

Q3 2011-2012 PRESENTATION BY CONFERENCE CALL
Eutelsat Communications
Weds, 10th May 2012
18:30 Hrs UK time
Chaired by Michel De Rosen

Michel de Rosen

Thank you very much, Lisa. Welcome, everyone, and thank you for joining us today for Eutelsat's Third Quarter 2011-2012 Revenue Update. I am Michel de Rosen, CEO of Eutelsat Communications.

Today's agenda will be first an introduction from me and then Michel Azibert, our Deputy CEO, will walk you through the revenue performance for each of our business activities. I will conclude with the outlook for the remainder of the year which, as you have seen in the press release we sent out 45 minutes ago, has been adjusted downward for revenues. The EBITDA target remains roughly on track. We will conclude with a Q&A session, focusing on the top-line performance. Catherine Guillouard, our CFO, is also with us today. The three of us will answer your questions. We expect the call to wrap up in 45 minutes, so at 18h15 London time.

Page 3 of the presentation: I am pleased to report a good quarter, with revenues up 4.6%, i.e. 4.9% at constant currency, with growth driven by strong performance from our largest business Video Applications which grew at 6.3%. Furthermore, for the first 9 months of this fiscal year, revenues are up 4.6% or 5.6% at constant currency. Our order backlog amounted to €5.36 billion on March 3rd 2012, demonstrating the resilience of our business model and underpinning our long-term visibility. It represents 4.6 years of our 2010-2011 revenues. Although our multi-usage business grew by 13% over the previous year Q3, we experienced a significant slowdown in this business, resulting from lower volumes contracted in our February/March renewal campaign. This slowdown will continue to impact the top line for this year – I mean in the fourth quarter.

Michel Azibert will now run you through the top-line performance of our three business activities.

Michel Azibert

Thank you, Michel.

On page 5 of the presentation, Video Applications recorded strong growth of 6.3%, up from 4.7% a year ago. This activity benefited from new in-orbit capacity which became available late in the second quarter. At 7° West, the recognised leading video neighbourhood for the Middle East and North Africa, we saw the rapid take-up of transponder capacity as long-term contracts with flagship customers were assigned on EUTELSAT 7 West A. At 16° East, covering Central Europe and the Indian Ocean Islands, we saw new contracts signed on EUTELSAT 16A. Our premium video

neighbourhoods, located at 13° East covering Europe, 36° East serving Russia and sub-Saharan Africa also contributed to the quarterly growth.

We also announced the first TV broadcasting service contract using Eutelsat's with Ireland's national broadcaster. At March 31st 2012, Eutelsat's satellite carried 4,252 channels, up 11% from 3,835 a year earlier. The number of High Definition channels broadcast by the fleet stood at 333, up nearly 60% from 210 a year ago. The High Definition penetration rate stands at 8%, up from 6% a year ago. Video Applications continue to benefit from a positive momentum, notably the ongoing take-up of TV channels broadcast via satellite and increase in High Definition penetration rates. We are, however, encountering some increased competition in selected geographies, notably the Balkans, which is leading to a degree of pressure on pricing in this region.

On page 6, revenues from combined Data and Value-Added Services stood at €57.9 million in total, a decline of 1.6%, compared to growth of 13.3% the previous year. This decline was entirely attributable to Data Services, where revenues stood at €45 million, down 4.9% and it reflects two factors; a shift in the classification of short-term revenues from Data Services to Video Applications, based on new end-user information from distributors, and the more competitive environment in sub-Saharan Africa. If we exclude the reallocation mentioned, the decline in Data Services revenues would have been only 2.3%.

Revenues from this quarter also reflected the limited capacity allocated to Data Services at established orbital position, to meet current customer demand, following the rapid ramp-up of the capacity opened by EUTELSAT 10A and EUTELSAT 36B in 2009 and 2010. The activity will therefore benefit from the arrival of two large satellites with replacement and expansion capacity (EUTELSAT21B and EUTELSAT 70B) to be launched by the end of 2012.

On page 7, Value-added Services recorded growth of 12.0% to €12.9 million. In this segment we offer turnkey solutions combining leasing capacity, specific on-ground services and equipment, notably to provide broadband access to consumers, enterprises and the maritime market. The quarter experienced a promising take-up of Tooway™ terminals and services to consumer markets, which more than compensated the decline of D-Star activity and the partial delay in the roll-out of professional Ka-band services.

On page 8, revenues from Multi-usage services rose 13.3% to €37.0 million, benefiting from the strong commercial performance from contracts signed in 2011. This is less than the exceptional almost 30% growth that we have done in this segment over the last three years. When we talked to you in February of this year, we were in the middle of a large contract renewal campaign which has now been completed. The slower growth achieved this quarter partly reflects the more difficult February/March 2012 renewal campaign as volumes declined. The fleet had limited available capacity for coverage in regions currently experiencing highest demand, a situation which will be progressively addressed with the launch of EUTELSAT 21B and EUTELSAT 70B, at the end of 2012.

On page 9, other revenues amounted to €2.8 million relating primarily to revenues from technical service contracts with partners, and foreign exchange hedging contracts. There were no exceptional revenues during the quarter.

Now back to Michel.

Michel de Rosen

Thank you, Michel.

Page 10 - a word now on our deployment and expansion plan which is designed to address demand from the fastest-growing markets within our coverage zone, notably the Middle East and Africa, as well as connectivity to Asia and the Americas. We currently have 6 satellites under construction, which will be launched by the end of 2014. These new resources will enable us increase our transponder capacity to meet demand from fast-growing markets. As Michel said earlier, two satellites, EUTELSAT 21B and EUTELSAT 70B will be launched in the fourth calendar quarter of this year, so Q2 of the fiscal year, and will bring new resources that will support our continued growth in both Data Services and Multi-usage Applications. We continue to balance our efforts between reinforcing our existing coverage and expanding into new territories, while at the same time maximising our revenue per transponder.

Page 11: Turning now to our outlook for the remainder of the current year, as we indicated in February when we published our First Half Results, some factors led us to expect a more challenging year, notably increasingly competitive environments in the Balkans and in Africa and the partial delays in the rollout of Ka-band professional services, and a significant slowdown in the Multi-usage activity following the latest contract renewal campaign. As a result of these headwinds, especially the slowdown in the Multi-usage business, we now expect revenues for the full year to be around €1,220 million, compared to our previous estimate of over €1,235 million. On this basis, EBITDA should be around €955 million, implying a robust EBITDA margin of 78%. This is made possible because we have tightened our rein on costs. As usual, we will refresh our outlook for the next 3 years when we report Full Year Results on July 30th.

All in all, ladies and gentlemen, this is a good quarter and although we have revised our short-term full-year revenue outlook, we continue to work towards delivering on our longer term targets to achieve growth and profitability, thus creating value for all stakeholders.

Michel, Catherine and I are now happy to take your questions.

Questions and Answers

Tania Valiente –Citi, London

Good afternoon, everyone. I have two questions, if I may. The first one – you say in the press release that you are experiencing partial delays in the rollout of Ka-band professional services. Taking this into account, are you still confident in the 100 million revenue target from fiscal 2014, or will this take a longer time to ramp up, in your view?

My second question is a broader one; given you are seeing a slowdown in organic growth from the previous three years and that it's probably unlikely for you to return to high teens growth rate in the foreseeable future, is this potentially a trigger for a shift in your cash

usage policy away from Capex allocation and more towards shareholder returns via a higher dividend or a share buyback program? Thanks.

Michel de Rosen

Thank you for the two questions. I have two answers for you. One answer is that those of you who follow us for some time now know that, as every year, we are currently working on our 5-year plan and 1-year budget from which we will derive our medium-term outlook. We shall present this to the market at the end of July as usual and I believe this is still, as every year, the right way to do it.

On your second question, we do not see any reason to change our strategy; what I mean by that is that we have always intended to treat our shareholders well. As you know, we have a pay-out policy between 50 and 75%, and we certainly want to continue with that policy for many years ahead, with a growing dividend year after year. Having said this, we believe that the fundamentals of our industry and of our company are healthy and that, by investing, we will be able to generate both growth and profitability.

Henrik Herbst, Crédit Suisse– London

Thanks very much. Just two questions as well, actually, first on Africa – if you could give a bit more colour on what you mean with more competition? Is it just in Data or are you seeing more competition on Video as well and, on Data, where is that competition coming from? Is it out of satellite operators or is it fibre, and how much of your revenues are exposed to that?

The second question is on Multi-usage; since you renegotiated a contract in February/March, I guess there should not be that much impact coming through in Q3, so in terms of how we should think going into next year, basically, in terms of Multi-usage revenues year over year that would be quite helpful. Thanks very much.

Regarding Africa and Data, the competitive pressure that we have mentioned relates to the business of Data, not Video. Our Video business in Africa is protected from competitive pressure by having long-term contracts with key customers in this regions, free DTH operators, and regarding Data the segment of the market which is under competition is specifically the IP trunking business because of the upcoming submarine cable; it's a limited part even of our Data business in Africa. We have more business in point to multi-point activities which are less subject to competition so all-in-all the volumes effect and the pricing effect is limited.

Catherine Guillouard

On Multi-usage we have said in the Half-Year already that we were in the middle of the negotiations and effectively we have an issue on volumes, not on price, which was due to the fact that the new satellites that we have EUTELSAT 3C and EUTELSAT 3A at 3°, do not have the coverage that we need in order to meet the highest demand is, i.e. Afghanistan – we cannot reach this region due to a higher angle of these satellites and during the campaign we had some mismatch between the available capacity that we now have and what the DOD wants... so this explains why we will have, as Michel has already said during the call, an impact in Q4. We will be able to get back into this segment with the

arrival of the two new satellites because they were designed to be more adapted to the US DOD orders in terms of coverage. It's a situation that we will obviously need to overcome progressively in the next 18 months.

Michel de Rosen

I would just like to add this: you are right on the money with your comment, which is that this happened in February/March, but it does have an impact on Q4 and that impact will continue in part of the coming fiscal year. Then, when these two new satellites arrive, which will be launched in the Q4 calendar year (2012) that will bring additional healthy capacity for that business. I want to add something else which is that we have enjoyed with this business a remarkable growth of our Multi-usage segment in the past 2-3 years, between 25-30%, and when we look at that business we believe that the market in Multi-usage will continue to grow long term, but not at that kind of pace. It will continue to grow and we believe that in that business we, Eutelsat, will also continue to grow but also not at that kind of pace. We expect growth in that segment, in the coming years, but not at the speed that we have enjoyed recently.

Can I just follow up on one thing – it sounds like there is still quite good demand, but you have just not had enough capacity over the regions where the demand is the highest – is that correct?

Correct.

Thanks very much.

Henrik Nyblom, Nomura – London

I have two questions, please. The first one: can you provide and actually share the full extent of the issues that you have described by giving us utilisation numbers so that we can assess and drive how bad things are actually going for you guys?

The second question on professional data – you talk about reallocation of some capacity into video, but it did not seem to be a significant uplift in video, if we adjust for the fact that you had a full quarter of the previously known satellite as Atlantic Bird 7A; can you just explain what really is going on there and whether there's a lag effect that we will then see coming through stronger in the following quarters? Thank you.

Regarding the very last point which is the impact of the retreatment reallocation on the growth on video it has limited impact. The growth would have been 5.7% without this, so it is still very robust growth on the video segment, due to the addition of new capacity, in particular orbit and also very sound market, geographies, and regarding the utilisation rate, I don't know to what specific segment your question was related but obviously again, in terms of video, our premium positions are full. Our new positions are getting more and more full, in particular the 7°WEST which is doing extremely well and regarding – if your question was more related to the Data business or the Data and Multi-usage, our positions 21° and 70° where we are going to add new capacity next year, are completely full. That explains why we do not have the possibility to expand on this capacity until we launch the new satellites.

Michel de Rosen

Henrik, I just want to add – you are known to be extremely knowledgeable but, as you know, we do not provide fill rate per satellite – we will, when we present our Full Year in July, give overall figures on our fill rate but we never provide, of course, fill rates per satellite-

-sorry, but I did not ask about per satellite – I am fully aware of that, but fleet utilisation number would be the honest way of doing things, given your profit warning today. That would be helpful so we can assess that. You, for example, have never had a Q3 conference call either, ahead of this, so if you can do an exception of giving us a utilisation number that would be great.

Please, count on us to provide these figures when we meet and speak in July.

Thanks very much.

Mathieu Robilliard, Exane – Paris

Good afternoon. Two questions please; first it seems that the profit warning is partly due to KA-SAT and I understand you don't want to update the 3-year guidance but can you give us any sense as to what is currently the revenue generation from this new satellite – are you in fact generating any meaningful revenues at all, at this stage, and do you expect that to ramp up in the next two years?

Second, coming back to the question about your balance sheet and the cash return, I think you'd agree on the fact that you are pretty under-levered, certainly well into investment grade, so if you can explain to us why you believe it's a good idea to be at this level of leverage that would be very helpful.

Michel de Rosen

Mathieu, Catherine will answer your second question. On the first question I want to, if I may, restate a bit the way you phrased your question, for two reasons; one is that on our profit guidance as about 955 and today we are saying around 955 and that is of course different but it is only modestly different. That's the first comment. The second comment is the main reason for what we are saying today about our outlook is Multi-usage. Multi-usage is the most important factor. There is not one big factor but, if I look at the different factors that we've listed for you and shared with you today, the most important one is Multi-usage; it is not , so that was on your question. I will add, as an answer that this is the first year of KA-SAT and we believe that the ramp-up we have is a promising ramp-up. It's the beginning – it is not the kind of ramp-up that we have with AB7 or that we had with W7, of course, but we never thought this would be something fast.

Catherine Guillouard

Matthieu, we have not changed anything on the use of cash today because it's third quarter; we are speaking about the top line and we will obviously come back in July, especially on the natural and spontaneous proposition that we will offer our shareholders

in terms of returns, so it is a little bit early because we want to finish our year, to have our discussion with the Board. Obviously we have still in mind that we will propose to the next General Assembly something which is coherent and good motivation for our shareholders and the value creation that we will have during this full year. It is a little bit early to discuss that. Obviously we are still considering other issues, especially as you know we have to continue to fuel our organic growth, so we are working on projects on that and we have still eyes wide open on some eventual opportunities that we have already discussed in the last year, so nothing pretty new on that. We will come back to you with the issue of dividends in July, in due time, when we have our Full-Year Results.

Michel de Rosen

Mathieu, I would just like to add to what Catherine said, the following consideration – this is a topic we have discussed with a number of our analysts and investors, including with you, Matthieu – it is clear that we are now far below 3.5 and we don't need to be that low. However it is also true that we are looking and have worked already for quite some time on some external opportunities. None of them is transformational, I want to be clear – there is no big deal that we are working on – they are of relatively modest size. Because we are conscious that the money we are managing is not our money but the money of our shareholders, we are fiscally conservative. We don't want to do a deal for the sake of doing a deal, so we spend a lot of time and we have the mental resolve to say no when prices become unreasonable, or if there are some conditions that we believe are not good. I know that some investors are frustrated because they see nothing coming. I just want you to know that, because again we are fiscally conservative, we are working on opportunities and we will only decide some (one or some) if we are convinced that they are good for the company and good for our shareholders and then, if nothing is good enough, we will not do them. Indeed, we would then give more money back to our shareholders.

Thank you. If I can just ask a follow-up with regards to the first question with KA – will you provide us at the Q4 results some indicators, KPIs, numbers that show us the progress and the success, or not?

Mathieu, yes, we plan to do that in July.

Nick Dempsey, Barclays – London

Hi guys. One question, please; I wonder if we could get a sense of the degree of the impact on the Multi-usage line, just to dig down a bit there? Of course, if January was up strongly and you've done 13% for the quarter, are we looking at a negative number for the quarters that are affected before you get the two new satellites, or how are you thinking about that?

The answer is yes, you should expect that Q4 will be below Q3 in Multi-usage and will be below Q4 of last year.

Can you give us any sense of the quantum of that, given that-

-no, this is again the number one reason why we are now speaking of around 1,220 and not about 1,235.

Thank you.

Sarah Simon, Berenberg - London

You'll be pleased to hear that I don't want to ask about Multi-usage. I was wondering if I could ask two things and the first one is it's a long time since the IPO; can you just remind us what D-STAR is and why that's been declining? Is that a shift of business over to KA-SAT or is it something quite different? Secondly, can you just update us on this dispute about orbital rights and Iran and everything, and how that might affect the launch of the satellite that's supposed to go into that location? Thanks.

Michel de Rosen

Michel will answer on D-STAR and I will answer on the dispute.

Michel Azibert

The D-STAR business is an end-to-end service related to VSAT activity, so it's data services provided to corporate entities in general through distributors. This activity is using technology that is currently being changed into a more modern technology. We have been suffering in the last month from the utilisation of the old technology. We have just in fact initiated a new service a few weeks ago. We are expecting the results. We have been prudent in the way we worded that. We hope that the decline of D-STAR will be stabilised or will be stopped in the following quarters.

Is the new technology based on KA-SAT or is it something quite different?

No it is not based in KA-SAT; it mostly addresses the North African and African market, and also to a certain extent the Middle East market.

Thank you.

On your second question, this is about the situation at 25.5° east. It's about the rights for the orbital position and these rights are currently being discussed at the ITU level in Geneva. As of now, May 2012, no definitive decisions have been reached. This has been going on now for quite some time. The negotiations are centred on the rights currently exploited by Eutelsat and those pinpointed to be allocated to the Iranians which are not currently being exploited. To answer more directly your question, could that impact the launch of our satellite which is a satellite shared with our partners from Qatar; the answer is no. It will not impact the launch of the satellite.

Assuming then it goes ahead, is there a situation where you could have to move the satellite if the ruling went against you, and you'd just move it somewhere else; is that how it works?

No. We do not think that is a likely scenario or even with a remote probability; we think the satellite should be able to stay where we plan that it will go.

Thank you.

Torsten Achtman, JP Morgan – London

Good afternoon. You walked away from, or you abandoned the old 3-year or medium-term guidance and, given the new guidance for this year, do I have to assume then that the old guidance would not be reachable, otherwise you could have left it there? Thank you.

Michel de Rosen

No, I am sorry – obviously I must have been confusing in my comments – we have provided the market since we became public with a 1-year guidance and a 3-year guidance, and we are sticking with this policy. Always, every year when we reach the end of the fiscal year – we are now 7 weeks away from the end of the current year – we work on the budget of the new year; we work on the 5-year plan and from that work – that work is underway now; it's not finished – we then derive a new outlook for the year and for the 3 years, so we cannot speak about it now because that work is underway.

The old guidance was given from the end of last year, going forward 3 years, so that guidance would then still be achievable?

Again, what I am trying to say is that the closer we get to the end of the year – we are in a kind of (my words) gray period where we are now entering – we are so much in the work of the new outlook that we are not ready yet to speak about it and it makes no good sense to speak of the previous outlook.

Let's leave it at that. Thank you.

Peter Knox, SG – London

Thanks for taking the question. Can you give us a bit more colour on the levels of increasing competitive pressure in the Balkans and just how big a part of your video business is this, actually?

Michel Azibert

If we take a sort of historical or geographical definition of the Balkans which would be limited to former Yugoslavia, Bulgaria, part of Greece and a few other countries there, we're talking about a small part of our European video business, something in the range of let's say a few tens of millions. This is partly well-protected because some of the contracts are very long contracts that we have; we have some of them in HOT BIRD. Then we have contracts that we are expecting to get especially on 16° East, which is the new satellite, and we are mostly suffering from delays there, not so much from competitors but just delays which have slightly impacted our revenues of this year. On top of that there is a little bit of competitive tension coming from the other satellite operators, Amos; Telenor and SES in particular, given the fact that SES has capacity which has been released on their satellite at 23.5°, which they are selling in this market.

Thank you.

Chris Whitehouse, T RowePrice – London

Hi Michel. I am just curious as to the Multi-usage effect, because if this is linked to the DOD contracts, then presumably that is of a short-term nature, or is it that you think the Multi-usage effect and the competitive effects mean that there will be a significant change to the medium-term dynamics of the business?

I thought we had answered that question, but obviously we did not do it well enough. What we said is that there is a clear impact on Q4, which is the number one reason why we have changed the outlook for the current year. The second thing we say is that, if we now look at the future, there is the market and there is Eutelsat. As for the market, we believe that it will continue to grow, but not at the same pace as the previous years where it grew quite tremendously. As for Eutelsat, we believe that Eutelsat will be able to take advantage of the growth in the coming years, but to see growth come back to Eutelsat in Multi-usage, you will have to wait for the arrival of the two satellites that we plan to launch in the second quarter of our next fiscal year. Michel, do you want to add something?

Michel Azibert

Of course the underlying trend in the medium term regarding the usage of our satellite services for communication on the move and intelligence and survey and services – it's also a trend which is still quite good and the medium to long term should be carried by this positive trend.

Michel de Rosen

I understand, Lisa, we are now arriving at the end of the slot that we were given. I would like to wrap up with the following comments: one is that, if we look at the quarter that we are presenting to you today, it is a good quarter. That is point one. If I look at our figures year-to-date, they are also good figures. Of course we would have preferred not to change our outlook for the year. That's a fact. It is what it is and we do have the philosophy of being transparent to you. When we spoke to you three months ago we believed that our outlook was still achievable. When we looked at our figures in recent weeks and days, we came to the conclusion that now we had to change it and we had to tell you.

I do want to add about the future of the company; first of all to confirm that the medium-term outlook will be refreshed when we publish our Full Year Results on July 30th, and second that our business fundamentals are intact. The long-term fundamentals of Eutelsat remain strong, despite the readjustment and the Full Year revenue outlook. The record backlog of €5.3 billion is maintained and it reinforces our long-term visibility. Please be aware that nearly 90% of the Group's business comes from video and data applications, which have multi-year contracts and new capacity coming at the end of this year will provide particular support for Data Services activity.

Closing Comments

Please stay tuned and we look forward to speaking with you in the coming days and weeks with some of you and with all of you in July. Thank you very much for attending this call.