

## EUTELSAT COMMUNICATIONS THIRD QUARTER AND NINE MONTH 2016-17 REVENUES

- **Nine month revenues of €1,119 million, down 3.3% reported and 2.0% like-for-like**
- **Third Quarter revenues of €364 million, down 4.9% reported and 4.2% like-for-like**
- **Order backlog of €5.2 billion, representing 3.4 years of revenues**
- **All Full Year and medium-term objectives confirmed**

**Paris, 11 May 2017** – Eutelsat Communications (ISIN: FR0010221234 - Euronext Paris: ETL) today reported revenues for the Third Quarter and Nine Months ended 31 March 2017.

### Three months to 31 March 2017

*Note: Since its First Half results on 9 February 2017, Eutelsat now publishes its revenues on the basis of five applications: Video, Fixed Data and Government Services (Core Businesses), Fixed Broadband and Mobile Connectivity (Connectivity). Please refer to the note in the appendix to H1 results release for more details.*

Previous reported applications		Proforma: New applications			Variation	
In € millions	Q3 2015-16	In € millions	Q3 2015-16 <sup>1</sup>	Q3 2016-17	Vs. reported revenues	Like-for-like change <sup>2</sup>
Video Applications	239.1	Video Applications	236.7	<b>228.1</b>	N/A	-4.1%
Data Services	54.4	Fixed Data	47.0	<b>42.1</b>		-12.6%
Value-Added Services	25.3	Government Services	45.3	<b>45.2</b>		-3.0%
Government Services	49.7	Fixed Broadband	17.8	<b>24.2</b>		+36.0%
Other revenues	14.5	Mobile Connectivity	13.8	<b>17.2</b>		+21.1%
<b>Sub-total</b>	<b>383.0</b>	Other revenues <sup>3</sup>	15.2	<b>7.5</b>		-51.6%
Non-recurring revenues	-	-	-	-	-	-
<b>Total</b>	<b>383.0</b>	<b>Total</b>	<b>375.7</b>	<b>364.3</b>	<b>-4.9%</b>	<b>-4.2%</b>
		<i>EUR/USD exchange rate</i>	1.10	<b>1.06</b>		

Rodolphe Belmer, Chief Executive Officer, commented: *“Revenues for the Third Quarter were in line with our expectations, with a solid underlying performance in Broadcast. In consequence we affirm our revenue target for the Full Year with an outturn around the middle of our range of objectives.*”

*During the quarter, we have made solid commercial progress, with an outcome of the Department of Defense Spring renewal campaign in line with expectations as well as the sale of new and renewal capacity at a number of our Video neighbourhoods. We have continued to maximise capex efficiencies notably with the agreement to host the EGNOS navigation system payload on EUTELSAT 5 West B and the contract with Blue Origin to further diversify our options for access to space. We have made significant headway on our strategic roadmap, with the closure of the first phase of the ViaSat partnership agreement. These elements enable us to look the medium term return to growth with confidence.”*

<sup>1</sup> Proforma revenues reflecting disposals of Alterna TV, Wins/DHI and DSAT Cinema. For more details, please refer to the appendices.

<sup>2</sup> At constant currency and perimeter.

<sup>3</sup> Other revenues include mainly compensation paid on the settlement of business-related litigation, the impact of EUR/USD currency hedging, the provision of various services or consulting/engineering fees as well as termination fees.

## OPERATING HIGHLIGHTS

During the Third Quarter, Eutelsat made further headway with

- A solid commercial performance notably comprising:
  - An outcome of the Spring renewal campaign with the US Department of Defense in line with our expectations;
  - The signature with NTV-PLUS of a multi-year, multi-transponder contract covering the Express-AT2 satellite to reach homes in Far Eastern Russia and incremental capacity on the Express-AT1 satellite to consolidate coverage of Siberia;
  - The multi-year renewal of a HOTBIRD transponder by SRG SSR, Switzerland's public broadcaster;
  - A multi-year contract with Ethiopia's Information Network Security Agency for a new TV platform at the 7/8° West neighbourhood.
- Continued progress on Capex efficiency via:
  - A hosted payload, with the selection of Eutelsat by the European Global Navigation Satellite Systems Agency (GSA) for the development, integration and operation of the next-generation EGNOS payload on EUTELSAT 5 West B, a contract valued at c. €100 million. Service is scheduled to start in FY 2019-20 for a duration of 15 years;
  - Greater choice in the launcher market through a contract with Blue Origin for a launch on the New Glenn rocket in the 2021-2022 timeframe, further diversifying options for access to space.
- Further progress on the deployment plan, with the entry into service in January of EUTELSAT 117 West B over the Americas;
- The closing of the partnership arrangement combining Eutelsat's established European broadband business with ViaSat's broadband technology and Internet Service Provider (ISP) expertise.

## THIRD QUARTER REVENUES<sup>4</sup>

**Third Quarter** revenues stood at €364.3 million, down 4.2% at constant currency and perimeter. On a reported basis, revenues were down 4.9% reflecting a 1.9 point negative perimeter effect (reflecting the disposal<sup>5</sup> of Alterna TV, Wins/DHI and DSAT Cinema) and a 1.2 point positive currency effect.

Quarter-on-quarter, revenues were down 1.6% on a reported basis and down 2.9% on a like-for-like basis.

Unless otherwise stated, all variations indicated below are on a like-for-like basis.

### Core businesses

#### Video Applications (64% of revenues)

Third Quarter revenues for **Video Applications** amounted to €228.1 million, down 4.1% year-on-year. Revenues from Broadcast were down 3.5% year-on-year with the negative impact of the rationalisation of capacity at the HOTBIRD position and lower revenues from FRANSAT more than offsetting the contribution of incremental capacity launched during the course of last year (mainly EUTELSAT 36C for Sub-Saharan Africa). Without these two negative elements, Broadcast revenues would have been slightly growing.

Professional Video revenues were down 9.1% year-on-year, reflecting continued pressure on contribution services in this application.

Revenues were down by 0.9% quarter-on-quarter. This sequential decline was fully attributable to Professional Video, with Broadcast revenues broadly stable, despite the end of the contract with Orange TV from 1 January 2017, reflecting sustained performance in emerging markets.

At 31 March 2017, the total number of channels broadcast by Eutelsat satellites stood at 6,356, up 3.2% year-on-year. HD penetration continued to rise, representing 16.6% of channels compared to 13.1% a year earlier, or 1,057 channels, up from 807 (+31%) a year earlier.

<sup>4</sup> The share of each application as a percentage of total revenues is calculated excluding "other revenues". Unless otherwise stated, all growth indicators are made in comparison with Third Quarter ended 31 March 2016.

<sup>5</sup> Alterna TV (Video) deconsolidated from April 2016, Wins/DHI (Mobile Connectivity) deconsolidated from end-August 2016 and DSAT Cinema (Video) from end-October 2016.

On the commercial front, a multi-year, multi-transponder contract was signed with NTV-PLUS covering the Express-AT2 satellite at 140° East to reach homes in Far East Russia and incremental capacity on the Express-AT1 satellite at 56° East to consolidate coverage of Siberia. Elsewhere, a multi-year contract with Ethiopia's INSA agency was also finalised for a new TV platform at 7/8° West neighbourhood, while SRG SSR, Switzerland's public broadcaster renewed a HOTBIRD transponder on a multi-year basis.

#### Fixed Data (12% of revenues)

Third Quarter revenues for **Fixed Data** stood at €42.1 million, down 12.6% year-on-year. They continued to reflect ongoing pricing pressure in all geographies, albeit at a slightly slowing pace.

Quarter-on-quarter revenues were down by 1.4%.

#### Government Services (12% of revenues)

In the Third Quarter, **Government Services** revenues stood at €45.2 million, down 3.0% year-on-year, reflecting the carry-over effect of lower renewals in the US Department of Defense Spring 2016 campaign. They were broadly unchanged quarter-on-quarter.

The latest round of contract renewals with the US administration (Spring 2017) resulted in an estimated renewal rate of approximately 85% and new contracts represented an additional three 36-MHz equivalent transponders.

### Connectivity

#### Fixed Broadband (7% of revenues)

In the Third Quarter, **Fixed Broadband** revenues stood at €24.2 million, up 36.0% year-on-year, reflecting the positive effect of the entry into service in May 2016 of EUTELSAT 65 West A on which the Ka-band payload is fully leased, and resilient trends in European broadband.

#### Mobile Connectivity (5% of revenues)

In the Third Quarter, **Mobile Connectivity** revenues stood at €17.2 million, up 21.1% year-on-year, reflecting mainly the full-quarter effect of the agreement with Taqnia for the sale of four spotbeams on the High Throughput payload of the EUTELSAT 3B satellite.

#### Other Revenues

**Other revenues** amounted to €7.5 million in the Third Quarter versus €15.2 million a year earlier and €14.5 million in the Second Quarter.

Since 1 January 2017 Other Revenues no longer include revenues related to the agreements with SES at 28.5° East.

### OPERATIONAL AND UTILISED TRANSPONDERS

The number of operational 36 MHz-equivalent transponders stood at 1,374 at 31 March 2017, up by 48 units compared with end-December 2016, reflecting principally the entry into service of EUTELSAT 117 West B in January. As a result, the fill rate stood at 68.2% at end-March 2017 versus 70.9% at end-December 2016, reflecting this new capacity and to a lesser extent the end of a contract with Orange TV.

	31 March 2016	31 December 2016	31 March 2017
Number of operational 36 MHz-equivalent transponders <sup>6</sup>	1,285	1,326	1,374
Number of utilised 36 MHz-equivalent transponders <sup>7</sup>	929	940	937
Fill rate	72.3%	70.9%	68.2%

**Note:** Based on 36 MHz-equivalent transponders excluding high throughput capacity (KA-SAT 82 spotbeams, EUTELSAT 3B 5 Ka-band spotbeams, EUTELSAT 65 West A 24 Ka-band spotbeams and EUTELSAT 36C 18 Ka-band spotbeams).

<sup>6</sup> Number of 36 MHz-equivalent transponders on satellites in stable orbit, back-up capacity excluded.

<sup>7</sup> Number of 36 MHz-equivalent transponders utilised on satellites in stable orbit.

## BACKLOG

The backlog<sup>8</sup> stood at €5.2 billion at 31 March 2017, versus €5.3 billion at end December 2016, and €5.9 billion a year earlier, reflecting natural consumption in the absence of significant renewals.

The backlog was equivalent to 3.4 times 2015-16 revenues. Video Applications represented 84% of the backlog.

	31 March 2016	31 December 2016	31 March 2017
Value of contracts (in billions of euros)	5.9	5.3	<b>5.2</b>
<i>In years of annual revenues based on last fiscal year</i>	4.0	3.5	<b>3.4</b>
Share of Video Applications	83%	84%	<b>84%</b>

## NINE MONTH REVENUES

Revenues for the first nine months stood at €1,119.4 million, down 2.0% like-for-like. On a reported basis, they were down 3.3%, reflecting a 1.7 point negative perimeter effect (disposal<sup>9</sup> of Alterna TV, Wins/DHI and DSAT Cinema) and a 0.4 point positive currency effect.

### Nine months to 31 March 2017

Previous reported applications		Proforma: New applications			Variation	
In € millions	9m 2015-16	In € millions	9m 2015-16 <sup>10</sup>	9m 2016-17	Vs. reported revenues	Like-for-like change <sup>11</sup>
Video Applications	708.0	Video Applications	701.3	<b>683.6</b>	N/A	-2.7%
Data Services	172.5	Fixed Data	147.9	<b>127.0</b>		-14.8%
Value-Added Services	80.4	Government Services	140.1	<b>131.3</b>		-7.1%
Government Services	156.0	Fixed Broadband	58.9	<b>72.8</b>		+23.5%
Other revenues	40.6	Mobile Connectivity	46.0	<b>55.6</b>		+19.9%
<b>Sub-total</b>	<b>1,157.4</b>	Other revenues	43.6	<b>49.0</b>		+12.6%
Non-recurring revenues	-	-	-	-		
<b>Total</b>	<b>1,157.4</b>	<b>Total</b>	<b>1,137.9</b>	<b>1,119.4</b>	<b>-3.3%</b>	<b>-2.0%</b>
		<i>EUR/USD exchange rate</i>	1.10	<b>1.09</b>		

## OUTLOOK

Based on the performance of the First Nine Months, the group confirms its financial objectives for the current and next two years:

- Relative to our objective of a decline in **Revenues** between -3% to -1% (at constant currency and perimeter) the outturn for the current year is expected around the middle of this range. For FY 2017-18, we maintain our expectation of broadly flat revenues, with a return to modest growth in FY 2018-19.
- Following the implementation of the 'LEAP' cost-savings plan, the **EBITDA margin** (at constant currency) is expected above 76% for both FY 2016-17 and FY 2017-18 and heading towards 77% in FY 2018-19.

<sup>8</sup> The backlog represents future revenues from capacity lease agreements and can include contracts for satellites under procurement.

<sup>9</sup> Alterna TV (Video) deconsolidated from April 2016, Wins/DHI (Mobile Connectivity) deconsolidated from end-August 2016 and DSAT Cinema (Video) from end-October 2016.

<sup>10</sup> Proforma revenues reflecting disposals of Alterna TV, Wins/DHI and DSAT Cinema.

<sup>11</sup> At constant currency and perimeter.

- **Cash Capex** will stand at an average of €420 million<sup>12</sup> per annum for the period July 2016 to June 2019, after taking account of future investments in Very High Throughput Satellite (VHTS) capacity.
- **Discretionary Free Cash Flow**<sup>13</sup> is expected to see three-year CAGR in excess of 10%, with FY 2015-16 as the base year<sup>14</sup>.
- The Group is committed to maintaining a sound financial structure to support its investment grade credit rating and aims at a **net debt / EBITDA ratio** below 3.3x.
- The Group also commits to serving a **stable to progressive dividend** to shareholders.

## FLEET DEVELOPMENTS

### NOMINAL LAUNCH PROGRAMME

The upcoming launch schedule is indicated below. The launch of EUTELSAT 172B is now scheduled for 1 June.

Satellite <sup>1</sup>	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
EUTELSAT 172B	172° East	1 June 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 <sup>2</sup>	19 Ku (regular); 11 Ku-band HTS spotbeams <sup>2</sup>
EUTELSAT 7C	7° East	H2 2018	Video	Turkey, Middle-East, Africa	44 Ku	49 Ku	19 Ku
EUTELSAT 5 WEST B	5° West	H2 2018	Video	Europe, MENA	35 Ku	35 Ku	None
EUTELSAT QUANTUM	To be confirmed	2019	Government Services	Flexible	8 beams "QUANTUM"	Not applicable	Not applicable
African Broadband satellite	To be confirmed	2019	Broadband	Africa	65 spotbeams	75 Gbps	75 Gbps

<sup>1</sup> Chemical propulsion satellites (EUTELSAT QUANTUM, EUTELSAT 5 West B) generally enter into service 1 to 2 months after launch. Electric propulsion satellites (EUTELSAT 172B, EUTELSAT 7C and the African Broadband satellite) between 4 and 6 months.  
<sup>2</sup> Total capacity of the high throughput payload: 1.8 Gbps.

### CHANGES IN THE FLEET

- In January 2017, EUTELSAT 117 West B entered commercial service,
- In April 2017, EUTELSAT 48A reached the end of its operational life and was de-orbited.

## GOVERNANCE

The Board of Directors of Eutelsat Communications decided to submit to the General Meeting of Shareholders which will be held on 8 November 2017 the appointment of Dominique D'Hinnin (currently permanent representative of FSP) as a Board Member. Following the AGM and subject to the approval of this appointment, Dominique D'Hinnin will replace Michel de Rosen who will step down from his functions as Chairman and Board Member of Eutelsat Communications.

Elsewhere, Yohann Leroy was appointed Deputy CEO in addition to his function as Chief Technical Officer, alongside Michel Azibert, Deputy CEO and Chief Commercial and Development Officer.

<sup>12</sup> Including capital expenditures and payments under existing export credit facilities and under long-term lease agreements on third party capacity.

i) To avoid double-counting, it excludes the €95.2 million payment to RSCC which was accounted in Cash Capex in FY 2015-16.

ii) net of the €132.5 million proceeds from the upcoming sale of 49% of the existing European Broadband business to ViaSat

<sup>13</sup> Net cash-flow from operating activities - Cash Capex - Interest and Other fees paid net of interest received

<sup>14</sup> Discretionary Free-Cash-Flow of €247 million in FY 2015-16.

## RECENT EVENTS

### Financing

The option to extend by one year the maturity of the €600 million term loan and of the €200 million revolving credit facility of Eutelsat Communications, was exercised and accepted by the lenders. These facilities will now mature in March 2022.

Furthermore, ahead of the refinancing of the €930 million bond maturing in January 2020, the 7-year-mid-swap rate for an outstanding amount of €500 million has been pre-hedged at 112 bps.

The €450 million Eutelsat S.A. revolving credit facility maturing in September 2018 was refinanced at attractive terms. The new revolving credit facility will mature in April 2022 with two options for a one-year extension subject to the consent of the lenders for each extension.

## APPENDICES

### Quarterly revenues by Application

#### Proforma revenues

As a reminder, proforma revenues for FY 2015-16 were published with the H1 revenues release on 9 February 2017. They reflect:

- The disposal of some businesses: Alterna TV (Video) deconsolidated from April 2016, Wins/DHI (Mobile Connectivity) deconsolidated from end-August 2016 and DSAT Cinema (Video) from end-October 2016;
- A new classification of revenues on the basis of five applications: Video, Fixed Data and Government Services (Core Businesses), and Fixed Broadband and Mobile Connectivity (Connectivity).

The table below shows quarterly proforma revenues for FY 2015-16 and FY 2016-17 under the new classifications:

In € millions	Three months ended				Fiscal year 2015-16	Three months ended		
	Sep 2015	Dec 2015	Mar 2016	Jun 2016		Sep 2016	Dec 2016	Mar 2017
Video	227.6	237.1	236.7	235.7	937.0	226.5	228.9	228.1
Fixed Data	51.8	49.2	47.0	45.1	193.0	43.4	41.4	42.1
Government Services	47.6	47.3	45.3	40.7	180.8	42.3	43.8	45.2
Fixed Broadband	21.3	19.8	17.8	22.2	81.1	24.9	23.7	24.2
Mobile Connectivity	17.2	15.1	13.8	13.9	60.0	20.6	17.9	17.2
Other revenues	17.8	10.6	15.2	7.2	50.8	27.1	14.5	7.5
<b>Total</b>	<b>383.2</b>	<b>379.0</b>	<b>375.7</b>	<b>364.7</b>	<b>1,502.6</b>	<b>384.8</b>	<b>370.2</b>	<b>364.3</b>

#### Reported Revenues

For information purposes, the table below shows reported revenues for FY 2015-16 and first quarter of FY 2016-17 under the former classifications.

In € millions	Three months ended		H1 2015-16	Three months ended		Fiscal year 2015-16	Three months ended
	Sep 2015	Dec 2015		Mar 2016	Jun 2016		Sep 2016
Video Applications	229.4	239.5	468.9	239.1	235.6	943.6	224.3
Data Services	58.8	59.3	118.0	54.4	57.6	230.0	56.8
Value-Added Services	29.7	25.4	55.1	25.3	27.4	107.8	29.4
Government Services	53.0	53.2	106.2	49.7	43.9	199.9	47.1
Other revenues	16.7	9.4	26.1	14.5	7.2	47.7	27.1
<b>Sub-total</b>	<b>387.7</b>	<b>386.7</b>	<b>774.4</b>	<b>383.0</b>	<b>371.6</b>	<b>1,529.0</b>	<b>384.8</b>
Non-recurring revenues	-	-	-	-	-	-	--
<b>Total</b>	<b>387.7</b>	<b>386.7</b>	<b>774.4</b>	<b>383.0</b>	<b>371.6</b>	<b>1,529.0</b>	<b>384.8</b>

### Third Quarter 2016-17 revenues conference call

A conference call will be held on **Thursday, 11 May 2017 at 18.30 CET / 17.30 GMT / 12:30 EST**

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

- France: +33 (0) 1 76 77 22 57
- UK: +44 (0) 330 336 9411
- United States: +1 719 325 2346

Access code: **6590250#**

Instant replay will be available from 11 May, 21.45 CET to 18 May, 21.45 CET on the following numbers:

- France: +33 (0) 1 70 48 00 94
- UK: + 44 (0) 207 984 7568
- United States: + 1 719 457 0820

Access code: **6590250#**

### Financial calendar

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

- 28 July 2017: Full-Year 2016-17 results.

#### 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 39 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. [www.eutelsat.com](http://www.eutelsat.com)

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### 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.

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