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Presenters: Michel de Rosen, Jean-Paul Brillaud, Catherine Guillouard
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Operator: Good day and welcome to the Eutelsat Communications Half Year 2010 and '11 Results Presentation Conference Call. Today's conference is being recorded. At this time I would like to turn the conference over to Lisa Finas, Head of Investor Relations. Please go ahead.

Lisa Finas: Thank you for joining us today for the First Half 2010-2011 Results for Eutelsat. I'm Lisa Finas, the Head of Investor Relations at Eutelsat. Before we begin I would like to remind everyone that this is a presentation, it is a summary of information related to the activities for the Half Year 2010-2011 of Eutelsat Communications Group as well as its strategies. This should not be considered comprehensive or complete. For further details please refer to the consolidated accounts of Eutelsat Communications for the First Half Year ended December 31st 2010 prepared under IFRS reviewed by the Audit Committee of the Board of Directors on February 11th 2011 and adopted by the Board of Directors on February 17th 2011 which are available on Eutelsat's website www.eutelsat.com. All statements other than historical facts included in this presentation including those regarding Eutelsat Communications' position, business strategy, plans and objectives are forward-looking statements.

Presenting on this call today are Michel de Rosen, Eutelsat's CEO; Jean-Paul Brillaud, Deputy CEO; and Catherine Guillouard, CFO. I will now pass the call over to Michel de Rosen.

Michel de Rosen: Thank you Lisa. Good morning or good afternoon ladies and gentlemen. For today's call I will review some of the first half highlights, then Jean-Paul will give you an operational update, next Catherine will summarise our financials and I will wrap up giving you our medium term outlook.



So if we turn to page 4 I would say simply we are quite proud with the results that we are presenting to you today. Eutelsat again delivers growth and profitability. Our top line results continued to be strong as revenues grew by 13.3% to reach €575.9 million. Profitability as measured by EBITDA growth 12.5% generating an EBITDA margin of 80.4% among the highest of FSS operators. Significantly our net result grew by 25.1% over the previous year. Our financial position is obviously solid with a net debt to EBITDA ratio of 2.75 and of course our backlog, our strong order backlog gives us excellent visibility as it grew by 16.7% to €4.9 billion.

Finally as you all know our year goes from July to June so last November we paid a dividend of €0.76 per share representing a payout ratio of 62% of group share of net income up from 59% the previous year. This meant a growth in absolute terms of 15% versus the previous year of our dividend.

Next slide. This is about our solid operational performance. Together with these excellent results we also achieved a number of operational successes in the first half which continued to consolidate the foundations of our future growth. Jean-Paul will address these in more detail but I just want to highlight a few. First the rapid update of our most recent in-orbit capacity reflects our attractive portfolio of orbital positions, a true asset for Eutelsat. Second, we continued to pursue the current renewal and expansion programme with the launch of KA-SAT, the order of W3D and the five new satellites currently under construction. Finally the impact of the non-availability of the W3B satellite was minimal thanks to the flexibility of our fleet.

I'd like to now turn the call over to Jean-Paul who will address our strong operating momentum.

Jean-Paul Brillaud: Thank you Michel. So before going through one by one our different commercial activities I will go through the two general indicators of performance. The first one, our backlog. The backlog increased by 16.7% to €4.9 billion compared to 31st December 2009. This performance reinforced the long term visibility of the group on our future revenue and operating cash flow. This backlog today represents approximately 4.7 years of annual revenue and carries a weighted average residual life of contract of 7.9 years. You can also see from the slide that in fact this backlog is composed 92% of video contracts.



The second overall indicator that I want you to look at is our fleet deployment. We have increased the capacity in-orbit from 609 in December '09 to 653 transponders which represents an increase of 7.2%. This increase also illustrates that we were expecting to have additional capacity from the W3B satellite that you remember that we had an incident with last year. So, we had a relatively limited increase in available capacity. Nevertheless, we were able to perform quite strongly on the operational side and we increased the lease capacity by 10.9% and this in fact leads to a relatively high fill factor of 90.4%, which I think is a good performance taking into account the specific characteristics of our deployments over the last six months.

So now moving to our different market segments that we serve and different types of applications, you see that our performance of 13.3% growth on our revenue has been achieved through development and growth on all our market segments and I think that it's important to note that all our businesses are growing and growing strongly, first the Video which is of course today our main activity. It's grew by 8.5%. The Data and Value Added Services which is our second most important market grew by 21.2%; and the Multiusage even better grew by 29.1%.

So I will go one by one. For the video I think that the strong exposure of our activity to the growing markets which are the emerging markets, permits us to have a strong momentum on this activity. You see this growth of 8.5%, it's significantly higher than last year. It has been achieved by a 9.7% increase of the number of channels and today we are broadcasting on our fleet 3,782 channels. What is important is that in fact most of the growth, it's coming from emerging markets on which we are specifically deploying capacity to capture this growing business.

Moving to the next slide you see the new channels that have been registered on all the different video hotspots that we are operating and we have illustrated here a side of our really high spot which is an historical one HOT BIRD, the three ones which are growing the most, which are in fact 7° West on the Middle East with a 33% increase, the 36° East on Russia & Africa where we deploy specifically the W7 satellite, which is a very large satellite which was very successful with 34% channel growth; and what is important also is that the 16° East despite the fact that we



were intending to deploy W3B this at orbital slot at, without the W3B we have been able nevertheless to register a significant success on commercialising this capacity by 11% channel growth and of course the launch of the W3C coming which will replace W3B at this orbital slot and will permit to unlock the growing demand at this orbital slot.

The second market segment which is Data & Broadband which is the really booming business which becomes today our most important driving machine for our company. It's growing by 21.2%. Of course the KA-SAT satellite now that we have just launched and that we are in the process of testing in-orbit and that we will deploy, by the middle of this year, I think that will give us an additional boost to this business serving what is really new demand and where we have this new technology, will permit us in fact to have these satellite solutions accessible to a new range of populations which are very significant.

So the last market segment which we are serving which is the Multiusage, I always say that this is a little more opportunistic and that we use it to really optimise the fill-in factor around the usage of our capacity which continued to be strong. We have registered 29.1% growth. I think that once again, here the capacity that we have deployed is really perfectly suitable and matches to the demands which are coming from this region, so Central Asia and Middle East and I think that it's clearly a very successful business.

So having gone through all of that I will give the floor to Catherine to illustrate how this translates in quite an excellent financial performance.

Catherine Guillouard: Thank you Jean-Paul, good afternoon to everybody. First the P&L, it's a strong overall performance. As Jean-Paul already indicated revenues grew at 13.3% in the first half at €575.9 million translating to a 10.6% growth at constant currencies. EBITDA has reached €463 million, a +12.5% increase. Profitability remained high delivering an industry-leading EBITDA margin of 80.4%. Operating income grew by nearly 26% at €319.7 million at a 55.5 operating margin due in part to two things: the reduction of depreciation, nearly €15 million less compared to last year; and also the fact that the loss of the W3B satellite was compensated by the receipt of insurance proceeds. Financial results have been posted at €53.5 million mainly



due to this unfavourable impact of hedging contracts which was put in place in 2006 that led to an increase in financial charges beginning in April 2010 when Eutelsat Com had a 1.6 billion term loan. Eutelsat continued to benefit from investments in Hispasat, the leading European satellite operator for Spanish and Portuguese speaking regions which contributed income from associates amounting to €11.2 million. Finally the bottom line was strong as group share of net income rose by 25.1% at €174.4 million and delivered a strong net market of 30.3%.

In terms of EBITDA we have a profitability group EBITDA which amounted to €463 million up by €51.4 million compared to the previous first half. Operating expenses amounted to €112.9 million increasing from €96.5 million and reflecting mainly the rise in resources dedicated to reinforcing the group's overall commercial activity and specifically the development of services, surcharges Tooway. In addition last year we remind you that we have in the first half included an exceptional reimbursement of €3.2 million of mandatory tax. Without this exceptional item the increase in operating expenses would have been 13.2% and EBITDA growth would have been 13.4% in line with revenue growth.

In terms of net cash flows from operating activities, during the first semester they represent 64.4% of revenues. The group continued to generate strong net cash flows from its operating activities at €371 million, up €56 million. It's a +17.3% compared to the previous year highlighting the strength of its business model. The net debt to EBITDA ratio for the first half was 2.75 times compared to 3.13 times at December 2009 and 2.93 times at June 30th 2010 and this despite the increase in capital expenditure and distribution to shareholders in November, helped by two exceptional cash items totalling €161 million.

Net cash flows from operating activities were strong at €371 million and allows us to cover very easily our capital expenditure for the half amounting to €286.8 million compared to €226.1 million for the same period a year earlier as we continue obviously to invest in our satellite replacement and expansion programme. This nevertheless left operating free cash flow comfortably in surplus at just over €245 million which includes exceptional cash items totalling as I said before nearly €162 million relating to the first payment received from insurance for the loss of W3B and also an equity investment reduction.



In terms of cost effective debt structure, the point is the following. The Eutelsat Group level of net debt has decreased by €25 million from December '09 to December '10 at €2,415 million. The average maturity is 4.3 years at the end of December. The average cost of group net debt after hedging is now 4.41% and in terms of split of these costs we have 4.6% at Eutelsat Com level with a hedge on the €1.6 billion; and at Eutelsat SA level we have a fixed bond on €850 million at 4.125% and we have paid on the average drawdown on our revolver credit facility 2.27% on the first half. At the end of December we had drawn down €130 million on this revolver leaving €620 million undrawn credit lines. We have been upgraded during the semester by Standard & Poor's BBB flat and we are Baa3 stable by Moody's. Our cash position at the end of the year was high, €181 million mainly due to the receipt of insurance payments at the end of December 2010.

This is the end for the financial set of the presentation. I will now hand over to Michel for a word on our future.

Michel de Rosen: Thank you Catherine, so a few words on our future. The demand for bandwidth continues to grow, we're now on page 22, continues to grow and satellite operators like Eutelsat are key in fulfilling this need. The latest market data we have from different consultants shows that video applications dominate demand for satellite services at 57% of use worldwide in 2009. The number of users worldwide equipped for direct-to-home satellite internet services stood at nearly 1.5 million, up by 30% in that same year. Satellite business networks mainly concentrated in areas unserved or underserved by terrestrial networks grew by 27% to nearly 2 million VSAT terminals. With the parallel expansion of broadcast and broadband markets demand for satellite capacity rose by 5.2% and 8.7% respectively. Projecting ahead the number of satellite delivered TV channels is forecast to exceed 40,000 by the end of the current decade versus 27,000 currently. Internet traffic itself is expected to be increasing by a staggering number of 40-60% a year. The market for corporate data networks has grown by 17.4% driven both by the globalisation of professional exchanges and the expanding use of satellites for multicasting audio, video and data content. The demand overall, the demand for satellite capacity is driven not only by applications but also by geographies. So the purpose of this slide



is to tell you what you already know, that we have, we are meeting, our mission is to meet a demand that is growing both in broadcast video and in broadband data internet.

The next page, page 23. If we now look at geographies, you know that we like to use the jargon in our jargon of Second Continent. We were created in Europe, our historical business is in Western Europe but our Second Continent is Central Europe, Eastern Europe, Middle East and Africa. Eutelsat's Second Continent will drive longer term growth. Eutelsat's fleet is concentrated in the European arc and our satellite signals therefore reach some of the fastest growing regions on the globe. The slide shows the estimate for the demand for satellite capacity in the key regions we cover. As you can see demand is set to grow for the coming years in all of our key markets with more growth in each of the emerging regions than in Western Europe. To capture this growth ladies and gentlemen we are pursuing a significant replacement and expansion programme for in-orbit resources which we described on page 24. We currently have six satellites under construction to be launched by mid-2013, so in the coming 28 months. These new resource will enable us to replace satellites reaching end of life and will also lead to additional operational capacity of 25%. Two new satellites are scheduled for launch in 2011. W3C reinforces a key video neighbourhood at 16° East covering Europe, North Africa, Middle East, Central Asia and the Indian Ocean Islands. ATLANTIC BIRD 7, AB7 which will lead to a doubling of capacity for DTH growth in the key video neighbourhood for DTH in the Middle East and North Africa; and then four further launches will take place in 2013. The concentration of our fleet allows us to act with greater operational efficiency as satellites can be quickly redeployed to supplement capacity where needed as demonstrated in the case of W3B.

Page 25, a brief update on KA-SAT. Following the successful completion of all scheduled manoeuvres since launch, Eutelsat's KA-SAT satellite is now positioned at its definitive location in geostationary orbit at 9° East. All satellite operations have now been transferred to Eutelsat's satellite control centre in Paris. The battery of in-orbit tests is progressing well, in fact has even progressed well as it was completed by yesterday, February 17th, after which the final phase of integrated validation of the satellite with a network of ground stations that will connect to the internet backbone now begins as of today. The satellite is on track to enter into service by mid-2011. Covering 55 countries KA-SAT has the equivalent capacity of more than 35 current



Ku-band satellites and is ideally positioned to provide the on-demand capacity which telecom operators, corporations, broadcasters and internet service providers need to reliably supply customers with data and video services throughout Europe, the Mediterranean Basin and even reaching into the Middle East.

KA-SAT is we like to call it a smart satellite, a super satellite. It will be used mainly for two types of applications or two types of clients. It will be used in the field of B2B2C. This is our Tooway service. It will also be used in B2B with professional video, professional network, VSAT and regional TV customers.

Page 27 gives you how can I say a picture of the 68 distributors, partners that are already our partners for the distribution of Tooway. As you know we are a B2B company, we do not want to work with individual households therefore we will work with our distributors and they will work with individual households, this is what they do well.

Page 28. Ladies and gentlemen, we are extremely pleased with the progress we've made in the first half underscoring the quality of our business model which continues to deliver above market growth and industry leading profitability. Our first half results reflect in particular the attractiveness of our portfolio, of orbital positions and our capacity to rapidly lease the resources that were deployed in 2009 and 2010 and as a result we are confident in achieving the financial target published in July 2010 despite the non-availability of the W3B satellite. For the current year we continue to target revenues above €1,120 million and EBITDA above €875 million.

Our longer term objectives are also unchanged. Each of our business lines has strong growth prospects driven by the expansion of digital video, professional data networks and internet communications across all the markets we serve. Eutelsat remains well positioned to deliver profitable growth. We want to be remembered by all of you, to be known by all of you as a company that delivers growth, that delivers profitability and that is reliable. We deliver or over-deliver, never, never in the history of Eutelsat have we under-delivered.



Thank you ladies and gentlemen. Now Jean-Paul, Catherine, Lisa and I will be glad to take your questions.

Operator: Thank you. If you would like to ask a question at this time please press the star or asterisk key followed by the digit 1 on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered you may remove yourself from the queue by pressing *2. Again please press *1 to ask a question. We will pause just for a moment to allow everyone to signal.

Our first question comes from Mathieu Robilliard from Exane. Please go ahead.

Mathieu Robilliard: Yes, good afternoon, thank you for taking the questions. A few questions please, first with regards to the guidance which you have reiterated, clearly when we look at the H1 numbers which were very solid and the fact that there are technical limits ahead, one would have thought you would be in a position to increase the guidance, so my question is are there any one-offs that may explain the fact that you haven't changed the guidance or is it just the way you are, cautious? The second question has to do with KA and actually two questions related to that. First since the launch of KA-SAT has been successful, have you seen more demand or interest or contacts from potential clients because we haven't seen any major announcements? Second how much capacity could you free in Ku transponders and migrate to Ka which would maybe increase a little bit the transponders available in Ku? Thank you.

Michel de Rosen: Mathieu, I will answer your first question and Jean-Paul will answer the second one on KA-SAT. First of all on guidance a few comments. The first comment is that you should not understand from our decision to reiterate guidance any concern to use your word about one-offs, about something we know that you don't know. Do not have that kind of concern. It's the first answer on your first question. The second element is that because of the non-availability of W3B, our fill rate has grown and so our ability to find idle capacity, to fuel growth in the second half of 2011, the half we are in now is more limited than the one we had in the previous half when we were still filling W7. That is my second comment. My third comment



is that we clearly intend to do better than this guidance Mathieu and ladies and gentlemen. We made this point earlier. We want in 5 years and 10 years and 15 years to be the company that always delivers or over-delivers, so we are reiterating the guidance with the goal to do better than that guidance. Finally please do not forget that when we present guidance, we present guidance for one year but also for three years. We are marathon runners. We are here for the long term. We want to deliver growth, sustainable growth and sustainable profitability for the long run. In a way you could argue that because W7 was filled faster than what we expected we are sort of in advance on our programme but we are reiterating also the mid-term guidance. I don't think many companies present the kind of guidance that we have on the mid-term, so we are quite proud not only of what we've done but more importantly that you can count on us to deliver this kind of growth for the coming years.

Jean-Paul Brillaud: On the second question concerning KA-SAT it's clear that of course I think that now that the satellite is in orbit and I think that we will see and we are starting to see increasing I would say demand or confirming the existing demand which will come progressively and of course we have also a new contact from new customers and we will from now up to the point of starting of the services, you will see new announcements on our confirmations of contracts with the customers. On the question of the Ku capacity I think that our objective today, it's not to really push for cannibalisation from Ku to Ka. There may be at some point in time, today I think that there is no reason for us to push for that and I think that in any case we will master that and we are really not having as an objective to really to maximise this freeing of the capacity in the Ku. We are not yet at this stage. I think that we will first start to deliver Ka capacity, Ka services and after that I think that we will maybe look at such kind of things but for the moment we have no sign of customers which have expressed their wish today to switch from one to the other.

Mathieu Robilliard: Thank you very much.

Jean-Paul Brillaud: You're welcome.

Operator: Our next question will come from Wilton Fry from Merrill Lynch. Please go ahead.



Wilton Fry: Hi there gentlemen. I just wondered if you could give us some colour on the KA-SAT testing process. You're saying the service should launch in mid-2011, that's clearly six months after the launch. I know it's new technology but I just wondered if there's any problem with the satellite, specifically anything to do with the Viasat Gateway equipment? Thanks.

Jean-Paul Brillaud: Thank you. It may appear relatively long but I think that it's quite sophisticated technology. The satellite at the 82 spot has been in orbit and I think that means that we need to test everything. I think that maybe it's not the most time consuming activity. We are in the process of closing, achieving and completing this phase of the testing. The second part is in fact really to test and interconnect all the eight gateways and really make proportional tests of the complete architecture of the systems and I think that it's not only technology, it's also for the commercial that we are testing. We want to have everything in functions and with a good quality in terms also of setting up outlines, not so that means network operating centres and all these customer services are ready with good quality to have this operational. I think that four months from now up to the mid-2011 I think that it's quite a reasonable stance for having everything in place, all the people trained, all the people accustomed to deliver a service of quality to a large number of subscribers. So just to ensure that there is nothing wrong with this type of delay, it's relatively I would say sophisticated I would say electronics and information type of services.

Wilton Fry: Ok, that's very clear. Could I just clarify, in terms of the target revenue, you talked about the 100 million of revenue by 2014. Can you give us a split between what will be residential broadband and what will be enterprise networks and any cellular backhaul, that sort of department?

Jean-Paul Brillaud: We have already said and of course I think that is the forecast but I think that we are assuming that we will get from the consumer applications more or less 60% of the revenue and 40% of the revenue will come from B2B applications. That's what is currently in our estimations but of course I think that we will see it's a completely flexible type of machine



and I think that we will take in any case the demand which is coming, I think that will demonstrate exactly the breakdown of it.

Wilton Fry: Understood, thank you.

Operator: We will now take a question from Henrik Nyblom from Nomura.

Henrik Nyblom: Hi there, two questions please. Just back on Mathieu's question about guidance, obviously the history of this company has been to over-deliver as you say but you also have had a company that typically have raised guidance as they get comfortable throughout the year. Given that you are not raising guidance now and are pretty much leaving it at a level which is in principle irrelevant for anyone that would invest in you today and anywhere close to that revenue line would be very disappointing, are you in principle saying that you are stepping away from giving one year guidance going forward? Secondly how can we be confident about your medium term guidance given that you seem to be slightly uncertain about what your revenues will be in the second half of this year? My second question would be to Catherine on the balance sheet, given how far below you are on your ideal capital structure for the time being and even if you're spending the 450 million on average on capex over the next three years and probably want to have some room for potential small acquisitions, what's your thinking about capital returns or cash returns to shareholders and how are you thinking about an early refinancing of your 2013 maturity in order to perhaps progress on that side? Thank you.

Michel de Rosen: On your first question I will simply reiterate something simple which is that we do want and believe we can, believe we will do better than the guidance for the year that we are reiterating today. Some companies are bolder, some companies like risks more than we do. We are more cautious and I believe that we will deliver more than the guidance that we are reiterating today, for sure. Before Catherine gives you a more qualified answer on your second question I want to say this. Our net debt to EBITDA is already well below 3.5, in fact it is even as you saw it is 2.75. If we eliminate some exceptional items it is at 2.93 which is the same level as six months ago. We often get questions about our uses for cash which was part of your second question. I just want to say that we want to use our cash in four main categories and we have a



certain level of flexibility depending on opportunities. One is to reinvest in the business for capex. The other one is dividends to shareholders. The third one is to invest in partnerships or modest acquisitions; four is to refinance the debt that is currently due in 2013. So before Catherine comments on refinancing and anything else on the balance sheet she wants to say, I do want to say that the history of Eutelsat has been organic growth. We believe this is something we do well and we continue to want in the future to focus most of our energy and resources on organic growth. It does not mean that we are indifferent or blind when opportunities of acquisitions arise, however the ones we are looking at or plan to look at are of modest size. To give you one example we decided not to submit an offer for Telesat for which I believe you know that there is a process going on. Catherine?

Catherine Guillouard: On the usage of cash I believe I cannot add a lot except the fact that it is a little bit early in order to talk about dividends because we have just introduced in November so in terms of distribution policy I think it's a little bit early. I think that you could maybe, Henrik, I know you are tough but maybe you can see that we have been proactive in order to get back the cash from these 28 insurers on the W3B which helps us to have this delivery kick-in because as Michel said the cash that we have been able to have between the W3B at the beginning of November and the ability that we have to get back the cash very quick in less than two months helps us to de-leverage quickly, so we cannot be spanked for that. I think it's a good attitude and proactivity in terms of cash management, and so to be also on the equity reduction that we did because we think that it's better in terms of cash management to get back this money here. So after that in terms of refinancing you'll remember that we did the first round in March 2010 for maturity in November 2011, so obviously we will monitor this very carefully. It was €1.3 billion last time. The next round it's €1.6 billion in term loans and we had a revolver credit facility which is not drawn today of €300 million but the line drawn is €1.6 billion, so we are perfectly aware of that. We begin to work let's say theoretically and to have some views on what we could do, but it's just the beginning of the reflection and I think that how we manage the first round, we perfectly have this on the planning and we will be obviously very assertive to this issue in the next months to go.

Henrik Nyblom: Thank you.



Michel de Rosen: Thank you Catherine, thank you Henrik.

Operator: We will take our next question from Nick Dempsey from Barclays Capital. Thank you.

Nick Dempsey: Good afternoon, two questions please. The first one, I wonder if you can talk about any phasing issues in terms of seasonality on the margin particularly? I know that last year margins were considerably higher in the first half and the second half? I wonder what we can expect this year in terms of seasonality there? The second question, on KA-SAT, you didn't mention on your slide military uses. Is that something else you're considering? Is that something that could be extra to your €100 million that you've talked about?

Michel de Rosen: Catherine will take your first question Nick.

Catherine Guillouard: On the seasonality on the EBITDA margin, it's perfectly true that we have around two points of seasonality on the EBITDA between the first and the second semester since two years now because it's really linked to the seasonality of the company, the fact that we have simply more expenses to come in the semester two. So yes it's true and the planning budget is still working on that profile let's say.

Nick Dempsey: Could you give me a little bit more colour on the expenses in the second half, why that seasonality exists?

Catherine Guillouard: In relation to what I have said that is to say we have said that we will be above €875 million at the end of the year, so we will be perfectly above this target in terms of EBITDA but we will have a seasonality effect like we have always did in the second half of the year versus the first half as usual.

Michel de Rosen: I think Catherine, I think Nick's question if I understand it well he would like to understand better why there is this seasonality.



Catherine Guillouard: Simply because we begin our fiscal years in July, and July and August are not months where we are doing a lot of expenses.

Michel de Rosen: What this means that in the year of 12 months, the two first months of the year there is not a lot of initiatives on spending, so in a way the spending momentum is more on 10 months than on 12 months.

Nick Dempsey: Ok. That explains it well, thank you.

Jean-Paul Brillaud: The second question on the KA military, I think that you rightly said that we are not listing or mentioning this as a significant potential use of the KA. I think that in fact in our forecasts we are not having a significant usage for that. One of the main reasons is that this coverage over Europe, I think that leads for us thinking that there will be a lot of use. Of course there could be upside and in particular I think that there is a possibility of huge provided that I think we are able to partner with others to have some kind of larger or global coverage and I think that that could be a potential upside for our business and I think that it's not currently in our forecast.

Nick Dempsey: Thank you very much, that's great.

Operator: We will take now our next question from Vincent Maulay from Oddo Securities. Please go ahead.

Vincent Maulay: Hello. I will come back on KA-SAT. Three questions, the first is maybe some colour on how you will put pressure on the margin in H2 to prepare the distribution channels? The second question, it's to assess the risk to manage successfully terrestrial networks which is new for you, even if it's not so disruptive? The last question is more to assess in your business model your flexibility on sales recognition from operators to benefit from more than expected or too much demand versus your 1.5 million subscriber maximum level.



Michel de Rosen: These are three questions, we need to be mindful, I understand there are other people who want to ask questions so we need to be concise.

Jean-Paul Brillaud: I didn't catch exactly your second question but I will take the two first ones and maybe I think that you will repeat the second one. On the question on the margin I think that you are rightly spotting that I think that currently we are entering some specific opex for preparing the KA without having the revenue and I think that it's clear on that that I think this will have to be managed during the second half but as you see on the first half we are now relatively good and I think that we have even for this six months be able to manage correctly so I think that you can be sure that we will for the second half before having the revenue also be in line with our objectives in terms of EBITDA margin. We are not expecting something special. On the question of the too much demand I would say that it's not something which is giving us too much headaches, the stress of being too successful, I think that it's something which of course could give some stress but I think that we are for the moment I think that having to really the successful ramp-up that we are expecting, it's clear and I think that's something that I have already said. I think that one we will have demonstrated the success and the starting of the ramp-up which correctly we will have to consider. I think that to have expansions of our capacity in KA and certainly also we will do the same and we will combine these missions of maybe expanding this business at the same time offering backup, so I think that's something that we are looking at and that we may have in our plan at some point in time to take investment decisions towards really increasing the capacity and at the same time backing up the existing one. So the other one if you want me to answer...

Vincent Maulay: Sorry for being long, it was just a quick question, it was to assess the risk to manage successfully terrestrial networks because it's something new for you.

Jean-Paul Brillaud: That's clear. First I think that we are already operating some terrestrial networks because we are operating already three teleports with the connections and so on and offering to some of our customers end to end services, but it's clear that at this time I would say it's an additional level of complexity because I think that we will have a range between 8 or 10 stations and I think that it's wise also, I think that there was a question about the four months. I



think that we want to test, we want to have really all the process correctly in place and having tested enough and successfully all of that. I think that compared to a complete terrestrial network and I think that comes from an operator which we are running a complete terrestrial network, I think that it's relatively a simple network. There are eight servers with reconnection to the NOC. I think that we have trained people and we also recruit people from operators which have this knowledge to do that and I think that we will be correctly experienced and operational by mid-2011.

Vincent Maulay: Thank you.

Michel de Rosen: Thank you Vincent. Let me just say this, Paris and Luxembourg time it is 16h30. We were supposed to end this at 16h30. I suggest we take ten more minutes so I would ask the next analysts or investors who are asking questions if they could not be surprised if we give concise answers to their questions.

Operator: Thank you. Our next question comes from Morten Singleton from Investec. Please go ahead sir.

Morten Singleton: Good afternoon gentlemen, just a quick question on the KA-SAT again. Could you confirm what the capacity of the KA-SAT is in thousands of megahertz as opposed to the gigabits per second that we've had previously? Could you just enlighten us as to roughly what sort of total revenue you think that satellite might be capable of generating? I've done a little bit of analysis which suggests maybe £200-240 million per month but at that rate I get down to an industry metric of £ per megahertz per month which is about one fifth of what one of your competitor is looking to charge in this space, so I just wondered if you could enlighten me on those metrics? Thank you.

Jean-Paul Brillaud: I will try but I think that it's relatively a complex computation because we are re-using the same frequency over all the bands and I think that we can more or less make at least 70GB of capacity which is using a spectrum but of course it's always the same service spectrum which is reduced several times to 4GB. I think that if you are trying to use the mistake



that you were assuming to try to see what is the valorisation and so on, I think that maybe it's not really a suitable analogy because these megahertz are used over a relatively small spot beam area and that is why we are able to re-use it, so I think it's difficult to really assume some megahertz or the same megahertz, just a 200km diameter of surface. I think that it's not all the same value so I think you should be careful in your analogy but I think that we are in fact using 40 gigahertz of it.

Morten Singleton: Ok, thanks gentlemen.

Michel de Rosen: Thank you. Next?

Operator: The next question will come from Peter Knox from Société Générale. Please go ahead.

Peter Knox: Thanks for taking the question. Two quick ones, in terms of outlier depreciation costs there was a fairly sharp drop in the first half. Can you just explain the mechanics behind that? Second question, in relation to capex given the run rate of the first half and expected satellite schedules moving forward can you give us some guidance as regards total capex for FY 2011 please?

Michel de Rosen: Catherine will answer both questions. I will just suggest for the next speakers if they could focus on one question so as to be fair for the other ones otherwise we'll have to cut before the end of the line. Catherine?

Catherine Guillouard: On the depreciation it's simply due to the fact that we have at this time more satellites at the end of life, that is to say we have in the account during this semester AB-4, Sesat 1, Telecom 2C and W2 AB-14 and W1. That is to say it's due in fact to the fleet that we have and it's momentum in the fleet which explains the fact that we have this €15 million decreasing of capex, so it is simply that and this was more important than the new batch of satellites and especially the new ones that we have to depreciate like notably W7. So this is the explanation on the DNA and on the capex front just to explain the level at the end of December, the +60 is simply linked to the new programme that we have launched during the last month



there to December '09 because we have launched W5, W6 EB2A programme for instance and W3D which is the replacement programme of W3B. All those explain the fact that we have invested €60 million additional between the two months of December, December '09 and December '10. Do you want to add something Jean-Paul?

Jean-Paul Brillaud: I think the fact that we have lost W3B, I think that has some impact on the additional cash flow that we have received but of course we have to reinvest in W3D which makes in fact the capex relatively more important this year.

Peter Knox: Ok, thank you.

Michel de Rosen: Thank you Catherine, thank you Jean-Paul.

Operator: Our next question comes from Torsten Achtmann from JP Morgan. Please go ahead.

Torsten Achtmann: Hi. Do you see any chances to open up new orbital slots and ideally which new markets do you think are attractive which you would like to enter most in the emerging market space? Thank you.

Jean-Paul Brillaud: Yes, I think that it's clear that you have seen that first I think that we are quite successful in different markets. We have also a fill factor which is relatively high, 90%. Of course there is the consequence of the W3B. We have still some margin with the existing 90% because you should remember that we have been able and we have demonstrated our ability to go up to 97%. I think that it's a record and that maybe we are not always able to reproduce but we have still some margin but relatively less. It's clear that we need to deploy new capacity and we have all the investments which are already decided but I think that we have ambitions of course to open new orbital slots. I will not disclose to you which ones, you will understand why. Of course they will target what is where the demand is and I think that the demand is for us, I think that everybody now has understood because we were the first to deploy it in the emerging markets which are really on Middle East and Africa, there is a significant demand and I think we



are quite active on that with a very, very strong partner and we intend to continue to focus on this area.

Michel de Rosen: If you come to see us face to face we will tell you more but maybe the enemies are listening to us so we have to be careful.

Torsten Achtmann: Good point, I'll come over. Thank you.

Operator: We'll now take our next question from Tania Valiente from Citigroup. Please go ahead.

Tania Valiente: Hi everyone, one quick question if I may. I was wondering what was your view on recent contract wins from your competitor SES in Romania, Bulgaria and some of the other Eastern European countries which are traditionally in your footprint? Also what do you think of the new satellite that Telenor wants to launch which targets Central & Eastern Europe as well? Thank you.

Michel de Rosen: My immediate answer is we do not believe in monopolies. This is a growing market as we explained. There is room for us, there is room for others and we believe that we will serve...if this is a sort of general statement that you, all of us, that includes you, we all become better if we have competition otherwise you fall asleep and so we welcome competition. We are the leader in this part of the world and we believe we will remain the leader in that part of the world but we welcome competition.

Tania Valiente: Very clear, thank you.

Operator: Our next question now comes from Rakesh Patel from Goldman Sachs. Please go ahead.

Rakesh Patel: Hi there, just one quick question. I wondered if you could give us some colour on the number of HD channels that came out at December end? It seemed a very small or modest increase quarter on quarter. Is that right and then perhaps if you could give us any colour around that, that would be great? Thanks very much.



Jean-Paul Brillaud: You have noticed I think that it's our presentation, I think we have 200 HD channels on our fleet by the end of the year. I think that we have been very good and I think that HD has been very active on the first part of 2010. I think that it has significantly slowed down the questions of the penetration of the channels on the second part. I think that what we understand from our customers, I think that it's a certain number of subscribers which subscribe to the HD package are increasing quite dramatically, quite significantly and I think that our customers are very happy with in fact the success of HD. For the moment it has not translated to us for having more transmission of HD but we assume that in fact the good success of our customers in this HD activity in terms of revenue, I think that encourage them to really multiply the broadcasting of channels and that it will come for the future. That's what we are expecting and hoping but it's clear that we are not really in the foot of our customers, that's for them the strategy to really make the right balance between their increases costs which is the production and broadcasting of HD and the revenue that they have but they are not really mastering but I think we will continue to have a good conviction that this will continue to apply and even if there has been a relative slowdown in the last six months.

Rakesh Patel: That's great. Thanks very much.

Michel de Rosen: Thank you Jean-Paul.

Operator: We'll come to our next question which is from Henrik Herbst from Credit Suisse. Please go ahead sir.

Henrik Herbst: Thank you very much. I just wanted to ask really what kind of revenue ramp-up profile we should expect from KA-SAT and then also a short question I want to ask is whether we should expect incremental costs relating to KA-SAT come through also in H2? Thank you very much.

Michel de Rosen: Henrik, if I may, we are going to run into a technical problem, there are two more people that want to ask a question and I want to make sure they get the chance so I will



answer your first question and then we will move to the next. The ramp up we have described for KA-SAT is that the revenues will be either negligible or zero in this fiscal year, so thanks to the early start it could be substantial in the following fiscal year 2011-2012 and that we expect the milestone to be €100 million by 2014. So we expect that this will be progressive and that it will continue to grow after 2014. So far we're not ready to give more guidance. We may give more guidance at the full year results at the end of July but at this stage we are not ready to say more.

Henrik Herbst: Ok, thank you very much.

Michel de Rosen: Thank you.

Operator: The next question now comes from Eric Beaudet from Natixis. Please go ahead.

Eric Beaudet: Yes, hi, thank you. You maintain your three year guidance, capex guidance at around 450 million per year but actually ordered an extra satellite W3D in that period. I just wanted to make sure that it's also included in the guidance and if so how come the capex guidance hasn't been increased? Then you mentioned that KA-band was delivered for both B2B and end user. Is the price per megahertz or transponder the same for B2B or end users on that KA-band? Thank you.

Michel de Rosen: Briefly on the first question the answer is yes, yes it is included. It is an average figure. We're not saying 450, we say average for the period. Jean-Paul on the second question?

Jean-Paul Brillaud: The second question is that the revenue for B2B is less than the revenue for B2C because the costs that we will in fact incur for really managing the B2C even if it is through distributors are higher, so I would say the ARPU per megahertz or per megabyte for the B2C would be higher than for the B2B.

Eric Beaudet: Thank you.



Michel de Rosen: Thank you. Now a last question?

Operator: Yes. Our last question now from Mark James from Liberum Capital. Please go ahead.

Mark James: Thank you. Can you talk about the potential for migrating traffic from Ku-band onto Ka-band and freeing up some capacity on your Ku-band satellites please?

Jean-Paul Brillaud: On this question it's clear and I have already said sometime that I think that the Ka-band, I think that in particular what we call the high throughput satellite which is one of the satellites like KA-SAT with multi-spot, I think that permits to have a strong cost advantage in terms of the space segment. So it is quite adequate for all point-to-point applications. I think that today so that means that there will be a possibility of moving the type of applications which are point-to-point which are mainly any SNG satellites, news gathering from Ku to Ka. I think that we have no intention or we are almost the only ones to have significant KA-SAT even if there is one competitor with small capacity in Europe, so I think that before other competitors at large scale comes I think that we have sometimes to master this transfer from Ku to Ka. Today we have no really advantage to do that. I think that we will in fact use this possibility to have that in order to maximise our revenue over the next three years before competitors come. I think first don't put the cart before the horse. I think that we have first to have the satellite put in service demonstrates for the new application and we will focus on new services, new applications and after that we will really optimise our portfolio of services and customer from Ku to Ka to always maximise the revenue of the company and the value for the company.

Mark James: So just to be clear you've got no intention to do it near term?

Jean-Paul Brillaud: Absolutely.

Mark James: Ok, thanks.

Michel de Rosen: Thank you. We are supposed to be finished but I am told there is one last question, so this will be the really last question.



Operator: Thank you. So the last question is from David Cerdan from Deutsche Bank. Please go ahead.

David Cerdan: Good afternoon, I have just one question, it's regarding do you see some overcapacity in some regions or some changes in pricing pressure?

Jean-Paul Brillaud: I think it's always difficult to predict. I think that we have relatively good visibility on the next three years because I think that it's more or less what is the committed capex of the different operators. I think that we do not see a significant oversupply with what we know. I think that we understand that there are regions which are reservoirs for demand or for growth which is Africa and of course there are some people which dream to enter into this area. I think that we are a significant player there. We see also that Intelsat which is the leader in this region, it's relatively quite shy to say correctly in terms of expansions, so that means that the one should compensate the other and I think that this should really keep relatively a good balance between supply and demand.

David Cerdan: Many thanks.

Michel de Rosen: Jean-Paul, thank you. Ladies and gentlemen, we thank you for attending the call. We look forward to meeting you in different road shows or if you care to visit us our door is always open and of course we invite you to attend our July 28th conference call for the full year results. Thank you to all.

Operator: Thank you ladies and gentlemen, that will conclude today's conference call. Thank you for your participation, you may now disconnect.