

May 12, 2016 17:53 CEST

THIRD QUARTER 2015-16 REVENUES

- Third Quarter revenues of €383 million, up 4.2% reported and 1.1% at constant currency
- Nine month revenues of €1,157 million, up 6.1% reported and 1.3% at constant currency
- Order backlog of €5.9 billion, representing four years of revenues
- Current and next year objectives adjusted to reflect tougher industry conditions
- Adapting strategy to lower growth environment

Paris, 12 May 2016 – Eutelsat Communications (ISIN: FR0010221234 - Euronext Paris: ETL) today reported revenues for the third quarter and the nine months ended 31 March 2016.

Key data: three months to 31 March 2016

In € millions	Q3 2014-15	Q3 2015-16	Actual change	Change at constant currency
Video Applications	225.3	239.1	+6.1%	+4.9%
Data Services	58.1	54.4	-6.3%	-12.6%
Value-Added Services	23.4	25.3	+8.0%	+7.7%

Government Services	49.5	49.7	+0.5%	-7.4%
Other revenues	11.4	14.5	+27.0%	+25.5%
Sub-total	367.7	383.0	+4.2%	+1.1%
Non-recurring revenues	-	-	-	-
Total	367.7	383.0	+4.2%	+1.1%
<i>EUR/USD exchange rate</i>	1.197	1.095	-	-

Revenue growth in the Third Quarter was below expectations, reflecting a worse than expected environment in several emerging markets, in particular in Latin America, where much of our new capacity is targeted and the spread of tough competitive conditions in Data Services to all markets. As a result, we now expect Full Year Revenues 2015-16 to be broadly flat (versus bottom-end of the 2-3% range previously). These headwinds will continue to impact Full Year 2016-17 revenues. In consequence, revenues are now expected in the region of -3% to -1% (versus the previous +4-6% range). Eutelsat is adapting to slowing industry-wide momentum, undertaking a wide-ranging review of its organization and priorities with an emphasis on cash-flow generation and margin support. A detailed update will be provided in July.

Rodolphe Belmer, Chief Executive Officer commented: *“Our business is strong and highly resilient. We are adjusting our strategy in the face of slowing industry-wide growth and we are committed to maximizing cash and protecting our profitability during this cycle. Our industry continues to offer long-term growth levers and we are confident we can position ourselves to capture these opportunities and generate value for our stakeholders.”*

OPERATING HIGHLIGHTS

The Third Quarter saw further progress on the deployment plan with:

- The entry into service of EUTELSAT 36C, bringing incremental resources over Russia and Sub-Saharan Africa, including a significant lease to Multichoice;
- The launch and entry into service of EUTELSAT 9B, mainly bringing replacement capacity over Europe;

- The launch of EUTELSAT 65 West A, bringing incremental capacity over Latin America. EUTELSAT 65 West A started operations on 1 May 2016; the HTS payload is fully leased to Echostar and Stargroup.

Elsewhere,

- Eutelsat procured an all-electric satellite from Space Systems Loral in March to expand broadcasting in Africa, the Middle East and Turkey. To be launched in third quarter 2018, it will operate at the 7° East orbital position as EUTELSAT 7C;
- Eutelsat procured ground network infrastructure for Russian and African broadband projects respectively from Gilat Technology and Hughes Network Systems.

[THIRD QUARTER REVENUE ANALYSIS BY APPLICATION\[1\]](#)

Total revenues for the **Third Quarter** ending 31 March 2016 stood at €383.0 million, up 1.1% at constant currency and by 4.2% in actual terms, the appreciation of the dollar relative to the euro adding some three points to top-line growth.

VIDEO APPLICATIONS (65% of revenues)

Third Quarter revenues for **Video Applications** amounted to €239.1 million, up 4.9% at constant currency. This rise mainly reflected the entry into service of EUTELSAT 8 West B in October 2015 and EUTELSAT 36C mid-February 2016, as well as higher revenues at Fransat on the back of the transition to High Definition in France, which is now nearing completion. These elements more than offset lower revenues at the HOT BIRD position following the non-renewal of several contracts with service providers in recent months, as well as a decline in revenues from Professional Video.

At 31 March 2016, the total number of channels broadcast by Eutelsat satellites stood at 6,156, up 7.1% year-on-year. HD penetration continued to rise, representing 13.1% of channels compared to 11.7% a year earlier, or 807 channels, up from 672 a year earlier.

DATA SERVICES (15% of revenues)

Third Quarter revenues for **Data Services** stood at €54.4 million, down 12.6% year-on-year at constant currency and by circa 8% excluding the impact of reclassifications to Government Services. This reflected on one hand the ramp-up of capacity on EUTELSAT 115 West B (serving the Americas) which started operations in October 2015, and on the other, headwinds including the termination of the contract for Ka-band capacity on EUTELSAT 3B in December, and a decline in revenues at 53° East following the rationalisation of capacity at this position in May 2015.

In recent weeks, trends until now impacting the EMEA region, notably pricing pressure, have begun to manifest themselves in other geographies.

VALUE-ADDED SERVICES (7% of revenues)

Third Quarter revenues for **Value-Added Services** amounted to €25.3 million, up 7.7% year-on-year at constant currency.

185,000 terminals were activated on KA-SAT at 31 March 2016, compared with 190,000 at end December 2015 and 180,000 a year earlier, reflecting high loading of beams in markets such as France and the UK which were previously strong contributors to growth.

The quarter-on-quarter decrease in subscribers reflected notably a rationalization of their customer base by certain distributors. However ARPU trends are well-oriented notably thanks to proactive yield management underpinning revenues.

As in the Second Quarter, maritime services continued to reflect low seasonality, but year-on-year benefited from the non-recurrence of a negative one-off in Third Quarter 2014-15.

GOVERNMENT SERVICES (13% of revenues)

Third Quarter revenues for **Government Services** stood at €49.7 million. At constant currency this represented a decline of 7.4%, and circa 13% excluding the reclassifications from Data Services mentioned above. This reflected the early

termination of a contract with a distributor in the first quarter as well as the ongoing impact of lower renewals with the US Department of Defense in the last 12 months, which were not offset by new business.

The latest round of contract renewals with the US administration resulted in an estimated renewal rate around 65%, reflecting a tougher procurement process and strong competition. The re-compete of the majority of the task orders placed five years ago has now been largely completed, with an attendant downward pricing reset.

OTHER AND NON-RECURRING REVENUES

Other revenues[\[2\]](#) amounted to €14.5 million in the Third Quarter compared with €11.4 million a year earlier. They notably included revenues generated by the agreements with SES at the 28.5° East position.

As in the first two quarters, there were no **non-recurring revenues** in the Third Quarter.

OPERATIONAL AND LEASED TRANSPONDERS

The number of operational 36 MHz-equivalent transponders stood at 1,285 at 31 March 2016, up by 17 units compared with end-December 2015, reflecting on one hand the entry into service of EUTELSAT 36C and EUTELSAT 9B during the quarter, and on the other, the reduction of capacity on the Telstar 12 satellite.

The number of leased 36 MHz-equivalent transponders stood at 929 versus 938 at end-December 2015. This reflected on one hand the incremental transponders leased to Multichoice at 36° East, and on the other, the reduction of capacity on Telstar 12, further capacity rationalization at 53° East and the non-renewal of a contract in Professional Video at 10° East.

As a result, the fill rate stood at 72.3% at end-March 2016 versus 73.9% at end-December 2015, mostly reflecting the entry into service of new capacity.

	31 March 2015	31 December 2015	31 March 2016
--	------------------	---------------------	--------------------------

Number of operational 36 MHz-equivalent transponders ^[3]	1,181	1,268	1,285
Number of leased 36 MHz-equivalent transponders ^[4]	916	938	929
Fill rate	77.6%	73.9%	72.3%

Note: Based on 36 MHz-equivalent transponders excluding high throughput capacity (KA-SAT 82 spotbeams and EUTELSAT 3B 5 Ka-band spotbeams). **BACKLOG**

The backlog^[5] stood at €5.9 billion at 31 March 2016, versus €5.8 billion at end December 2015, and €6.4 billion a year earlier. The increase in the backlog in the Third Quarter, mainly reflected the renewal of capacity with Russian customers at 36° East.

The backlog was equivalent to 4.0 times 2015-2016 revenues. Video Applications represented 83% of the backlog.

	31 March 2015	31 December 2015	31 March 2016
Value of contracts (in billions of euros)	6.4	5.8	5.9
<i>In years of annual revenues based on last fiscal year</i>	4.6 [6]	3.9	4.0
Share of Video Applications	84%	83%	83%

NINE MONTH REVENUES Total revenues for the nine-month period ending 31 March 2016 stood at €1,157.4 million, up 1.3% at constant currency and 6.1% on a reported basis. The appreciation of the dollar relative to the euro added 4.8 points to top-line growth, particularly represented in Government Services and to a lesser extent in Data Services.

Nine months to 31 March 2016

In € millions	9m 2014-15	9m 2015-16	Actual change	Change at constant currency
Video Applications	677.7	708.0	+4.5%	+2.6%
Data Services	165.5	172.5	+4.2%	-6.4%

Value-Added Services	74.8	80.4	+7.5%	+7.0%
Government Services	141.7	156.0	+10.0%	-3.6%
Other revenues	30.8	40.6	+31.7%	+28.8%
Sub-Total	1,090.5	1,157.4	+6.1%	+1.3%
Non-recurring revenues	-	-	-	-
Total	1,090.5	1,157.4	+6.1%	+1.3%
<i>EUR/USD exchange rate</i>	<i>1.272</i>	<i>1.102</i>	-	-

OUTLOOK

Recent months have seen the development of several headwinds coming on top of the loss of the HTS contract on EUTELSAT 3B and the slowdown of growth on KA-SAT in the first half. These include a deteriorated economic context in several emerging markets, notably Latin America where much of the recently launched capacity has been targeted, and intensifying competitive pressure for Data Applications in all geographies. Taking these factors into account we now estimate revenues [\[7\]](#) for Full Year 2015-16 to be broadly flat (versus “at the bottom end of the 2-3% range” previously).

These headwinds will continue to weigh on Full Year 2016-17 revenues, which will also be impacted by the carry forward effect of lower renewals in Government Services. Elsewhere, revenues at the HOT BIRD position will reflect the return of some capacity, partly due to further portfolio re-grooming by distributors, as well as the acceleration by Eutelsat of the rationalization of contractual arrangements with distributors in order to strengthen the commercial model in the longer term. In consequence, revenues for next year⁷ are now expected in the region of -3% to -1% (versus “+4% to 6%” previously).

With regard to other elements of the outlook: EBITDA margin is now expected to be around 76% for current fiscal year and around 75% in fiscal year 2016-17 (versus “above 76.5%” previously for the two fiscal years). Average investments [\[8\]](#), (currently of €500 million a year over the three fiscal years to 30 June 2018) are under review. Eutelsat remains committed to the other targets published on 30 July 2015, notably the maintenance of its investment grade rating, the reduction of its leverage below 3.3x net debt/EBITDA, and a dividend in the range

of 65-75% of net income.

Eutelsat is adapting to slowing industry-wide momentum, undertaking a wide-ranging review of its organization and strategic priorities with an emphasis on cash-flow generation and margin support.

A detailed strategic update will be provided in July.

FLEET DEVELOPMENTS

NOMINAL LAUNCH PROGRAM

The upcoming launch schedule is indicated below. There are no changes relative to the last quarterly update.

Satellite ¹	Orbital position	Estimated launch (calendar year)	Main applications	Main geographic coverage	Physical Transponders	36 MHz-equivalent transponders / Spotbeams	Of which expansion 36 MHz-equivalent transponders
EUTEL SAT 117 West B	116.8 ° West	Q2 2016	Video, Data, Government Services	Latin America	40 Ku	48 Ku	48 Ku
EUTEL SAT 172B	172° East	H1 2017	Data, Government Services, Mobility	Asia-Pacific	36 Ku (regular), 14 C, 11 Ku-band HTS spotbeams	42 Ku (regular), 24 C, 11 Ku-band HTS spotbeams ²	19 Ku (regular); 11 Ku-band HTS spotbeams ²
EUTEL SAT 7C	7° East	Q3 2018	Video	Turkey, Middle-East, Africa	44 Ku	49 Ku	19 Ku

EUTEL SAT QUANTUM	To be confi rmed	2019	Data, Governm ent Services, Mobility	Flexibl e	12 “Quantum channels”	Not applicable	Not applicable
African Broadb and satellit e	To be confi rmed	2019	Broadban d	Africa	65 spotbeams	75 Gbps ³	75 Gbps ³

¹ Chemical propulsion satellites generally enter into service 1 to 2 months after launch. Of the electric propulsion satellites, EUTELSAT 117 West B will take circa 7 months after launch to enter into service, EUTELSAT 172B, EUTELSAT 7C and African Broadband satellite between 4 and 6 months

² Total capacity of the high throughput payload: 1.8 Gbps.

³ Total capacity for the baseline mission. Option to double the capacity.

PROCUREMENT OF NEW CAPACITY SINCE 30 JUNE 2015

In July 2015, the first EUTELSAT QUANTUM satellite was ordered from Airbus Defence and Space, to be launched in 2019.

In October 2015 Eutelsat signed a contract with Spacecom to lease the Ka-band capacity on the AMOS-6 satellite for broadband services in Sub-Saharan Africa in collaboration with Facebook.

In October 2015, Eutelsat ordered a new-generation all-electric High Throughput Satellite from Thales Alenia Space to be launched in 2019. The satellite will bring additional broadband resources to Sub-Saharan Africa.

In March 2016, Eutelsat procured an all-electric satellite from Space Systems Loral to expand broadcasting in Africa, the Middle East and Turkey. To be launched in third quarter 2018, the new satellite will operate at the 7° East orbital position under the name EUTELSAT 7C.

CHANGES IN THE FLEET

- In July 2015, EUTELSAT 28A was relocated to 33° East where it now operates as EUTELSAT 33C.
- In August 2015, EUTELSAT 8 West B was launched and entered full commercial service at 7/8° West in early October.
 - Subsequent to this, EUTELSAT 8 West C was relocated to 33° East and operated as EUTELSAT 33D. It is now in inclined orbit and under redeployment.
 - EUTELSAT 8 West A was relocated to 12.5° West where it operates as EUTELSAT 12 West B.
 - EUTELSAT 12 West A has been relocated to 36° West.
- In October 2015, the all-electric EUTELSAT 115 West B satellite started operations. At the time of this report, EUTELSAT 115 West A has terminated its operational life.
- In October 2015, the operational life of EUTELSAT 33B was terminated.
- In December 2015, EUTELSAT 36C was launched and entered into service in mid-February. EUTELSAT 36A, now in inclined orbit, has been redeployed.
- In January 2016, EUTELSAT 9B was launched. It started operations in March 2016.
 - EUTELSAT 9A has been relocated to 13° East where it operates as EUTELSAT HOT BIRD 13E;
 - EUTELSAT HOT BIRD 13D has been relocated to 33° East where it operates as EUTELSAT 33E.
- In March 2016, EUTELSAT 65 West A was launched. It started operations on 1 May 2016.

CORPORATE GOVERNANCE

Rodolphe Belmer succeeded Michel de Rosen as Chief Executive Officer of Eutelsat Communications on 1 March 2016. Michel de Rosen remains Chairman of the Board of Directors.

The Fonds Stratégique de Participations^[9] (FSP) announced a long-term equity investment in Eutelsat Communications with a stake representing more than 7% of capital. A resolution will propose FSP's appointment as a Board member at the next Annual General Meeting of Eutelsat Communications.

RECENT EVENTS

On 7 April 2016, Eutelsat Americas announced the sale of Alterna'TV, a Miami-based content distribution company to THEMA a subsidiary, of the CANAL+ Group. Alterna generates circa €10 million in revenues on a full-year basis and was deconsolidated from beginning of April.

APPENDICES

Quarterly revenues by Application

	Three months ended					
In millions of euros	31/12/2014	31/03/2015	30/06/2015	30/09/2015	31/12/2015	31/03/2016
Video Applications	224.8	225.3	235.3	229.4	239.5	239.1
Data Services	56.2	58.1	61.1	58.8	59.3	54.4
Value-Added Services	25.1	23.4	27.6	29.7	25.4	25.3
Government Services	47.7	49.5	54.7	53.0	53.2	49.7
Other revenues	11.4	11.4	7.1	16.7	9.4	14.5
Sub-total	365.3	367.7	385.9	387.7	386.7	383.0
Non-recurring revenues	-	-	-	-	-	-
Total	365.3	367.7	385.9	387.7	386.7	383.0

Third Quarter 2015-16 revenues conference call

A conference call will be held on **Thursday, 12 May 2016 at 6:30pm CET / 5.30pm GMT / 12:30 EST**

To connect to the call, please use the following numbers:

- France: +33 (0)1 76 77 22 28
- UK: +44(0) 20 7136 2055
- United States: +1 718 354 1157

Access code: **5187458#**

Instant replay number will be available from 12 May, 09.30pm to 20 May, midnight CET:

- France: +33 (0)1 74 20 28 00
- UK: + 44 (0) 20 3427 0598
- United States: + 1 347 366 9565

Access code: **5187458#**

Financial calendar

The financial calendar below is provided for information purposes only. It is subject to change and will be regularly updated.

- 29 July 2016: Full-Year 2015-16 results.

Disclaimer

The forward-looking statements included herein are for illustrative purposes only and are based on management's current views and assumptions. Such forward-looking statements involve known and unknown risks. For illustrative purposes only, such risks include but are not limited to: postponement of any ground or in-orbit investments and launches including but not limited to delays of future launches of satellites; impact of financial crisis on customers and suppliers; trends in Fixed Satellite Services markets; development of Digital Terrestrial Television and High Definition television; development of satellite broadband services; Eutelsat Communications' ability to develop and market Value-Added Services and meet market demand; the effects of competing technologies developed and expected

intense competition generally in its main markets; profitability of its expansion strategy; partial or total loss of a satellite at launch or in-orbit; supply conditions of satellites and launch systems; satellite or third-party launch failures affecting launch schedules of future satellites; litigation; ability to establish and maintain strategic relationships in its major businesses; and the effect of future acquisitions and investments.

Eutelsat Communications expressly disclaims any obligation or undertaking to update or revise any projections, forecasts or estimates contained in this presentation to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based, unless so required by applicable law.

[1] The share of each application as a percentage of total revenues is calculated excluding “other revenues” and “non-recurring revenues”. Unless otherwise stated, all growth indicators are made in comparison with Third Quarter ended 31 March 2015.

[2] Other revenues include mainly compensation paid on the settlement of business-related litigation, the financing of certain research programmes by the European Union and other organisations, the impact of EUR/USD currency hedging, the provision of various services or consulting/engineering fees as well as termination fees.

[3] Number of 36 MHz-equivalent transponders on satellites in stable orbit, back-up capacity excluded.

[4] Number of 36 MHz-equivalent transponders leased on satellites in stable orbit.

[5] The backlog represents future revenues from capacity lease agreements and can include contracts for satellites under procurement.

[6] Based on proforma revenues for Fiscal Year 2013-14.

[7] At constant currency and perimeter and excluding non-recurring revenues.

[8] This includes capital expenditures and payments under existing export credit facilities and under long-term lease agreements on third party capacity.

[9] FSP is a long term equity investor in French companies, backed by six major French

insurance companies (BNP Paribas Cardif, CNP Assurances, Crédit Agricole Assurances, SOGECAP (Société Générale group), Groupama and Natixis Assurances).

About Eutelsat Communications

Established in 1977, Eutelsat Communications (Euronext Paris: ETL, ISIN code: FR0010221234) is one of the world's leading and most experienced operators of communications satellites. The company provides capacity on 40 satellites to clients that include broadcasters and broadcasting associations, pay-TV operators, video, data and Internet service providers, enterprises and government agencies.

Eutelsat's satellites provide ubiquitous coverage of Europe, the Middle East, Africa, Asia-Pacific and the Americas, enabling video, data, broadband and government communications to be established irrespective of a user's location.

Headquartered in Paris, with offices and teleports around the globe, Eutelsat represents a workforce of 1,000 men and women from 37 countries who are experts in their fields and work with clients to deliver the highest quality of service.

For more about Eutelsat please visit www.eutelsat.com

Press

Vanessa O'Connor Tel: + 33 1 53 98 37 91 voconnor@eutelsat.com

Marie-Sophie Ecuier Tel: + 33 1 53 98 37 91 mecuer@eutelsat.com

Violaine du Boucher Tel: + 33 1 53 98 37 91 vduboucher@eutelsat.com

Investors and analysts

Joanna Darlington Tel. : +33 1 53 98 35 30 jdarlington@eutelsat.com

Cédric Pugni Tel. : +33 1 53 98 35 30 cpugni@eutelsat.com

Follow us at: