



Satellite broadband services experience dynamic growth in 2006

NSR has released the latest edition to its industry-standard report *Broadband Satellite Markets: 6th Edition*. The report is a comprehensive analysis of the global market for enterprise & SME VSAT networks, single site satellite broadband Internet access services, and satellite IP trunking applications.

With **enterprise & SME VSAT networks** and single site satellite broadband Internet access services leading the way, NSR forecasts total global revenues from monthly service fees and sales of customer premise equipment (CPE) will break the US\$5 billion barrier by 2011. Not only does this market benefit equipment manufacturers and service providers such as Hughes and WildBlue, commercial satellite fleet operators around the world are securing an important slice of the action.

NSR estimates that almost 900 36-MHz transponders will be needed to provide the global base of broadband VSAT sites and satellite Internet access subscribers by 2011. This is almost a 40 percent increase over transponders leased in 2006. "Ku-band capacity will play a dominant role in these markets over the entire forecast period," stated Patrick French, Senior Analyst and author of the report. "Yet, many companies are seriously looking to commercial Ka-band, not just dedicated Ka-band satellites like WildBlue-1 and Spaceway-3, for these markets, and the next few years will prove critical in determining just how rapidly the industry moves down this path."

Government-sponsored or mandated broadband VSAT projects, notably in developing countries, form a large part of NSR's forecast of net new broadband IP VSAT site installations through 2011. The

Mexican e-Mexico and Enciclopedia projects are two shining examples of the power of VSATs to bring communications services to unserved areas and modern educational techniques to all schools no matter where they are located. Beyond these projects, NSR also noted new networks or expansion of existing e-government networks in Thailand, Colombia and Brazil among others. Further, NSR understands that additional, large rural connectivity and tele-education projects are under serious consideration or even have sought proposals in Russia, Turkey, Malaysia, Argentina and Brazil.

Conversely, it is single site satellite broadband Internet access services that are powering the satellite broadband market in developed countries. Single site satellite broadband netted over 170,000 new subscribers worldwide in 2006 with well over 80 percent of these coming in the North American market. Interestingly, Australia was the next most important single site satellite broadband market in the last year. "While smaller in scope, the Australian Broadband Connect broadband access subsidy program is an excellent example of a government initiative to bring broadband services to rural areas at a price on par with services in urban parts of the country," stated French. "This program merits close examination from other governments around the world as an example of a way to help close the digital divide that exists even in developed nations." ●

Consolidated revenue up 28 percent

Loral Space & Communications has announced its financial results for the three months ended March 31, 2007. Loral's results remain on course, carrying on its success from 2006 into a solid first quarter in 2007.

"Loral's results remain on course, carrying our success from 2006 into a solid first quarter in 2007," said Michael Targoff, Chief Executive Officer of Loral. "Our satellite manufacturing business, Space Systems/Loral (SS/L), continues to perform well, winning two awards during the quarter. SS/L has successfully expanded its market over the last year to capture opportunities in the growth of high-definition video services by direct-to-home service providers, mobile multimedia and communications platforms, and broadband data services – all applications that are driving satellite industry growth.

"We remain enthusiastic about the Telesat Canada transaction. Integration plans for Loral Skynet and Telesat Canada are continuing and the transaction is proceeding through the required US and Canadian regulatory approval process, including approvals from the Federal Communications Commission (FCC) and Industry Canada.

We continue to expect to close the transaction this summer."

For the financial results for the period ended March 31, 2007, Loral's reported revenue rose 28 percent over last year's first quarter to \$221 million, as a result of a 44 percent increase in revenue before eliminations at SS/L.

Adjusted EBITDA(1) for the first quarter was \$8 million, compared to Adjusted EBITDA of \$11 million reported in the same period a year ago.

Results for the quarter reflect higher research and development and marketing expenses to respond to the increase in opportunities we are experiencing at SS/L. Results also reflect higher litigation expense and intercompany activity in the quarter.

Loral reported a net loss in the quarter of \$17 million, compared to a net loss of \$16 million in the first quarter of 2006.

Loral ended the first quarter of 2007 with \$507 million in available cash and short term investments. In February, Loral completed its \$300 million of preferred stock financing with MHR Fund Management LLC. As previously discussed, Loral intends to utilize its cash and short term investments primarily for working capital requirements and facilities upgrades at SS/L, for the continued construction of Loral Skynet's Telstar 11N satellite and to complete the Telesat Canada transaction.

Loral's total consolidated backlog at March 31, 2007 was \$1.559 billion, compared to \$1.347 billion at December 31, 2006 and \$1.115 billion on March 31, 2006.



Satellite manufacturing

Space Systems/Loral continues to book new awards and benefit from the satellite construction contracts it has been awarded over the past two years. Since 2005, SS/L has won contracts for 13 new satellite programs, including two in the first quarter: Intelsat 14 and EchoStar XIV.

In the first quarter of 2007, Space Systems/Loral reported revenues before eliminations of \$200 million, a 44 percent increase from the \$139 million reported in the first quarter of 2006. SS/L's Adjusted EBITDA was \$7.4 million in the quarter, a 27 percent increase compared to Adjusted EBITDA of \$5.8 million in the year-ago period. First quarter Adjusted EBITDA reflects SS/L's increased investments of \$3 million in research and development and bid and proposal activities, offset by the substantial increase in revenue.

With SS/L's two new bookings in the first quarter, in addition to the seven orders SS/L received in 2006, backlog at SS/L at March 31, 2007 rose to \$1.297 billion, including intercompany backlog of \$103 million compared to backlog at December 31, 2006 of \$1.118 billion, including intercompany backlog of \$116 million. SS/L's backlog on March 31, 2006 was \$830 million, including intercompany backlog of \$129 million. Intercompany backlog primarily includes the Telstar 11N satellite being built for Loral's satellite services division, Loral Skynet.

In 2007, there are four geostationary satellites scheduled for delivery: EchoStar XI, Galaxy 18, ICO G1 and XM-5, as well as eight low earth orbit satellites for Globalstar.

Satellite services

Loral's satellite services subsidiary, Loral Skynet, experienced continued steady performance on its four-satellite fleet. Loral Skynet's revenue and Adjusted EBITDA results in the quarter reflect the im-

pact of the Connexion by Boeing contract termination in the third quarter of 2006 and the elimination of lower profit network services contracts in the fourth quarter of 2006, partially offset by additional new sales.

Loral Skynet reported first quarter 2007 revenues before eliminations of \$34 million, down slightly from \$36 million reported in the first quarter of 2006. Loral Skynet's Adjusted EBITDA in the first quarter totalled \$11.9 million, compared to \$12.6 million for the prior year quarter, as a result of lower revenues, offset by cost savings related to personnel reductions in the fourth quarter of 2006.

Loral Skynet's backlog on March 31, 2007 was \$375 million, including intercompany backlog of \$9 million compared to backlog on December 31, 2006 of \$355 million, including intercompany backlog of \$10 million. Loral Skynet's backlog on March 31, 2006 was \$433 million, including intercompany backlog of \$19 million.

Capacity utilization on Loral Skynet's satellite fleet at the end of the first quarter was at 72 percent.

Telesat Canada update

On December 16, 2006, the joint venture company formed by Loral and its Canadian partner, PSP Investments, entered into a definitive agreement with BCE Inc. (TSX/NYSE: BCE) to acquire 100 percent of the stock of Telesat Canada from BCE for CAD 3.25 billion. Loral expects to close the transaction this summer.

Telesat Canada reported first quarter 2007 revenues of CAD 122 million and Adjusted EBITDA of CAD 67 million. The company's backlog at March 31, 2007 was CAD 5.1 billion. This backlog includes the benefit of two satellites under construction where all of the capacity has been leased for the entire life of the satellites. It also includes the lifetime lease to EchoStar of the Ku-band payload on Anik F3, which was successfully launched on April 9, 2007. ●

SES reports strong earnings in first quarter

SES reports strong results for the first quarter of 2007. The results for the period include the contribution until 30 March 2007 of the assets transferred to GE as part of the split-off transaction announced on 14 February 2007.

Romain Bausch, President and CEO of SES, commented: "The year has begun extremely well, with the conclusion of a significant agreement with Canal+ for the transmission of its French pay-TV offer on ASTRA and the completion of the transaction with GE. These two events deliver a combination of guaranteed growth in Europe and improved development potential for our assets worldwide. In particular, the GE transaction has now removed the share overhang associated with their shareholding and has facilitated the optimisation of the SES fleet. The subsequent cancellation of the GE shares delivers additional value per share to SES shareholders. We continue to focus on efforts to enhance shareholder value."

Business review

The year has begun well with good operational performance complemented by the conclusion of the new long-term agreement with Canal+ for the transmission of its full pay-TV offer for the French market on the ASTRA satellite platform, and the announcement and completion of the EUR 1.2 billion transaction with major shareholder GE. The transaction with GE exchanged certain assets and cash for the remaining GE shareholding of 103 million shares in SES, which were subsequently cancelled. Following the conclusion of the transaction, the SES group net debt at 31 March was EUR 3,332 million,

representing a reported net debt/EBITDA multiple of 2.95.

Revenue in the period grew 21 percent to EUR 399.5 million, with a solid same scope underlying growth of 6.2 percent, complemented by the contribution from the acquired businesses SES NEW SKIES and ND SatCom. EBITDA grew by 21 percent to EUR 275.2m, representing a margin of 68.9 percent. The infrastructure margin rose to 80.5 percent, while services activities returned a margin of 11.2 percent, excluding start-up costs and non-recurring items.

Excluding the non-recurring EUR 15.9 million charge taken in connection with the NSS-8 launch failure, the operating profit also rose strongly by 22 percent mirroring the top line growth.

Profit of the group declined from EUR 118.3 m to EUR 97.7m, principally reflecting a one-off gain of EUR 15.0 million recorded in February 2006 on the sale of SES Ré S.A., and the non-recurring NSS-8 charge in Q1 2007. The GE transaction concluded just before the quarter end will have a significantly favourable impact on earnings per share beginning in the second quarter.

As of 1 January 2007, assets were reorganised under the operating companies of the SES group, to reflect their geographical focus. The principal change effected was the transfer of certain satellite assets to SES NEW SKIES. The AAP-1 satellite (28 transponders) was renamed NSS-11. The AMC-12/ASTRA 4A capacity (72



transponders) was transferred from SES AMERICOM and SES ASTRA respectively, and renamed NSS-10. SES NEW SKIES also assumed responsibility for the commercialisation of the ASTRA 2B steerable beam from SES ASTRA, currently comprising eight transponders.

SES ASTRA

The major development in the period was the agreement with Canal+ to transmit its full pay-TV programming offer for the French market from a single orbital position on the ASTRA satellite platform at 19.2° East. The agreement provides that Canal+ will take several ASTRA transponders in addition to those currently contracted and also foresees a framework for the long term growth requirements of Canal+ Group. This agreement consolidates and secures ASTRA's position in the French market.

TV and radio channels carried on the ASTRA and SIRIUS satellite systems continued to grow, with over 2,000 channels now being delivered via these systems.

The reach of the ASTRA satellite system grew to over 109 million TV households in the 35 countries surveyed in Europe and North Africa, confirming the pre-eminent position of the ASTRA system in the region.

ASTRA2Connect, a service offering high-speed internet connectivity via satellite, commenced service from the 23.5° East orbital position, delivering broadband services via satellite to consumers not served by terrestrial means.

SES ASTRA's utilisation rate at the period end was 88 percent, or 232 of 263 commercially available transponders (As reported at 31 December 2006: 84 percent, or 251 of 305 commercially available transponders).

Pre-commercial development of the entavio platform and its associated services continued during the period. On 19 April, SES ASTRA announced the successful conclusion of an agreement with German Pay-TV operator Premiere, which becomes the first major pay-TV customer of the entavio platform and provides critical mass for the development of its digital services in the German market. Negotiations are underway with other potential broadcasting customers of the platform.

SES ASTRA's services activities continued to perform well. ASTRA Platform Services renewed and extended existing contracts, continued to diversify its product offering and grew its broadcaster customer base. ND Satcom, a full member of the group since June 2006, continued to grow its strong government business and develop the large framework agreement with German Bundeswehr (BW2 contract). Revenue from this unit reflects these developments. The SES ASTRA services activities also included revenue from Q1 for SATLYNX, which has left the group from end of March following the completion of the split-off transaction with GE.

SES AMERICOM

The successful launch of AMC-18 in December 2006 was soon followed by its entry into commercial service in February 2007 after extensive in-orbit testing. AMC-18 was initially built as the ground spare for the successful AMC-10 and AMC-11 satellite programmes, and represented a very low cost opportunity to deliver additional capacity in orbit. This satellite, augmenting the HD-PRIME cable neighbourhood in the US, has a 15-year design life, and will provide additional capacity to feed the demand for HDTV into cable systems across the US.

AMERICOM Government Services extended its contract with NASA for a multi-year period to provide capacity for television feeds and broadcasting activities. The capacity will be used for carrying Space Shuttle mission broadcasts and for NASA TV channels.

NewCom International, a teleport operator and global communications provider, signed an agreement with SES AMERICOM to add REDiSat to its Emergency Communications Portfolio. SES AMERICOM's utilisation rate at the period end was 73 percent, or



Picture courtesy of SES ASTRA.

327 of 447 commercially available transponders (As reported at 31 December 2006: 71 percent, or 357 of 499 commercially available transponders).

Additional development of the IP-PRIME offering also featured during the period. As well as numerous technical enhancements, Cisco joined with SES AMERICOM to support the launch of a complete IPTV offering to U.S. Regional LECs. IP-PRIME now offers over 350 TV and audio channels for IPTV offerings by telephone and cable companies. Commercial activities are expected to begin in the second quarter 2007.

SES NEW SKIES

On January 30 the NSS-8 satellite launch resulted in failure when the rocket exploded on the launch platform. The procurement process has begun for a replacement satellite and an announcement will be made in due course. The impact of the failure is that there will be a slowing of the growth profile expected in the coming months, however this represents a delay rather than a disappearance of the revenue foreseen to be associated with the satellite. SES NEW SKIES continues to market available capacity in the region.

New contracts in the period included a two-transponder, multi-year contract to provide internet trunking to French Polynesia, and a contract to broadcast two new free-to-air DTH channels with STV of Cameroon in West Africa. Finally, as part of the group's fleet reorganisation, the AMC-12 and AAP-1 satellites were transferred into the SES NEW SKIES fleet, and are now designated NSS-10 and NSS-11. SES NEW SKIES' utilisation rate at the period end was 63.5 percent, or 202 of 318 commercially available transponders (As reported at 31 December 2006: 71 percent, or 152 of 215 commercially available transponders).

Outlook

"The excellent start to the year provides additional opportunities, especially now that SES is the majority owner of its entire fleet. This gives greater control over the commercialisation of its capacity. Organic growth continues in SES's core markets, driven by ongoing channel growth as well as the development of High Definition Television. SES remains on track to follow its continuous growth path as additional new transponder capacity is launched into orbit," said Bausch.



Curb cybercrime, connect Africa and connect the young

As part of its mandate given by the World Summit on the Information Society to build confidence in the use of ICT, ITU announces an ambitious two-year plan to curb cybercrime. The announcement was made by ITU Secretary-General Dr Hamadoun Touré at a ceremony to present the 2007 ITU World Information Society Award.

Cybercrime takes several forms, from breaching network security, financial fraud, invasion of privacy and identity theft to virus attacks, spam or online child pornography. With schools, hospitals, and government organizations increasingly dependant on online services, the vulnerability of the system and everyone connected to it becomes frighteningly apparent. As we are only as secure as the weakest link, a global concerted response is needed to ensure there are no safe havens for cybercriminals.

Cybersecurity agenda launched

Against this background, ITU Secretary-General Dr Hamadoun Touré set out a comprehensive Global Cybersecurity Agenda to tackle the issue within a framework of international cooperation. "With more than one billion Internet users in the world today, not only is the number of crimes committed in cyberspace increasing at an alarming rate, but the sophistication in the way these crimes are committed keeps evolving," Dr Touré said.

The goal of the Agenda is to foster a common understanding of the importance of cybersecurity and bring together all relevant stakeholders (governments, intergovernmental organizations, the private sector, and civil society) to work on concrete solutions to deal with cybercrime. This is all the more important as criminals use weaknesses wherever they can be found and leverage them internationally.

While there are a number of existing frameworks, they are enforceable only within geographical boundaries, either national or regional, thus leaving room for criminals to use loopholes to their advantage and in almost total impunity as they shift their operations to countries where appropriate and enforceable laws are not yet in place. It is vital to work on bringing together these initiatives within a framework of international cooperation and focus on solutions that leverage the broad range of existing expertise and initiatives in order to avoid duplication and make real progress in building confidence and security in the use of ICT.

"Today, the loss is estimated to run into several billion dollars, both from fraud on the Internet and from costs related to fixing networks that have suffered cyberattacks. But with children, students, and senior citizens communicating by Internet or mobile phone, tomorrow's losses can be devastating. Just one word change on a patient's medical file in a hospital could kill that patient, and hackers who can thwart sophisticated banking systems have no trouble breaking into a hospital's network," said Dr Hamadoun Touré, ITU Secretary-General. This is becoming a major concern for public authorities.

The Global Cybersecurity Agenda, which will have a two-year timetable, rests on five pillars:

- Finding technical solutions for every environment;
- Developing interoperable legislative frameworks;
- Building capacity in all the relevant areas;
- Establishing appropriate organizational structures; and
- Adopting effective international cooperation mechanisms.

Connect Africa

Turning to the need to fast-track the UN Millennium Development Goals, Dr Touré announced Connect Africa, a massive effort aimed at achieving the connectivity goals endorsed by world leaders at the World Summit on the Information Society.

Warning participants that, with the 2015 targets of the UN Millennium Development Goals (MDGs) only eight years away, the Secretary-General said that it has become imperative leverage ICT to rapidly mobilize the human, financial and technical resources required to connect all cities and villages.

To meet this challenge, ITU, the UN Global Alliance for Information and Communication Development, the World Bank, the African Union, the African Development Bank, the African Telecommunication Union and the UN Economic Commission for Africa are joining to launch Connect Africa, the first of a series of regional initiatives to help achieve the WSIS connectivity goals. Connect Africa will be launched at a high-level gathering to be held in Kigali, Rwanda, 29-30 October, under the patronage of President Paul Kagame of Rwanda.

Connect Africa will aim to accelerate partnerships and the roll-out of ICT infrastructure and connectivity, including broadband, as an essential pre-condition for ICT access and services needed to boost social and economic development in the region. This collaborative effort will attract a range of stakeholders, including the Government of China, G8, OECD and other countries active in the region, major ICT companies, international organizations and civil society.

It will complement and reinforce existing public and private sector initiatives and investments in the region by placing a special emphasis on filling in major gaps and enhancing coordination between stakeholders on the implementation and allocation of resources, based on regionally established priorities.

It will target progress on several "quick win" projects of significant, catalysing impact that can be realized in the short-term, in addition to longer-term initiatives.

In order to stimulate the needed investment in ICT infrastructure and services, Connect Africa will also help expand efforts to develop an enabling environment across the continent, through policy and regulatory modernization and harmonization, strengthened cybersecurity and enhanced support for migration to next-generation networks.

Empowering regulators

The Secretary-General also announced that ITU, InfoDev and the World Bank are working on a Global Capacity Building Initiative for regulators to expand training opportunities for ICT policy-makers and regulators in developing countries, which will be launched at the Connect Africa event in October. This initiative will empower regulators with tools to establish an enabling environment to stimulate investment and innovation and build confidence in the telecommunications and ICT market.

Starting with Africa - and then expanding to other regions - the



Global Capacity Building Initiative will build on the highly successful ICT Regulation Toolkit, which ITU and InfoDev launched in 2005 to improve access to training materials on key policy and regulatory issues in the ICT sector.

Digital opportunities for the young

On the same occasion, HRH Sheikha Al-Mayassa Bint Hamad Al-Thani, Princess of Qatar, launched a campaign along with ITU to secure CHF 2 Million to support 250 new scholarships in addition to creating 1000 new internship opportunities in the field of information and communication technologies within the next three years, by 2010. She was represented at the World Telecommunication and Information Society Day ceremony at ITU headquarters in Geneva by Dr Hessa Al-Jaber, Secretary-General of ictQatar.

World Information Society Day, 17 May 2007 was dedicated this year to making available the benefits of the digital revolution to young people everywhere. The World Summit on the Information Society (WSIS) recognized the young as the future workforce and the earliest adopters of ICT, and called for their empowerment as key contributors to building an inclusive Information Society. World leaders stated their commitment at the Summit in Tunis to actively engage youth in innovative ICT-based development programmes and widen opportunities for them.

UN Secretary-General Mr Ban K-moon, elaborating on the theme of this year's observance of World Information Society Day "connecting the young", said "Young people are among the most prolific and knowledgeable users of ICT. But the digital revolution is out of reach for many of them, especially young girls and women and people living in remote and underserved regions. I therefore urge policy-makers and industry leaders to put their minds together, and to work cooperatively with children and youth to produce suitable technologies, applications and services to facilitate access to information and communications technologies."

"ICT are powerful tools to empower children and other vulnerable groups with information and knowledge and act as a catalyst in ensuring their rights within the comity of nations," ITU Secretary-General Dr Hamadoun Touré stated. "It is clearly our duty today to provide the opportunities of ICT to all children and youth, particularly to those who remain unconnected from the ongoing digital revolution."

Three laureates honoured by ITU at ceremony in Geneva

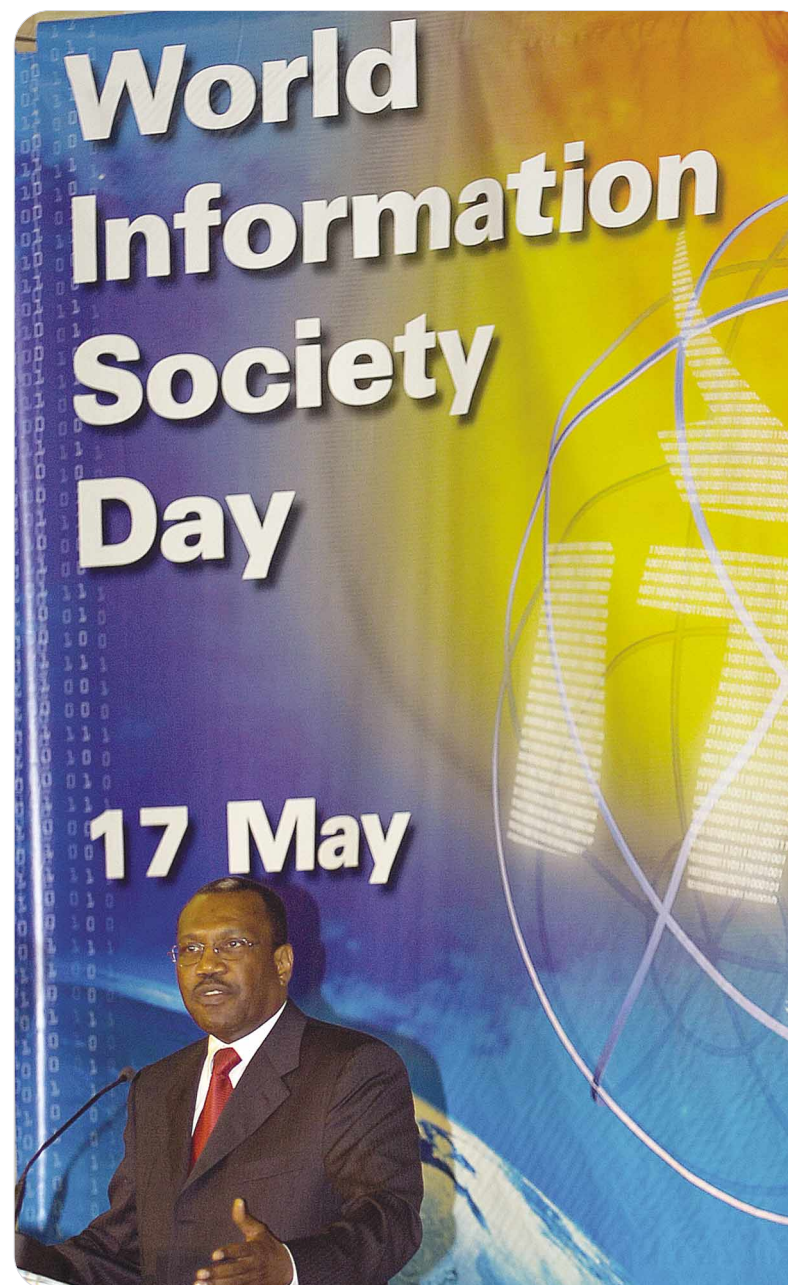
At a ceremony at ITU Headquarters in Geneva, the First Lady of the Dominican Republic, H.E. Dr Margarita Cedeño de Fernández, Professor Mark Krivocheev, Chief Scientist of the Radio Research Institute in Moscow and the Mozilla Corporation represented by Ms Mitchell Baker, President and CEO were presented with the ITU World Information Society Award by the ITU Secretary-General.

Accepting the Award for her outstanding personal contribution towards building an inclusive and equitable information society, Dr Cedeño de Fernández stated, "Our commitment has been to promote a development that is human and inclusive for Dominican families, which we implement by way of social and educational strategies that allow for the empowerment of each family member so that they may assume the responsibility for their own future well-being. These strategies are strengthened through the effective use of ICT as an efficient and expeditious tool that permits us to develop by transforming the lives of our citizens." Explaining that the goal is to build a Community Technology Centre in each and every municipality and village, Dr Fernández said, "We have focused on establishing Community Technology Centres in the pockets of poverty in the Dominican Republic, where we have put ICT at the hands of the most disadvantaged. Currently we are working in the poorest municipalities and communities in our country."

Professor Krivocheev, who received the Award for his lifetime achievements in the technical development of television services and systems, said that he was overwhelmed that his work in developing

worldwide digital standards for television has served "as an impulse for the creation and development of the global information society". He added that progress in signal compression and processing for digital interactive TV broadcasting and multimedia and in the areas of mobile TV and Internet, microelectronics and imaging systems have allowed us to move towards new frontiers in the information society.

Speaking on behalf of Mozilla, Ms Mitchell Baker said that the mission of the Mozilla project is to empower people to participate more fully in online life. "We enable people to build software, to make that software fit local circumstances, to vet the quality of our software, and to modify and improve that software," Ms Baker said. "We create infrastructure through which groups of people organize themselves to improve the Internet." The Mozilla Corporation received the Award for its outstanding contribution to the development of world-class Internet technologies and applications.



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