	CAD 263.2	CAD 261.0	CAD 268.1

Total Telesat Canada assets and backlog as of December 31, 2006 were CAD 1.8 billion and CAD 5.2 billion, respectively.

Other

We also own 56% of XTAR, LLC (XTAR), a joint venture between us and Hisdesat Servicios Estrategicos, S.A. (Hisdesat). XTAR owns and operates an X-band satellite, XTAR-EUR located at 29º E.L., which entered service in March 2005. The satellite is designed to provide X-band communications services exclusively to United States, Spanish and allied government users throughout the satellite s coverage area, including Europe, the Middle East and Asia. The government of Spain granted XTAR rights to an X-band license, normally reserved for government and military use, to develop a commercial business model for supplying X-band capacity in support of military, diplomatic and security communications requirements. XTAR also leases up to eight 72 MHz X-band transponders on Spainsat, a Hisdesat owned satellite located at 30º W.L. which entered commercial service in April 2006. These transponders, designated as XTAR-LANT, allow XTAR to provide its customers in the U.S. and abroad with additional X-band services and greater flexibility. XTAR currently has contracts to provide X-band services to the U.S. Department of State, the Spanish Ministry of Defense, the Belgium Ministry of Defense and the Danish armed forces, but the take-up rate in its service continues to be slower than anticipated. For more information on XTAR see Note 8 to the Loral consolidated financial statements.

Reorganization

On July 15, 2003, Old Loral and certain of its subsidiaries (the Debtor Subsidiaries and collectively with Old Loral, the Debtors), including Loral Space & Communications Holdings Corporation (formerly known as Loral Space & Communications Corporation), Loral SpaceCom Corporation (Loral SpaceCom), SS/L and Loral Orion, Inc. (now known as Loral Skynet Corporation), filed voluntary petitions for reorganization under chapter 11 of title 11 (Chapter 11) of the United States Code (the Bankruptcy Code) in the U.S. Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) (Lead Case No. 03-41710 (RDD), Case Nos. 03-41709 (RDD) through 03-41728 (RDD)) (the Chapter 11 Cases). Also on July 15, 2003, Old Loral and one of its Bermuda subsidiaries (the Bermuda Group) filed parallel insolvency proceedings in the Supreme Court of Bermuda (the Bermuda Court), and, on that date, the Bermuda Court entered an order appointing certain partners of KPMG as Joint Provisional Liquidators (JPLs) in respect of the Bermuda Group.

The Debtors emerged from Chapter 11 on November 21, 2005 pursuant to the terms of their fourth amended joint plan of reorganization, as modified (the Plan of Reorganization). The Plan of Reorganization had previously been confirmed by order (the Confirmation Order) of the Bankruptcy Court entered on August 1, 2005. Pursuant to the Plan of Reorganization, among other things, the business and operations of Old Loral were transferred to New Loral, and Loral Skynet and SS/L emerged as separate subsidiaries of reorganized Loral (see Notes 2 and 3 to the consolidated financial statements).

REGULATION

Satellite Manufacturing

Export Regulation and Economic Sanctions Compliance

Commercial communication satellites and certain related items, technical data and services, are subject to United States export controls. These laws and regulations affect the export of products and services to foreign launch providers, subcontractors, insurers, customers, potential customers, and business partners, as well as to foreign Loral employees, foreign regulatory bodies, foreign national telecommunications authorities and to foreign persons generally. Commercial communications satellites and certain related items, technical data and services are on the United States Munitions List and are subject to the Arms Export Control Act and the International Traffic in Arms Regulations. Export jurisdiction over these products and services resides in the U.S. Department of State. Other Loral exports are subject to the jurisdiction of the U.S. Department of Commerce, pursuant to the Export Administration Act and the Export Administration Regulations.

U.S. Government licenses or other approvals generally must be obtained before satellites and related items, technical data and services are exported and may be required before they are re-exported or transferred from one foreign person to another foreign person. For example, U.S. Government licenses or approvals generally will have to be obtained for the transfer of technical data and defense services between Loral and Telesat Canada, and between Telesat Canada and its U.S. subsidiaries. There can be no assurance that such licenses or approvals will be granted. Also, licenses or approvals may be granted with limitations, provisos or other requirements imposed by the U.S. Government as a condition of approval, which may affect the scope of permissible activity under the license or approval.

In addition, if a satellite project involves countries, individuals or entities that are the subject of U.S. economic sanctions (Sanctions Targets) or, in certain situations, is intended to provide services to Sanctions Targets, licenses or other approvals from the U.S. Treasury Department s Office of Foreign Assets Control (OFAC) may also be required. See Item 1A Risk Factors We are subject to export control and economic sanctions laws, which may result in delays, lost business and additional costs.

Satellite Services

Telecommunications Regulation

As an operator of a global satellite system, Telesat Canada is regulated by government authorities in Canada, the United States and other countries in which it operates and is subject to the frequency and orbital slot coordination process of the International Telecommunication Union (ITU). Telesat Canada s ability to provide satellite services in a particular country or region is subject also to the technical constraints of its satellites, international coordination, local regulation and licensing requirements.

Canadian Regulatory Environment

Telesat Canada s operations are subject to regulation and licensing by Industry Canada pursuant to the Radiocommunication Act (Canada) and by the Canadian Radio-Television and Telecommunications Commission (CRTC), under the Telecommunications Act (Canada). Industry Canada has the authority to issue licenses, establish standards, assign Canadian orbital locations, and plan the allocation and use of the radio frequency spectrum, including the radio frequencies upon which Telesat Canada s satellites and earth stations depend. The Minister responsible for Industry Canada has broad discretion in exercising this authority to issue licenses, fix and amend conditions of licenses, and to suspend or even revoke them. Telesat Canada s licenses to operate the Anik F and Nimiq satellites require it to comply with research and development and other industrial and public benefit commitments, to pay annual radio authorization fees, to provide all-Canada satellite coverage and to comply with foreign ownership restrictions.

The Canadian foreign ownership and control restrictions, set out in Industry Canada licenses, regulations under the Radiocommunication Act and in Industry Canada policies require Telesat Canada to be Canadian owned and controlled within the meaning of those regulations and various other provisions of Canadian telecommunications law and policy.

Industry Canada traditionally licensed satellite radio spectrum and associated orbital locations on a first-come, first-served basis. Currently, however, a competitive licensing process is employed for certain spectrum resources where it is anticipated that demand will likely exceed supply, including the licensing of fixed-satellite service (FSS) and broadcasting satellite service (BSS) orbital locations and associated spectrum resources. Authorizations are granted for the life of a satellite, although radio licenses (e.g., FSS licenses) are renewed annually. As a result of policy concerns about the continuity of service and other factors, there is generally a strong presumption of renewal provided license conditions are met.

The Canadian Government opened Canadian satellite markets to foreign-licensed satellite operators as part of its 1998 World Trade Organization (WTO) commitments to liberalize trade in basic telecommunications services, with the exception of direct-to-home (DTH) television services that are provided through FSS or DBS facilities. In September 2005, the Canadian Government revised its satellite-use policy to permit the use of foreign-licensed satellites for digital audio radio services in Canada. Further liberalization of the policy may occur and could result in increased competition in Canadian satellite markets. On June 13, 2007, Industry Canada announced that Telesat would be awarded five new licenses for Canadian satellite spectrum and rights to the related orbital positions. At that time, Industry Canada also announced that another Canadian-licensed satellite operator, Ciel, would be awarded seven new spectrum licenses.

The Telecommunications Act authorizes the CRTC to regulate various aspects of the provision of telecommunications services by Telesat Canada and other telecommunications service providers. Since the passage of the Act in 1993, the CRTC has gradually forborne from regulating an increasing number of services provided by regulated companies. As of March 1, 2000, coincident with the end of Telesat Canada s FSS monopoly in Canada, the CRTC abandoned rate-of-return regulation of Telesat Canada s FSS services and no longer requires it to file tariffs in respect of these services. Under the current regulatory regime, Telesat Canada has pricing flexibility subject to a price ceiling of CAD 170,000 per transponder per month on certain full period FSS services offered in Canada under minimum five-year arrangements. Telesat Canada s DBS services offered within Canada are also subject to CRTC regulation, but have been treated as distinct from its fixed satellite services and facilities. To date, Telesat Canada has sought and received CRTC approval of customer agreements relating to the sale of capacity on all Nimiq DBS satellites, including the rates, terms and conditions of service set out therein. Section 28(2) of the Telecommunications Act provides that the CRTC may allocate satellite capacity to particular broadcasting undertakings if it is satisfied that the allocation will further the implementation of the broadcasting policy for Canada.

Telesat Canada was originally established by the Government of Canada in 1969, under the Telesat Act. As part of the Canadian government s divestiture of its shares in Telesat Canada, pursuant to the Telesat Canada Reorganization and Divestiture Act (1991), or the Telesat Divestiture Act, Telesat Canada was continued on March 27, 1992 as a business corporation under the Canada Business Corporations Act, the Telesat Act was repealed and the Government sold its shares in Telesat Canada. Under the Telesat Divestiture Act, Telesat Canada remains subject to certain special conditions and restrictions. The Telesat Divestiture Act provides that no legislation relating to the solvency or winding-up of a corporation applies to Telesat Canada and that its affairs cannot be wound up unless authorized by an Act of Parliament. In addition, Telesat Canada and its shareholders and directors cannot apply for Telesat Canada s continuation in another jurisdiction or dissolution unless authorized by an Act of Parliament.

United States Regulatory Environment

The Federal Communications Commission, or FCC, regulates the provision of satellite services to, from, or within the United States. Certain of Telesat Canada s satellites are owned and operated through a US subsidiary and are regulated by the FCC.

Telesat has chosen to operate its US-authorized satellites on a non-common carrier basis, and consequently, it is not subject to rate regulation or other common carrier regulations enacted under the US Communications Act of 1934. Telesat Canada pays FCC filing fees in connection with its space station and earth station applications and annual fees to defray the FCC s regulatory expenses. Annual and quarterly status reports must be filed with the FCC for interstate/international telecommunications, and Telesat Canada must contribute funds supporting the FCC s Universal Service Fund, or USF, with respect to eligible United States telecom revenues on a quarterly and annual basis. The USF contribution rate is adjusted quarterly and is currently set at 10.2% for the first quarter of 2008. At the present time, the FCC does not assess USF contributions with respect to bare transponder capacity (space segment only agreements).

The FCC currently grants satellite authorizations on a first-come, first-served basis to applicants who demonstrate that they are legally, technically and financially qualified, and where the public interest will be served by the grant. There are no assurances that applications will be granted. Under licensing rules, a bond must be posted for up to $3 million when an FSS satellite authorization is granted. Some or the entire amount of the bond may be forfeited if there is failure to meet any of the milestones imposed under the authorization (including milestones for satellite construction, launch and commencement of operations). Under current licensing rules, the FCC will issue new satellite licenses for an initial 15-year term and will provide a licensee with an expectancy that a subsequent license will be granted for the replacement of an authorized satellite using the same frequencies. At the end of the 15 year term, a satellite that has not been replaced, or that has been relocated to another orbital location following its replacement, may be allowed to continue operations for a limited period of time subject to certain restrictions.

Telesat Canada has FCC authorization for one existing US-licensed satellite which operates in the Ku-band: Telstar 12 at 15° WL. In addition, Telesat Canada has FCC authorization for Telstar 11N which will operate as a US-licensed satellite in the Ku-band at 37.55° WL.

To facilitate the provision of FSS satellite services in C- and Ku-band frequencies in the United States market, foreign licensed operators can apply to have their satellites placed on the FCC s Permitted Space Station List. Telesat Canada s Anik Fl, Anik Fl-R, Anik F2, and Anik F3 satellites are currently on this list. The FCC Order placing Anik F2 on the list also approved Telesat Canada s application to use Ka-band capacity on this satellite to provide two-way broadband communications services in the United States.

The United States made no WTO commitment to open its DTH, DBS or digital audio radio services to foreign competition, and instead indicated that provision of these services by foreign operators would be considered on a case-by-case basis, based on an evaluation of the effective competitive opportunities open to United States operators in the country in which the foreign satellite was licensed (i.e., an ECO-sat test) as well as other public interest criteria. While Canada currently does not satisfy the ECO-sat test in the case of DTH and DBS service, the FCC has found, in a number of cases, that provision of these services into the United States using Canadian-licensed satellites would provide significant public interest benefits and would therefore be allowed. United States service providers, Digital Broadband Applications Corp., DIRECTV and EchoStar, have all received FCC approval to access Canadian-authorized satellites under Telesat Canada s direction and control in Canadian-licensed orbital locations to provide DTH-FSS or DBS service into the United States.

The approval of the FCC for the Telesat Canada transaction was conditioned upon compliance by Telesat Canada with commitments made to the Department of Justice, the Federal Bureau of Investigation, and the Department of Homeland Security relating to the availability of certain records and communications in the United States in response to lawful United States law enforcement requests for such access.

Regulation Outside Canada and the United States

Telesat Canada also operates satellites through licenses granted by countries other than Canada and the United States. The Brazilian national telecommunications agency, ANATEL, has authorized Telesat Canada, through its subsidiary, Telesat Brasil Capacidade de Satelites Ltda. (TBCS), to operate a Ku-band FSS satellite. The satellite, known as

Telstar 14 or as Estrela do Sul 1, is operating at 63° WL pursuant to a Concession Agreement with ANATEL. The Concession was issued for a fifteen (15) year term that began on May 5, 1999, and is renewable for a second fifteen (15) year term. The Concession Agreement obligates TBCS to operate the satellite in accordance with Brazilian telecommunications law and contains provisions to enable ANATEL to levy fines for failure to perform according to the Concession terms. Brazil also has a Universal Service Fund (FUST) to subsidize the cost of telecommunications service in Brazil. The sale of bare transponder capacity in Brazil, however, which is TBCS s primary business, is not considered a telecommunications service and revenues from such sales are not assessable for contributions to the fund. TBCS is also our legal representative for sale of capacity on Telstar 12 in Brazil. Any Brazilian entity that wishes to lease Telstar 12 capacity must lease it from TBCS and remit payment in Brazil.

Pursuant to agreements with APT Satellite Holdings Limited (APT), Telesat Canada, through its subsidiary Telesat Asia Pacific Satellite (HK) Limited, has the fully-paid right to use and sublease the capacity of Telstar 10 (except for one C-band transponder). Telstar 10 is operated by APT which has been granted the right to use the 76.5° EL orbital location by the Government of Hong Kong, People s Republic of China. Telesat Canada, through its subsidiary Telesat Satellite LP, owns Telstar 18, which operates at the 138° EL orbital location under an agreement with APT, which has been granted the right to use the 138° EL orbital location by The Kingdom of Tonga. APT is the direct interface with these regulatory bodies. Because Telesat Canada gained access to these orbital locations through a third party (APT), there is greater uncertainty with respect to its ability to maintain access to these orbital locations for replacement satellites.

In addition to regulatory requirements governing the use of orbital locations, most countries regulate transmission of signals to and from, their territory. Telesat Canada has landing rights in more than 140 countries worldwide.

International Regulatory Environment   International Telecommunication Union

The ITU is responsible for allocating the use by different countries of a finite number of orbital locations and radio frequency spectrum available for use by commercial communications satellites. The ITU Radio Regulations set forth the processes that governments must follow to apply for and secure rights to use orbital locations and the obligations and restrictions that govern such use. The ITU Radiocommunication Bureau (ITU-BR) is responsible for receiving, examining, tracking and otherwise managing the applications in the context of the rules set forth in the Radio Regulations. The process includes, for example, a first in time, first in right system for assigning rights to orbital locations and time limits for bringing orbital locations into use.

In accordance with the ITU Radio Regulations, as noted above, the Canadian and other governments have rights to use certain orbital locations and frequencies. These governments have in turn authorized Telesat Canada to use several orbital locations and radio frequencies in addition to those used by its current satellites. Under the ITU Radio Regulations, Telesat Canada must begin using these orbital locations and frequencies within a fixed period of time, or the governments in question would lose their priority rights and the orbital location and frequencies likely would become available for use by another satellite operator.

The ITU Radio Regulations also govern the process used by satellite operators to coordinate their operations with other nearby satellites, so as to avoid harmful interference. Under current international practice, satellite systems are entitled to protection from harmful radio frequency interference from all other satellite systems and other transmitters in the same frequency band only if the operator s authorizing government registers the orbital location, frequency and use of the satellite system in the ITU s Master International Frequency Register, or MIFR. Each member state is required to give notice of, coordinate and register its proposed use of radio frequency assignments and associated orbital locations with the ITU-BR. This ensures that there is an orderly process to accommodate each country s orbital location needs.

Once a member state has advised the ITU-BR that it desires to use a given frequency at a given orbital location, other member states notify that state and the ITU-BR of any use or intended use that would conflict with the original proposal. These nations are then obligated to negotiate with each other in an effort to coordinate the proposed uses and resolve interference concerns. If all outstanding issues are resolved, the member state governments so notify the ITU-BR, and the frequency use is registered in the MIFR. Following this notification, the registered satellite networks are entitled under international law to interference protection from subsequent or nonconforming uses. A state is not entitled to invoke the protections in the ITU Radio Regulations against harmful interference if that state decided to operate a satellite at the relevant orbital location without completing the coordination and notification process.

In the event disputes arise during the coordination process or thereafter, the ITU Radio Regulations do not contain a mandatory dispute resolution mechanism or an enforcement mechanism. Rather, the rules invite a consensual dispute resolution process for parties to reach a mutually acceptable agreement. Neither the rules nor international law provide a clear remedy for a party where this voluntary process fails. Some of Telesat Canada s satellites have been coordinated and registered in the MIFR and therefore enjoy priority over all later-filed requests for coordination and any non-conforming uses. In other cases, entry into the MIFR is still pending. While the ITU Radio Regulations, however, set forth procedures for resolving disputes, as a practical matter, there is no mandatory dispute resolution and no mechanism by which to enforce an agreement or entitlement under the rules.

Although non-governmental entities, including Telesat Canada, participate at the ITU, only national administrations have full standing as ITU members. Consequently, Telesat Canada must rely on the government administrations of Canada, the United States, Brazil, Tonga, China and the United Kingdom (respectively, Industry Canada, the FCC, ANATEL, the Tonga administration, OFCOM and MII through APT) to represent its interests in those jurisdictions, including filing and coordinating orbital locations within the ITU process with the national administrations of other countries, obtaining new orbital locations and resolving disputes through the consensual process provided for in the ITU s rules.

PATENTS AND PROPRIETARY RIGHTS

Satellite Manufacturing

SS/L relies, in part, on patents, trade secrets and know-how to develop and maintain its competitive position. It holds 190 patents in the United States and has applications for six patents pending in the United States. SS/L patents include those relating to communications, station keeping, power control systems, antennae, filters and oscillators, phased arrays and thermal control as well as assembly and inspection technology. The SS/L patents that are currently in force expire between 2008 and 2024.

Satellite Services

Telesat Canada has 13 patents, all in the United States. These patents expire between 2016 and 2021. Telesat Canada also has 10 patents pending, of which five are in the United States and three are in Canada.

There can be no assurance that any of the foregoing pending patent applications will be issued. Moreover, there can be no assurance that infringement of existing third party patents has not occurred or will not occur. Additionally, because the U.S. and Canadian patent application process is confidential, there can be no assurance that third parties, including competitors, do not have patents pending that could result in issued patents which we or Telesat Canada would infringe. In such event, to obtain a license from a patent holder, royalties would have to be paid, which would increase the cost of doing business. Moreover, in the case of SS/L, it would be required to refund money to customers for components that are not useable as a result of such infringement or redesign its products in a manner to avoid infringement. SS/L may also be required under the terms of its customer contracts to indemnify its customers for related damages.

RESEARCH AND DEVELOPMENT

Satellite Manufacturing

SS/L s research and development expenditures involve the design, experimentation and the development of space and satellite products. Research and development costs are expensed as incurred. SS/L s research and development costs were $37 million for 2007, $20 million for 2006 and $7 million and $5 million for the periods January 1, 2005 to October 1, 2005 and from October 2, 2005 to December 31, 2005, respectively, and are included in selling, general and administrative expenses.

Satellite Services

Telesat Canada s research and development expenditures are incurred for the design, experimentation and development of space and satellite products. This also includes the development of new satellite applications for both broadcast and enterprise services segments. Over the last several years, Telesat Canada has undertaken test trials to provide telecommunication services and applications to remote and under-served areas, to evaluate and develop broadband group technologies and to study advanced satellite system designs. It continues to research HDTV technology and evaluate technology on behalf of the World Broadcast Union. As a result, Telesat Canada has established an international reputation as a leader in both broadband and broadcast technologies and applications. Telesat Canada s research and development expenditures for the two month period ended December 31, 2007 were approximately $500,000.

FOREIGN OPERATIONS

Loral s sales to foreign customers, primarily in Asia, Europe, Canada and Mexico represented 20%, 13%, 14% and 18% of our consolidated revenues for the years ended December 31, 2007 and 2006, for the period from October 2, 2005 to December 31, 2005 and for the period from January 1, 2005 to October 1, 2005, respectively.

Satellite Manufacturing

SS/L s sales to foreign customers, primarily in Asia, Europe, Canada and Mexico, represented 16%, 6%, 8% and 9% of SS/L revenues for the years ended December 31, 2007 and 2006, for the period from October 2, 2005 to December 31, 2005 and for the period from January 1, 2005 to October 1, 2005 , respectively. As of December 31, 2007 and 2006, substantially all of our long-lived assets were located in the United States. See Item 1A Risk Factors below for a discussion of the risks related to operating internationally. See Note 18 to the consolidated financial statements for detail on our domestic and foreign sales.

Satellite Services

Telesat Canada s sales to non-U.S. customers, primarily in Canada, Asia, Europe and Latin America represented 69% of its consolidated revenues for the two month period ended December 31, 2007. At December 31, 2007, substantially all of its long-lived assets were located outside of the United States, primarily in Canada, with the exception of in-orbit satellites.

EMPLOYEES

As of December 31, 2007, Loral had approximately 2,140 full-time employees and approximately 200 contract employees, none of whom are subject to collective bargaining agreements. Almost all of the foregoing employees are employed in the satellite manufacturing segment. We consider our employee relations to be good.

As of December 31, 2007, Telesat Canada had 624 full-time employees, approximately 3% of whom are subject to collective bargaining agreements. Telesat Canada considers its employee relations to be good.

AVAILABLE INFORMATION

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available without charge on our web site, www.loral.com, as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission. Copies of these documents also are available in print, without charge, from Loral s Investor Relations Department, 600 Third Avenue, New York, NY 10016. Loral s web site is an inactive textual reference only, meaning that the information contained on the web site is not part of this report and is not incorporated in this report by reference.

Item 1A. ***Risk Factors***

I. Financial and Telesat Canada Investment Risk Factors

We emerged from Chapter 11 in 2005 and have had a history of losses.

Since emerging from bankruptcy, we have had a history of losses and expect such losses to continue in the near term. We incurred net losses of approximately $87 million (not including the gain on the contribution of Loral Skynet to Telesat Canada and related derivative gains of $194 million, and the tax effect of $78 million), $23 million, $15 million and $59 million (not including the gain on discharge of pre-petition obligations and fresh-start adjustments of $1.101 billion and the related interest expense of $13 million and a tax benefit of $15 million) for the years ended December 31, 2007 and 2006, for the period from October 2, 2005 to December 31, 2005 and for the period from January 1, 2005 to October 1, 2005, respectively. See Management s Discussion and Analysis of Financial Condition and Results of Operations. There can be no assurance that Loral will achieve profitability in the near future.

While we ended December 31, 2007 with over $300 million of cash, we have significant projected cash requirements that will substantially reduce our cash position.

While we had $315 million of available cash and cash equivalents and $24 million of restricted cash as of December 31, 2007, our operations, working capital requirements, planned capital expenditures, tax payments primarily relating to the Telesat Canada transaction and strategic investments are projected to consume substantially all of that cash by year end 2008. We will be required to obtain new financing, either in the form of debt or equity, to increase our cash availability. In light of current market conditions, there can be no assurance that we will be able to obtain such financing on favorable terms, if at all. If we are not successful in obtaining such financing, our ability to manage unforeseen cash requirements, to meet contingencies and to fund growth opportunities will be materially and adversely affected. In the past, our ability to obtain satellite contract awards has depended in part on our ability to provide vendor financing to or to make investments in our customers. If we can no longer continue to do so because of our cash constraints, SS/L s business will be materially and adversely affected.

We are a holding company with no operations; we are dependent on cash flow from our operating subsidiaries and affiliates to meet our financial obligations.

Loral Space & Communications Inc. is a holding company with three primary assets, its equity interests in its wholly-owned subsidiary, SS/L, and its affiliates, Telesat Canada and XTAR. We have no independent operations or operating assets. The ability of SS/L, Telesat Canada and XTAR to make payments or distributions to us, whether as dividends or as payments under applicable management agreements or otherwise, will depend on their operating results, including their ability to satisfy their own cash flow requirements and obligations including, without limitation, their debt service obligations. Moreover, covenants contained in the loan agreements and other debt instruments of Telesat Canada impose substantial limitations on its ability to remit funds to us. Even if the applicable loan covenants would permit Telesat Canada to pay dividends to us, we will not have the ability to cause Telesat

Canada to do so. See below While we own 64% of Telesat Canada on an economic basis, we own only 331/3% of its voting stock and therefore do not have the right to elect or appoint a majority of its Board of Directors. Likewise, any dividend payments by XTAR would require the prior consent of our Spanish partner in the joint venture.

While we are earning a management fee of $5 million a year from Telesat Canada, this amount represents a substantial reduction from the approximately $10 million in management fees and reimbursement of allocated corporate overhead costs that Loral Skynet paid to us in 2006, the last full calendar year prior to the closing of the

Telesat Canada transaction. Telesat Canada s loan documents permit this management fee from Telesat Canada to be paid to us only in the form of notes, with such fee becoming payable in cash only at such time that Telesat Canada meets certain financial performance criteria set forth in the loan documents, which criteria we do not expect Telesat Canada to be able to meet in the near term.

While we own 64% of Telesat Canada on an economic basis, we own only 331/3% of its voting stock and therefore do not have the right to elect or appoint a majority of its Board of Directors.

Because of Canadian foreign ownership restrictions, while we own 64% of the economic interests of Telesat Canada, we hold only 331/3% of its voting interests and cannot hold additional voting power in Telesat Canada absent a change in law. The governance and management of Telesat Canada is vested in its ten-member Board of Directors, comprised of three Loral appointed directors, three PSP appointed directors and four independent directors, two of whom also own Telesat Canada shares with nominal economic value and 30% and 62/3% of the voting interests for Telesat Canada directors, respectively. While we own a greater voting interest in Telesat Canada than any other single stockholder with respect to election of directors and we and PSP, which owns 30% of the voting interests for directors and 662/3% of the voting interests for all other matters, together own a majority of Telesat Canada s voting power, circumstances may occur where our interests and those of PSP diverge or are in conflict. In that case, PSP, with the agreement of at least three of the four independent directors may, subject to veto rights that we have under Telesat Canada s shareholders agreement, cause Telesat Canada to take actions contrary to our wishes. These veto rights are however, limited to certain extraordinary actions for example, the incurrence of more than $100 million of indebtedness or the purchase of assets at a cost in excess of $100 million. Moreover, our right to block these actions under the shareholders agreement falls away if either (i) ownership or control, directly or indirectly by Dr. Mark H. Rachesky (President of MHR Fund Management LLC, or MHR, which, through its affiliated funds is our largest stockholder) of our voting stock falls below certain levels or (ii) there is a change in the composition of a majority of the members of Loral s board of directors over a consecutive two-year period.

Our equity investment in Telesat Canada may be at risk because Telesat Canada is highly leveraged.

At December 31, 2007, Telesat Canada had outstanding indebtedness of CAD 2.9 billion and additional borrowing capacity of CAD 271 million under its revolving facility and its term loan facilities, based on a U.S. dollar/Canadian dollar exchange rate of $1.00/CAD .9881. Approximately CAD 2.2 billion of this total borrowing capacity is secured debt that is secured by substantially all of the assets of Telesat Canada. This indebtedness represents a significant amount of indebtedness for a company the size of Telesat Canada. The agreements governing this indebtedness impose, and future financing agreements entered into by Telesat Canada are likely to impose, operating and financial restrictions on its activities. These restrictions on Telesat Canada s ability to operate its business could seriously harm Telesat Canada s business by, among other things, limiting its ability to take advantage of financing, merger and acquisition and other corporate opportunities, which could in time adversely affect the value of our investment in Telesat Canada.

All of Telesat Canada s indebtedness at December 31, 2007 bears interest at variable rates. If market interest rates were to rise, this would result in higher debt service requirements. To alleviate a portion of this risk, Telesat Canada has entered into interest rate swaps converting $600 million of its floating U.S. dollar debt and CAD 630 million of its Canadian dollar debt into fixed rate debt for periods extending into 2010 and 2011. Telesat Canada also plans to convert its bridge loan facilities into fixed rate securities in 2008. There can be no assurance, however, that it will be able to do so.

A breach of the covenants contained in any of Telesat Canada s loan agreements, including without limitation, a failure to maintain the financial ratios required under such agreements, could result in an event of default. If an event of default were to occur, the lenders would be able to accelerate repayment of the related indebtedness, and it may also trigger a cross default under other Telesat Canada indebtedness. If Telesat Canada is unable to repay its secured indebtedness when due (whether at the maturity date or upon acceleration as a result of a default), the lenders will have the right to proceed against the collateral granted to them to secure such indebtedness, which consists of substantially all of the assets of Telesat Canada and its subsidiaries. Telesat Canada s ability to make payments on, or repay or refinance its debt, will depend largely upon its future operating performance. In the event that Telesat Canada is not able to service its indebtedness, there would be a material adverse effect on the value of our equity investment in Telesat Canada.

Telesat Canada also has CAD 141 million of 7% senior preferred stock that may be redeemed by the holders thereof commencing October 31, 2019, which preferred stock enjoys rights of priority over the Telesat Canada equity securities held by us.

There can be no assurance that Telesat Canada will be able to fully implement planned cost savings, which will adversely affect our investment.

In arriving at the purchase price that we agreed to pay for Telesat Canada, we assumed that we would be able to implement a significant reduction in costs by combining the operations of Telesat Canada and Loral Skynet. Achieving the anticipated benefits of the Telesat Canada transaction will depend in part upon whether Telesat Canada and Loral Skynet can integrate their businesses in an efficient and effective manner. There can be no assurance that this integration will be successful. A failed integration would likely result in a material adverse effect on Telesat Canada s results of operations, business prospects and financial condition, which in turn would have a material adverse effect on us.

Certain asset sales by Telesat Canada may trigger material adverse tax consequences for us.

Upon completion of the Telesat Canada transaction, we deferred a tax gain of approximately $300 million arising from the contribution by Loral Skynet to Telesat Canada of substantially all of its assets and related liabilities. However, if Telesat Canada were to sell or otherwise dispose of substantially all of such contributed assets in a taxable transaction prior to November 1, 2012, we would be required to recognize this deferred gain with retroactive effect to 2007, resulting in additional tax liability to us of approximately $115 million plus interest. Telesat Canada has agreed that prior to November 1, 2012, without our prior consent, it will not dispose of assets having a value, whether individually or in the aggregate, in excess of $50 million if such disposition would, in our reasonable determination, result in an adverse tax consequence to us. If we were to exercise this veto right and prevent Telesat Canada from consummating such an asset sale, it may, however, adversely affect the value of our investment in Telesat Canada.

The Telesat Canada information in this report is based solely on information provided to us by Telesat Canada.

Because we do not control Telesat Canada, we do not have the same control and certification processes with respect to the information contained in this report on our satellite services segment that we have for the reporting on our satellite manufacturing segment. We are also not involved in managing Telesat Canada s day to day operations. Accordingly, the Telesat Canada information contained in this report is based solely on information provided to us by Telesat Canada and has not been separately verified by us.

Our U.S. dollar reporting of Telesat Canada s financial results will be affected by volatility in the Canadian/U.S. dollar exchange rate.

Loral reports its investment in Telesat Canada in U.S. dollars while Telesat Canada reports its financial results in Canadian dollars. Loral reports its investment in Telesat Canada using the equity method of accounting. As a result, Telesat Canada s results of operations will be subject to conversion from Canadian dollars to U.S. dollars. Changes in the U.S. dollar relationship to the Canadian dollar will affect how the financial results as they relate to Telesat Canada are reported in our financial statements.

We may in the future incur significant additional indebtedness, thereby making us more vulnerable to adverse developments.

There are currently no restrictions on the ability of SS/L to incur additional indebtedness, and while the terms of the February 2007 Loral preferred stock financing currently and may in the future effectively prohibit borrowing at the Loral parent company level, such limitations can be waived by MHR. As a result, we may be able to incur significant additional debt in the future. As discussed above, we will be seeking additional financing to increase our cash availability, which may take the form of new debt. If new debt is added, such indebtedness would impose restrictive covenants, which may include requirements to maintain certain financial ratios. If we incur significant additional indebtedness, we would be more vulnerable to, among other things, adverse changes in general economic, industry and competitive conditions.

XTAR has not generated sufficient revenues to meet all of its contractual obligations, which are substantial.

XTAR s take-up rate in its service has been slower than anticipated. As a result, it has deferred certain payments owed to us, Hisdesat and Telesat Canada, including payments due under an agreement with Hisdesat to lease certain transponders on the Spainsat satellite. These lease obligations were $13.2 million in 2007, growing to $23 million per year in 2008 with increases thereafter to a maximum of $28 million per year through the end of the useful life of the satellite. As of December 31, 2007, XTAR s lease payables to Hisdesat were $15.9 million. While Hisdesat has agreed to defer amounts owed to it under this lease agreement, XTAR s lease obligations to Hisdesat, which will aggregate over $356 million over the life of the satellite, are substantial, especially in light of XTAR s limited revenues to date. XTAR has agreed that most of its excess cash balance would be applied towards making limited payments on these lease obligations, as well as payments of other amounts owed to Hisdesat and Telesat Canada in respect of services provided by them to XTAR. Unless XTAR is able to generate a substantial increase in its revenues, these lease obligations will continue to accrue and grow, which may result in a material and adverse effect on our equity interests in XTAR.

Significant changes in discount rates, actual investment return on pension assets and other factors could affect our statement of operations, equity and pension contributions in future periods.

Our statement of operations may be positively or negatively affected by the amount of expense we record for our pension and other postretirement benefit plans. Generally accepted accounting principles (GAAP) in the United States of America require that we calculate expense for the plans using actuarial valuations. These valuations reflect assumptions that we make relating to financial market and other economic conditions. Changes in key economic indicators can result in changes in the assumptions we use. The most significant year-end assumptions used to estimate pension or other postretirement expense for the following year are the discount rate, the expected long-term rate of return on plan assets and expected future medical inflation. In addition, we are required to make an annual measurement of plan assets and liabilities and at the time of the measurement, we may be required to take a significant charge to equity through a reduction to other comprehensive income. For a discussion regarding how our financial statements can be affected by pension and other postretirement plan accounting policies, see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Matters Pensions and other employee benefits. During 2007, there were no employer contributions required to be made to the pension plan. In September 2006, Loral made the minimum required contribution of $2.3 million and made an additional voluntary contribution to the pension plan of $25.2 million. The additional voluntary contribution was made to improve the funded status of the pension plan and to reduce future expected contributions. During 2008, based upon current estimates, we expect to contribute approximately $34 million to the qualified pension plan and expect to fund approximately $4 million for other employee post-retirement benefit plans. The amounts of our contributions in the future will depend, among other things, on the key economic factors underlying these assumptions.

II. Segment Risk Factors

Risk Factors Associated With Satellite Manufacturing

The satellite manufacturing market is highly competitive and fixed costs are high.

SS/L competes with several large, well-capitalized companies such as Lockheed Martin, Boeing and Orbital Sciences in the United States, Thales Alenia Space and EADS Astrium in Europe and Mitsubishi Electric Corp. in Japan, nearly all of which are larger and better capitalized than we are. SS/L may also face competition in the future from emerging low-cost competitors in India, Russia and China. The number of annual satellite manufacturing awards varies and is difficult to predict. In addition, U.S. satellite manufacturers must contend with export control regulations that put them at a disadvantage when competing for foreign customers. Moreover, as a result of our acquisition of Telesat Canada, SS/L may experience difficulty in obtaining orders from certain customers engaged in the satellite services business who compete with the combined Telesat Canada/Loral Skynet business. Our financial performance is dependent on SS/L s ability to generate a sustainable order rate and to continue to increase its backlog. The satellite manufacturing industry has suffered from substantial overcapacity worldwide for a number of years, resulting in extreme competitive pressure on pricing terms and other material contractual terms, such as those allocating risk between the manufacturer and its customers. Buyers, as a result, have had the advantage over suppliers in negotiating prices, terms and conditions resulting in reduced margins and increased assumptions of risk by SS/L.

SS/L is a large-scale systems integrator, requiring a large staff of highly-skilled and specialized workforce, as well as specialized manufacturing and test facilities in order to perform under its satellite construction contracts. In order to maintain its ability to compete as one of the leading prime contractors for technologically advanced space satellites, SS/L must continuously retain the services of a core group of specialists in a wide variety of disciplines for each phase of the design, development, manufacture and testing of its products, thus reducing SS/L s flexibility to take action in the event of a slowdown or downturn in its business.

SS/L s contracts are subject to adjustments, cost overruns, risk of non-payment and termination.

SS/L s major contracts are firm fixed-price contracts under which work performed and products shipped are paid for at a fixed price without adjustment for actual costs incurred. While cost savings under these fixed-price contracts result in gains to SS/L, cost increases result in reduction of margins or losses, borne solely by SS/L. Under such contracts, SS/L may receive progress payments, or it may receive partial payments upon the attainment of certain program milestones. If performance on these milestones is delayed, SS/L s receipt of the corresponding payments will also be delayed. As the prime contractor, SS/L is generally liable to its customer for cost overruns, schedule delays and other non-performance by SS/L s suppliers, which may be largely outside of its control.

Non-performance can increase costs and subject SS/L to damage claims from customers and termination of the contract for SS/L s default. A failure by SS/L to deliver a satellite to its customer by the specified delivery date, which may result from factors beyond SS/L s control, such as delayed performance or non-performance by its subcontractors or failure to obtain necessary governmental licenses for delivery, would also be harmful to SS/L. As a general matter, in such event, SS/L s failure to deliver beyond any contractually provided grace period would result in the incurrence of liquidated damages by SS/L, which may be substantial, and if SS/L is still unable deliver the satellite upon the end of the liquidated damages period, the customer will generally have the right to terminate the contract for default. If a contract is terminated for default, SS/L would be liable for a refund of customer payments made to date, and could also have additional liability for excess re-procurement costs and other damages incurred by its customer, although SS/L would own the satellite under construction and attempt to recoup any losses through resale to another customer. A contract termination for default could have a material adverse effect on SS/L and us.

In addition, many of SS/L s contracts may be terminated at will by the customer or the prime contractor. In the event of such a termination, SS/L is normally entitled to recover the purchase price for delivered items, reimbursement for allowable costs for work in process and an allowance for profit or an adjustment for loss, depending on whether completion of the project would have resulted in a profit or loss.

Moreover, some of SS/L s contracts require SS/L to provide vendor financing to its customers or, more customarily, for customers to pay a portion of the purchase price for the satellite over time subject to performance of the satellite, i.e., orbital payments, or a combination of these terms. In some cases, these arrangements are provided to customers that are start-up companies or companies in the early stages of building their businesses. As of December 31, 2007, SS/L had recorded orbital receivables of $135 million, of which $25 million was from start-up or early stage companies. There can be no assurance that these companies or their businesses will be successful and, accordingly, that they will be able to fulfill their payment obligations under their contracts with SS/L.

SS/L s accounting for long-term contracts requires adjustments to profit and loss based on estimates revised during the execution of the contract. These adjustments may have a material effect on our consolidated financial position and our results of operations in the period in which they are made. The estimates giving rise to these risks, which are inherent in long-term, fixed-price contracts, include the forecasting of costs and schedules, contract revenues related to contract performance and the potential for component obsolescence due to procurement long before assembly.

SS/L may forfeit payments from customers as a result of satellite failures or losses after launch or may be liable for penalty payments under certain circumstances, and these losses may be uninsured.

Most of SS/L s satellite manufacturing contracts provide that some of the total price is contingently payable as incentive payments earned over the life of the satellite, subject to satellite performance. SS/L generally does not insure for these incentive payments (also known as orbital payments) and in some cases agrees with its customers not to insure them.

SS/L records the present value of orbital payments as revenue during the construction of the satellite. SS/L generally receives the present value of these incentive payments if there is a launch failure or a failure caused by customer error. SS/L forfeits some or all of these payments, however, if the loss is caused by satellite failure or as a result of its own error. As of December 31, 2007, SS/L had orbital receivables of $135 million to be received over 15 years from launch. Since these orbital receivables could be affected by future satellite performance, there can be no assurance that SS/L will be able to collect all or a portion of these receivables. See above SS/L s contracts are subject to adjustments, cost overruns, risk of non-payment and termination.

Some of SS/L s contracts call for in-orbit delivery, transferring the launch risk to SS/L. SS/L generally insures against that exposure. In addition, some of SS/L s contracts provide that SS/L may be liable to a customer for penalty payments under certain circumstances, including late delivery or that a portion of the price paid by the customer is subject to warranty payback in the event satellite anomalies were to develop (see Note 17 to the consolidated financial statements). These contingent liabilities are not insured by SS/L. We have recorded reserves in our financial statements based on our current estimates of SS/L s warranty liabilities. There is no assurance that SS/L s actual liabilities to its customers in respect of these warranty liabilities will not be greater than the amount reserved for.

Some satellites built by SS/L, including three satellites operated by Telesat Canada, have experienced minor losses of power from their solar arrays.

Twenty-three satellites built by SS/L have experienced minor losses of power from their solar arrays. There can be no assurance that one or more will not experience an additional power loss that could lead to a loss of transponder capacity and performance degradation. A partial or complete loss of a satellite could result in an incurrence of warranty payments by, or a loss of orbital incentive payments to, SS/L. SS/L has instituted remedial measures that it believes will prevent similar anomalies from occurring on satellites under construction or in development. For further details see Note 17 to the consolidated financial statements.

Some satellites built by SS/L have the same design as another SS/L-built satellite that has experienced a partial failure.

In November 2004, Intelsat Americas 7, an SS/L-built satellite, experienced an anomaly which caused it to completely cease operations for several days before it was partially recovered. Four other satellites manufactured by SS/L for other customers have designs similar to Intelsat Americas 7 and, therefore, could be susceptible to similar anomalies in the future. A partial or complete loss of these satellites could result in an incurrence of warranty payments by SS/L aggregating up to $6 million.

We are subject to export control and economic sanctions laws, which may result in delays, lost business and additional costs.

SS/L is required by the U.S. State Department to obtain licenses and enter into technical assistance agreements to export satellites and related equipment, and to disclose technical data to foreign persons. In addition, if a satellite project involves countries, individuals or entities that are the subject of U.S. economic sanctions, which we refer to here as Sanctions Targets, or is intended to provide services to Sanctions Targets, licenses or other approvals from the U.S. Treasury Department s Office of Foreign Assets Control or OFAC, may be required. The delayed receipt of or the failure to obtain the necessary U.S. Government licenses, approvals and agreements may prohibit entry into or interrupt the completion of a satellite contract by SS/L and could lead to a customer s termination of a contract for SS/L default, monetary penalties and/or the loss of incentive payments. We have in the past failed to obtain the export licenses necessary to deliver satellites to our Chinese customers.

Some of our customers and potential customers, along with insurance underwriters and brokers, have raised concerns that U.S. export control laws and regulations excessively restrict their access to information about the satellite during construction and on-orbit. OFAC licensing requirements for transfers of controlled technical data to customers or operators whose minority investors include Sanctions Targets may also delay or restrict our ability to contract with such groups. OFAC prohibitions against the exportation of services to Sanctions Targets or the facilitation of third-country nationals transactions with Sanctions Targets may also limit certain business opportunities. To the extent that our non-U.S. competitors are not subject to these export control or economic sanctions laws and regulations, they may enjoy a competitive advantage with foreign customers, and, to the extent that our foreign competitors continue to gain market share, it could become increasingly difficult for the U.S. satellite manufacturing industry, including SS/L, to recapture this lost market share. For example, one of our European competitors, Thales Alenia Space, is offering ITAR-free telecommunications satellites, that contain no components obtained from United States sources who are subject to the export limitations imposed by the U.S. ITAR regime. Customers concerned over the possibility that the U.S. government may deny the export license necessary for SS/L to deliver to them their purchased satellite, or the restrictions or delays imposed by the U.S. government licensing requirements even where an export license is granted, may elect to choose an ITAR-free satellite over an SS/L satellite. We are further disadvantaged by the fact that an ITAR-free satellite can be launched on the substantially cheaper Chinese Long March rocket, a rocket that, because of ITAR restrictions, is not available to SS/L or other suppliers subject to ITAR restrictions.

The recent trend toward industry consolidation in the satellite services industry may adversely affect us; we do not control satellite procurement decisions at Telesat Canada.

The recent industry consolidation trend has resulted in the formation of satellite operators with greater satellite resources and increased coverage. This consolidation may reduce demand for new satellite construction as operators may need fewer satellites in orbit to provide back-up coverage or to rationalize the amount of capacity available in certain geographic regions. It may also result in concentrating additional bargaining power in the hands of large customers, which could increase pressure on pricing and other contractual terms.

In the past, Loral Skynet has purchased all of its satellites from SS/L. We do not, however, control satellite procurement decisions at Telesat Canada, and there can be no assurance that Telesat Canada will purchase additional satellites from SS/L. Moreover, any decision relating to the enforcement of existing or future satellite contracts between Telesat Canada and SS/L will be made on arms length terms and, in certain cases, subject to approval by the disinterested directors of Telesat Canada.

The availability of qualified personnel and facility space may be limited; SS/L will incur significant costs to upgrade or expand its facility.

SS/L has won a number of satellite construction awards over the last few years and, as a result, its backlog has expanded significantly. In order to complete construction of all the satellites in backlog and to accommodate future growth, SS/L is modifying and expanding its existing manufacturing facilities and coordinating with third parties for additional high-bay satellite integration and test facilities. SS/L is seeking, under this expansion plan, to accommodate as many as 13 satellite awards per year depending on the complexity and timing of the specific satellites awarded and to provide greater in-house manufacturing of RF components and subassemblies. This expansion which includes the use of third party offsite capacity and the upgrading of existing SS/L satellite test operations and RF assembly and test operations, is estimated to require total incremental capital expenditures of approximately $30 million. There can be no assurance that SS/L will be able to hire enough employees with the requisite skills and training or acquire suitable facility space and, accordingly, SS/L may not be able to perform its contracts as efficiently as planned or grow its business to the planned level.

SS/L is subject to credit risks with respect to certain of its customers.

Historically, SS/L s customers have been primarily large multinational corporations and U.S. and foreign governments for which the creditworthiness was generally substantial. In recent years, however, SS/L has added commercial customers that are highly leveraged, as well as those in the development stage that are only partially funded. If these customers are unable to meet their payment obligations to SS/L under their construction contracts, SS/L may be materially and adversely affected. To the extent that SS/L has provided vendor financing to such customers, its financial exposure is further increased.

SS/L relies on certain key suppliers whose failure or delay in performance would adversely affect us.

To build its satellites, SS/L relies on suppliers, some of whom are competitors of SS/L, to provide it with certain component parts. The number of suppliers capable of providing these components are limited, and in some cases, the supplier is in a sole source position based upon the unique nature of its product or customer requirement to procure components with proven flight heritage whenever possible. These suppliers are not all large, well-capitalized companies, and to the extent they were to experience financial difficulties, their ability to timely deliver to SS/L components that satisfy SS/L s customer contractual specifications could be impaired. In the past, SS/L s performance under its construction contracts with its customers has been adversely affected because of a supplier s failure or delay in performance. As discussed above under SS/L s contracts are subject to adjustments, cost overruns, risk of non-payment and termination, a failure by SS/L to meet its contractual delivery requirements could well give rise to liquidated damage payments by SS/L and/or a customer s termination of its construction contract with SS/L for default.

We face risks in conducting business internationally.

For the year ended December 31, 2007, approximately 16% of SS/L s revenue was generated from customers outside of the United States. SS/L could be harmed financially and operationally by changes in foreign regulations and telecommunications standards, tariffs or taxes and other trade barriers that may be imposed on its services or by political and economic instability in the countries in which it conducts business. Almost all of SS/L s contracts with foreign customers require payment in U.S. dollars, and customers in developing countries could have difficulty obtaining U.S. dollars to pay SS/L due to currency exchange controls and other factors. Exchange rate fluctuations may adversely affect the ability of SS/L customers to pay in U.S. dollars. If SS/L needs to pursue legal remedies against its foreign business partners or customers, it may have to sue them abroad where it could be difficult for SS/L to enforce its rights.

Risk Factors Associated With Satellite Services

Telesat Canada derives a substantial amount of its revenues from only a few of its customers. A loss of one or more of these major customers, or a material adverse change in any of such customer s business, could materially reduce its revenues and backlog.

Telesat Canada s top five customers, which include Bell ExpressVu and Star Choice, account for 40% of its revenues for the period October 31, 2007 to December 31, 2007, and 83% of its backlog at December 31, 2007. Any of these major customers could refuse to renew their contracts or could seek to negotiate concessions. If its customers experience a downturn in their business, these customers may find themselves in financial difficulties or consolidate, which could result in their ceasing or reducing their use of Telesat Canada s services or becoming unable to pay for services which they had contracted to buy. Additionally, Bell ExpressVu is a part of BCE. Since Telesat Canada is no longer affiliated with BCE, there can be no assurance that Bell ExpressVu will continue using Telesat Canada s services after the expiration of its current contracts or continue to increase its use of Telesat Canada s services consistent with its past practice. In addition, BCE has entered into a definitive agreement to be acquired by an investor group. Following its sale, BCE will also be highly leveraged, which may adversely affect its and its subsidiaries ability to perform their contractual obligations, including Bell ExpressVu s payment obligations to Telesat Canada under its customer contracts. A loss of a major customer would have a material adverse effect on Telesat Canada s results of operations, business prospects and financial condition, which would in turn adversely affect us.

Launch delays or failures may result in delays in operations.

Delays in launching satellites are not uncommon and result from construction delays, the unavailability of appropriate launch vehicles, launch failures and other factors. Delays in satellite launches would result in delays in Telesat Canada s revenues, could affect plans to replace an in-orbit satellite prior to the end of its useful life, could result in the expiration or cancellation of launch insurance, could result in the loss of orbital slot rights and may result in termination of its customer contracts. Upon such termination, Telesat Canada would be required to refund any prepayments made to it by its terminating customers, which in the case of its major customers, may be substantial.

Satellite launches are risky, and some launch attempts have ended in complete or partial failure. A significant delay or launch failure of a Telesat Canada satellite may have a material adverse effect on Telesat Canada s results of operations, business prospects and financial condition, which in turn would have a material adverse effect on our results and condition.

For example, the March 15, 2008 failure of a Proton rocket to lift its satellite payload to the appropriate orbit will cause a delay in the planned launch of the Nimiq 4 satellite, originally scheduled to be launched on a Proton rocket in mid-2008. The launch of Nimiq 5, which had been planned for the second half of 2009, may likewise also be delayed as a result of this launch failure. These launch delays will adversely affect Telesat Canada s financial performance for 2008 and potentially 2009 and 2010 and will defer the backlog run-off previously anticipated. It is not possible to quantify the impact of these delays until more information about the Proton failure and the resumption of the launch schedule becomes available.

After launch, satellites remain vulnerable to in-orbit failures which may result in reduced revenues and profits and other financial consequences.

Satellites utilize highly complex technology and operate in the harsh environment of space and therefore are subject to significant operational risks while in orbit. In-orbit damage to or loss of a satellite before the end of its expected life results from various causes, some random, including component failure, degradation of solar panels, loss of power or fuel, inability to maintain the satellite s position, solar and other astronomical events and space debris.

Some of Telesat Canada s satellites have had malfunctions and other anomalies, and in certain cases are currently operating using back-up components because of the failure of their primary components. If the back-up components fail, however, and Telesat Canada is unable to restore redundancy, these satellites could lose capacity or be total losses. Any single anomaly or series of anomalies or other failure could cause Telesat Canada s revenues, cash flows and backlog to decline materially, could require it to recognize an impairment loss and could require Telesat Canada to expedite its satellite replacement program, affecting its profitability and increasing its financing needs. It could also require Telesat Canada to repay prepayments made by customers of the affected satellite. It could also result in a customer terminating its contract for service on the affected satellite. If the affected satellite involves one of Telesat Canada s major customers, there could be a material adverse effect on Telesat Canada s operations, prospects, results and financial condition, which in turn would adversely affect us.

It may be difficult to obtain full insurance coverage for satellites that have, or are part of a family of satellites that has, experienced problems in the past; moreover, not all satellite-related losses will be covered by insurance.

Telesat Canada s satellite insurance does not protect it against all satellite-related losses. For example, satellite insurance will not protect it against business interruption, lost revenues or delay of revenues. Telesat Canada also does not have in-orbit insurance coverage for all of the satellites in its fleet. Telesat Canada s existing launch and in-orbit insurance policies include, and future policies are expected to include, specified exclusions, deductibles and material change limitations. Typically, these insurance policies exclude coverage for damage arising from acts of war and other exclusions then customary in the industry. In addition, they typically exclude coverage for health-related problems affecting satellites that are known at the time the policy is written. To the extent Telesat Canada experiences a launch or in-orbit failure that is not fully insured, or for which insurance proceeds are delayed or disputed, it may not have sufficient resources to replace the affected satellite.

Launch and in-orbit policies on satellites may not continue to be available on commercially reasonable terms or at all. The loss of a satellite may have a material adverse effect on Telesat Canada s results of operations, business prospects and financial condition, which may not be adequately mitigated by insurance coverage.

Telesat Canada competes for market share, customers and orbital slots.

A trend toward consolidation of major FSS providers has resulted in the creation of global competitors which are substantially larger than Telesat Canada in terms of both the number of satellites they have in orbit as well as in terms of their revenues. Due to their larger sizes, these operators are able to take advantage of greater economies of scale, may be more attractive to customers, and may have greater flexibility to restore service to their customers in the event of a partial or total failure. Telesat Canada also faces competition from regional operators, which may enjoy competitive advantages in their local markets. Telesat Canada s affiliation with us may also adversely affect its ability to compete for certain contracts, especially in its consulting services business. In addition, Telesat Canada competes for local regulatory approval in places where more than one provider may want to operate and for scarce frequency assignments and fixed orbital positions.

Telesat Canada s business is also subject to competition from ground based forms of communications technology. For many point-to-point and other services, the offerings provided by terrestrial companies can be more competitive than the services offered via satellite. New technology could also render satellite-based services less competitive by satisfying consumer demand in other ways. Telesat Canada s failure to compete effectively would result in, among other things, a loss of revenue and a decline in profitability, and a decrease in the value of its business.

Changes in the Canadian competitive environment could adversely affect Telesat Canada.

A substantial portion of Telesat Canada s business is expected to continue in the Canadian domestic market. This market is characterized by increasing competition and rapid technological development among satellite providers. The Canadian regulatory framework has always required the use of Canadian-licensed satellites for the delivery of DTH programming in Canada. It is possible that this framework could change and allow non-Canadian satellite operators to compete for future business from DTH customers, which constitute some of Telesat Canada s major customers.

Industry Canada, the Canadian telecommunications authority, has authorized Telesat Canada to operate at a number of orbital locations. Recently, however, Industry Canada has announced that it plans to award a significant number of licenses to a new Canadian satellite provider, Ciel Satellite Group, including licenses to spectrum suitable for providing a variety of satellite services to Canadian customers. Increased competition in Canada may adversely affect Telesat Canada s access rights to certain Canadian orbital locations, which in turn could adversely affect Telesat Canada s results of operations, business prospects and financial condition.

Telesat Canada operates in a highly regulated industry and government regulations may adversely affect its business.

Telesat Canada is subject to the laws of Canada and the United States and the telecommunications regulatory authorities of the Canadian government, primarily the Canadian Radio-television and Telecommunications Commission, or CRTC, and Industry Canada, as well as those of the United States government, primarily the Federal Communications Commission, or FCC, the International Telecommunications Union, or the ITU, the European Union, Brazil, China and Isle of Man. It is also subject to the laws and regulations of other countries to, from or within which it provides services. Regulatory authorities can modify, withdraw or impose charges or conditions upon, or deny or delay action on applications for, the licenses Telesat Canada needs for its business, including its access rights to orbital positions. Countries or regulatory authorities may adopt new laws, policies or regulations, change their interpretation of existing laws, policies or regulations or otherwise take actions in a manner that could adversely affect Telesat Canada s operations or revenues.

To prevent frequency interference, the regulatory process requires potentially lengthy and costly negotiations with third parties who operate or intend to operate satellites at or near the locations of Telesat Canada satellites. These negotiations have resulted in financial concessions in the past and there can be no assurance that such concessions may not be required in the future. The failure to reach an appropriate arrangement with a third party having priority rights at or near one of its orbital slots may result in substantial restrictions on the use and operation of its satellite at that location. In addition, while the ITU rules require later-in-time systems to coordinate with it, there can be no assurance that other operators will conduct their operations so as to avoid transmitting any signals that would cause harmful interference to the operation of Telesat Canada s satellites.

Failure to successfully coordinate Telesat Canada s satellites frequencies or to resolve other required regulatory approvals could have an adverse effect on its financial condition, as well as on the value of its business, which would in turn adversely affect us.

Telesat Canada s ability to replace two of its satellites is subject to additional risk and cannot be assured.

In addition to the risks with respect to Telesat Canada s ability to renew its licenses to orbital locations discussed above, there are also specific risks with respect to it being able to replace Telstar 10 and Telstar 18. Telesat Canada operates Telstar 10 and Telstar 18 pursuant to agreements with a third party that has licenses to use orbital locations controlled by China and Tonga, respectively. Although its agreements with this third party provide it with renewal rights with respect to replacement satellites, there can be no assurance that renewal rights will be granted. Should Telesat Canada be unsuccessful in obtaining renewal rights for either or both of the orbital locations, because of the control over the orbital locations exercised by foreign governments, or Telesat Canada otherwise fails to enter into agreements with the third party with respect to such replacement satellites, all revenue obtained from the affected satellite or satellites would cease. This could result in a material adverse effect on Telesat Canada s results and financial condition, which would in turn adversely affect us.

III. Other Risks

We were late with the filing of our 2007 Form 10-K; our ability to file our future financial reports on a timely basis will depend on correcting our material weakness related to income tax accounting, as well as the timely delivery by Telesat Canada of its financial statements.

We were unable to file our Annual Report on Form 10-K for the year ended December 31, 2007 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, by the required date, even after giving effect to the 15-day extension period granted under Rule 12b-25. This failure was due to a material weakness in our internal control over financial reporting as of December 31, 2007 related to income tax accounting. Specifically, we did not maintain adequate processes and a sufficient number of technically qualified personnel to facilitate the timely resolution of issues associated with our income tax closing process primarily relating to the Telesat Canada transaction. We are evaluating the appropriate steps we will need to take to remedy this material weakness, which if uncorrected, could result in late filings of future financial reports. Timely filings of our future Exchange Act reports are also dependent on Telesat Canada s ability to complete its financial statements sufficiently in advance of our SEC reporting deadlines in order for us to incorporate Telesat Canada s results in our financial statements. There can be no assurance that it will be able to do so.

The late filing of our 2007 Annual Report on Form 10-K has triggered a NASDAQ staff determination that our common stock is subject to delisting. The delisting action has been stayed pending a hearing we requested, which is scheduled for May 8, 2008. While there can be no assurance that NASDAQ will grant our request for continued listing, we expect that the filing of this Form 10-K will be sufficient to avoid the delisting of our common stock. The late filing has also adversely affected our eligibility to use the Form S-3 for registration of our securities with the Securities and Exchange Commission. Use of that Form requires, among other things, that the issuer be current in its reports under the Exchange Act for at least twelve months. If we are unable to use Form S-3, we will have to meet more demanding requirements to register our securities, so it will be more difficult for us to effect public offering transactions, and our range of available financing alternatives could be narrowed.

If we are unable to remedy the deficiencies identified above and timely file our Quarterly Report on Form 10-Q for the first quarter of 2008 and subsequent Exchange Act reports, our common stock could be delisted from NASDAQ, which would have a material adverse effect on its liquidity and value.

We share control of our affiliates with third parties.

We share control of our affiliates with third parties and as a result we do not have control over management of these entities. For example, Hisdesat enjoys substantial approval rights in regard to XTAR, our X-band joint venture. While we own 64% of the participating shares of Telesat Canada, we own only 331/3% of the voting power. The rights of these third parties and fiduciary duties under applicable law could result in others acting or failing to act in ways that are not in our best interest. While these entities are or have been customers of SS/L, due to this shared control and the fiduciary duties of the boards of these entities, there can be no assurance that these entities will continue to be customers of SS/L, and SS/L does not expect to do business with these entities on other than fair and competitive terms.

We rely on key personnel.

We need highly qualified personnel. Michael Targoff, our chief executive officer, has an employment contract expiring in December 2010. We do not maintain key man life insurance. The departure of any of our key executives could have an adverse effect on our business.

MHR may be viewed as our controlling stockholder and may have conflicts of interest with us in the future.

As of December 31, 2007, various funds affiliated with MHR held all issued and outstanding shares of Loral Series-1 Preferred Stock (issued in February 2007) which, if converted to common stock, would represent, when taken together with holdings by MHR and/or its affiliated funds of common stock of Loral at such time, approximately 57.3% of the common stock of Loral. However, the terms of the preferred stock are designed so that, prior to certain change of control events of Loral, any shares of common stock issuable to MHR and/or its affiliated funds upon conversion of such preferred stock, when taken together with holdings by MHR and/or its affiliated funds of common stock of Loral at such time, will not represent more than 39.999% of the aggregate voting power of the securities of Loral. Various funds affiliated with MHR held, as of December 31, 2007 and 2006, approximately 35.4% and 35.9%, respectively of the outstanding common stock of Loral. As of March 2008, representatives of MHR occupy three of the nine seats on our board of directors (seven of which are currently occupied) and have the right under the terms of the Loral preferred stock financing, which it has not exercised to date, to appoint an additional director to our Board. In addition, one of our other directors was selected by the creditors committee in our Chapter 11 Cases, in which MHR served as the chairman. Conflicts of interests may arise in the future between us and MHR. For example, MHR and its affiliated funds are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Under our agreement with PSP, in the event that either (i) ownership or control, directly or indirectly, by Mark H. Rachesky, President of MHR, of our voting stock falls below certain levels or (ii) there is a change in the composition of a majority of the members of the Loral board of directors over a consecutive two-year period, we will lose our veto rights relating to certain actions by Telesat Canada. In addition, after either of these events, PSP will have certain rights to enable it to exit from its investment in Telesat Canada, including a right to cause Telesat Canada to conduct an initial public offering in which PSP s shares would be the first shares offered or, if no such offering has occurred within one year due to a lack of cooperation from Loral or Telesat Canada, to cause the sale of Telesat Canada and to drag along the other shareholders in such sale, subject to our right to call PSP s shares at fair market value.

Compliance with the Sarbanes-Oxley Act increases our operating expenses.

The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the Securities and Exchange Commission (SEC), have required changes to some of our corporate governance practices. These changes include developing financial and disclosure processes that satisfy Section 404 of the Sarbanes-Oxley Act. We expect that these rules and regulations will continue to make some activities more difficult, time-consuming and costly. We also expect that these rules and regulations could make it more difficult for us to attract and retain qualified members of our Board of Directors, particularly to serve on our audit committee and to attract and retain qualified executive officers. If we are unable to comply with the Sarbanes-Oxley Act and related rules and regulations, our business could be materially adversely affected.

The future use of tax attributes is limited upon emergence from bankruptcy.

As of December 31, 2007, we had federal net operating loss carryforwards, or NOLs, of approximately $554 million and state NOLs of various amounts that are available to offset future taxable income (see Notes 3 and 12 to the consolidated financial statements for a description of the accounting treatment of such NOLs). As our reorganization on November 21, 2005 constituted an ownership change under Section 382 of the Internal Revenue Code, our ability to use these NOLs, as well as certain other tax attributes existing at such effective date, is subject to an annual limitation of approximately $32.6 million, subject to increase or decrease based on certain factors. If Loral experiences an additional ownership change during any three-year period after November 21, 2005, future use of these tax attributes may become further limited. An ownership change may be triggered by sales or acquisitions of Loral equity interests beyond certain thresholds by shareholders owning five percent or more of our total equity value, i.e., the total market value of our equity interests (whether common or preferred), as determined on any applicable testing date. We would, however, be adversely affected by an additional ownership change only if at the time of such change, our total equity value multiplied by the federal applicable long-term tax exempt rate was less than $32.6 million.

There is a thin trading market for our common stock.

Our common stock was first issued and listed on the NASDAQ National Market in December 2005. Trading activity in our stock has generally been light, averaging approximately 73,000 shares per day for the year ended December 31, 2007. Moreover, over 50% of our common stock is effectively held by MHR and several other shareholders. If any of our significant shareholders should sell some or all of their holdings, it will likely have an adverse effect on our share price. Although the funds affiliated with MHR have restrictions on their ability to sell our shares under U.S. securities laws, they have registration rights in respect of the securities they hold in Loral, including our common stock that would, if exercised, eliminate such restrictions.

The market for our stock could be adversely affected by future issuance of significant amounts of our common stock.

As of December 31, 2007, 20,292,746 shares of our common stock were outstanding. On that date, there were outstanding options to purchase 2,051,702 shares of our common stock, of which 1,376,214 were vested and exercisable and of which 675,488 will become vested and exercisable over the next two years. In addition, as of December 31, 2007, 628,004 shares of our common stock were available for future grants under our 2005 Stock Incentive Plan. Moreover, we may further amend our stock option plan in the future to provide for additional increases in the number of shares available for grant thereunder.

In connection with a stipulation entered into with certain directors and officers of Old Loral and a stipulation entered into with the plaintiffs in a purported class action lawsuit brought by participants in the 401(k) Savings Plan of Old Loral, certain claims aggregating $77 million may result in the distribution of our common stock in addition to the 20 million shares distributed under the Plan of Reorganization. For more detail about these stipulations, see Note 17 to the consolidated financial statements.

Based on the initial conversion price of $30.1504 per share and assuming stockholder approval of the creation of the Class B non-voting common stock, the Series A-1 Loral convertible preferred stock and the Series B-1 Loral convertible preferred stock currently outstanding are convertible by its holders into 1,419,530 shares of common stock and 9,008,210 shares of Class B-1 non-voting common stock, respectively. We also intend to seek approval at a future stockholders meeting to increase our number of authorized shares of common stock from 40,000,000 shares to 60,000,000 shares.

Sales of significant amounts of our common stock to the public, or the perception that those sales could happen, could adversely affect the market for, and the trading price of, our common stock.

Litigation and Disputes

We are involved in a number of ongoing lawsuits.

We are involved in a number of lawsuits, details of which can be found in Note 17 to the consolidated financial statements. In addition, we are involved in a number of disputes which might result in litigation. If any of these lawsuits or disputes are decided against us it could have a material adverse affect on our financial condition and our results of operations.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Corporate

We lease approximately 27,000 square feet of space for our corporate offices in New York.

Satellite Manufacturing

SS/L s research, production and testing are conducted in SS/L-owned facilities covering approximately 564,000 square feet on 29 acres in Palo Alto, California. In addition, SS/L leases approximately 587,000 square feet of space on 39 acres from various third parties primarily in Palo Alto, Menlo Park and Mountain View, California. Management believes that the facilities for satellite manufacturing are sufficient for current operations, but SS/L is modifying and expanding the existing manufacturing facilities and coordinating with third parties for additional high-bay satellite integration and test facilities to accommodate potential growth.

Satellite Services

Telesat Canada s primary satellite control center is located at its headquarters building in Ottawa, Ontario which consists of 259,000 square feet on 10 acres. This building is co-owned by Telesat Canada and a pension fund, each having a fifty percent (50%) interest as tenants-in-common. The pension fund s interest in the building is leased by Telesat Canada until January 2009.

The Allan Park earth station, located northeast of Toronto, Ontario on 70 acres of land, houses a customer support center and a technical control center. This facility is also the back-up satellite control center and the main earth station complex. Allan Park s role in Telesat Canada s operations has expanded as a result of the closure of Loral Skynet s satellite control center in Hawley, Pennsylvania and the planned closure of its VSAT and Internet services management center in Rockville, Maryland.

In addition to these facilities, Telesat Canada leases approximately 350,000 square feet for teleport, and satellite control operations and 160,000 square feet for administrative and sales offices.

Item 3. *Legal Proceedings*

We discuss certain legal proceedings pending against the Company in the notes to the consolidated financial statements and refer you to that discussion for important information concerning those legal proceedings, including the basis for such actions and relief sought. See Note 17 to the consolidated financial statements for this discussion.

Item 4. *Submission of Matters to a Vote of Security Holders*

None.

PART II

Item 5. *Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

(a) Market Price and Dividend Information

Loral has authorized 40 million shares of common stock, $0.01 par value per share, 20,292,746 of which are outstanding as of December 31, 2007. Subject to the preferences and other rights of the Loral Series-1 Preferred Stock, holders of shares of Loral common stock, and if and when authorized and issued, shares of the Class B non-voting common stock, are entitled to share equally, share for share in dividends when and as declared by the board of directors out of funds legally available for such dividends. If and when issued pursuant to the terms of the Loral Series-1 Preferred Stock, shares of the Series A-2 and Series B-2 preferred stock will have the right to participate in all dividends paid on Loral common stock on an as converted basis. Subject to the rights, powers and preferences of the Loral Series-1 Preferred Stock, and, if and when issued pursuant to the terms of the Series B-1 Preferred Stock, the Series B-2 preferred stock, upon a liquidation, dissolution or winding up of Loral, the assets of Loral available to stockholders will be distributed equally per share to the holders of Loral common stock, and if and when issued, the Series A-2 preferred stock and Class B non-voting common stock. Except as otherwise provided in the Restated Certificate of Incorporation or bylaws of Loral, each holder of Loral common stock is entitled to one vote in respect of each share of Loral common stock held of record on all matters submitted to a vote of stockholders. The holders of Loral common stock do not have any cumulative voting rights. Loral common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to Loral common stock. All outstanding shares of Loral common stock are fully paid and non-assessable.

Our common stock trades on the NASDAQ National Market under the ticker symbol LORL. The table below sets forth the high and low sales prices of Loral common stock as reported on the NASDAQ National Market from January 1, 2006 through December 31, 2007.

	High	Low
Year ended December 31, 2007		
Quarter ended December 31, 2007	$ 45.27	$ 31.67
Quarter ended September 30, 2007	50.42	34.83
Quarter ended June 30, 2007	51.82	44.50
Quarter ended March 31, 2007	53.10	39.00
Year ended December 31, 2006		
Quarter ended December 31, 2006	$ 41.65	$ 25.96
Quarter ended September 30, 2006	29.60	24.16
Quarter ended June 30, 2006	29.55	25.74
Quarter ended March 31, 2006	29.01	23.76

(b) Approximate Number of Holders of Common Stock

At March 1, 2008, there were 405 holders of record of our common stock.

(c) Dividends

Loral s ability to pay dividends or distributions on its common stock will depend upon its earnings, financial condition and capital needs and other factors deemed pertinent by the Board of Directors. The terms of the Loral Series-1 Preferred Stock also restrict the Company s ability to pay dividends on its common stock. Loral cannot pay any dividends on equity securities ranking either *pari passu* or junior to the Loral Series-1 Preferred Stock if it is then in default in respect of dividend payments on the Loral Series-1 Preferred Stock except that certain pro rata dividend payments on parity securities would be permitted. The Loral Series-1 Preferred Stock also provides that, for so long as at least one third of the shares of Series A Preferred Stock and Series B Preferred Stock issued at closing is still outstanding, unless there is then basket availability (determined based on Loral s adjusted consolidated net income (as defined) and taking into account all prior restricted payments to date), the approval of a majority of the outstanding shares of Series A Preferred Stock and Series B Preferred Stock, voting together as a single class, is required before Loral can pay dividends on its common stock. In addition, the terms of the Loral Series-1 Preferred Stock provide that, subject to certain exceptions (including for the sale of Loral Skynet assets in connection with the Telesat Canada transaction), following asset sales having an aggregate value in excess of $25 million (the Asset Sale Trigger), the Company may not pay dividends on its common stock if at the time of such payment the aggregate amount of such payment and all other restricted payments made since the Asset Sale Trigger would exceed 50% of the Company s adjusted consolidated net income (as defined) accrued during the period commencing on the date of initial issuance of the Loral Series-1 Preferred Stock and ending at the end of the most recent fiscal quarter ended at least 45 days prior to the date of the dividend. To date, Loral has not paid any dividends on its common stock.

(d) Securities Authorized for Issuance under Equity Compensation Plans

See Note 13 to the consolidated financial statements for information regarding the Company s stock compensation plan. Compensation information required by Item 11 will be presented in the Company s 2008 definitive proxy statement which is incorporated herein by reference.

(e) Comparison of Cumulative Total Returns

Set forth below is a graph comparing the cumulative performance of our common stock with the NASDAQ Composite Index, and the NASDAQ Telecommunications Index from November 21, 2005, the initial issue date of our common stock upon emergence from bankruptcy, to December 31, 2007. The graph assumes that $100 was invested on November 21, 2005 in each of our common stock, the NASDAQ Composite Index and the NASDAQ Telecommunications Index and that all dividends were reinvested. The NASDAQ Telecommunications Index is a capitalization weighted index designed to measure the performance of all NASDAQ-traded stocks in the telecommunications sector, including satellite technology companies.

Item 6. ***Selected Financial Data***

The following table sets forth our selected historical financial and operating data for the years ended December 31, 2007 and 2006, the period October 2, 2005 to December 31, 2005, the period January 1, 2005 to October 1, 2005 and each of the years ended December 31, 2004 and 2003.

For all periods presented in the statement of operations, income from continuing operations excludes the results of the North American satellites and related assets sold on March 17, 2004 to Intelsat, which have been accounted for as a discontinued operation and accordingly are presented separately in the consolidated selected financial data.

On August 1, 2005, the Bankruptcy Court entered its Confirmation Order confirming the Plan of Reorganization. On September 30, 2005, the FCC approved the transfer of FCC licenses from Old Loral to New Loral, which represented the satisfaction of the last material condition precedent to emergence from bankruptcy. We emerged from bankruptcy on November 21, 2005 and pursuant to SOP 90-7 we adopted fresh-start accounting as of October 1, 2005. Upon emergence, our reorganization enterprise value as determined by the Bankruptcy Court was approximately $970 million, which after reduction for the fair value of Loral Skynet s 14% senior secured notes and the Loral Skynet preferred stock (see Notes 3, 10 and 13 to the consolidated financial statements), resulted in a reorganization equity value of approximately $642 million. This reorganization equity value was allocated to our assets and liabilities. Our assets and liabilities were stated at fair value in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS 141). In addition, our accumulated deficit was eliminated, and our new debt and equity were recorded in accordance with distributions pursuant to the Plan of Reorganization (see Note 4 to the consolidated financial statements). Our consolidated financial statements as of October 1, 2005 and for dates subsequent are not comparable in certain material respects to the historical consolidated financial statements for periods prior to that date.

References to the Predecessor Registrant refer to the period prior to October 2, 2005. References to the Successor Registrant refer to the period on and after October 2, 2005, after giving effect to the adoption of fresh-start accounting.

In connection with the Telesat Canada transaction, Loral, on October 31, 2007, transferred substantially all of the assets and related liabilities of Loral Skynet to Telesat Canada. Therefore, Loral Skynet has been excluded from the selected financial data subsequent to October 31, 2007.

The information set forth in the following table should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K.

LORAL SPACE & COMMUNICATIONS INC.
(In thousands, except per share data)

	Successor Registrant			Predecessor Registrant		
	Year Ended December 31,		For the Period October 2, 2005 to December 31,	For the Period January 1, 2005 to October 1,	Year Ended December 31,	
	2007	2006	2005	2005	2004	2003
Statement of operations data:						
Revenues	$ 882,454	$ 797,333	$ 197,165	$ 429,183	$ 522,127	$ 392,043
Operating income (loss) from continuing operations(1)	45,256	29,818	(4,945)	(67,095)	(214,345)	(388,873)
Gain on discharge of pre-petition obligations and fresh-start adjustments				1,101,453(2)		
Income (loss) from continuing operations before income taxes, equity in net losses of affiliates and minority interest(3)	157,786	30,117	(5,395)	1,022,651	(207,852)	(368,355)
Income tax (provision) benefit	(83,457)	(20,880)	(1,752)	10,901	(13,284)(4)	6,330
Income (loss) from continuing operations before equity in net losses of affiliates and minority interest	74,329	9,237	(7,147)	1,033,552	(221,136)	(362,025)

Equity in net (losses) income of affiliates(5)	(21,430)	(7,163)	(5,447)	(2,796)	46,654	(51,153)
Minority interest	(23,240)	(24,794)	(2,667)	126	135	20
Income (loss) from continuing operations	29,659	(22,720)	(15,261)	1,030,882	(174,347)	(413,158)
(Loss) income from discontinued operations, net of taxes					(2,348)	18,803
Gain on sale of discontinued operations, net of taxes				13,967		
Income (loss) before cumulative effect of change in accounting principle and extraordinary gain on acquisition of minority interest	29,659	(22,720)	(15,261)	1,044,849	(176,695)	(394,355)
Cumulative effect of change in accounting principle, net of taxes						(1,970)
Extraordinary gain on acquisition of minority interest						13,615
Net income (loss)	29,659	(22,720)	(15,261)	1,044,849	(176,695)	(382,710)
Preferred dividends	(19,379)					(6,719)
Beneficial conversion feature related to the issuance of Loral Series A-1 Preferred Stock	(25,685)					
Net (loss) income applicable to common shareholders	(15,405)	(22,720)	(15,261)	1,044,849	(176,695)	(389,429)

	Successor Registrant			Predecessor Registrant		
	Year Ended December 31,		For the Period October 2, 2005 to December 31,	For the Period January 1, 2005 to October 1,	Year Ended December 31,	
	2007	2006	2005	2005	2004	2003
Basic and diluted (loss) earnings per share:						
Continuing operations	$ (0.77)	$ (1.14)	$ (0.76)	$ 23.37	$ (3.96)	$ (9.58)
Discontinued operations				0.32	(0.05)	0.43
Before cumulative effect of change in accounting principle and extraordinary gain on acquisition of minority interest	$ (0.77)	(1.14)	(0.76)	23.69	(4.01)	(9.15)
Cumulative effect of change in accounting principle						(0.05)
Extraordinary gain on acquisition of minority interest						0.31
(Loss) earnings per share	$ (0.77)	$ (1.14)	$ (0.76)	$ 23.69	$ (4.01)	$ (8.89)
Deficiency of earnings to cover fixed charges	$ 28,875	$ 13,377	$ 8,062	$ 65,570	$ 208,809	$ 389,218
Cash flow data:						
Provided by (used in) operating activities(6)	27,123	88,002	(38,531)	(143,827)	66,129	232,653
Provided by (used in) by investing activities(7)	61,519	(175,978)	(5,089)	194,707	906,887	(157,484)
Provided by (used in) by financing activities	39,510	(1,278)	120,763		(966,887)	539

	Predecessor Registrant			Successor Registrant	
	December 31,			December 31,	
	2007	2006	2005	2004(8)	2003(8)
Balance sheet data:					
Cash and cash equivalents	$ 314,694	$ 186,542	$ 275,796	$ 147,773	$ 141,644
Short-term investments		106,588			
Total assets	1,702,939	1,729,911	1,678,977	1,218,733	2,463,813
Debt, including current portion		128,084	128,191		
Non-current liabilities and minority interest	289,602	535,271	603,374	84,677	72,932

Liabilities subject to compromise				1,916,000	2,921,680
Shareholders equity (deficit)	973,558	647,002	627,164	(1,044,101)	(855,670)

(1) In connection with the Telesat Canada transaction, which closed on October 31, 2007, we recognized a gain of $104.9 million on the contribution of substantially all of the assets and related liabilities of Loral Skynet to Telesat Canada. See Note 8 to the consolidated financial statements.

(2) In connection with our emergence from Chapter 11 and our adoption of fresh-start accounting on October 1, 2005, we recognized a gain on discharge of pre-petition obligations and fresh-start adjustments of $1.101 billion, related interest expense of $13.2 million related to the holders of claims to be paid in cash and a tax benefit of $15.4 million, each of which is reflected separately in our statement of operations (see Note 4 to the consolidated financial statements).

(3) In connection with the Telesat Canada transaction, we recognized a gain on foreign exchange contracts of $89.4 million (see Note 16 to the consolidated financial statements).

(4) 2004 includes an $11 million increase to the deferred tax valuation allowance relating to the reversal of deferred tax liabilities arising from the write-off of our investment in Globalstar, L.P. s $500 million credit facility, upon Globalstar, L.P. s dissolution in June 2004.

(5) Beginning October 31, 2007, our principal affiliate is Telesat Canada. Loral also has investments in XTAR and joint ventures providing Globalstar service, which are accounted for under the equity method. On December 21, 2007 Loral agreed to sell its interest in Globalstar do Brazil S.A. which resulted in Loral recording a charge of $11.3 million (see Note 8 to the consolidated financial statements). During 2004, we recorded $47 million of equity income on the reversal of vendor financing liabilities that were non-recourse to SS/L in the event of non-payment by Globalstar, L.P. During 2003, we wrote off our remaining investment of $29 million in Satelites Mexicanos, S.A. de C.V. See Note 8 to the consolidated financial statements.

(6) Cash flow provided by (used in) operating activities includes cash flow from operating activities provided by discontinued operations in 2004.

(7) Cash flow provided by (used in) investing activities includes cash flow provided by (used in) investing activities of discontinued operations for the period January 1, 2005 to October 1, 2005 and 2004.

(8) As a result of our Chapter 11 filing, Old Loral s debt obligations, preferred stock obligations and certain other liabilities existing at July 15, 2003, were classified as liabilities subject to compromise on our balance sheets at December 31, 2004 and 2003. These obligations were extinguished as of the Effective Date.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations.***

The following discussion and analysis should be read in conjunction with our consolidated financial statements (the financial statements) included in Item 15 of this Annual Report on Form 10-K.

Loral Space & Communications Inc., a Delaware corporation, together with its subsidiaries is a leading satellite communications company with substantial activities in satellite manufacturing and investments in satellite-based communications services. Loral was formed on June 24, 2005 to succeed to the business conducted by its predecessor registrant, Loral Space & Communications Ltd. (Old Loral), which emerged from chapter 11 of the federal bankruptcy laws on November 21, 2005 (the Effective Date).

The terms, Loral, the Company, we, our and us, when used in this report with respect to the period prior to the Effective Date, are references to Old Loral, and when used with respect to the period commencing on and after the Effective Date, are references to Loral Space & Communications Inc. These references include the subsidiaries of Old Loral or Loral Space & Communications Inc., as the case may be, unless otherwise indicated or the context otherwise requires.

On October 31, 2007, Loral and its Canadian Partner, Public Sector Pension Investment Board (PSP), through Telesat Holdings, Inc. (Telesat Holdco), a newly-formed joint venture, completed the acquisition of Telesat Canada from BCE Inc. (BCE). In connection with this acquisition, Loral transferred on that same date substantially all of the assets and related liabilities of Loral Skynet Corporation (Loral Skynet) to Telesat Canada. Loral holds a 64% economic interest and 331/3% voting interest in Telesat Holdco, the ultimate parent company of the resulting new entity. Loral accounts for this investment using the equity method of accounting.

We refer to the acquisition of Telesat Canada and the related transfer of Loral Skynet to Telesat Canada as the Telesat Canada transaction. References to Telesat Canada with respect to periods prior to the closing of this transaction are references to the subsidiary of BCE and with respect to the period after the closing of this transaction are references to Telesat Holdco and/or its subsidiaries as appropriate. Similarly, unless otherwise indicated, references to Loral Skynet with respect to periods prior to the closing of this transaction are references to the operations of Loral s satellite services segment conducted through Loral Skynet and with respect to the period commencing on and after the closing of this transaction are, if related to the fixed satellite services business, references to the Loral Skynet operations within Telesat Canada.

We adopted fresh start accounting as of October 1, 2005, in accordance with Statement of Position No. 90-7, *Financial Reporting of Entities in Reorganization Under the Bankruptcy Code* (SOP 90-7). Accordingly, our financial information disclosed under the heading Successor Registrant for the periods ended and as of December 31, 2007, 2006 and 2005, respectively, is presented on a basis different from, and is therefore not comparable to, our financial information disclosed under the heading Predecessor Registrant for the period ended and as of October 1, 2005 (the date we adopted fresh-start accounting) or for prior periods.

References to full-year 2005 financial information throughout this discussion combine the periods of January 1, 2005 to October 1, 2005 with October 2, 2005 to December 31, 2005. Management believes that providing this financial information is the most relevant and useful method for making comparisons.

Disclosure Regarding Forward-Looking Statements

Except for the historical information contained in the following discussion and analysis, the matters discussed below are not historical facts, but are forward-looking statements as that term is defined in the Private Securities Litigation

Reform Act of 1995. In addition, we or our representatives have made and may continue to make forward-looking statements, orally or in writing, in other contexts. These forward-looking statements can be identified by the use of words such as believes, expects, plans, may, will, would, could, should, anticipates, estimates, p outlook or other variations of these words. These statements, including without limitation those relating to Telesat Canada, are not guarantees of future performance and involve risks and uncertainties that are difficult to predict or quantify. Actual events or results may differ materially as a result of a wide variety of factors and conditions, many of which are beyond our control. For a detailed discussion of these and other factors and conditions, please refer to the Commitments and Contingencies section below and to our other periodic reports filed with the Securities and Exchange Commission (SEC). We operate in an industry sector in which the value of securities may be volatile and may be influenced by economic and other factors beyond our control. We undertake no obligation to update any forward-looking statements.

Overview

Businesses

Loral is a leading satellite communications company with a satellite manufacturing unit and investments in satellite services businesses. Loral is organized into two operating segments, satellite manufacturing and satellite services. For the final two months of 2007 and going forward, Loral participates in satellite services operations principally through its investment in Telesat Canada.

Satellite Manufacturing

Space Systems/Loral, Inc. (SS/L), designs and manufactures satellites, space systems and space system components for commercial and government customers whose applications include fixed satellite services (FSS), direct-to-home (DTH) broadcasting, mobile satellite services (MSS), broadband data distribution, wireless telephony, digital radio, digital mobile broadcasting, military communications, weather monitoring and air traffic management.

Satellite manufacturers have high fixed costs relating primarily to labor and overhead. Based on its current cost structure, we estimate that SS/L covers its fixed costs, including depreciation and amortization, with an average of five to six satellite awards a year depending on the size, power, pricing and complexity of the satellite. Cash flow in the satellite manufacturing business tends to be uneven. It takes two to three years to complete a satellite project and numerous assumptions are built into the estimated costs. SS/L s cash receipts are tied to the achievement of contract milestones that depend in part on the ability of its subcontractors to deliver on time. In addition, the timing of satellite awards is difficult to predict, contributing to the unevenness of revenue and making it more challenging to align the workforce to the workflow.

While its requirement for ongoing capital investment to maintain its current capacity is relatively low, SS/L has commenced a capacity expansion program through which SS/L is seeking to accommodate as many as 13 satellite awards per year depending on the complexity and timing of the specific satellites awarded, and which also provides for greater in-house manufacturing of RF components and subassemblies. This expansion, which includes the use of third party offsite capacity and the upgrading of existing SS/L satellite test operations and RF assembly and test operations, is estimated to require total incremental capital expenditures of approximately $30 million. On February 27, 2008, SS/L and Northrop Grumman announced that they are pursuing a group of initiatives to broaden each company s opportunities to provide the U.S. government with cost competitive satellite systems. As part of these initiatives, Northrop Grumman has agreed in principle to the use by SS/L of its satellite test facilities and services, which would allow Loral to better manage its capital expenditures for facilities expansion at SS/L and the related cash flow requirements associated with that expansion.

The satellite manufacturing industry is a knowledge-intensive business, the success of which relies heavily on its technological heritage and the skills of its workforce. The breadth and depth of talent and experience resident in SS/L s workforce of approximately 2,300 personnel is one of our key competitive resources.

Satellites are extraordinarily complex devices designed to operate in the very hostile environment of space. This complexity may lead to unanticipated costs during the design, manufacture and testing of a satellite. SS/L establishes provisions for costs based on historical experience and program complexity to cover anticipated costs. As most of SS/L s contracts are fixed price, cost increases in excess of these provisions reduce profitability and may result in losses to SS/L, which may be material. The highly competitive satellite manufacturing industry has recently recovered from a several-year period in the early part of this decade when order levels reached an unprecedented low level. Buyers, as a result, have had the advantage over suppliers in negotiating prices, terms and conditions resulting in reduced margins and increased assumptions of risk by manufacturers such as SS/L. SS/L was further handicapped while it was in Chapter 11, because of buyers reluctance to purchase satellites from a company in bankruptcy.

Satellite Services

On October 31, 2007, Loral and its Canadian partner, PSP, through a newly-formed joint venture, completed the acquisition of Telesat Canada from BCE. In connection with this acquisition, Loral transferred substantially all of the assets and related liabilities of Loral Skynet to Telesat Canada. Loral holds a 64% economic interest and a 331/3% voting interest in Telesat Holdco, the ultimate parent company of the resulting new entity (see Note 8 to the financial statements).

The satellite services business is capital intensive and the build-out of a satellite fleet requires substantial time and investment. Once these investments are made, however, the costs to maintain and operate the fleet are relatively low with the exception of in-orbit insurance. Upfront investments are earned back through the leasing of transponders to customers over the life of the satellite. After nearly 40 years of operation, Telesat Canada has established collaborative relationships with its customers so annual receipts from the satellite services business are fairly predictable with long term contracts and high contract renewal rates.

Competition in the satellite services market has been intense in recent years due to a number of factors, including transponder over-capacity in certain geographic regions and increased competition from fiber. This competition puts pressure on prices, depending on market conditions in various geographic regions and frequency bands. A stronger economy and an increase in capital available for expanded consumer and enterprise-level services have more recently led to an improvement in demand in certain markets. Much of Telesat Canada s currently unleased capacity, however, is over geographic regions where the market is characterized by excess capacity, coupled with weak demand, or where regulatory obstacles are such that the company finds itself at a competitive disadvantage compared to local operators.

As of December 31, 2007, Telesat Canada s twelve in-orbit satellites (comprised of both owned and leased satellites) had an average of approximately 60% of their expected total service life remaining, with an average expected remaining service life in excess of eight years. Three additional satellites, two of which are under construction at SS/L, are scheduled for launch in 2008 and 2009. Two of the satellites under construction are already 100% contracted to Bell ExpressVu for 15 years or such later date as the customer may request.

Until the closing of the Telesat Canada transaction, Loral Skynet operated a global fixed satellite services business. As part of this business, Loral Skynet leased transponder capacity to commercial and government customers for video distribution and broadcasting, high-speed data distribution, Internet access and communications, and also provided managed network services to customers using a hybrid satellite and ground-based system. It also provided professional services to other satellite operators such as fleet operating services. At October 31, 2007, Loral Skynet had four in-orbit satellites and one satellite under construction at SS/L.

Bankruptcy Reorganization

During the years 2001-2003, the sustained and unprecedented decline in demand for our satellites and the transponder over-capacity in our satellite services business exacerbated Old Loral s already strained financial condition brought on primarily by the investments we had previously made in Globalstar, L.P. (Globalstar) that we subsequently wrote-off. Globalstar filed voluntary bankruptcy petitions under Chapter 11 in February 2002. On July 15, 2003, Old Loral and certain of its subsidiaries (the Debtor Subsidiaries and collectively with Old Loral, the Debtors) filed voluntary petitions for reorganization under Chapter 11. During the ensuing two-and-a-half year period we further increased our emphasis on cash conservation by reducing operating expenses and closely monitoring capital expenditures.

On August 1, 2005, the Bankruptcy Court entered its confirmation order confirming the Plan of Reorganization. On September 30, 2005, the Federal Communications Commission (the FCC) approved the transfer of FCC licenses from Old Loral to Loral Space & Communications Inc., which represented satisfaction of the last material condition precedent to emergence. The Debtors emerged from their reorganization proceeding under Chapter 11 on November 21, 2005 pursuant to the Plan of Reorganization. Pursuant to SOP 90-7 we adopted fresh-start accounting as of October 1, 2005 (see Notes 2 and 3 to the financial statements).

Future Outlook

Critical success factors for SS/L include maintaining its reputation for reliability, quality and superior customer service. These factors are vital to securing new customers and retaining current ones. At the same time, we must continue to contain costs and maximize efficiencies. SS/L is focused on increasing bookings and backlog, while maintaining the cost efficiencies and process improvements realized over the past several years. In addition, SS/L must continue to align its direct workforce with the level of awards. In order to complete construction of all the satellites in backlog and to accommodate long-term growth, SS/L will need, and is hiring additional staff. Long-term growth at SS/L will also require expanded facilities, and working capital requirements, primarily for the orbital component of the satellite contract which is payable to SS/L over the life of the satellite.

As a result of the closing of the Telesat Canada transaction, Loral holds a 64% economic interest and a 331/3% voting interest in the world s fourth largest satellite operator with approximately $5.3 billion of backlog as of December 31, 2007. The integration of Loral Skynet s and Telesat Canada s operations offers customers expanded satellite and terrestrial coverage while continuing to offer superior customer service. We believe that this transaction allows the combined company to compete more effectively in the FSS industry than either Loral Skynet or Telesat Canada would have been able to do on its own.

Telesat Canada is committed to continuing to provide the strong customer service and focus on innovation and technical expertise that has allowed it to successfully build its business to date. Building on its industry leading backlog and significant contracted growth, Telesat Canada s focus is on taking disciplined steps to grow the core business and sell existing in-construction satellite capacity; successfully integrate with Loral Skynet to improve operating efficiency; and, in a disciplined manner, use the strong cash flow generated by existing business, contracted expansion satellites and cost savings to strengthen the business.

Telesat Canada believes its existing satellite fleet offers a strong combination of existing backlog, contracted revenue growth (on Anik F3, and on the in-construction satellites Nimiq 4 and Nimiq 5) and additional capacity (on the existing satellites and Telstar 11N) that provides a solid foundation upon which it will seek to grow its revenues and cash flows.

When two satellite operators merge, there usually is significant overlap in their operations. Telesat Canada has implemented a comprehensive integration plan that has resulted in a substantial headcount reduction in certain areas of the company and consolidated a number of Loral Skynet and Telesat Canada facilities, including satellite and network operations centers, resulting in the achievement of significant cost synergies. Telesat Canada has targeted approximately CAD 55 million in annual cost savings; approximately two-thirds of these cost savings will result from the reduction in staffing levels. Telesat Canada believes that its integration activities are proceeding according to plan, that significant cost savings have been achieved, and that the balance of the projected cost savings will be achieved over a one to two year period.

Telesat Canada believes that it is well-positioned to serve its customers and the markets in which it participates. Telesat actively pursues opportunities to develop new satellites, particularly in conjunction with current or prospective customers, who will commit to a substantial amount of capacity at the time the satellite construction contract is signed. Although Telesat Canada regularly pursues opportunities to develop new satellites, it does not procure additional or replacement satellites unless it believes there is a demonstrated need and a sound business plan for such capacity.

The satellite industry is characterized by a relatively fixed cost base that allows significant revenue growth with relatively minimal increases in operating costs, particularly for sales of satellite capacity. Thus, Telesat Canada anticipates that it can increase its revenue without proportional increases in operating expenses, allowing for margin expansion. The fixed cost nature of the business, combined with contracted revenue growth, other growth opportunities and cost savings from integration synergies is expected to produce growth in operating income and cash flow.

For 2008, Telesat Canada is focused on the execution of its business plan to serve its customers and the markets in which it participates, the sale of capacity on its existing satellites, the continuing execution of its integration plan to achieve operating efficiencies, and on the completion and launch of its three in-construction satellites (Nimiq 4, Telstar 11N, and Nimiq 5).

We regularly explore and evaluate possible strategic transactions and alliances. We also periodically engage in discussions with satellite service providers, satellite manufacturers and others regarding such matters, which may include joint ventures and strategic relationships as well as business combinations or the acquisition or disposition of assets. For example, in connection with an agreement entered into between SS/L and ViaSat, Inc. (ViaSat) for the construction by SS/L for ViaSat of a high capacity broadband satellite called ViaSat-1 (the ViaSat-1 Satellite), on January 11, 2008, we entered into certain agreements (see Note 19 to the financial statements), pursuant to which we are investing in the Canadian coverage portion of the ViaSat-1 Satellite and granting to Telesat Canada an option to acquire our rights to the Canadian payload. In order to pursue certain of these opportunities, we will require additional funds. There can be no assurance that we will enter into additional strategic transactions or alliances, nor do we know if we will be able to obtain the necessary financing for these transactions on favorable terms, if at all. In connection with the Telesat Canada transaction, Loral has agreed that, subject to certain exceptions described in Telesat Canada s shareholders agreement, for so long as Loral has an interest in Telesat Canada, it will not compete in the business of leasing, selling or otherwise furnishing fixed satellite service, broadcast satellite service or audio and video broadcast direct to home service using transponder capacity in the C-band, Ku-band and Ka-band (including in each case extended band) frequencies and the business of providing end-to-end data solutions on networks comprised of earth terminals, space segment, and, where appropriate, networking hubs.

Consolidated Operating Results

Please refer to Critical Accounting Matters set forth below in this section.

The following discussion of revenues and Adjusted EBITDA reflects the results of our business segments for 2007, 2006 and 2005. The balance of the discussion relates to our consolidated results unless otherwise noted. As previously discussed, we emerged from Chapter 11 on November 21, 2005 and adopted fresh-start accounting as of October 1, 2005. As a result of the adoption of fresh-start accounting, the Successor Registrant s financial statements are not comparable with the Predecessor Registrant s financial statements. References to full-year 2005 financial information throughout this discussion combine the periods of January 1, 2005 to October 1, 2005 with October 2, 2005 to December 31, 2005. Management believes that presenting the financial information in this way is the most relevant and useful method for making comparisons.

The common definition of EBITDA is Earnings Before Interest, Taxes, Depreciation and Amortization. In evaluating financial performance, we use revenues and operating income (loss) before depreciation and amortization (including amortization of stock based compensation), gain on contribution of Loral Skynet and reorganization expenses due to bankruptcy (Adjusted EBITDA) as the measure of a segment s profit or loss. Adjusted EBITDA is equivalent to the common definition of EBITDA before: reorganization expenses due to bankruptcy; gain on discharge of pre-petition obligations and fresh-start adjustments; gain on contribution of Loral Skynet; gain (loss) on investments and foreign exchange contracts; loss on extinguishment of debt; other income (expense); equity in net income (losses) of affiliates; and minority interest.

Adjusted EBITDA allows us and investors to compare our operating results with that of competitors exclusive of depreciation and amortization, interest and investment income, interest expense, reorganization expenses due to bankruptcy, other income (expense), net losses of affiliates and minority interest. Financial results of competitors in our industry have significant variations that can result from timing of capital expenditures, the amount of intangible assets recorded, the differences in assets lives, the timing and amount of investments, the effects of other income (expense), which are typically for non-recurring transactions not related to the on-going business, and effects of investments not directly managed. The use of Adjusted EBITDA allows us and investors to compare operating results exclusive of these items. Competitors in our industry have significantly different capital structures. The use of Adjusted EBITDA maintains comparability of performance by excluding interest expense. In addition, during Chapter 11, we recognized interest expense only on the actual interest payments we made. During this period, we did not make any further interest payments on our debt obligations after March 17, 2004, the date we repaid our secured bank debt. Reorganization expenses due to bankruptcy were only incurred during the period we were in Chapter 11. These expenses have been excluded from Adjusted EBITDA to maintain comparability with our results during periods in which we were not in Chapter 11 and with the results of competitors using similar measures.

We believe the use of Adjusted EBITDA along with U.S. GAAP financial measures enhances the understanding of our operating results and is useful to us and investors in comparing performance with competitors, estimating enterprise value and making investment decisions. Adjusted EBITDA as used here may not be comparable to similarly titled measures reported by competitors. We also use Adjusted EBITDA to evaluate operating performance of our segments, to allocate resources and capital to such segments, to measure performance for incentive compensation programs and to evaluate future growth opportunities. Adjusted EBITDA should be used in conjunction with U.S. GAAP financial measures and is not presented as an alternative to cash flow from operations as a measure of our liquidity or as an alternative to net income as an indicator of our operating performance.

Loral is organized into two segments: Satellite Manufacturing and Satellite Services. Our segment reporting data includes unconsolidated affiliates that meet the reportable segment criteria of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information.* The satellite services segment includes 100% of the results reported by Telesat Canada for the period from October 31, 2007 to December 31, 2007. Although we analyze its revenue and expenses under the satellite services segment, we eliminate the results of Telesat Canada in our consolidated financial statements, where we report our 64% share of Telesat Canada s results as equity in net loss of affiliates.

The following reconciles Revenues and Adjusted EBITDA on a segment basis to the information as reported in our financial statements (in millions):

Revenues:

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005 (a)	For the Period October 2, 2005 to December 31, 2005	For the Period January 1, 2005 to October 1, 2005
			(in millions)		
Satellite Manufacturing	$ 814.3	$ 696.5	$ 491.3	$ 161.8	$ 329.5
Satellite Services	241.2	163.8	151.5	37.0	114.5
Segment revenues	1,055.5	860.3	642.8	198.8	444.0
Eliminations(1)	(55.2)	(63.0)	(16.4)	(1.6)	(14.8)
Affiliate eliminations(2)	(117.8)				
Revenues as reported(3)	$ 882.5	$ 797.3	$ 626.4	$ 197.2	$ 429.2

Satellite Manufacturing segment revenue increased by $117 million in 2007 from 2006 primarily due to new satellite awards received during 2007 and 2006. Satellite Services segment revenue increased by $77 million in 2007 from 2006 primarily due to the inclusion of Telesat Canada s revenue for the period October 31, 2007 to December 31, 2007.

Satellite Manufacturing segment revenue increased by $205 million in 2006 from 2005 primarily due to new satellite awards received during 2006 and 2005. Satellite Services segment revenue increased by $12 million in 2006 from 2005 due primarily to the receipt of a customer termination payment of $15 million in 2006.

Adjusted EBITDA:

	For the Period	For the Period

	Year Ended December 31, 2007	2006	2005 (a)	October 2, 2005 to December 31, 2005	January 1, 2005 to October 1, 2005
	(in millions)				
Satellite Manufacturing	$ 34.5	$ 65.9	$ 27.0	$ 11.8	$ 15.2
Satellite Services	118.4	68.0	51.3	11.5	39.8
Corporate expenses[4]	(37.9)	(26.8)	(28.3)	(11.0)	(17.3)
Segment Adjusted EBITDA before eliminations	115.0	107.1	50.0	12.3	37.7
Eliminations[1]	(6.1)	(6.0)	(13.5)	(1.2)	(12.3)
Affiliate eliminations[2]	(65.3)				
Adjusted EBITDA	$ 43.6	$ 101.1	$ 36.5	$ 11.1	$ 25.4

Satellite Manufacturing segment Adjusted EBITDA decreased $31 million in 2007 from 2006 as a result of transponder rights valued at $19 million received in 2006 related to the Satmex settlement agreement (see Note 8 to the financial statements), $9 million for settlement of launch vehicle litigation in 2006, increased research and development expenses of $16 million in 2007, forward loss recognition of $14 million for certain satellite programs awarded during 2007 and increased marketing expenses of $5 million in 2007, partially offset by $20 million of margin increases from additional sales in 2007 and a $12 million reduction of warranty expenses. Satellite Services segment Adjusted EBITDA increased by $50 million in 2007 from 2006 primarily due to the inclusion of Telesat Canada s operating results for the period October 31, 2007 to December 31, 2007. Corporate expenses increased $11 million in 2007 from 2006 primarily due to legal costs of $7.1 million in connection with shareholders and noteholders lawsuits and severance costs of $7.0 million (see Note 17 to the financial statements).

Satellite Manufacturing segment Adjusted EBITDA increased $39 million in 2006 from 2005 as a result of transponder rights valued at $19 million received in 2006 related to the Satmex settlement agreement, $9 million for settlement of launch vehicle litigation in 2006, a $9 million improvement in warranty expenses and margin increases due to higher 2006 sales. Satellite Services segment Adjusted EBITDA increased by $17 million in 2006 from 2005 primarily due to the increase in sales and lower operating costs.

Reconciliation of Adjusted EBITDA to Net (Loss) Income:

	Year Ended December 31,			For the Period October 2, 2005 to December 31,	For the Period January 1, 2005 to October 1,
	2007	2006	2005 (a)	2005	2005
			(in millions)		
Adjusted EBITDA	$ 43.6	$ 101.1	$ 36.5	$ 11.1	$ 25.4
Depreciation and amortization	(103.3)	(71.3)	(77.3)	(16.0)	(61.3)
Gain on contribution of Loral Skynet(5)	104.9				
Reorganization expenses due to bankruptcy			(31.2)		(31.2)
Operating income (loss) from continuing operations	45.2	29.8	(72.0)	(4.9)	(67.1)
Gain on discharge of pre-petition obligations and fresh-start adjustments(6)			1,101.5		1,101.5
Interest and investment income	39.3	31.5	10.5	4.1	6.4
Interest expense	(2.3)	(23.4)	(21.6)	(4.4)	(17.2)
Gain (loss) on foreign exchange contracts	89.4	(5.8)			
Loss on extinguishment of debt	(16.2)				
Other income (expense)	2.4	(2.0)	(1.1)	(0.2)	(0.9)
Income tax (provision) benefit	(83.5)	(20.8)	9.1	(1.8)	10.9
Equity losses in affiliates	(21.4)	(7.2)	(8.2)	(5.4)	(2.8)
Minority interest	(23.2)	(24.8)	(2.6)	(2.7)	0.1
Income (loss) from continuing operations	29.7	(22.7)	1,015.6	(15.3)	1,030.9
Income from discontinued operations, net of taxes			14.0		14.0
Net income (loss)	$ 29.7	$ (22.7)	$ 1,029.6	$ (15.3)	$ 1,044.9

(a) The combination of the period January 1, 2005 to October 1, 2005 and the period October 2, 2005 to December 31, 2005 represents non-GAAP financial information. Management believes that presenting the financial information in this way is the most relevant and useful method for making comparisons.

(1) Represents the elimination of intercompany sales and intercompany Adjusted EBITDA, primarily for satellites under construction by SS/L for wholly owned subsidiaries.

(2) Represents the elimination of amounts attributable to Telesat Canada whose results are reported in our consolidated statement of operations as equity in net loss of affiliates.

(3) Includes revenues from affiliates of $22.0 million, $11.3 million, $4.1 million and $10.0 million for the years ended December 31, 2007 and 2006, for the period October 2, 2005 to December 31, 2005 and for the period January 1, 2005 to October 1, 2005, respectively.

(4) Represents corporate expenses incurred in support of our operations and for the years ended December 31, 2007 and 2006 and the period October 2, 2005 to December 31, 2005 includes $0.3 million, $1.2 million and $3.9 million, respectively, of continuing expenses for bankruptcy related matters, which after the adoption of fresh-start accounting are classified as corporate general and administrative expenses.

(5) In connection with the Telesat Canada transaction, which closed on October 31, 2007, we recognized a gain on the contribution of substantially all of the assets and related liabilities of Loral Skynet to Telesat Canada (see Note 8 to the financial statements).

(6) In connection with our emergence from Chapter 11 and our adoption of fresh-start accounting on October 1, 2005, we recognized a gain on discharge of pre-petition obligations and fresh-start adjustments of $1.101 billion, related interest expense of $13.2 million and a tax benefit of $15.4 million, each of which is reflected separately in our statement of operations (see Note 4 to the financial statements).

2007 Compared with 2006 and 2006 Compared with 2005 (a)

The following compares our consolidated results for 2007, 2006 and 2005 as presented in our financial statements:

(a) The combination of the period January 1, 2005 to October 1, 2005 and the period October 2, 2005 to December 31, 2005 represents non-GAAP financial information. Management believes that presenting the financial information in this way is the most relevant and useful method for making comparisons.

Revenues from Satellite Manufacturing

	Year Ended December 31,			% Increase (Decrease)	
	2007	2006	2005 (a)	2007 vs. 2006	2006 vs. 2005
	(in millions)				
Revenues from Satellite Manufacturing	$ 814	$ 697	$ 491	17%	42%
Eliminations	(53)	(60)	(11)	(12)%	445%
Revenues from Satellite Manufacturing as reported	$ 761	$ 637	$ 480	20%	33%

Revenues from Satellite Manufacturing before eliminations increased $117 million for 2007 as compared to 2006, primarily as a result of $155 million of revenue from $721 million of new orders received in 2007 and $236 million of increased revenue from $1 billion of new orders received in 2006, partially offset by $274 million of reduced revenue from programs completed or nearing completion which were awarded in earlier years. Eliminations consist primarily of revenues recorded until October 31, 2007 for the construction of Telstar 11N, a satellite being manufactured by SS/L for Satellite Services. As a result, revenues from Satellite Manufacturing as reported increased $124 million in 2007 as compared to 2006.

Revenues from Satellite Manufacturing before eliminations increased $206 million for 2006 as compared to 2005, primarily as a result of $158 million of revenue from new orders received in 2006 and $194 million of increased revenue from $824 million of new orders received in 2005, partially offset by $146 million of reduced revenue from programs completed or nearing completion which were awarded in earlier years. Eliminations consist primarily of revenues for the construction of Telstar 11N, a satellite under construction by SS/L for Satellite Services. As a result, revenues from Satellite Manufacturing as reported increased $157 million in 2006 as compared to 2005.

Revenues from Satellite Services

	Year Ended December 31,			% Increase (Decrease)	
	2007	2006	2005 (a)	2007 vs. 2006	2006 vs. 2005
	(in millions)				
Revenues from Satellite Services before specific items	$ 126	$ 149	$ 147	(17)%	2%
Customer termination payment		15			
Cash basis customer payments	(3)		5		
Eliminations	(2)	(3)	(5)	(26)%	(35)%
Revenues from Satellite Services as reported	$ 121	$ 161	$ 147	(25)%	10%

Revenues from Satellite Services before specific items decreased $23 million compared to 2006. This reduction is driven by reduced revenues of $26 million due to the contribution of Loral Skynet to Telesat Canada on October 31, 2007, $8 million resulting from reduced revenue in 2007 due to Boeing s discontinuation of service on our Estrela do Sul satellite in late 2006, and reduced revenues of $4 million as a result of the restructuring of the network services business in late 2006. These reductions were offset by higher utilization of $11 million, including $2 million on the Satmex 6 transponders that were added to the fleet in the fourth quarter of 2006 and $4 million of increased usage of our network services products. Revenues from Satellite Services as reported in 2007 were lower by $15 million as a result of Boeing s contract termination payment in 2006 (see Note 7 to the financial statements) and by $3 million due to timing of cash revenue recognition. Eliminations primarily consist of revenues from leasing transponder capacity to Satellite Manufacturing. As a result, Revenues from Satellite Services as reported decreased by $40 million in 2007 as compared to 2006.

Revenues from Satellite Services before specific items increased $2 million in 2006 as compared to 2005, primarily from increased volume from fixed satellite services of $6 million and increased network services business of $5 million, offset by a decrease due to contract terminations in network services and professional services of $4 million and $4 million, respectively. Revenues also decreased $2 million due to the sale of our business television service and an international gateway. Revenues from Satellite Services as reported increased as a result of the receipt of a customer termination payment of $15 million in connection with the termination of services on our Estrela do Sul satellite, partially offset by revenue associated with a payment made by a cash basis customer of $5 million in 2005. Eliminations primarily consist of revenues from leasing transponder capacity to Satellite Manufacturing. As a result, Revenues from Satellite Services as reported increased $14 million in 2006 as compared to 2005.

Cost of Satellite Manufacturing

	Year Ended December 31,			% Increase (Decrease)	
	2007	2006	2005 (a)	2007 vs. 2006	2006 vs. 2005
	(in millions)				
Cost of Satellite Manufacturing includes:					
Cost of Satellite Manufacturing before specific identified charges	$ 657	$ 537	$ 394	23%	39%
Depreciation and amortization	36	23	15	56%	55%
Transponder rights provided to SS/L in the Satmex settlement agreement		(19)			
Accrued warranty obligations	(4)	8	17		(53)%
Provisions for inventory obsolescence		2	4		(54)%
Cost of Satellite Manufacturing	$ 689	$ 551	$ 430	25%	28%
Cost of Satellite Manufacturing as a % of Satellite Manufacturing revenues as reported	90%	87%	90%		

Cost of Satellite Manufacturing as reported for 2007 increased by $138 million over 2006. Cost of Satellite Manufacturing before specific charges increased by $120 million. This increase is primarily due to $106 million of increased costs resulting from additional revenue during the year and forward loss recognition of $14 million for certain satellite programs awarded during 2007. Included in 2006 is a reduction of cost of $19 million related to transponder rights provided to SS/L by the Satmex settlement agreement. Warranty expenses improved $12 million based upon a resolution of certain warranty obligations for less than previously estimated amounts. Depreciation and amortization expense increased by $10 million as a result of additional amortization of fair value adjustments in connection with the adoption of fresh start accounting and $3 million from amortization of restricted stock units awarded during 2007.

Cost of Satellite Manufacturing as reported for 2006 increased by $121 million over 2005. Cost of Satellite Manufacturing before specific charges increased by $143 million, primarily as a result of the increase in sales. Cost of Satellite Manufacturing also increased as a result of higher depreciation and amortization expense of $8 million primarily resulting from the net effect of the amortization of fair value adjustments in connection with the adoption of fresh-start accounting on October 1, 2005. These increases were offset by decreases of $19 million related to transponder rights provided to SS/L by the Satmex settlement agreement and $9 million of warranty expenses based upon an analysis of the status of satellites in-orbit.

Cost of Satellite Services

	Year Ended December 31,			% Increase (Decrease)	
	2007	2006	2005 (a)	2007 vs. 2006	2006 vs. 2005
	(in millions)				
Cost of Satellite Services includes:					
Cost of Satellite Services before specific identified charges	$ 42	$ 53	$ 59	(21)%	(10)%
Depreciation and amortization	44	46	61	(3)%	(25)%
Cost of Satellite Services	$ 86	$ 99	$ 120	(13)%	(18)%
Cost of Satellite Services as a % of Satellite Services revenues as reported	71%	61%	82%		

Cost of Satellite Services was $86 million and $99 million for the years ended December 31, 2007 and 2006, respectively. Cost of Satellite Services before specific identified charges decreased $11 million in 2007 as compared to 2006 primarily as a result of the contribution of Loral Skynet to Telesat Canada on October 31, 2007. In addition, in 2007 there was a $2 million reduction in personnel costs from 2006 due to lower headcount.

Cost of Satellite Services was $99 million and $120 million for the years ended December 31, 2006 and 2005, respectively. Cost of Satellite Services before specific identified charges decreased $6 million in 2006 as compared to 2005 primarily due to ground segment support costs declining by $4 million, lower employee related expenses of $2 million and lower insurance premiums on our satellite fleet and lower third party capacity costs totaling $2 million. These decreases were partially offset by a charge of $1 million related to the buyout of a customer lease and a charge of $1 million related to the restructuring of network services global operations. Depreciation and amortization expense decreased by $15 million in 2006 as compared to 2005, primarily resulting from the net effect of the fair value adjustments in connection with the adoption of fresh-start accounting on October 1, 2005. Depreciation and amortization for 2006 includes reduced charges of depreciation and amortization of $12 million for fixed assets and a $3 million credit for amortization of intangibles primarily resulting from the adoption of fresh-start accounting.

Selling, General and Administrative Expenses

	Year Ended December 31,	% Increase (Decrease)	
		2007 vs.	2006 vs.

	2007	2006 (in millions)	2005 (a)	2006	2005
Selling, general and administrative expenses includes:					
Selling, general and administrative expenses before specific charges	$ 133	$ 118	$ 108	12%	9%
Litigation costs	11	6	4	90%	50%
Stock based compensation	23	2			
Continuing expenses for bankruptcy related matters		1	4		
Selling, general and administrative expenses as reported	$ 167	$ 127	$ 116		
% of revenues as reported	19%	16%	19%	31%	9%

Selling, general and administrative expenses as reported were $167 million and $127 million for the years ended December 31, 2007 and 2006, respectively. Selling, general and administrative expenses before specific charges increased by $15 million as compared to 2006, primarily due to: increased SS/L costs of $16 million for research and development of payload product and satellite control improvements, $5 million for marketing related expenses due to a higher volume of bid opportunities in the market place and $2 million for other expenses and increased corporate costs of $7 million for severance related to personnel reductions. These cost increases were partially offset by decreases at Satellite Services of $2 million in marketing related expenses, $3 million reversal of bad debt and other costs and $9 million as a result of the contribution of Loral Skynet to Telesat Canada on October 31, 2007. The increase in litigation costs was primarily a result of various shareholder and noteholders suits. Stock-based compensation expense of $23 million in 2007 included a charge of $6 million attributable to acceleration of options in connection with the Telesat Canada transaction and a charge of $8 million as a result of the approval of stock option plan amendments at the stockholders meeting on May 22, 2007 (see Note 13 to the financial statements). Continuing expenses for bankruptcy related matters decreased $1 million as a result of minimal professional fees incurred in 2007 as compared to 2006.

Selling, general and administrative expenses as reported were $127 million and $116 million for the years ended December 31, 2006 and 2005, respectively. Selling, general and administrative expenses before specific charges increased by $10 million as compared to 2005, primarily due to: increased SS/L costs of $8 million for research and development and $2 million for rent as a result of the increased volume, partially offset by lower bid and proposal costs of $2 million; increased costs at Satellite Services for bad debt expense of $2 million, primarily because of recoveries of $2 million in 2005. The increase in litigation costs was primarily a result of various shareholder suits. Stock-based compensation increased by $2 million due to initial vesting stock-based compensation awards that were granted in January 2006. Expenses for bankruptcy related matters decreased $3 million as a result of a $3 million reimbursement in 2006 related to the settlement of professional fees previously paid.

Gain on Contribution of Loral Skynet to Telesat Canada

Represents the gain on the contribution of substantially all of the assets and related liabilities of Loral Skynet to Telesat Canada on October 31, 2007, in connection with the Telesat Canada transaction, as follows (in millions):

Consideration received for the contribution of Loral Skynet to Telesat Holdco:	
Cash and marketable securities	$ 61.5
Fair value of equity in Telesat Holdco	670.5
Total consideration	732.0
Book value of contributed net assets of Loral Skynet	440.5
Consideration in excess of book value	$ 291.5
Gain recognized	$ 104.9

The consideration we received for the contribution of substantially all of Loral Skynet s assets and liabilities was $292 million greater than the carrying value of those assets and liabilities. In accordance with EITF 01-2, Interpretations of APB Opinion No. 29, we recognized a gain of $105 million, representing the gain attributable to PSP s economic interest in the contributed assets and liabilities of Loral Skynet through its 36% ownership interest in Telesat Canada. Loral will have a significant continuing interest in Telesat Canada and can only recognize a gain to the extent of PSP s interest in the contributed assets of Loral Skynet.

Gain on Litigation Settlement

Represents a $9 million recovery of launch vehicle deposits in 2006 in connection with a claim against a supplier for the wrongful termination of launch service agreements.

Reorganization Expenses Due to Bankruptcy

	Year Ended December 31,		
	2007	2006	2005 (a)
	(in millions)		
Reorganization Expenses Due to Bankruptcy	$	$	$ 31

Reorganization expenses due to bankruptcy decreased $31 million for the year ended December 31, 2006 as compared to 2005 as a result of the adoption of fresh-start accounting on October 1, 2005. After the adoption of fresh-start accounting, continuing expenses related to the remaining bankruptcy matters are recorded in general and administrative expenses.

Gain on Discharge of Pre-petition Obligations and Fresh-start Adjustments

As a result of our emergence from Chapter 11 and adopting fresh-start accounting, we recognized a gain of $1.101 billion, excluding interest expense of $13 million and a tax benefit of $15 million, in 2005 (see Note 4 to the financial statements).

Interest and Investment Income

	Year Ended December 31,		
	2007	2006	2005 (a)
	(in millions)		
Interest and investment income	$ 39	$ 32	$ 11

Interest and investment income increased $7 million for the year ended December 31, 2007 as compared to 2006 primarily due to higher cash balances as a result of receiving $293 million of proceeds from our February 27, 2007 preferred stock financing and higher short-term interest rates in 2007 over 2006. This includes increases of $4 million due to higher cash balances and short-term interest rates and an increase of $4 million primarily due to the partial sale of our holdings in Globalstar Inc. common stock. These increases were partially offset by lower interest income on vendor financing and orbital incentives of $1 million.

The interest income increase of $21 million for the year ended December 31, 2006 as compared to 2005, is primarily due to higher cash balances and higher short-term interest rates in 2006 over 2005. This includes increases of $13 million due to higher cash balances and short-term interest rates and an increase of $8 million primarily due to the partial sale of our holdings in Globalstar Inc. These increases were partially offset by lower SS/L interest income on vendor financing and orbital incentives of $1 million.

Interest Expense

Year Ended
December 31,

	2007	2006	2005 (a)
		(in millions)	
Interest cost before capitalized interest	$ 12	$ 26	$ 9
Interest expense in connection with our Plan of Reorganization			13
Capitalized interest	(10)	(3)	
Interest expense	$ 2	$ 23	$ 22

Interest cost before capitalized interest decreased by $14 million for the year ended December 31, 2007 as compared to 2006, primarily due to reduced interest expense of $9 million relating to warranty liabilities. In addition, interest expense was lower in 2007 by $5 million due to the early extinguishment of the Loral Skynet 14% senior secured notes and the repayment of the Valley National Bank loan in connection with the Telesat Canada transaction (see Note 10 to the financial statements). Capitalized interest increased by $7 million due to higher construction in process balances primarily for the Telstar 11N satellite.

Interest cost before capitalized interest increased $17 million for the year ended December 31, 2006 as compared to 2005, primarily due to $14 million of increased interest expense recognized on the Loral Skynet 14% senior secured notes issued in connection with our Plan of Reorganization and a Satellite Manufacturing interest accrual of $4 million related to warranty obligations. In 2005, we incurred $13 million of interest expense relating to payments to pre-petition creditors in connection with our Plan of Reorganization. Capitalized interest increased to $3 million due to higher construction in process balances.

Gain on Foreign Exchange Contracts

For the year ended December 31, 2007, we recorded a net gain of $89 million reflecting the change in the fair value of the forward contracts and currency basis swap entered into by Loral Skynet relating to the Telesat Canada transaction. The net gain on these transactions, which was realized when the instruments were contributed to Telesat Holdco on October 23, 2007, has been recognized in the statement of operations and avoided a corresponding increase in the US dollar purchase price equivalent that would have been paid to BCE for Telesat Canada (see Notes 8 and 16 to the financial statements).

Loss on Extinguishment of Debt

For the year ended December 31, 2007, we recorded a charge for the early extinguishment of the Loral Skynet 14% senior secured notes, which is comprised of a $13 million redemption premium and a $4 million write-off of deferred financing costs.

Other Income (Expense)

Other income increased $4 million, primarily due to the recognition of a $4 million deferred gain realized in 2007 in connection with the sale of an orbital slot in 2006 (compared to $1 million recognized in 2006) and the write-off of an investment of $3 million in the fourth quarter of 2006, partially offset by losses on foreign currency transactions (other than the foreign exchange contracts related to the Telesat Canada transaction).

Income Tax (Provision) Benefit

During 2007, 2006 and 2005, we continued to maintain a 100% valuation allowance against our net deferred tax assets. However, upon emergence from bankruptcy in 2005, we reversed our valuation allowance relating to $2.0 million of deferred tax assets for AMT credit carryforwards. As of December 31, 2007, we had valuation allowances totaling $241.2 million, which included a balance of $224.5 million relating to Old Loral periods preceding our adoption of fresh-start accounting on October 1, 2005. We will continue to maintain the valuation allowance until sufficient positive evidence exists to support its reversal. If, in the future, we were to determine that we will be able to realize all or a portion of the benefit from our deferred tax assets, any reduction to the valuation allowance existing as of October 1, 2005 will first reduce goodwill, then other intangible assets with any excess treated as an increase to paid-in-capital. During 2007, we utilized the benefits from $35.1 million of deferred tax assets from Old Loral to reduce our current tax liability. The realization of this benefit created an excess valuation allowance of $35.1 million, the reversal of which was recorded as a reduction to goodwill.

Our income tax provision and benefit can be summarized as follows: (i) for 2007, we recorded a current tax provision of $51.3 million, including a provision of $17.1 million to increase our liability for uncertain tax positions, and a deferred tax provision of $32.2 million, resulting in a total provision of $83.5 million on pre-tax income of $157.8 million; (ii) for 2006, we recorded a current tax provision of $11.8 million and a deferred tax provision of $9.1 million, resulting in a total provision of $20.9 million on pre-tax income of $30.1 million; and (iii) for 2005, we recorded a current tax provision of $7.0 million and a deferred tax benefit of $16.1 million, resulting in a net benefit of $9.1 million on pre-tax income of $1.017 billion, which included a gain on discharge of pre-petition obligations and fresh-start adjustments of $1.101 billion.

The increase to our current provision for 2007 as compared to 2006 and 2005 was attributable to the higher amount of taxable income in the current year after deducting our allowable tax NOLs based upon the restrictions imposed by Section 382 of the Internal Revenue Code and the additional provision required for uncertain tax positions. For 2007, we projected federal tax income of approximately $71 million after claiming our allowable deduction for tax NOLs of $355 million, which included the tax gain of $308 million from the contribution of substantially all of the Loral Skynet assets and related liabilities to Telesat Canada and the gain of $89 million on the forward contracts and currency basis swap entered into by Loral Skynet relating to the Telesat Canada transaction.

The deferred income tax provision for 2007 of $32.2 million related primarily to (i) a provision of $35.1 million on current year income to the extent the taxes imposed on such income were reduced by deferred tax benefits from Old Loral (as discussed above, the utilization of these deferred tax benefits created an excess valuation allowance of $35.1 million, the reversal of which was recorded as a reduction to goodwill), (ii) a provision of $2.2 million for the decrease to our deferred tax asset for federal and state AMT credits (which excludes an increase to AMT credits of $2.2 million upon adoption of FIN 48), (iii) an additional valuation allowance of $3.0 million required against a net deferred tax asset created when we reduced the deferred tax credits in accumulated other comprehensive income by $3.0 million, offset by (iv) a benefit of $9.0 million relating to current activity.

The deferred income tax provision for 2006 of $9.1 million related to (i) a provision of $10.4 million on current year income to the extent the taxes imposed on such income were reduced by deferred tax benefits from Old Loral and the utilization of these deferred tax benefits created an excess valuation allowance of $10.4 million, the reversal of which was recorded as a reduction to goodwill, (ii) offset by a benefit of $1.3 million for the increase to our deferred tax asset for additional federal and state AMT credits.

During 2006, we also recorded a deferred tax provision of $26.0 million in accumulated other comprehensive income related primarily to our adoption of Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 158) (see Note 12), which created an excess valuation allowance of $26.0 million that was reversed as a reduction to goodwill.

For 2005, in connection with our emergence from bankruptcy, Old Loral realized cancellation of debt income (COD) on its federal income tax return of approximately $440 million. COD realized while in bankruptcy is excluded from federal taxable income. We were required to reduce certain of our tax attributes, and to the extent sufficient attributes were not available on a separate company basis, reduce the tax basis in our assets, by an amount equal to the COD excluded by Old Loral from its taxable income. This adjustment resulted in a reduction of approximately $160 million to our deferred tax assets and the related valuation allowance. Also, as part of our fresh-start accounting and plan of reorganization adjustments, we recognized a net income tax benefit of $15.4 million, which includes a net deferred tax benefit of $16.5 million. See Notes 4 and 12 to the financial statements.

See Critical Accounting Matters *Taxation* below for discussion of our accounting method for income taxes.

Equity in Net Losses of Affiliates

	Year Ended December 31,		
	2007	2006	2005 (a)
	(in millions)		
Telesat Canada	$ (1.8)	$	$
XTAR	(10.6)	(7.4)	(8.1)
Other	(9.0)	0.2	(0.1)
	$ (21.4)	$ (7.2)	$ (8.2)

On October 31, 2007, Loral and its Canadian Partner, PSP, through a newly-formed joint venture, completed the acquisition of Telesat Canada from BCE. In connection with this acquisition, Loral transferred substantially all of the assets and related liabilities of Loral Skynet to Telesat Canada. Loral holds a 64% economic interest and a 331/3%

voting interest in Telesat Holdco, the ultimate parent company of the resulting new entity. Loral accounts for this investment using the equity method of accounting.

Summary financial information for Telesat Canada for the period October 31, 2007 to December 31, 2007 and as of December 31, 2007 follows (in millions):

	For the Period October 31, 2007 to December 31, 2007
Statement of Operations Data:	
Revenues	$ 117.8
Operating expenses	(93.7)
Operating income	24.1
Net loss	(1.3)

	December 31, 2007
Balance Sheet Data:	
Current assets	$ 143.7
Total assets	5,610.0
Current liabilities	229.5
Total liabilities	4,156.7
Redeemable preferred stock	143.1
Shareholders equity	1,310.2

As described in Note 8 to the financial statements, Loral s equity in net loss of Telesat Canada is based on our proportionate share of their results in accordance with U.S. GAAP and in U.S. dollars. In determining our equity in net loss of Telesat Canada, Telesat Canada s net loss has been proportionately adjusted to exclude the amortization of the fair value adjustments applicable to its acquisition of the Loral Skynet assets and liabilities. Our equity in net loss of Telesat Canada also reflects the elimination of our profit, to the extent of our beneficial interest, on satellites we are constructing for them.

The increase in equity losses in XTAR, L.L.C. (XTAR), our 56% owned joint venture (see Note 8 to the financial statements) in 2007 as compared to 2006, represents our share of XTAR losses incurred in connection with its operations. Other equity losses in affiliates for 2007 include $3 million of cash distributions received from Globalstar de Mexico for which our investment balance has been written down to zero and a loss of $11 million recognized in connection with an agreement to sell our Globalstar investment partnership in Brazil.

Minority Interest

Loral Skynet s Series A preferred stock is reflected as minority interest on our consolidated balance sheet as of December 31, 2006. Dividend expense of $23.2 million, $24.8 million and $2.7 million for the years ended December 31, 2007 and 2006 and for the period October 2 to December 31, 2005, respectively, is reflected as minority interest on our consolidated statement of operations. On November 5, 2007, Loral Skynet redeemed all issued and outstanding shares of this preferred stock in connection with the completion of the Telesat Canada transaction (see Note 13 to the financial statements).

Minority interest increased $22 million for 2006 as compared to 2005, as a result of a full year of dividend expense in 2006 as compared to 2005 dividend expense from November 21, 2005 when the Loral Skynet Series A preferred stock was issued in connection with our Plan of Reorganization (see Note 3 to the financial statements).

Backlog

Backlog as of December 31, 2007 and 2006, was as follows (in millions):

	2007	2006
Satellite Manufacturing	$ 1,025	$ 1,118
Satellite Services	5,251	355
Total backlog before eliminations	6,276	1,473
Satellite Manufacturing eliminations		(116)
Satellite Services eliminations	(5,251)	(10)
Total backlog	$ 1,025	$ 1,347

It is expected that 74% of satellite manufacturing backlog as of December 31, 2007 will be recognized as revenue during 2008.

Telesat Canada backlog at December 31, 2007 was approximately $5.3 billion, of which approximately 10% will be recognized as revenue during 2008, assuming no significant delay in the launch of the Nimiq 4 satellite. Included in backlog as of December 31, 2007 are contracts covering the entire capacity of the Nimiq 4 and Nimiq 5 satellites, which have been leased for the life of the satellites. These contracts contain provisions such that the customers, assuming the respective satellites are successfully and timely launched and are operating nominally, may only terminate their contracts by paying Telesat Canada the present value of the entire contracted amounts that would have been due for the remaining life of the satellite.

Telesat Canada has received approximately $315.7 million of customer prepayments, including approximately $28.1 million relating to satellites under construction. If the launch of a satellite under construction were to fail or a customer were to terminate its contract with Telesat Canada as a result of a substantial delay in the launch of the satellite, Telesat Canada would be obligated to return the customer prepayments applicable to such satellite. Such repayment obligations would be funded by insurance proceeds (if any), cash on hand and/or borrowing availability under the revolving credit facility.

Critical Accounting Matters

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses reported for the period. Actual results could differ from estimates.

Fresh-Start Accounting

In connection with our emergence from Chapter 11, we adopted fresh-start accounting as of October 1, 2005, which required all of our assets and liabilities to be stated at estimated fair value (see Note 4 to the financial statements). Significant judgment was exercised by management in estimating the fair values.

Revenue recognition

Most of our Satellite Manufacturing revenue is associated with long-term fixed-price contracts. Revenue and profit from satellite sales under these long-term contracts are recognized using the cost-to-cost percentage of completion method, which requires significant estimates. We use this method because reasonably dependable estimates can be made based on historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates include forecasts of costs and schedules, estimating contract revenue related to contract performance (including estimated amounts for penalties, performance incentives and orbital incentives that will be received as the satellite performs on orbit) and the potential for component obsolescence in connection with long-term procurements. These estimates are assessed continually during the term of the contract and revisions are reflected when the conditions become known. Provisions for losses on contracts are recorded when estimates determine that a loss will be incurred on a contract at completion. Under firm fixed-price contracts, work performed and products shipped are paid for at a fixed price without adjustment for actual costs incurred in connection with the contract; accordingly, favorable changes in estimates in a period will result in additional revenue and profit, and unfavorable changes in estimates will result in a reduction of revenue and profit or the recording of a loss that will be borne solely by us.

Billed receivables, vendor financing and long-term receivables

We are required to estimate the collectibility of our billed receivables, vendor financing and long-term receivables. A considerable amount of judgment is required in assessing the collectibility of these receivables, including the current creditworthiness of each customer and related aging of the past due balances. Charges for (recoveries of) bad debts recorded to the income statement on billed receivables for the years ended December 31, 2007 and 2006 and the periods October 2, 2005 to December 31, 2005 and January 1, 2005 to December 31, 2005, were $(2.4) million, $0.3 million, $1.0 million and $(2.9) million, respectively. At December 31, 2007 and 2006, billed receivables were net of allowances for doubtful accounts of $0.2 million and $1.6 million, respectively. We evaluate specific accounts when we become aware of a situation where a customer may not be able to meet its financial obligations due to a deterioration of its financial condition, credit ratings or bankruptcy. The reserve requirements are based on the best facts available to us and are re-evaluated periodically.

Inventories

Inventories are reviewed for estimated obsolescence or unusable items and, if appropriate, are written down to the net realizable value based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those we project, additional inventory write-downs may be required. These are considered permanent adjustments to the cost basis of the inventory. Charges for inventory obsolescence recorded to the income statement for the year ended December 31, 2007 were insignificant. Charges for inventory obsolescence recorded to the income statement for the year ended December 31, 2006, the period October 2, 2005 to December 31, 2005, and the period January 1, 2005 to October 1, 2005 were $1.7 million, $1.5 million and $2.1 million, respectively.

Evaluation of Investments in Affiliates for Impairment

The carrying values of our investments in affiliates are reviewed for impairment in accordance with Accounting Principles Board (APB) Opinion No. 18, *Equity Method of Accounting for Investments in Common Stock*. We monitor our equity method investments for factors indicating other-than-temporary impairment. An impairment loss would be recognized when there has been a loss in value of the affiliate that is other than temporary.

Taxation

Management has concluded that, as of December 31, 2007, the Company had a material weakness with respect to accounting for and disclosure of income taxes. Specifically, the Company did not maintain adequate processes and a sufficient number of technically qualified personnel to facilitate the timely resolution of issues associated with the Company s income tax closing process primarily relating to those issues attributable to the Telesat Canada transaction. As a result of this material weakness, management has concluded that the Company s internal control over financial reporting as of December 31, 2007 was not effective based on the criteria in *Internal Control Integrated Framework.* Additional review, evaluation and oversight have been undertaken to ensure that our consolidated financial statements were prepared in accordance with generally accepted accounting principles and, as a result, our chief executive officer and chief financial officer have concluded that the consolidated financial statements in this Form 10-K present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented. The Company is evaluating several remedial steps to improve controls surrounding its income tax closing process, including enhancing the technical resources in the income tax accounting function and conducting an evaluation of organizational processes and structure to identify and implement the appropriate solutions regarding its income tax closing process including retaining additional external resources.

New Loral, as a Delaware company, is subject to U.S. federal, state and local income taxation on its worldwide income. Prior to the Effective Date, Old Loral, as a Bermuda company, was subject to U.S. taxation on any income that was effectively connected with the conduct of a U.S. trade or business as well as a withholding tax on dividends and interest received from its U.S. subsidiaries. Our U.S. subsidiaries continue to be subject to

U.S. taxation on their worldwide income and foreign taxes on certain income from sources outside the United States. Our foreign subsidiaries are subject to taxation in local jurisdictions.

We use the liability method in accounting for taxes whereby income taxes are recognized during the year in which transactions are recorded in the financial statements. Deferred taxes reflect the future tax effect of temporary differences between the carrying amount of assets and liabilities for financial and income tax reporting and are measured by applying statutory tax rates in effect for the year during which the differences are expected to reverse. We assess the recoverability of our deferred tax assets and, based upon this analysis, record a valuation allowance against the deferred tax assets to the extent recoverability does not satisfy the more likely than not recognition criteria in SFAS 109. Based upon this analysis, we concluded during the fourth quarter of 2002 that, due to insufficient positive evidence substantiating recoverability, a 100% valuation allowance should be established for our net deferred tax assets. As of December 31, 2007, we had gross deferred tax assets of approximately $369.5 million, which when offset by our deferred tax liabilities of $124.9 million and our valuation allowance of $241.2 million, resulted in a net deferred tax asset of $3.4 million on our consolidated balance sheet.

For 2007, we continued to maintain the 100% valuation allowance against our net deferred tax assets decreasing the valuation allowance at December 31, 2006 of $304.9 million by $63.7 million to a balance of $241.2 million at December 31, 2007, which included $224.5 million relating to the opening balance at October 1, 2005. We will maintain the valuation allowance until sufficient positive evidence exists to support its reversal. If, in the future, we were to determine that we will be able to realize all or a portion of the benefit from our deferred tax assets, any reduction to the valuation allowance as of October 1, 2005 will first reduce goodwill, then other intangible assets with any excess treated as an increase to paid-in-capital. During 2007, we reversed $35.1 million of excess valuation allowance and $6.8 million of deferred state tax liabilities relating to the balance as of October 1, 2005, which were recorded as reductions to goodwill.

Effective January 1, 2007, we adopted the Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For benefits to be recognized in the financial statements, a tax position must be more-likely-than-not to be sustained upon examination by the taxing authorities based on the technical merits of the position. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company recognizes accrued interest and penalties related to uncertain tax positions in income tax expense.

Prior to adopting FIN 48, our policy was to establish tax contingency liabilities for potential audit issues. The tax contingency liabilities were based on our estimate of the probable amount of additional taxes that may be due in the future. Any additional taxes due would be determined only upon completion of current and future federal, state and international tax audits. At December 31, 2006, we had $42.6 million of tax contingency liabilities included in long-term liabilities. During 2006, we had increased the tax contingency liabilities by $5.0 million through the current income tax provision, settled $0.4 million with payment and reversed $4.2 million of the opening balance as of October 1, 2005 to goodwill for issues where the statute of limitations on assessment of tax had expired during 2006 (see Notes 3 and 12 to the financial statements).

Pension and other employee benefits

We maintain a pension plan and a supplemental retirement plan. These plans are defined benefit pension plans. In addition to providing pension benefits, we provide certain health care and life insurance benefits for retired employees and dependents. These pension and other employee benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions, including the discount rate and expected long-term rate of return on plan assets. Material changes in these pension and other employee postretirement benefit costs may occur in the future due to changes in these assumptions, as well as our actual experience.

The discount rate is subject to change each year, based on a hypothetical yield curve developed from a portfolio of high quality, corporate, non-callable bonds with maturities that match our projected benefit payment stream. The resulting discount rate reflects the matching of the plan liability cash flows to the yield curve. Changes in applicable high-quality long-term corporate bond indices, such as the Moody s AA Corporate Bond Index, are also considered. The discount rate determined on this basis was 6.5% as of December 31, 2007, an increase of 50 basis points from December 31, 2006. This had the effect of reducing our benefit obligations for pensions and other employee benefits by $27.8 million as of December 31, 2007, as compared with December 31, 2006.

The expected long-term rate of return on pension plan assets is selected by taking into account the expected duration of the plan s projected benefit obligation, asset mix and the fact that its assets are actively managed to mitigate risk. Allowable investment types include equity investments and fixed income investments. Pension plan assets are managed by Russell Investment Corp. (Russell), which allocates the assets into specified Russell-designed funds as we direct. Each specified Russell fund is then managed by investment managers chosen by Russell. The targeted long-term allocation of our pension plan assets is 60% in equity investments and 40% in fixed income investments. Based on this target allocation, the twenty-year historical return of our asset mix has been 10.1%. The expected long-term rate of return on plan assets determined on this basis was 8.5% for 2007 and 9% for 2006 and 2005. For 2008, we will use an expected long-term rate of return of 8.5%.

Effective July 1, 2006, we amended our pension plan to standardize the future benefits earned at all company locations for eligible employees. These amendments did not change any benefits earned through June 30, 2006. As a result of the amendments, all locations now have a career average plan that requires an employee contribution in order to receive the highest level of benefits. All current participants now earn future benefits under the same formula and have the same early retirement provisions. The amendments did not apply to certain employees under a bargaining unit arrangement. Additionally, employees hired after June 30, 2006, do not participate in the defined benefit pension plan but participate in our defined contribution savings plan with an additional Company contribution. As a result of these amendments, our ongoing pension expense has been reduced commencing July 1, 2006.

These pension and other employee postretirement benefit costs are expected to increase to approximately $9 million in 2008 from $8 million in 2007, primarily due to a curtailment gain of $4 million in 2007 related to the contribution of Loral Skynet to Telesat Canada, partially offset by the increase in the discount rate and the expected return on assets. Lowering the discount rate and the expected long-term rate of return each by 0.5% would have increased these pension and other employee postretirement benefits costs by approximately $0.7 million and $1.4 million, respectively, in 2007.

The benefit obligations for pensions and other employee benefits exceeded the fair value of plan assets by $156 million at December 31, 2007 (the unfunded benefit obligations). In connection with our adoption of SFAS 158, we are required to recognize the funded status of a benefit plan on our balance sheet. As a result, in 2006 we reduced our recorded liability for pensions by $50.5 million, with a corresponding credit to accumulated other comprehensive income, and increased our recorded liability for other benefits by $1.0 million, with a corresponding charge to other comprehensive income, to adjust to our actual unfunded benefit obligations. Market conditions and interest rates significantly affect future assets and liabilities of Loral s pension and other employee benefits plans.

Stock Based Compensation

Effective October 1, 2005, in connection with our adoption of fresh-start accounting, we adopted the fair value method of accounting for stock based compensation, for all stock options granted by us after October 1, 2005, pursuant to the prospective method provisions of SFAS No. 123(R), *Share-Based Payment* (SFAS 123R). In addition, we account for options granted to non-employees in accordance with EITF Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or*

Services . We use the Black-Scholes-Merton option-pricing model to measure fair value of these stock option awards. This is the same method we used in prior years for disclosure purposes. The Black-Scholes-Merton model requires us to make significant judgments regarding the assumptions used within the model, the most significant of which are the stock price volatility assumption, the expected life of the option award, the risk-free rate of return and dividends during the expected term. Changes in these assumptions could have a material impact on the amount of stock based compensation we recognize. (See Notes 3 and 13 to the financial statements).

Goodwill and Other Intangible Assets

Goodwill represents the amount by which the Company s reorganization equity value exceeded the fair value of its tangible assets and identified intangible assets less its liabilities as of October 1, 2005. Pursuant to the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), goodwill is not amortized and is subject to an annual impairment test which the Company performs on an annual basis in the fourth quarter of each fiscal year. Our test of goodwill impairment for 2007 and 2006 did not result in any goodwill impairment. Goodwill is allocated to our reporting units (the operating segment). SFAS 142 requires the Company to compare the fair value of the reporting unit to its carrying amount on an annual basis to determine if there is potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the goodwill within the reporting unit is less than its carrying value. Estimating the fair value of reporting units requires a significant amount of judgment by management.

As of December 31, 2007, intangible assets consist primarily of internally developed software and technology and trade names recorded in connection with the adoption of fresh-start accounting. The fair values of our intangible assets were calculated using several approaches that encompassed the use of excess earnings, relief from royalty and the build-up methods. The excess earnings, relief from royalty and build-up approaches are variations of the income approach. The income approach, more commonly known as the discounted cash flow approach, estimates fair value based on the cash flows that an asset can be expected to generate over its useful life. This process involves subjective judgment by management. Identifiable intangible assets with finite useful lives are amortized on a straight-line basis over the estimated useful lives of the assets.

Contingencies

Contingencies by their nature relate to uncertainties that require management to exercise judgment both in assessing the likelihood that a liability has been incurred as well as in estimating the amount of potential loss, if any. We accrue for costs relating to litigation, claims and other contingent matters when such liabilities become probable and reasonably estimable. Such estimates may be based on advice from third parties or on management s judgment, as appropriate. Actual amounts paid may differ from amounts estimated, and such differences will be charged to operations in the period in which the final determination of the liability is made. Management considers the assessment of loss contingencies as a critical accounting policy because of the significant uncertainty relating to the outcome of any potential legal actions and other claims and the difficulty of predicting the likelihood and range of the potential liability involved, coupled with the material impact on our results of operations that could result from legal actions or other claims and assessments. The most important contingencies affecting our financial statements are detailed in Note 17 to the financial statements, Commitments and Contingencies .

Liquidity and Capital Resources

Cash and Available Credit

As of December 31, 2007, the Company had $315 million of cash and cash equivalents and $24 million of restricted cash ($13 million included in other current assets and $11 million included in other assets on our consolidated balance sheet) with no outstanding debt or established lines of credit other than a $15 million cash collateralized letter of credit facility with JP Morgan Chase bank. Based on the Company s working capital needs on its current base of business, capital expenditures to complete its expansion initiatives, requirements for appropriate contingencies, and resources for future growth initiatives, the Company expects to require additional capital this year. This new financing will permit us to meet unexpected cash requirements due to unforeseen changes to our business as well as provide cash liquidity for working capital and for strategic investments as opportunities arise. In the past, our ability to obtain satellite contract awards has depended in part on our ability to provide vendor financing to our customers or to make equity investments in them. The Company is currently exploring its financing options and expects to implement its plan to raise additional capital during 2008. If the Company is not successful in obtaining such financing, its ability to manage unforeseen cash requirements, to meet contingencies, to obtain new satellite construction contracts and to make strategic investments will be materially and adversely affected. There can be no assurance that it will be able to obtain such financing on favorable terms, if at all.

On October 31, 2007, the transaction for the purchase of Telesat Canada from BCE was closed. Our net cash funding requirement for this transaction was approximately $185 million, primarily for the redemption of Loral

Skynet s Series A preferred stock, partially offset by cash receipts from Telesat Canada for certain Skynet assets sold to them, as well as true-up payments from PSP to bring the equity contributions into the required economic positions. This was funded from cash on hand, which includes cash received from the issuance of the $300 million preferred stock financing described below. As part of the transaction, a final adjustment payment of approximately $9 million was made by Loral to PSP on April 4, 2008 and is included in the $185 million referenced above and as a payable in our financial statements at December 31, 2007.

Telesat Canada is subject to covenants in its debt agreements that restrict cash payments to its shareholders Cash payments of dividends to shareholders are restricted under the credit agreement. Cash payments to Loral under our consulting agreement with Telesat Canada are also restricted by the credit agreement. Loral does not believe that it will receive cash dividends nor that Telesat Canada will be permitted to make the $5 million fee payment under the consulting agreement in cash in the near term.

The Company has an investment program that seeks a competitive return while maintaining a conservative risk profile. The Company s investment policy establishes conservative policies relating to and governing the investment of its surplus cash. The Company s investment policy allows it to invest in commercial paper, money market funds and other similar short term investments but does not permit the Company to engage in speculative or leveraged transactions, nor does it permit the Company to hold or issue financial instruments for trading purposes. The investment policy was designed to preserve capital and safeguard principal, to meet all liquidity requirements of the Company and to provide a competitive rate of return. The investment policy addresses dealer qualifications, lists approved securities, establishes minimum acceptable credit ratings, sets concentration limits, defines a maturity structure, requires all firms to safe keep securities on the Company s behalf, requires certain mandatory reporting activity and discusses review of the portfolio. The Company operates its investment program under the guidelines of its investment policy and continuously monitors its investments and policies. The Company believes that its policies and monitoring program mitigate the risks with regard to its current investments.

Loral currently maintains its cash in liquid money market funds. We do not currently hold any investments in auction rate securities or enhanced money market funds that have been subject to recent liquidity issues and price declines. We do not anticipate moving into short-term investments for the foreseeable future until liquidity returns to these markets.

On February 27, 2007, Loral completed a $300 million preferred stock financing pursuant to the Securities Purchase Agreement entered into with MHR on October 17, 2006, as amended and restated on February 27, 2007 (the Securities Purchase Agreement). See Note 13 to the financial statements.

The price of Loral s common stock on October 16, 2006, the day before we signed the Securities Purchase Agreement, was $26.92 and the conversion price was $30.1504. The price of Loral s common stock on February 27, 2007, when the financing closed was $47.40. Because of the difference between the fair market value of the common stock on the date the financing closed, as compared to the conversion price, the Company is required to reflect a beneficial conversion feature of the Loral Series A-1 Preferred Stock as a component of its net income (loss) applicable to common shareholders for the year ended December 31, 2007. We will also reflect a beneficial conversion feature in a similar manner for the Series B-1 Preferred Stock, in the period in which shareholder approval of the creation of the new class of Class B-1 non-voting common stock is received. This beneficial conversion feature is recorded as a decrease to net income applicable to common shareholders and results in a reduction of both basic and diluted earnings per share results. Accordingly, in the three months ended March 31, 2007, we recorded an increase to net loss applicable to common shareholders of $24.5 million. In the period in which shareholder approval of the new class of Class B-1 non-voting common stock is received, we expect that our net income (loss) applicable to common shareholders will be reduced (increased), as applicable, by approximately $154 million reflecting the beneficial conversion feature (less discount, if any, for the class B-1 non-voting common stock because of its non-voting status).

To the extent that dividends on the Loral Series-1 Preferred Stock are paid in additional shares of Loral Series A-1 Preferred Stock, we record an additional beneficial conversion feature that reduces our net income applicable to common shareholders. For the year ended December 31, 2007, we recorded a beneficial conversion feature of $1.2 million for dividends paid in additional shares of Loral Series A-1 Preferred Stock. We will also record an additional beneficial conversion feature in a similar manner for dividends paid in additional shares of Loral Series B-1 Preferred Stock in the period in which shareholder approval of the class B-1 non-voting common stock is received, and thereafter. For dividends paid and accrued through December 31, 2007 on the Loral Series B-1 Preferred Stock, the beneficial conversion feature that will be recorded when shareholder approval of the class B-1 non-voting common stock is received, is approximately $7 million.

Cash requirements at Satellite Manufacturing are driven primarily by working capital requirements to finance long-term receivables associated with satellite contracts, other vendor financing and capital spending required to maintain and expand the manufacturing facility. While its requirement for ongoing capital investment to maintain its current capacity is relatively low, SS/L has commenced a capacity expansion program through which SS/L is seeking to accommodate as many as 13 satellite awards per year depending on the complexity and timing of the specific satellites awarded, as well as to provide for greater in-house manufacturing of RF components and subassemblies. This expansion, which includes the use of third party offsite capacity and the upgrading of existing SS/L satellite test operations and RF assembly and test operations, is estimated to require total incremental capital expenditures of approximately $30 million. On February 27, 2008, SS/L and Northrop Grumman announced that they are pursuing a group of initiatives to broaden each company s opportunities to provide the U.S. government with cost competitive satellite systems. As part of these initiatives, Northrop Grumman has agreed in principle to the use by SS/L of its satellite test facilities and services, which would allow Loral to better manage its capital expenditures for facilities expansion at SS/L and the related cash flow requirements associated with that expansion.

Historically, a portion of Satellite Manufacturing revenues are paid to SS/L in the form of orbitals , receivable payments from its customers that are earned over the life of the satellite. These payments are contingent upon continued satellite performance. As of December 31, 2007, SS/L had orbital receivables of $134.7 million, which will be received, generally over 15 years from launch, an increase of $51.5 million from orbital receivables of $83.2 million as of December 31, 2006. Continued growth in the Satellite Manufacturing business will result in a corresponding growth in the amount of such orbital receivables.

On November 30, 2007, SS/L entered into a second amendment to its $15 million cash collateralized amended and restated letter of credit agreement with JP Morgan Chase Bank extending the maturity of the facility to December 31, 2008. Letters of credit are available until the earlier of the stated maturity of the letter of credit, the termination of the facility, or December 31, 2008. Outstanding letters of credit are fully cash collateralized. As of December 31, 2007, $6.1 million of letters of credit under this facility were issued and outstanding.

On July 30, 2007, SS/L entered into an Amended and Restated Customer Credit Agreement (the Credit Agreement) with Sirius Satellite Radio Inc. (Sirius). The Credit Agreement amends and restates in its entirety the Customer Credit Agreement entered into by SS/L and Sirius on June 7, 2006 (the Original Credit Agreement). The purpose of the amendment and restatement is to make available to Sirius financing for the purchase of a second satellite under the Amended and Restated Satellite Purchase Agreement between Sirius and SS/L dated as of July 23, 2007 (the Amended Satellite Purchase Agreement). Under the Credit Agreement, SS/L has agreed to make loans to Sirius in an aggregate principal amount of up to $100,000,000 to finance the purchase of the Sirius FM-5 and FM-6 Satellites (the Sirius Satellites). Loans made under the Credit Agreement are secured by Sirius rights under the Amended Satellite Purchase Agreement, including its rights to the Sirius Satellites. The loans are also entitled to the benefits of a subsidiary guarantee from Satellite CD Radio, Inc., and, subject to certain exceptions, any future material subsidiary that may be formed by Sirius thereafter. The maturity date of the loans is the earliest to occur of (i) June 10, 2010, (ii) 90 days after the FM-6 Satellite becomes available for shipment and (iii) 30 days prior to the scheduled launch of the FM-6 Satellite. Loans made under the Credit Agreement generally bear interest at a variable rate equal to three-month LIBOR plus a margin. The Credit Agreement permits Sirius to prepay all or a portion of the loans outstanding without penalty, and, upon the occurrence of certain events, Sirius is required to prepay the loans. As of December 31, 2007, no loans were outstanding under the Credit Agreement. Sirius is currently eligible to borrow $82 million under the Credit Agreement, representing reimbursement of payments previously made by Sirius under the Amended Satellite Purchase Agreement.

On September 4, 2007, Loral Skynet entered into a Loan and Security Agreement with Valley National Bank (Valley National). The purpose of this loan agreement was to make available to Loral Skynet a loan (the Loan) to fund the redemption (the Note Redemption) of Loral Skynet s 14% senior secured notes (see Note 10 to the financial statements). Pursuant to this loan agreement, Valley National made the Loan in a single advance of $141,050,000, which Loral Skynet used to fund the Note Redemption on September 5, 2007. This loan was fully cash collateralized with a CD purchased by Loral and held by Valley National. The interest rate on the Loan was 4.10% per annum. On October 31, 2007, the Loan was assumed by Telesat Canada as part of the Telesat Canada transaction and was repaid in full that same day by Telesat Canada. Also on October 31, 2007, the cash collateral CD was released and the cash was returned to Loral.

Telesat Canada

Cash and Available Credit

As of December 31, 2007, Telesat Canada had CAD 42 million of cash and short-term investments as well as CAD 133 million of borrowing availability under its Revolving Facility and $140 million of borrowing availability under its U.S. Term II Loan Facility as discussed below. Telesat Canada believes that cash and short-term investments as of December 31, 2007, net cash provided by operating activities, cash flow from customer prepayments, and drawings on the available lines of credit under the Credit Facility (as defined below) will be adequate to meet its expected cash requirement for activities in the normal course of business, including interest and required principal payments on debt as well as planned capital expenditures through at least the next 12 months.

Telesat Canada has adopted conservative policies relating to and governing the investment of its surplus cash. The investment policy does not permit Telesat Canada to engage in speculative or leveraged transactions, nor does it permit Telesat Canada to hold or issue financial instruments for trading purposes. The investment policy was designed to preserve capital and safeguard principal, to meet all liquidity requirements of Telesat Canada and to provide a competitive rate of return. The investment policy addresses dealer qualifications, lists approved securities, establishes minimum acceptable credit ratings, sets concentration limits, defines a maturity structure, requires all firms to safe keep securities, requires certain mandatory reporting activity and discusses review of the portfolio. Telesat Canada operates its investment program under the guidelines of its investment policy.

Liquidity

The Telesat Canada purchase price of CAD 3.25 billion as well as transaction fees and expenses, the repayment of existing Loral Skynet debt and preferred stock, and Telesat Canada debt were funded by cash from Loral and PSP as well as borrowings by Telesat Canada.

A large portion of Telesat Canada s annual cash receipts are reasonably predictable because they are primarily derived from an existing backlog of long-term customer contracts and high contract renewal rates. Telesat Canada believes its cash flow from operations will be sufficient to provide for a portion of its capital requirements and to fund its interest and debt payment obligations through 2008. Cash required for the construction of the Nimiq 4, Nimiq 5 and Telstar 11N satellites will be funded from some or all of the following: cash and short-term investments, cash flow from operations, cash flow from customer prepayments or through borrowings on available lines of credit under the Credit Facility.

Telesat Canada maintains approximately CAD 25 million in cash and cash equivalents within its subsidiary operating entities for the management of its liquidity. Telesat Canada s intention is to maintain this level of cash and cash equivalents to assist with the day-to-day management of its cash flows.

Debt

In connection with the acquisition, Telesat Canada entered into agreements with a syndicate of banks to provide Telesat Canada with, in each case as described below, senior secured credit facilities (the Credit Facility), a senior bridge loan facility (the Senior Bridge Loan) and a senior subordinated bridge loan facility (the Senior Subordinated

Bridge Loan) (together the Facilities). The Facilities are also guaranteed by Telesat Holdings Inc. and certain Telesat Canada subsidiaries.

Senior Secured Credit Facilities

The Credit Facility consists of several tranches, which are described below.

The Credit Facility is secured by substantially all of Telesat Canada s assets. Under the terms of the Credit Facility, Telesat Canada is required to comply with certain covenants which are usual and customary for highly leveraged transactions, including financial reporting, maintenance of certain financial covenant ratios for leverage and interest coverage, a requirement to maintain minimum levels of satellite insurance, restrictions on capital expenditures, a restriction on fundamental business changes or the creation of subsidiaries, restrictions on investments, restrictions on dividend payments, restrictions on the incurrence of additional debt, restrictions on asset dispositions and restrictions on transactions with affiliates. Telesat Canada is also required to enter into swap agreements that will effectively fix or cap the interest rates on at least 50% of its funded debt for a 3 year period ending October 31, 2011. Each tranche of the Credit Facility is subject to mandatory principal repayment requirements, which, in the initial years, are generally 1/4 of 1% of the initial aggregate principal amount

Revolving Facility

The Revolving Facility is a CAD 153 million loan facility with a maturity date of October 31, 2012. Loans under the Revolving Facility currently bear interest at a floating rate of the Bankers Acceptance borrowing rate plus an applicable margin of 275 basis points. The applicable margin is subject to a leverage pricing grid. The Revolving Facility currently has an unused commitment fee of 50 bps that is subject to adjustment based upon a leverage pricing grid. As of December 31, 2007, CAD 20 million was drawn under this facility.

Canadian Term Loan Facility

The Canadian Term Loan Facility is a CAD 200 million loan with a maturity date of October 31, 2012. The Canadian Term Loan Facility bears interest at a floating rate of the Bankers Acceptance borrowing rate plus an applicable margin of 275 basis points.

U.S. Term Loan Facility

The U.S. Term Loan Facility is for $1.905 billion with a final maturity date of October 31, 2014. The U.S. Term Loan Facility is made up of two facilities, a $1.755 billion U.S. Term Loan I Facility and a $150 million U.S. Term Loan II Facility that is a 12 month delayed draw facility for satellite capital expenditures. The U.S. Term Loan Facility bears interest at LIBOR plus an applicable margin of 300 basis points.

The U.S. Term Loan II Facility has an unused commitment fee of 1/2 the applicable margin which is 150 basis points. Telesat Canada anticipates that it will draw the full amount of this facility during the 12 month availability period. As of December 31, 2007, $10 million of the facility was drawn; a further $38 million of the facility was drawn in January, 2008.

In order to hedge the currency risk for Telesat Canada both at closing and over the life of the loans, Loral Skynet entered into a currency basis swap to synthetically convert $1.054 billion of US dollar commitment to CAD 1.224 billion and transferred the benefit of the basis swap to Telesat Canada prior to closing. The CAD 1.224 billion bears interest at a floating rate of Bankers Acceptance plus an applicable margin of approximately 387 basis points.

Senior Bridge Loan

The Senior Bridge Loan is a $692.8 million senior unsecured loan advanced on the closing date. The Senior Bridge Loan has a maturity of October 31, 2008 and an initial interest rate per annum equal to the greater of 9% or three-month LIBOR plus the applicable margin. The applicable margin increases over time subject to an interest rate cap of 11%. The lenders under the Senior Bridge Loan have a right, as early as April 28, 2008, to make a securities demand (after a road show and marketing period customary for similar offerings) whereby Telesat Canada would issue high yield notes with registration rights but subject to an interest rate at or below the 11% cap in exchange for the Senior Bridge Loan. Telesat Canada has been advised by its lenders to expect to issue these high yield notes at or below the cap rate on April 30, 2008. Subject to the terms and conditions of the loan agreement, failure to comply with the securities demand would result in an event of default under the Senior Bridge Loan. If the Senior Bridge Loan should still be outstanding on October 31, 2008, then, subject to satisfaction of certain conditions, including that there exists no default or event of default under the senior bridge loan agreement, the Senior Bridge Loan will automatically convert to senior rollover loans having a maturity date of seven years from the rollover date. The rollover loans bear interest initially at the rate applicable to the Senior Bridge Loan on the rollover date, increasing thereafter over time but subject to the rate cap of 11%. On and after the rollover date, holders of at least $25 million principal amount of senior rollover loans can exchange their rollover loans for senior exchange notes and at a holder s option, may further elect to fix the interest rate on its exchange note at the then applicable rate. Covenants contained in the senior bridge loan agreement are substantially the same as those contained in the Credit Facility except that there is no requirement to maintain financial ratios.

Senior Subordinated Bridge Loan

The Senior Subordinated Bridge Loan is a $217.2 million senior subordinated unsecured loan advanced on the closing date. The Senior Subordinated Bridge Loan has a maturity of October 31, 2008 and an initial interest rate per annum equal to the greater of 10.5% or three-month LIBOR plus the applicable margin. The applicable margin increases over time subject to an interest rate cap of 12.5%. The lenders under the Senior Subordinated Bridge Loan have a right, as early as April 28, 2008, to make a securities demand (after a road show and marketing period customary for similar offerings) whereby Telesat Canada would issue high yield notes with registration rights but subject to an interest rate at or below the 12.5% cap in exchange for the Senior Subordinated Bridge Loan. Telesat Canada has been advised by its lenders to expect to issue these high yield notes at or below the cap rate on April 30, 2008. Subject to the terms and conditions of the loan agreement, failure to comply with the securities demand would result in an event of default under the Senior Subordinated Bridge Loan. If the Senior Subordinated Bridge Loan should still be outstanding on October 31, 2008, then subject to satisfaction of certain conditions, including that there exists no default or event of default under the senior subordinated bridge loan agreement, the Senior Subordinated Bridge Loan will automatically convert to senior subordinated rollover loans having a maturity date of nine years from the rollover date. The rollover loans bear interest initially at the rate applicable to the Senior Subordinated Bridge Loan on the rollover date, increasing thereafter over time but subject to the rate cap of 12.5%. On and after the rollover date, holders of at least $25 million principal amount of senior subordinated rollover loans can exchange their rollover loans for senior subordinated exchange notes and at a holder s option, may further elect to fix the interest rate on its exchange note at the then applicable rate. Covenants contained in the senior subordinated bridge loan agreement are substantially the same as those contained in the Credit Facility except that there is no requirement to maintain financial ratios.

Interest Expense

An estimate of the interest expense on the Facilities is based upon assumptions of LIBOR and Bankers Acceptance rates and the applicable margin for the Credit Facility, the Senior Bridge Loan and the Senior Subordinated Bridge Loan. Telesat Canada s estimated interest expense for 2008 is approximately CAD 285 million.

Derivatives

Telesat Canada has used interest rate and currency derivatives to hedge its exposure to changes in interest rates and changes in foreign exchange rates.

Telesat Canada uses forward contracts to hedge its foreign currency risk on anticipated transactions, mainly related to the construction of satellites. At December 31, 2007, Telesat Canada had outstanding foreign exchange contracts which require them to pay Canadian dollars to receive $198.9 million for future capital expenditures. The fair value of these derivative contract liabilities resulted in an unrealized loss of CAD 17.5 million as of December 31, 2007. These forward contracts are due between January 1, 2008 and December 1, 2009.

In order to hedge the currency risk for Telesat Canada, both at closing and over the life of the loans, Loral Skynet entered into a currency basis swap to synthetically convert $1.054 billion of the U.S. Term Loan Facility debt into CAD 1.224 billion of debt. Loral Skynet transferred the currency basis swap to Telesat Canada prior to closing. The fair value of this derivative contract at December 31, 2007 resulted in an unrealized loss of CAD 262 million.

On November 30, 2007, Telesat Canada entered into a series of five interest rate swaps to fix interest rates on $600 million of U.S. dollar denominated debt and CAD 630 million of Canadian dollar denominated debt for an average term of 3.2 years. Average rates achieved, before any borrowing spread, were 4.12% on the U.S. dollar denominated swaps and 4.35% on the Canadian dollar denominated swaps. As of December 31, 2007, the fair value of these derivative contract liabilities was an unrealized loss of CAD 6.4 million. With these transactions, Telesat Canada has met its requirement under the Credit Facility to effectively fix or cap at least 50% of its funded debt.

Capital Expenditures

Telesat Canada has entered into contracts for construction and launch of the Nimiq 4 satellite, and construction of the Nimiq 5 and Telstar 11N satellites. The outstanding commitments as of December 31, 2007 on these contracts are approximately $264 million. These expenditures will be funded by Telesat Canada s cash flow from operations as well as the U.S. Term Loan II Facility.

Contractual Obligations and Other Commercial Commitments

The following tables aggregate our contractual obligations and other commercial commitments as of December 31, 2007 (in thousands).

Contractual Obligations:

	Payments Due by Period				
	Total	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**More than 5 Years**
Operating leases[1]	$ 32,765	$ 8,589	$ 14,624	$ 7,573	$ 1,979
Unconditional purchase obligations[2]	567,910	495,241	70,889	1,780	
Liability to PSP[3]	9,306	9,306			
Other long-term obligations[4]	30,541	16,138	14,403		
Total contractual cash obligations[5]	$ 640,522	$ 529,274	$ 99,916	$ 9,353	$ 1,979

Other Commercial Commitments:

	Total Amounts Committed	**Amount of Commitment Expiration Per Period**			
		Less than 1 Year	**1-3 Years**	**4-5 Years**	**More than 5 Years**
Standby letters of credit[6]	$ 6,127	$ 6,127	$	$	$

(1) Represents future minimum payments under operating leases with initial or remaining terms of one year or more, net of sub-lease rentals of $0.7 million.

(2) SS/L has entered into various purchase commitments with suppliers due to the long lead times required to produce purchased parts.

(3) Represents the final equity true-up payment to PSP in connection with the Telesat Canada transaction.

(4)

Primarily represents vendor financing amounts owed to subcontractors and commitments under employment arrangements.

(5) Does not include our commitment of approximately $54.2 million in connection with an agreement entered into between SS/L and ViaSat for the construction by SS/L for ViaSat of a high capacity broadband satellite called ViaSat-1 and our FIN 48 liabilities for uncertain tax positions of $68.0 million. On January 11, 2008, we entered into certain agreements (see Note 19 to the financial statements), pursuant to which we are investing in the Canadian coverage portion of the ViaSat-1 Satellite and granting to Telesat Canada an option to acquire our rights to the Canadian payload. Because the timing of future cash outflows associated with our FIN 48 liabilities for uncertain tax positions is highly uncertain, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities.

(6) Letters of credit have a maturity of one year and are renewed annually.

Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities for 2007 was $27 million. This was primarily due to a decrease in accounts receivable of $65 million from the collection of vendor financing from a customer and a $22 million increase in cash from net income adjusted for non-cash items including an increase in income taxes payable attributable to taxes expensed in 2007 to be paid in 2008 related to the gain from the contribution of substantially all of the Loral Skynet assets and related liabilities to Telesat Canada. These sources of cash were partially offset by an increase in contracts-in-process of $61 million and a reduction in customer advances of $17 million due to continued progress on the related satellite programs.

Net cash provided by operating activities for 2006 was $88 million. This was primarily due to the net loss adjusted for non-cash items of $86 million, an increase in customer advances of $51 million resulting from timing of satellite program milestone payments and higher accrued expenses and other current liabilities of $18 million in part due to higher accrued interest. This change was partially offset by an increase in inventory of $32 million, which will accommodate the increased volume and a reduction of $20 million in pension and other postretirement liabilities primarily due to contributions made to the pension plan of $27 million (see Note 15 to the financial statements).

Net cash used in operating activities for the period October 2, 2005 to December 31, 2005 and for the period January 1, 2005 to October 1, 2005 was $38 million and $144 million, respectively, totaling $182 million for 2005. This was primarily due to $80 million of payments to creditors in connection with our Plan of Reorganization, the reduction in customer advances of $56 million because of continued progress on the related programs and the deferral of billings of $46 million in connection with certain SS/L contracts.

Net Cash Provided By (Used in) Investing Activities

Net cash provided by investing activities for 2007 was $62 million, primarily resulting from the net effect of cash management of short-term investments of $118 million and net proceeds received for the contribution of Loral Skynet to Telesat Canada of $58 million. These changes were partially offset by capital expenditures of $96 million, an increase in restricted cash of $20 million and a net distribution from an equity investment of $2 million.

Net cash used in investing activities for 2006 was $176 million, resulting from capital expenditures of $82 million and the Company s purchase of short-term investments of $107 million, partially offset by proceeds from the sale of available-for-sale securities of $7 million and proceeds received from the disposition of an orbital slot of $6 million.

Net cash (used in) provided by investing activities for the period October 2, 2005 to December 31, 2005, and the period January 1, 2005 to October 1, 2005 was $(5) million and $195 million, respectively, totaling $190 million for 2005, primarily resulting from the insurance proceeds received for our Telstar 14 satellite.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities for 2007 was $40 million, primarily resulting from the proceeds, net of expenses, from the sale of preferred stock of $284 million, the borrowing of a term loan of $141 million from Valley National to fund redemption of the Loral Skynet Notes and the proceeds from the exercise of stock options of $2 million, partially offset by the distribution of proceeds for the redemption of the Loral Skynet Preferred Stock of $238 million, the repayment of the Loral Skynet Notes of $126 million, the redemption premium of $13 million paid on the extinguishment of the Loral Skynet Notes and cash dividends paid on the Loral Skynet Preferred Stock of $12 million.

Net cash used in financing activities for 2006 was $1 million, resulting from the cash dividend payment on the Loral Skynet Preferred Stock made in the third quarter.

Net cash provided by financing activities for the period October 2, 2005 to December 31, 2005 and the period January 1, 2005 to October 1, 2005 was $121 million and zero, respectively, totaling $121 million for 2005, representing the proceeds from the issuance of the Loral Skynet Notes (see Note 12 to the financial statements).

Other

During 2007, we made no contributions to the qualified pension plan and funded approximately $3 million for other employee post-retirement benefit plans. In September 2006, Loral made the minimum required contribution of $2.3 million to the pension plan and made an additional voluntary contribution to the pension plan of $25.2 million. The additional voluntary contribution was made to improve the funded status of the pension plan and to reduce future expected contributions. During 2005, we contributed $20 million to the qualified pension plan. During 2008, based on current estimates, we expect to contribute approximately $34 million to the qualified pension plan and expect to fund approximately $4 million for other employee post-retirement benefit plans.

Affiliate Matters

Loral has made certain investments in joint ventures in the satellite services business that are accounted for under the equity method of accounting (see Note 8 to the financial statements for further information on affiliate matters).

Our consolidated statements of operations reflect the effects of the following amounts related to transactions with or investments in affiliates (in millions):

	Successor Registrant			Predecessor Registrant
	Year Ended December 31, 2007	Year Ended December 31, 2006	For the Period October 2, 2005 to December 31, 2005	For the Period January 1, 2005 to October 1, 2005
			(In millions)	
Revenues	$ 22.0	$ 11.3	$ 4.1	$ 10.0
Elimination of Loral s proportionate share of (profits) losses relating to affiliate transactions	1.9	0.4	(2.9)	0.6
Profits (losses) relating to affiliate transactions not eliminated	(1.1)	(0.3)	2.3	(0.5)

Commitments and Contingencies

Our business and operations are subject to a number of significant risks, the most significant of which are summarized in Item 1A Risk Factors and also in Note 17 to the financial statements.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Foreign Currency

We, in the normal course of business, are subject to the risks associated with fluctuations in foreign currency exchange rates. As of December 31, 2007, SS/L had the following amounts denominated in Japanese Yen and EUROs (which have been translated into U.S. dollars based on the December 31, 2007 exchange rates) that were unhedged (in millions):

	Foreign Currency		U.S. $
Future revenues Japanese Yen	¥	84	$ 0.7
Future expenditures Japanese Yen	¥	4,222	$ 37.6
Future expenditures EUROs	E	3.7	$ 5.5

Interest

The Company has no long-term debt or any exposure to changes in interest rates with respect thereto. Prior to the close of the Telesat Canada transaction, Loral Skynet had debt at a fixed rate of 14.0%.

As of December 31, 2007, the only marketable securities held by the Company was approximately 43,200 shares of Globalstar Inc. common stock. During the year, however, the Company did hold other marketable securities which consisted of corporate bonds, Euro dollar bonds, certificates of deposits, commercial paper, Federal Agency notes and auction rate securities. We invest in these other marketable securities with the intent to hold them to maturity and classify them as such, except for the auction-rate-securities which we classify as available-for-sale securities. During the year we sold all of our non-Globalstar marketable securities without any loss of principal to Loral as well as substantially all of our holdings in Globalstar Inc. common stock.

Item 8. ***Financial Statements and Supplementary Data***

See Index to Financial Statements and Financial Statement Schedules on page F-1.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and our chief financial officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2007, to determine whether our disclosure controls and procedures ensure that information relating to Loral and its consolidated subsidiaries required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities Exchange Commission rules and forms. The term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on their evaluation, our chief executive officer and chief financial officer have concluded that, as of December 31, 2007, our disclosure controls and procedures were not effective due to a material weakness related to the operation of internal control over financial reporting with respect to the accounting for and disclosure of income taxes, as discussed below in Management s Report on Internal Control over Financial Reporting. Additional review, evaluation and oversight have been undertaken to ensure that our consolidated financial statements were prepared in accordance with generally accepted accounting principles and, as a result, our chief executive officer and chief financial officer have concluded that the consolidated financial statements in this Form 10-K present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under such criteria, our management concluded that a material weakness existed in our internal control over financial reporting as of December 31, 2007 related to income tax accounting. A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, the Company did not maintain adequate processes and a sufficient number of technically qualified personnel to facilitate the timely resolution of issues associated with the Company s income tax closing process primarily relating to those issues attributable to the Telesat Canada transaction. As a result of this material weakness, management has concluded that the Company s internal control over financial reporting as of December 31, 2007 was not effective based on the criteria in *Internal Control Integrated Framework.*

The effectiveness of our internal control over financial reporting as of December 31, 2007 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its attestation report which is included below.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2007 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

The Company is evaluating several remedial steps to improve controls surrounding its income tax closing process, including enhancing the technical resources in the income tax accounting function and conducting an evaluation of organizational processes and structure to identify and implement the appropriate solutions regarding its income tax closing process including retaining additional external resources.

Inherent Limitations on Effectiveness of Controls

Our management, including our chief executive officer and our chief financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Loral Space & Communications Inc.
New York, New York

We have audited the internal control over financial reporting of Loral Space & Communications Inc. and subsidiaries (the Company) as of December 31, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on that risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management s assessment:

The Company did not maintain adequate processes and a sufficient number of technically qualified personnel to facilitate the timely resolution of issues associated with the Company s income tax accounting closing process. As a result of this material weakness in the design of internal controls over the accounting for income taxes, the Company failed to complete its income tax accounting process in a timely manner. This deficiency results in a more than remote likelihood that a material misstatement to the Company s income tax expense and related liabilities and deferred tax asset accounts in the annual or interim consolidated financial statements will not be prevented or detected in a timely manner.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the Company s consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2007, and this report does not affect our report on such consolidated financial statements and financial statement schedules.

In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2007, of the Company and our report dated April 29, 2008 expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph which indicates that as of January 1, 2007, the Company changed its method of accounting for uncertain tax positions.

/s/ DELOITTE & TOUCHE LLP

New York, New York
April 29, 2008

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Executive Officers of the Registrant

The following table sets forth information concerning the executive officers of Loral as of March 1, 2008.

Name	Age	Position
Michael B. Targoff	63	Chief Executive Officer since March 1, 2006, President since January 2008 and Vice Chairman of the Board of Directors since November 2005. Prior to that, founder of Michael B. Targoff & Co.
C. Patrick DeWitt	61	Senior Vice President since January 2008. Vice President from November 2005 to January 2008. Vice President of Old Loral from January 2002 to November 2005. Chief Executive Officer of SS/L since June 2006. President of SS/L from November 2001 to June 2006.
Avi Katz	49	Senior Vice President, General Counsel and Secretary since January 2008. Vice President, General Counsel and Secretary from November 2005 to January 2008. Vice President, General Counsel and Secretary of Old Loral from November 1999 to November 2005.
Richard P. Mastoloni	43	Senior Vice President of Finance and Treasurer since January 2008. Vice President and Treasurer from November 2005 to January 2008. Vice President and Treasurer of Old Loral from February 2002 to November 2005. Vice President of Old Loral from September 2001 to February 2002.
Harvey B. Rein	54	Senior Vice President and Chief Financial Officer since January 2008. Vice President and Controller from November 2005 to January 2008. Vice President and Controller of Old Loral from April 1996 to November 2005.
John Capogrossi	54	Vice President and Controller since January 2008. Executive Director, Financial Planning and Analysis, from October 2006 to January 2008. Assistant Controller from November 2005 to October 2006. Assistant Controller of Old Loral from January 2001 to November 2005.

With the exception of Messrs. Targoff and Capogrossi, the above-named executive officers of Loral were officers of Old Loral and certain of its subsidiaries which, on July 15, 2003, filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code.

The remaining information required under Item 10 will be presented in the Company s 2008 definitive proxy statement which is incorporated herein by reference.

Item 11. ***Executive Compensation***

Information required under Item 11 will be presented in the Company s 2008 definitive proxy statement which is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information required under Item 12 will be presented in the Company s 2008 definitive proxy statement which is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

Information required under Item 13 will be presented in the Company s 2008 definitive proxy statement which is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

Information required under Item 14 will be presented in the Company s 2008 definitive proxy statement which is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) 1. Financial Statements

(a) 2. Financial Statement Schedules

Separate Financial Statements of Subsidiaries not consolidated Pursuant to Rule 3-09 of Regulation S-X

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Debtors Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated June 3, 2005(2)
2.2	Modification to Debtors Fourth Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated August 1, 2005(3)
2.3	Letter Agreement among Loral Space & Communications Inc., Loral Skynet Corporation, Public Sector Pension Investment Board, 4363205 Canada Inc. and 4363213 Canada Inc. dated December 14, 2006(9)
2.4	Share Purchase Agreement among 4363213 Canada Inc., BCE Inc. and Telesat Canada dated December 16, 2006(9)
2.5	Letter Agreement among Loral Space & Communications Inc., Public Sector Pension Investment Board and BCE Inc. dated December 16, 2006(9)
2.6	Asset Transfer Agreement, dated as of August 7, 2007, by and among 4363205 Canada Inc., Loral Skynet Corporation and Loral Space & Communications Inc.(15)
2.7	Amendment No. 1 to Asset Transfer Agreement, dated as of September 24, 2007, by and among 4363205 Canada Inc., Loral Skynet Corporation and Loral Space & Communications Inc.(18)
2.8	Asset Purchase Agreement, dated as of August 7, 2007, by and among Loral Skynet Corporation, Skynet Satellite Corporation and Loral Space & Communications Inc.(15)
3.1	Restated Certificate of Incorporation of Loral Space & Communications Inc. dated November 21, 2005(4)
3.2	Loral Space & Communications Inc. Amended and Restated Bylaws dated December 17, 2007(20)
4.1	Certificate of Designation of Series A-1 Cumulative 7.50% Convertible Preferred Stock and Series A-2 Convertible Preferred Stock of Loral Space & Communications Inc.(10)
4.2	Certificate of Designation of Series B-1 Cumulative 7.50% Convertible Preferred Stock and Series B-2 Convertible Preferred Stock of Loral Space & Communications Inc.(10)
10.1	Consent Agreement among the United States Department of State, Loral Space & Communications Ltd. and Space Systems/Loral, Inc. dated January 9, 2002(1)
10.2	Amended and Restated Letter of Credit Reimbursement Agreement between Space Systems/Loral, Inc. and JP Morgan Chase Bank, N.A. dated November 21, 2005(4)
10.3	Amended and Restated Cash Collateral Agreement dated November 21, 2005(4)
10.4	Amended and Restated Customer Credit Agreement, dated as of July 30, 2007, by and between Sirius Satellite Radio Inc. and Space Systems/Loral, Inc.(14)
10.5	Ancillary Agreement, dated as of August 7, 2007, by and among Loral Space & Communications Inc., Loral Skynet Corporation, Public Sector Pension Investment Board, 4363205 Canada Inc. and 4363230 Canada Inc.(15)
10.6	Adjustment Agreement, dated as of October 29, 2007, between Telesat Interco Inc. (formerly 4363213 Canada Inc.), BCE Inc. and Telesat Canada(19)
10.7	Omnibus Agreement, dated as of October 30, 2007, by and among Loral Space & Communications Inc., Loral Skynet Corporation, Public Sector Pension Investment Board, Red Isle Private Investments Inc. and Telesat Holdings Inc. (formerly 4363205 Canada Inc.)(19)
10.8	Shareholders Agreement, dated as of October 31, 2007, between Public Sector Pension Investment Board, Red Isle Private Investments Inc., Loral Space & Communications Inc., Loral Space & Communications Holdings Corporation, Loral Holdings Corporation, Loral Skynet Corporation, John P. Cashman, Colin D. Watson, Telesat Holdings Inc. (formerly 4363205 Canada Inc.), Telesat Interco Inc.

	(formerly 4363213 Canada Inc.), Telesat Canada and MHR Fund Management LLC(19)
10.9	Consulting Services Agreement, dated as of October 31, 2007, by and between Loral Space & Communications Inc. and Telesat Canada(19)
10.10	Indemnity Agreement, dated as of October 31, 2007, by and among Loral Space & Communications Inc., Telesat Canada, Telesat Holdings Inc., Telesat Interco Inc. and Henry Gerard (Hank) Intven(19)

Exhibit Number	Description
10.11	Acknowledgement and Indemnity Agreement, dated as of October 31, 2007, between Loral Space & Communications Inc., Telesat Canada, Telesat Holdings Inc. (formerly 4363205 Canada Inc.), Telesat Interco Inc. (formerly 4363213 Canada Inc.) and McCarthy Tétrault LLP(19)
10.12	Securities Purchase Agreement dated October 17, 2006, as amended and restated on February 27, 2007, by and between Loral Space & Communications Inc. and MHR Fund Management LLC(10)
10.13	Amended and Restated Registration Rights Agreement dated February 27, 2007 by and among Loral Space & Communications Inc., Loral Skynet Corporation and the Persons Affiliated with MHR Fund Management LLC Listed on the Signature Pages Thereof(10)
10.14	Memorandum of Understanding, dated March 21, 2007 relating to Babus v. Targoff, et al.(11)
10.15	Letter Agreement dated April 25, 2007 between Loral Space & Communications Inc. and MHR Fund Management LLC(12)
10.16	Letter Agreement dated August 8, 2007 between Loral Space & Communications Inc. and MHR Fund Management LLC(16)
10.17	Letter Agreement, dated August 29, 2007, by and among Loral Space & Communications, Inc. and the holders of the outstanding Series A Cumulative 7.50% Convertible Preferred Stock and Series B Cumulative 7.50% Convertible Preferred Stock of Loral Space & Communications Inc.(17)
10.18	Letter Agreement dated April 28, 2008 between Loral Space & Communications Inc. and MHR Fund Management LLC
10.19	Partnership Interest Purchase Agreement dated December 21, 2007 by and among GSSI, LLC, Globalstar, Inc., Loral/DASA Globalstar, LP, Globalstar do Brasil, SA., Loral/DASA do Brasil Holdings Ltda., Loral Holdings LLC, Global DASA LLC, LGP (Bermuda) Ltd., Mercedes-Benz do Brasil Ltda. (f/k/a DaimlerChrysler do Brasil Ltda.) and Loral Space & Communications Inc.(20)
10.20	Beam Sharing Agreement, dated as of January 11, 2008, by and between Loral Space & Communications Inc. and ViaSat Inc.(22)
10.21	Option Agreement, dated as of January 11, 2008, by and between Loral Space & Communications Inc. and Telesat Canada(22)
10.22	Employment Agreement between Loral Space & Communications Inc. and Michael B. Targoff dated March 28, 2006(5)
10.23	Form of Officers and Directors Indemnification Agreement between Loral Space & Communications Inc. and Loral Executives(4)
10.24	Officers and Directors Indemnification Agreement between Space Systems/Loral, Inc. and C. Patrick DeWitt dated November 21, 2005(4)
10.25	Loral Space & Communications Inc. 2005 Stock Incentive Plan (Amended and Restated as of April 16, 2007) (13)
10.26	Form of Non-Qualified Stock Option Agreement under Loral Space & Communications Inc. 2005 Stock Incentive Plan for Senior Management(4)
10.27	Non-Qualified Stock Option Agreement under Loral Space & Communications Inc. 2005 Stock Incentive Plan between Loral Space & Communications Inc. and Michael B. Targoff dated March 28, 2006(5)
10.28	Non Qualified Stock Option Agreement under Loral Space & Communications Inc. 2005 Stock Incentive Plan between Loral Space & Communications Inc. and Richard J. Townsend dated June 19, 2006(7)
10.29	Form of Director 2006 Restricted Stock Agreement (13)
10.30	Form of Director 2007 Restricted Stock Agreement (13)
10.31	Form of Employee Restricted Stock Agreement (13)
10.32	Space Systems/Loral, Inc. Supplemental Executive Retirement Plan dated January 7, 2003(5)

10.33	Amendment to the Space Systems/Loral, Inc. Supplemental Executive Retirement Plan dated November 21, 2005(4)
10.34	Loral Space & Communications Inc. Severance Policy for Corporate Officers(6)
10.35	General Release and Separation Agreement dated January 4, 2008 between Loral Space & Communications Inc. and Richard J. Townsend (21)

Exhibit Number	Description
10.36	Letter dated March 28, 2008 to Richard J. Townsend(23)
10.37	General Release and Separation Agreement dated January 10, 2008 between Loral Space & Communications Inc. and Dean A. Olmstead (22)
10.38	General Release and Separation Agreement dated January 11, 2008 between Loral Space & Communications Inc. and Eric J. Zahler (22)
10.39	Consulting Agreement dated January 4, 2008 between Loral Space & Communications Inc. and Richard J. Townsend (21)
12.1	Statement Re: Computation of Ratios
14.1	Code of Conduct, Revised as of August 1, 2006(8)
21.1	List of Subsidiaries of the Registrant
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of Deloitte & Touche LLP
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002
99.1	Credit Agreement, dated as of October 31, 2007, among Telesat Interco Inc. (formerly 4363213 Canada Inc.), Telesat Holdings Inc. (formerly 4363205 Canada Inc.), 4363230 Canada Inc., Telesat LLC, certain subsidiaries of Telesat Holdings Inc., as guarantors, the lenders party thereto from time to time, Morgan Stanley Senior Funding, Inc., as administrative agent, and Morgan Stanley & Co. Incorporated, as collateral agent for the lenders, UBS Securities LLC, as syndication agent, JPMorgan Chase Bank, N.A., The Bank of Nova Scotia, as issuing bank, and Citibank, N.A., Canadian Branch or any of its lending affiliates, as co-documentation agents, and Morgan Stanley & Co. Incorporated, UBS Securities LLC and J.P. Morgan Securities Inc., as joint lead arrangers and joint book running managers(19)
99.2	Senior Bridge Loan Agreement, dated as of October 31, 2007, among Telesat Interco Inc. (formerly 4363213 Canada Inc.), Telesat Holdings Inc. (formerly 4363205 Canada Inc.), 4363230 Canada Inc., Telesat LLC, certain subsidiaries of Telesat Holdings Inc., as guarantors, the lenders party thereto from time to time, Morgan Stanley Senior Funding, Inc., as administrative agent for the lenders, UBS Securities LLC, as syndication agent, JPMorgan Chase Bank, N.A., The Bank of Nova Scotia and Jefferies Finance LLC, as co-documentation agents, and Morgan Stanley & Co. Incorporated, UBS Securities LLC and J.P. Morgan Securities Inc., as joint lead arrangers and joint book running managers(19)
99.3	Senior Subordinated Bridge Loan Agreement, dated as of October 31, 2007, among Telesat Interco Inc. (formerly 4363213 Canada Inc.), Telesat Holdings Inc. (formerly 4363205 Canada Inc.), 4363230 Canada Inc., Telesat LLC, certain subsidiaries of Telesat Holdings Inc., as guarantors, the lenders party thereto from time to time, Morgan Stanley Senior Funding, Inc., as administrative agent for the lenders, UBS Securities LLC, as syndication agent, JPMorgan Chase Bank, N.A., The Bank of Nova Scotia and Jefferies Finance LLC, as co-documentation agents, and Morgan Stanley & Co. Incorporated, UBS Securities LLC and J.P. Morgan Securities Inc., as joint lead arrangers and joint book running managers(19)
99.4	Articles of Incorporation of Telesat Holdings Inc. (formerly 4363205 Canada Inc.)(19)

99.5	By-Law No. 1 of Telesat Holdings Inc. (formerly 4363205 Canada Inc.)(19)
99.6	Letter Agreement dated March 28, 2008 among Loral Space & Communications Inc., Loral Skynet Corporation, Public Sector Pension Investment Board, Red Isle Private Investment Inc. and Telesat Holdings Inc.(23)

(1) Incorporated by reference from the Company s Current Report on Form 8-K filed on January 9, 2002.

(2) Incorporated by reference from the Company s Current Report on Form 8-K filed on June 8, 2005.

(3) Incorporated by reference from the Company s Current Report on Form 8-K filed on August 5, 2005.

(4) Incorporated by reference from the Company s Current Report on Form 8-K filed on November 23, 2005.

(5) Incorporated by reference from the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

(6) Incorporated by reference from the Company s Current Report on Form 8-K filed on June 20, 2006.

(7) Incorporated by reference from the Company s Current Report on Form 8-K/A filed by the Company on June 26, 2006.

(8) Incorporated by reference from the Company s Current Quarterly Report on Form 10-Q filed on August 8, 2006.

(9) Incorporated by reference from the Company s Current Report on Form 8-K filed on December 21, 2006.

(10) Incorporated by reference from the Company s Current Report on Form 8-K filed on February 28, 2007.

(11) Incorporated by reference from the Company s Current Report on Form 8-K filed on March 21, 2007.

(12) Incorporated by reference from the Company s Current Report on Form 10-Q filed on May 10, 2007.

(13) Incorporated by reference from the Company s Current Report on Form 8-K filed on May 29, 2007.

(14) Incorporated by reference from the Company s Current Report on Form 8-K filed on August 2, 2007.

(15) Incorporated by reference from the Company s Current Report on Form 8-K filed on August 9, 2007.

(16) Incorporated by reference from the Company s Current Report on Form 10-Q filed on August 9, 2007.

(17) Incorporated by reference from the Company s Current Report on Form 8-K filed on August 31, 2007.

(18) Incorporated by reference from the Company s Current Report on Form 8-K filed on September 27, 2007.

(19) Incorporated by reference from the Company s Current Report on Form 8-K filed on November 2, 2007.

(20) Incorporated by reference from the Company s Current Report on Form 8-K filed December 21, 2007.

(21) Incorporated by reference from the Company s Current Report on Form 8-K filed on January 10, 2008.

(22) Incorporated by reference from the Company s Current Report on Form 8-K filed on January 16, 2008.

(23) Incorporated by reference from the Company s Current Report on Form 8-K filed on March 31, 2008.

Filed herewith.

Management compensation plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LORAL SPACE & COMMUNICATIONS INC.

By: /s/ MICHAEL B. TARGOFF

Michael B. Targoff
Vice Chairman of the Board,
Chief Executive Officer and President
Dated: April 29, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ MICHAEL B. TARGOFF Michael B. Targoff	Vice Chairman of the Board, Chief Executive Officer and President	April 29, 2008
/s/ MARK H. RACHESKY, M.D. Mark H. Rachesky, M.D.	Director, Non-Executive Chairman of the Board	April 29, 2008
/s/ SAI S. DEVABHAKTUNI Sai S. Devabhaktuni	Director	April 29, 2008
/s/ HAL GOLDSTEIN Hal Goldstein	Director	April 29, 2008
/s/ JOHN D. HARKEY, JR. John D. Harkey, Jr.	Director	April 29, 2008
/s/ ARTHUR L. SIMON Arthur L. Simon	Director	April 29, 2008
/s/ JOHN P. STENBIT John P. Stenbit	Director	April 29, 2008

/s/ HARVEY B. REIN Harvey B. Rein	Senior Vice President and CFO (Principal Financial Officer)	April 29, 2008
/s/ JOHN CAPOGROSSI John Capogrossi	Vice President and Controller (Principal Accounting Officer)	April 29, 2008

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Loral Space & Communications Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of Loral Space & Communications Inc. and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders equity, and cash flows for the years ended December 31, 2007 and 2006, for the period from October 2, 2005 to December 31, 2005 (Successor Registrant operations), and for the period from January 1, 2005 to October 1, 2005 (Predecessor Registrant operations). Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Successor Registrant consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years ended December 31, 2007 and 2006, and for the period from October 2, 2005 to December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. Further, in our opinion, the Predecessor Registrant consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of the Company s operations and its cash flows for the period from January 1, 2005 to October 1, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company emerged from bankruptcy on November 21, 2005. In connection with its emergence, the Company adopted fresh-start reporting pursuant to American Institute of Certified Public Accountants Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code,* as of October 1, 2005. As a result, the consolidated financial statements of the Successor Registrant are presented on a different basis than those of the Predecessor Registrant and, therefore, are not comparable.

As discussed in Note 12 to the consolidated financial statements, as of January 1, 2007, the Company changed its method of accounting for uncertain tax positions to adopt the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB No. 109.*

As discussed in Note 15 to the consolidated financial statements, as of December 31, 2006, the Company changed its method of accounting for pensions and other employee benefits to adopt the provisions of Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and other Postretirement Plans.*

As discussed in Note 3 to the consolidated financial statements, as of October 1, 2005, the Company changed its method of accounting for stock-based compensation to adopt the provisions of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 29, 2008 expressed an adverse opinion on the Company s internal control over financial reporting because of a material weakness.

/s/ DELOITTE & TOUCHE LLP

New York, New York
April 29, 2008

LORAL SPACE & COMMUNICATIONS INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 31, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 314,694	$ 186,542
Short-term investments		106,588
Accounts receivable, net		76,420
Contracts-in-process	109,376	40,433
Inventories	96,968	82,183
Other current assets	48,850	55,534
Total current assets	569,888	547,700
Property, plant and equipment, net	147,828	558,879
Long-term receivables	132,400	81,164
Investments in affiliates	566,196	97,202
Goodwill	227,058	305,691
Intangible assets, net	42,854	111,749
Other assets	16,715	27,526
Total assets	$ 1,702,939	$ 1,729,911
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 69,205	$ 67,604
Accrued employment costs	42,890	43,797
Customer advances and billings in excess of costs and profits	251,954	242,661
Income taxes payable	31,239	2,567
Accrued interest and preferred dividends	4,979	20,097
Other current liabilities	39,512	42,828
Total current liabilities	439,779	419,554
Pension and other postretirement liabilities	152,341	167,987
Long-term debt		128,084
Long-term liabilities	137,261	153,028
Total liabilities	729,381	868,653
Minority interest		214,256
Commitments and contingencies		
Shareholders equity:		
	41,873	

Series A-1 Cumulative 7.5% convertible preferred stock, $0.01 par value 2,200,000 shares authorized, 141,953 shares issued and outstanding in 2007		
Series B-1 Cumulative 7.5% convertible preferred stock, $0.01 par value 2,000,000 shares authorized, 900,821 shares issued and outstanding in 2007	265,777	
Common stock, $.01 par value; 40,000,000 shares authorized, 20,292,746 and 20,000,000 shares issued and outstanding	203	200
Paid-in capital	663,127	644,708
Accumulated deficit	(33,939)	(37,981)
Accumulated other comprehensive income	36,517	40,075
Total shareholders equity	973,558	647,002
Total liabilities and shareholders equity	$ 1,702,939	$ 1,729,911

See notes to consolidated financial statements.

LORAL SPACE & COMMUNICATIONS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Successor Registrant			Predecessor Registrant
	Year Ended December 31, 2007	Year Ended December 31, 2006	For the Period October 2, 2005 to December 31, 2005	For the Period January 1, 2005 to October 1, 2005
Revenues from satellite manufacturing	$ 761,363	$ 636,632	$ 161,069	$ 318,587
Revenues from satellite services	121,091	160,701	36,096	110,596
Total revenues	882,454	797,333	197,165	429,183
Cost of satellite manufacturing	688,991	550,821	138,882	291,454
Cost of satellite services	86,213	98,614	26,386	94,169
Selling, general and administrative expenses	166,936	127,080	36,842	79,419
Gain on contribution of Loral Skynet	(104,942)			
Gain on litigation settlement		(9,000)		
Operating income (loss) from continuing operations before reorganization expenses due to bankruptcy	45,256	29,818	(4,945)	(35,859)
Reorganization expenses due to bankruptcy				(31,236)
Operating income (loss) from continuing operations	45,256	29,818	(4,945)	(67,095)
Gain on discharge of pre-petition obligations and fresh-start adjustments				1,101,453
Interest and investment income	39,279	31,526	4,128	6,438
Interest expense (contractual interest was $36,610 for the period ended October 1, 2005)	(2,312)	(23,449)	(4,408)	(17,214)
Gain (loss) on foreign exchange contracts	89,364	(5,750)		
Loss on extinguishment of debt	(16,155)			
Other income (expense)	2,354	(2,028)	(170)	(931)
Income (loss) from continuing operations before income taxes, equity in net losses of affiliates and minority interest	157,786	30,117	(5,395)	1,022,651
Income tax (provision) benefit	(83,457)	(20,880)	(1,752)	10,901

Income (loss) from continuing operations before equity in net losses of affiliates and minority interest		74,329		9,237		(7,147)		1,033,552
Equity in net losses of affiliates		(21,430)		(7,163)		(5,447)		(2,796)
Minority interest		(23,240)		(24,794)		(2,667)		126
Income (loss) from continuing operations		29,659		(22,720)		(15,261)		1,030,882
Gain on sale of discontinued operations, net of taxes								13,967
Net income (loss)		29,659	$	(22,720)	$	(15,261)	$	1,044,849
Preferred dividends		(19,379)						
Beneficial conversion feature related to the issuance of Loral Series A-1 Preferred Stock		(25,685)						
Net (loss) income applicable to common shareholders	$	(15,405)	$	(22,720)	$	(15,261)	$	1,044,849
Basic and diluted earnings (loss) per share:								
Continuing operations	$	(0.77)	$	(1.14)	$	(0.76)	$	23.37
Discontinued operations								0.32
(Loss) earnings per share	$	(0.77)	$	(1.14)	$	(0.76)	$	23.69
Weighted average shares outstanding:								
Basic and diluted		20,087		20,000		20,000		44,108

See notes to consolidated financial statements.

LORAL SPACE & COMMUNICATIONS INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(in thousands)

	Series A-1 Convertible Preferred Stock		Series B-1 Convertible Preferred Stock		Common Stock						Accumulated Other	
	Shares Issued	Amount	Shares Issued	Amount	Shares Issued	Amount	Paid-In Capital	Treasury Stock	Unearned Compen-sation	Accumulated Deficit	Comprehensive Income (Loss)	S
<u>Registrant</u>												
uary 1, 2005					44,125	$ 4,413	$ 3,392,825	$ (3,360)	$ (87)	$ (4,348,231)	$ (89,661)	$
of unearned												
n									60			
										1,044,849		
ehensive												
											(808)	
ve income												
of												
Registrant												
k					(44,125)	(4,413)	4,413					
ommon												
tors					20,000	200	642,068					
ljustment							(3,397,238)	3,360	27	3,303,382	90,469	
ober 1, 2005					20,000	200	642,068					
<u>egistrant</u>												