

EUTELSAT COMMUNICATIONS

Q1 2016-17 REVENUES

Progress on our new strategic roadmap

- **First quarter revenues of €385 million, +0.7% like-for-like**
- **Order backlog of €5.4 billion, 3.6 years of revenues**
- **All financial objectives confirmed for current and next two years**

Paris, 27 October 2016 – Eutelsat Communications (ISIN: FR0010221234 - Euronext Paris: ETL) today reported revenues for the first quarter ended 30 September 2016.

Three months to 30 September 2016

In € millions	Q1 2015-16	Q1 2016-17	Actual change	Like-for-like change ¹
Video Applications	229.4	224.3	-2.2%	-1.3%
Data Services	58.8	56.8	-3.3%	-2.8%
Value-Added Services	29.7	29.4	-1.0%	+8.3%
Government Services	53.0	47.1	-11.2%	-10.7%
Other revenues	16.7	27.1	+61.8%	+62.9%
Sub-total	387.7	384.8	-0.7%	+0.7%
Non-recurring revenues	-	-	-	-
Total	387.7	384.8	-0.7%	+0.7%
EUR/USD exchange rate	1.105	1.112	-	-

Commenting on the First Quarter, Rodolphe Belmer, CEO, said: “*First quarter revenues were fully in line with our expectations, and we are on track to meet our objectives for the full year. We have made a number of important steps along our new strategic roadmap, notably the procurement of the EUTELSAT 5 West B satellite under the ‘design-to-cost’ policy, generating significant capex savings, as well as progress on non-core asset disposals with Hispasat and Wins. On the operational side, I would highlight the rapid execution of the rationalization of distribution at the HOTBIRD orbital position and the strong renewal rate with the US Department of Defense during the Fall round, confirming the stabilisation in Government Services. In connectivity, we have seen a number of positive developments including the launch of the Russian broadband service on EUTELSAT 36C, the securing of capacity enabling us to launch our African broadband initiative with limited delay despite the loss of the Ka payload on AMOS-6 satellite, and the signing of several contracts for in-flight connectivity highlighting the quality of our in-orbit resources.*

We are focused on optimising the revenue potential of our existing assets and maximising discretionary free-cash-flow generation, and we are working on additional measures to this end, notably operating cost savings, with the objective of reducing leverage, investing selectively in future growth opportunities and delivering an attractive shareholder remuneration ”

RECENT HIGHLIGHTS

Since the beginning of the current financial year, progress has been made on several key components of the new strategic roadmap communicated on 27 June 2016.

Financial:

¹ At constant currency and perimeter and excluding non-recurring revenues. For more details, please refer to the appendices.

- Further **asset disposals** were undertaken with the disposal of the 70% stake in Wins/DHI, a non-core business in maritime mobility, and the exercise of the put option on the 34% stake in Hispasat as a precursor to the divestment of the stake;
- The EUTELSAT 5 West B satellite was procured with **significant capex savings**, thanks to the Application of the 'design-to-cost' policy;

Operational:

- Moreover, EUTELSAT 5 West A's C-band mission, serving mainly Data customers in Sub-Saharan Africa, will be discontinued, in line with the **strategy of limiting investments in the Data vertical**.
- In Video, the **rationalisation of distribution at the HOTBIRD** orbital position has been completed in order to protect the value of this hotspot and stimulate HD and UHD ramp-up;
- In Broadband, **the Russian broadband service on the EUTELSAT 36C satellite has been launched**, with a distribution agreement secured with Tricolor TV. Elsewhere, we have secured Ka capacity via a deal with Yahsat which will enable us to launch our **African broadband initiative** with only a slight delay, and allow us to recover the potential revenue losses resulting from the loss of the capacity on the AMOS-6 satellite in FY 2017-18 and FY 2018-19.
- In Mobile Connectivity, **contracts were signed for in-flight Connectivity**, highlighting the quality of the Group's in-orbit resources as well as the strong potential of this market: SAS and Finnair will use capacity on the KA-SAT satellite to connect their short and medium-haul fleets.
- In Government Services **the renewal rate with the US Department of Defense during the Fall campaign exceeded expectations**, confirming the stabilisation of this vertical.

FIRST QUARTER REVENUE ANALYSIS²

Total revenues for the **First Quarter** ending 30 September 2016 stood at €384.8 million, up 0.7% like-for-like. On a reported basis, revenues were down 0.7% reflecting a 1.2 point negative perimeter effect (disposal of Alterna TV and Wins/DHI³) and a 0.3 point negative currency effect (depreciation of the dollar relative to the euro).

VIDEO APPLICATIONS (63% of revenues)

First quarter revenues for **Video Applications** amounted to €224.3 million, down 1.3% like-for-like. This reflected on one hand additional revenues generated by incremental capacity launched last year (EUTELSAT 8 West B in MENA and EUTELSAT 36C in Sub-Saharan Africa) and, on the other, lower revenues at the HOTBIRD position mainly related to the rationalisation of empty capacity in the hands of resellers, as well as lower revenues in professional Video.

At 30 September 2016, the total number of channels broadcast on the Eutelsat fleet stood at 6,336, up 8.2% year-on-year. HD penetration continued to grow, at 940 channels, up from 721 a year earlier and representing 14.8% of total channel-count compared to 12.3%.

DATA SERVICES (16% of revenues)

First quarter revenues for **Data Services** stood at €56.8 million, down by 2.8% like-for-like. This reflected on one hand the full-quarter contribution of the Ka-band payload on EUTELSAT 65 West A which entered into service in May, and on the other, the early termination of the contract for Ka-band capacity on EUTELSAT 3B in December 2015 as well as the ongoing tough environment for this application in all geographies.

VALUE-ADDED SERVICES (8% of revenues)

First quarter revenues for **Value-Added Services** amounted to €29.4 million, up 8.3% like-for-like, reflecting mainly a positive one-off related notably to the phasing of payments by a specific customer.

The number of subscribers on KA-SAT stood at 179,000 compared to 181,000 at end-June and 190,000 a year earlier. ARPU trends remained well oriented.

The Russian consumer broadband service was launched on the EUTELSAT 36C satellite in July, and a distribution agreement has been secured with Tricolor TV.

² 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 first quarter ended 30 September 2015.

³ Alterna TV (Video) deconsolidated from April 2016 and Wins/DHI (Value-Added Services) deconsolidated from September 2016.

On 1st September, Spacecom's AMOS-6 satellite was lost following a launch pad explosion. Eutelsat had contracted a multi-year agreement to lease the satellite's Ka-band payload covering Sub-Saharan Africa, with a view to launching broadband services from early 2017. The unmitigated impact on revenues was estimated at around €5 million in FY 2016-17, €15 million in FY 2017-18 and €25-30 million in FY 2018-19.

On 27 October, Eutelsat concluded a deal with Yahsat to lease ka-band capacity. In consequence, the African Broadband initiative will be rolled out during the first four months of calendar 2017 with only a slight delay relative to the original timetable and enable Eutelsat to revert fully to the original business plan in FY 2017-18 and FY 2018-19.

In Mobility, SAS and Finnair will use capacity on the KA-SAT satellite to connect their short and medium-haul fleets in the context of a commercial agreement with ViaSat.

GOVERNMENT SERVICES (13% of revenues)

First quarter revenues for **Government Services** stood at €47.1 million, a decline of 10.7% year-on-year, reflecting the effect of lower renewals in the previous fiscal year.

The renewal rate for the Fall 2016 campaign with the US Department of Defense stood at over 90% considerably above the 65% renewal rate of the Spring. It reflected broadly stable volumes and modest price softening.

Moreover, new contracts representing four 36-MHz equivalent transponders were also signed, confirming prospects of a stabilisation in this vertical.

OTHER AND NON-RECURRING REVENUES

Other revenues⁴ amounted to €27.1 million in the First Quarter compared with €16.7 million last year. In addition to the revenues related to the agreements with SES at 28.5° East, they included anticipated fees in respect of technical and engineering services provided to a third party operator and termination fees related to the rationalisation of the distribution at HOTBIRD.

There were no **non-recurring revenues** in the first quarter.

OPERATIONAL AND LEASED TRANSPONDERS

The number of operational 36 MHz-equivalent transponders stood at 1,327 at 30 September 2016, almost unchanged compared to 30 June 2016. Year-on-year they rose by 152 units, reflecting mainly the entry into service of EUTELSAT 8 West B, EUTELSAT 115 West B, EUTELSAT 36C, EUTELSAT 9B and EUTELSAT 65 West A.

The fill rate stood at 71.5% at 30 September 2016 compared to 77.6% a year before, mostly reflecting the entry into service of the abovementioned new capacity. On a sequential basis, the fill rate showed a slight improvement notably thanks to new contracts in Government Services.

	30 September 2015	30 June 2016	30 September 2016
Number of operational 36 MHz-equivalent transponders ⁵	1,175	1,328	1,327
Number of leased 36 MHz-equivalent transponders ⁶	912	942	948
Fill rate	77.6%	70.9%	71.5%

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).

⁴ 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 recognition of EUR/USD foreign exchange gains/losses, the provision of various services or consulting/engineering fees as well as termination fees.

⁵ Number of 36 MHz-equivalent transponders on satellites in stable orbit, back-up capacity excluded.

⁶ Number of 36 MHz-equivalent transponders leased on satellites in stable orbit.

ORDER BACKLOG

The order backlog⁷ stood at €5.4 billion at 30 September 2016, versus €6.0 billion a year earlier and €5.6 billion at end June 2016. The sequential decline in backlog reflected natural consumption.

The backlog was equivalent to 3.6 times 2015-2016 revenues. Video Applications represented 85% of the backlog.

	30 September 2015	30 June 2016	30 September 2016
Value of contracts (in billions of euros)	6.0	5.6	5.4
<i>In years of annual revenues based on last fiscal year</i>	4.1	3.7	3.6
Share of Video Applications	83%	85%	85%

FINANCIAL OBJECTIVES

Based on the performance of the First Quarter, all financial objectives published on 29 July 2016 are confirmed.

Revenues for FY 2016-17 (at constant currency and perimeter, excluding non-recurring revenues) are expected in the range of -3% to -1%. In FY 2017-18 they are expected broadly flat with a return to modest growth in FY 2018-19. For each of FY 2016-17, FY 2017-18 and FY 2018-19 the EBITDA margin is expected to remain above 75%.

Cash Capex will stand at an average of €420 million⁸ per annum for the period July 2016 to June 2019. Discretionary Free Cash Flow⁹ is expected to see three-year CAGR in excess of 10%, with FY 2015-16 as the base year¹⁰. 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.

It also commits to serving a stable to progressive dividend to shareholders.

FLEET DEVELOPMENTS

PROCUREMENTS SINCE 30 JUNE 2016

In October 2016, the EUTELSAT 5 West B satellite was procured to replace the EUTELSAT 5 West A satellite at the 5° West orbital position. It is expected to be launched in calendar year 2018.

NOMINAL LAUNCH PROGRAMME

The upcoming launch schedule is indicated below. Aside from the new satellite mentioned above, there are no changes compared to July 2016.

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
EUTELSAT 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
EUTELSAT 7C	7° East	H2 2018	Video	Turkey, Middle-East, Africa	44 Ku	49 Ku	19 Ku
EUTELSAT 5 WEST B	5° West	2018	Video	Europe, MENA	35 Ku	35 Ku	None
EUTELSAT QUANTUM	To be confirmed	2019	Data, Government Services,	Flexible	12 " Eutelsat Quantum channels"	Not applicable	Not applicable

⁷ The backlog represents future revenues from capacity lease agreements and can include contracts for satellites under procurement.

⁸ This includes capital expenditures and payments under existing export credit facilities and under long-term lease agreements on third party capacity. To avoid double counting, this amount excludes the €95.2 million payment to RSCC which has been accounted in Cash Capex in FY 2015-16.

⁹ Net cash-flow from operating activities – Cash Capex - Interest and Other fees paid net of interests received

¹⁰ Discretionary Free-Cash-Flow of €247 million in FY 2015-16.

			Mobility				
African Broadband satellite	To be confirmed	2019	Broadband	Africa	65 spotbeams	75 Gbps	75 Gbps
¹ 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. ² Total capacity of the high throughput payload: 1.8 Gbps.							

CHANGES IN THE FLEET

- In August 2016, EUTELSAT 70D reached the end of its operational life and was deorbited,
- Eutelsat 70C is currently under relocation.

CORPORATE GOVERNANCE

The Board of 28 July 2016 called on the shareholders present at the Annual General Meeting of 4 November 2016 to vote notably on the following resolutions:

- Approval of the accounts;
- Dividend relating to Financial Year 2015-16;
- Renewal of the mandates of Michel de Rosen, Carole Piwnica, and Miriem Bensalah Chaqroun;
- Appointment of the 'Fonds Stratégique de Participations'¹¹ as a Board Member. Subject to the vote of the Ordinary General Meeting, FSP will be represented by Dominique D'Hinnin;
- Appointment of Rodolphe Belmer as a Board member.

APPENDICES

Quarterly reported revenues by business application

In millions of euros	Three months ended				
	30/09/2015	31/12/2015	31/03/2016	30/06/2016	30/09/2016
Video Applications	229.4	239.5	239.1	235.6	224.3
Data Services	58.8	59.3	54.4	57.6	56.8
Value-Added Services	29.7	25.4	25.3	27.4	29.4
Government Services	53.0	53.2	49.7	43.9	47.1
Other revenues	16.7	9.4	14.5	7.2	27.1
Sub-total	387.7	386.7	383.0	371.6	384.8
Non-recurring revenues	-	-	-	-	-
Total	387.7	386.7	383.0	371.6	384.8

Proforma revenues by business Application

The table below shows proforma revenues for fiscal year 2015-16 reflecting the disposals of AlternaTV deconsolidated from April 2016, Wins/DHI from September 2016, and DSAT Cinéma¹² from November 2016.

¹¹ FSP is a long term equity investor in French companies, backed by six major French insurance companies (BNP PARIBAS CARDIF, CNP ASSURANCES, CREDIT AGRICOLE ASSURANCES, SOGECAP (SOCIETE GENERALE group), GROUPAMA and NATIXIS ASSURANCES).

¹² In October 2016, Eutelsat exercised the put to dispose of its stake in DSAT Cinéma. DSAT Cinéma will be deconsolidated from November 2016, subject to closing of the transaction

In millions of euros	Three months ended				
	30/09/2015	31/12/2015	31/03/2016	30/06/2016	FY 2015-16
Video Applications	227.5	236.9	236.5	235.0	935.8
Data Services	58.8	59.3	54.4	57.6	230.0
Value-Added Services	27.2	20.3	20.5	21.0	88.9
Government Services	53.0	53.2	49.7	43.9	199.9
Other revenues	16.7	9.1	14.5	7.2	47.5
Sub-total	383.2	378.7	375.6	364.6	1,502.2
Non-recurring revenues	--	-	-	-	-
Total	383.2	378.7	375.6	364.6	1,502.2

First quarter 2016-17 revenues conference call

A conference call will be held on **Thursday, 27 October 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 57
- UK: +44(0) 20 3043 2024
- United States: +1 719 325 2226

Access code: 8718111#

Instant replay number will be available from 27 October, 09.30pm to November 4, 09:30pm CET:

- France: +33 (0)1 70 48 00 94
- UK: + 44 (0) 20 7984 7568
- United States: + 1 719 457 0820
- Access code: 8718111#

Financial calendar

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

- 4 November 2016: Annual General Shareholders Meeting
- 9 February 2017: First Half 2016-17 Results
- 11 May 2017: Third Quarter 2016-17 Revenues

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 38 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 32 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

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Disclaimer

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