

## **Eutelsat Communications**

**927620**

**Fri, 8<sup>th</sup> Feb 2013**

**09:30 Hrs UK time**

Chaired by Lisa Finas

### **Lisa Finas**

Welcome to the first half 2012/2013 results. Just to give you an idea of how the meeting is going to proceed today; we will be giving a formal presentation with our senior management and then we will open up the call to questions both from those of you who are here in the room with us today in Paris and those who are on the telephone. So don't hesitate to ask your questions, even if you are not with us here in the room today.

I would just like to remind you that there might be some forward looking statements in our comments today and if you would like to understand more about the risks of the company look at our website in the reference document and you will find an introduction to what kinds of things we encounter in our business.

So presenting on our call today will be Michel de Rosen, our Chief Executive Officer; Michel Azibert our Deputy Chief Executive Officer; and Catherine Guillouard, our Chief Financial Officer. I am Lisa Finas, Head of Investor Relations and now I would like to pass the call over to Michel de Rosen. Michel?

### **Michel de Rosen**

Good morning to all and Lisa, thank you.

We are of course pleased to present Eutelsat's first half results and to renew our commitment to deliver growth and profitability with long term visibility. Satellites are the core infrastructure in the digital economy, facilitating large scale and efficient distribution of media and data content. Television remains the dominant media with more channels and higher resolution images, demanding more bandwidth. Broadband is an essential model for social and economic development everywhere.

Enterprises and consumers, beyond the range of ADSL and fibre, demand immediate solutions for high quality internet access. Satellites play a pivotal role in both these areas serving users directly and complementing terrestrial networks.

This was a kind of introduction in my introduction. Let me now make a few comments on our figures. Revenue has increased by 5.2% to €634 million. Growth at constant currencies was 3.3%. EBITDA reached €502 million, which implies an industry leading margin of over 79%. The group share of net income was up 14% to €179 million giving a net margin of more than 28%. Net debt to EBITDA stood at 2.66 times, up slightly from June 30<sup>th</sup> 2012, notably following the acquisition of Eutelsat 172A. Eutelsat paid a €1 per share dividend to shareholders on November 21<sup>st</sup> 2012. Overall this is a solid first half

with our largest application video growing at a robust 6.8%. I am pleased to confirm that we are on track to reach our stated full year and three year objectives.

A few highlights on this first half. The half was marked by several key achievements which are critical in preparing Eutelsat's future growth. First, operational—by the way did you hear that last night there was a successful launch of Amazonas-3 by Arianespace? Did you see that? You may also have seen we announced an agreement with Arianespace, but that is another story.

So highlights of the first half. Operational -- our teams successfully put two new satellites into orbit back to back, Eutelsat 21B, covering important multi usage and data regions in Europe, MENA, North West Africa and Central Asia and carrying both replacement and expansion capacity. That satellite became operational on December 18<sup>th</sup> 2012. Eutelsat 70B, with four connected regional beams covering Europe, Africa, Central Asia and South East Asia, entered into service on January 16<sup>th</sup> 2013. Not many days ago.

So that is one or two significant operational events. Next, the acquisition of G23 renamed Eutelsat 172A was finalised on September 25<sup>th</sup>, giving Eutelsat an important foothold in the Asia Pacific region. And I salute Pierre Hudry from Goldman Sachs. They were our banker on this transaction and they did a very good job.

Elsewhere we announced the procurement of a flexible, new generation satellite to support the high demand in MENA for the 7/8° West video neighbourhood. Next an important strategic partnership was signed with RSCC our long standing Russian partner for two new satellite programmes. One that will launch later this year to cover the Far East regions of the Russian Federation, places where none of you has ever been. It is very far in the East.

And the second a replacement satellite for a key Eutelsat video neighbourhood, 36° East, which will carry not only KU-band but also KA-band capacity for consumer broadband access in Russia and will have expansion capacity in Russia and Sub Saharan Africa. With one of the youngest fleets in the industry at an average age of 5.3 year the advances achieved in the first half reinforce Eutelsat's ability to continue to grow profitably in the coming years.

Success in our industry rests on several factors: having a young and modern fleet in the right locations at the right time; strong commercial partners; but also obviously competent teams in the right place. To accompany our expanding capacity in new regions we are reinforcing our commercial presence to be closer to our customers, with new sales offices in Dubai to cover Middle East and Africa; Johannesburg, to address in priority Sub Saharan Africa; and Tampa in Florida, putting a multi usage team face to face with some of the decision makers for government contracts. We have also created Eutelsat Asia based in Singapore with part of the team coming from G23 to address East Asia, Australia and Asia Pacific. These four new offices have significantly bolstered our existing networks which now counts 14 regional sales offices around the globe.

Let me now hand over to Michel Azibert to run through the operating performance of the first half.

## **Michel Azibert**

Thank you, Michel. I would like to start by highlighting the order backlog which exceeded €5.4 billion at December 31<sup>st</sup> 2012. This is a record and this is equivalent to over 4.4 years of the previous year's revenues. This increased backlog mainly reflects first the high demand from video capacity in the MENA region, and second the inclusion of the acquired order book from Eutelsat 172A. 92% of the backlog comes from video contracts with long term visibility and the average remaining life of contracts is 7.3 years.

The capacity we have recently added will benefit in particular multi usage, data applications and professional video. The number of operational transponders grew by 6% with the entry into service of Eutelsat 21B and the integration of Eutelsat 172A into the fleet. The fleet's fill rate at December 31<sup>st</sup> 2012 stood at 74.7% down from 76.1%. This is reflecting the entry of new capacity late in the half year. It does not include Eutelsat 70B, which only became operational in January 2013.

Total group sales were up just over 5% with revenue growth of over 6% in both video on the one hand and data plus value added services on the other hand, while multi usage revenues declined 2.4%.

I will now take you through the applications individually. The video business, which represents almost 70% of total revenues, grew by nearly 7%. This reflects the sustained take up of capacity added in 2011/2012 via Eutelsat 7 West A, which came into service in October 2011 to support demand in MENA and Eutelsat 16A which came into service in November 2011 addressing Central Europe and the Indian Ocean Islands. The number of TV channels broadcast by the Eutelsat fleet increased 8% to reach nearly 4,500 at 31<sup>st</sup> December and HD channels grew 41% year on year.

HD take up in video more than doubled over the last 24 months for the entire fleet, driving expansion in this business. HD adoption in fact is very encouraging; notably in each of our key video neighbours. The number of HD channels more than doubled at Hot Bird, at 36 East, at 16 East and at 7/8 West where audiences are the largest. And HD penetration reached almost 14% on Hot Bird, while neighbourhoods addressing fastest growing markets, so HD penetration increased significantly between 2010 and 2012, for example from 2% to 7.5% at 16° East. Overall HD penetration is now 9% across the fleet, which leaves a lot of room for future expansion.

Eutelsat also launched in January the first ultra HD demonstration channel for Europe on Eutelsat 10A. It is designed to benefit all actors in the broadcasting chain who want to acquire expertise in 4k television.

Turning now to data and value added services. The growth of the two combined business lines was 6%. The data services business was supported by the revenue contribution from Eutelsat 172A, limiting the year on year decline to 1.5% as competitive pressure in Africa and from alternative technologies continue to weigh. This business was also negatively impacted by the cancellation of a contract with a slow paying customer whose capacity has subsequently been re-contracted. The value added services business continued its strong growth delivering 38% growth for the half year. Tooway broadband services for consumers and SOHOs has been ramping steadily on KA-Sat since June 2011.

The IP Easy services providing broadband for SOHOs in Africa are enhancing the lower end of the D-Star offering. However the mainstream D-Star enterprise offer is still transitioning to new generation equipment. Growth in mobility applications was underpinned by the WINS Maritime subsidiary addressing the cruise ship market which benefited from a strong summer season.

Focusing on KA-Sat -- first on the consumer side, Tooway counted 72,000 active terminals at December 31<sup>st</sup> 2012. Starting this month we have launched a new offer with higher speeds, more volume and more competitive pricing. The offers include speeds of 20Mbps down and 6Mbps up and unlimited usage at this speed for the higher end of the offer with competitive prices. The initial response from distributors is quite positive.

We are continuing to improve and diversify our go to market strategy with multi-beam offers or offers that include low monthly equipment rental fees for Tooway. This is new. Our commercial teams continue to pursue new markets, notably in the semester Turkey and Russia.

On the B2B side we are gaining traction with Professional Data Networks for SOHOs; figures will show that. We are working on wholesaling specific beams. That is new also. And hope to announce a contract soon. Monitoring the parliamentary elections in the Ukraine was the first successful example of applications for governments and administrations using KA-Sat. And finally mobility presents a new era for development. Eutelsat Air Access for in flight internet access will be commercially available within the coming month and it will equip part of the AerLingus fleet. We are confident that this positive development of KA-Sat products and distribution will drive future growth in the services borne by this satellite.

Finally with multi usage; the decline year on year in multi usage revenues still reflects the loss of contract volumes during the renewal cycle in February/March of last year. The positive contribution of revenues from Eutelsat 172A limited this decline to around 2%. The outcome of the September/October 2012 renewal campaign was quite in line with our forecast; and organic sales, excluding Eutelsat 172A, were stable during this period. Based on our current assessment we are confident that the February/March 2013 renewal campaign will also be in line with our forecast. Looking ahead, the capacity brought by Eutelsat 21B and Eutelsat 70B, this new capacity, will enable us to better address markets of high demand.

Now I will hand over to Catherine to run through the financials.

### **Catherine Guillouard**

Thank you, Michel and good morning to all of you. Now some key highlights on our financial performance. Our EBITDA stood at €502 million. Our operating profitability remained very strong with an EBITDA margin at 79.2%. At the operating income level we saw an increase in depreciation with notably the full year effect of the new satellites in the -- fleet of Eutelsat 7 West A and Eutelsat 16A. This was not offset by the end of life of several satellites.

The financial result is improving at 54 million. Last year was impacted by a nonrecurring item linked to the refinancing of Eutelsat Communications. Current year was also

impacted by a higher gross debt with notably the issuance of the new 300 million ten year bonds in October last year.

Income from associates were up by 20% with a strong performance of Hispasat. Our income tax was up to 104 million and we improved the effective tax rate despite a tougher French tax environment. The net margin for the company was strong at over 28% for the first half, with the group share of net income at €179 million, up 14% versus last year.

Coming now to our group's EDITDA; the group EBITDA amounted to 502 million, nearly 5% from last year. The EBITDA margin of 79.2% remains industry leading among fixed satellite services. Operating expenses amounted to 132 million, up 6.4%, mainly reflecting the increase in resources dedicated to reinforce the group's overall commercial activity. This includes the development of consumer and professional services on KA-Sat and reinforcement of the regional commercial teams. We expect this to continue in the second half.

Now on the cash flow -- cash flow from operations was up 74 million plus 22% at 407 million thanks to three key elements. First EBTIDA improvement, second lower tax paid and third improvement of working capital. They stood at a strong 64% on the half year revenues. CAPEX were up to 389 million. This notably includes the acquisition of Eutelsat 172A for \$228 million. Operating cash flows were down to 18 million reflecting the acquisition of this satellite.

On to the financial structure now -- at the end of 2012 the net debt was up by 233 million, mainly linked to the acquisition of Eutelsat 172A. The leveraged net debt/EBITDA stood at 2.66 times. We were last year, at the same period, at 2.53 times. The average cost of debt averaging over the first half was 5%. Over the past 12 months Eutelsat continued to diversify its financing with two things. The first one was the issuance of a 300 million ten year bond, bearing a 3.125% coupon in October 2012 and second the set up of a \$66 million export finance facility with the US Ex-Im Bank on which \$46.3 million were drawn at the end of December. At the end of December we have a very strong liquidity position with €650 million of undrawn credit lines and 182 million of cash in hand.

Finally, on our financial structure in terms of financing you will see that we have during the last three years strongly diversified our structure. It has changed in fact completely from a 100% bank debt funded at the end of December 2009 to a 70% bond debt funded company at the end of this December 2012. The group's maturity profile has been further improved in H1 with the new bond of 300 and a 10 year maturity.

And now I hand back to Michel for our outlook.

### **Michel de Rosen**

Thank you, Catherine. So let's take a quick look at the growth drivers of our markets. Long term video growth there should be driven by both more channels and high definition penetration. Video is the least exposed of our businesses to changes in the macro environment thanks to the strong video neighbourhoods we have built especially in emerging markets where momentum is the strongest; and where Eutelsat is well positioned; MENA, Russia and Africa. High definition television which requires 2.5 times more capacity than standard definition is expected to represent more than one out of

four channels broadcast in Eutelsat's footprint by 2021. And as you all know ultra high definition is around the corner.

Growth in the data and value-added services fields will be fuelled by the continuously growing demand for connectivity from both consumers and businesses. Demand remains strong, especially in the fast growing markets. In Africa, for example, the number of these adds is expected to grow from 65,000 in 2011 to more than 230,000 in 2021. And transponder demand is expected to increase by 14.5% per annum until 2016. However, we are currently facing a greater degree of competition from alternative technologies, including fibre, and from regional players in Africa. Thirdly, multi usage is the least predictable of our businesses. Future growth is expected in this market, albeit at a slower pace than the exceptional levels of the past years.

So let me now move to our supply. The previous slide was on demand and now supply. Our deployment plan is not just about more capacity, it is also about smart capacity. Our new generation satellites incorporate innovation in design making them both more flexible and more durable. For example our recently announced satellite to be deployed at 8° West will have many new features including anti jamming which is a direct response to customer needs for high quality transmission at all times.

In the first half we successfully passed three critical operational milestones in pursuit of our ambitious fleet deployment plan. The success of back-to-back launches of two new satellites, Eutelsat 21B and Eutelsat 70B and the smooth integration of Eutelsat 172A into our fleet all provide in-orbit resources for future growth. These new resources, coupled with increased commercial support in the field, are major steps in Eutelsat's push to address new markets and regions around the globe. They will increase the fleet capacity by around 30% from June 2012 to June 2015.

And finally a word on the contract we announced this morning; we have signed a long term multiple launch agreement with Arianespace. This guarantees launch capacity and flexibility for our expansion programme. The agreement covers up to four launches, in 2016 and '17 and come in addition to the contract signed in July 2012 for the 2014 and '15 timeframe, covering the previous contract, one firm launch and one option for a further launch.

Ladies and gentlemen we are a key player in an industry which is at the centre of an evolving digital economy. It will remain driven by the ever growing need for better quality images and for faster interconnection. Eutelsat is well positioned to benefit from both the resilience of developed markets and from the dynamics of faster growing markets.

We are today confirming the outlook communicated to the market on October 25<sup>th</sup> which we revised then to take account of the integration of Eutelsat 172A. Specifically for revenues, current year to June 2013, five to 6% growth; three year to June 2015 KAGR of six to 7%. All other targets relating to the period to June 2015 are confirmed and remain therefore unchanged. EBTIDA margin around 77%. Average CAPEX of €500 million per year, this excludes Eutelsat 172A. Net debt to EBTIDA below 3.3 times for a solid investment grade rating. And 65 to 75% of net income payout ratio. We are optimistic about Eutelsat's future and we are committed to continuing to deliver growth and profitability to our shareholders.

And now we will be happy to take your questions.

## Questions and Answers

### *Eric Beaudet – Natixis*

The first one is on your new pricing offering on KA-SAT. You have just announced a higher bandwidth for lower prices. My question is are these new pricing because the service wasn't in demand and does these new lower pricing put into jeopardy your long term sales objectives on that KA-band satellite? Second question is what was your thought in increasing your stake in Hispasat knowing that probably the Spanish government will never allow you have a majority stake? And finally if you could just tell us if you have any of your future launches planned on Sea Launch and if you do, do you have a backup plan in case the launcher continues having problems.

*The adjustment upwards of the offer is based on the fact that first we have a satellite with an excellent capacity and performance. You know that we have increased in fact the performance of the service by adjusting the modulation scheme. So we can really deliver very high speed services and we didn't want to be in a situation where we in fact would offer a service which is below the performance allowed by our equipment.*

*Regarding prices, we are quite in line with what we anticipated in terms of revenues per users and the progressive adjustment upwards of the service is quite encouraging from this standpoint. I think we believe we are going to be doing very well from this point of view. And lastly of course we believe that we are in a competitive environment with new offers and new technologies and we believe that the new positioning first is much simpler, it is much more customer friendly in particular with the introduction of the unlimited usage and it will generate better sales in the first semester of this calendar year.*

*Your second question is on Hispasat; a few comments on Hispasat. We announced a few weeks ago that we were exercising our pre-emption rights on the shares that Telefonica decided to sell. And this move has been approved on December 28<sup>th</sup> by the council of ministers of Spain.*

*First comment; second comment is that this is not yet effective, because it still has to go through the process of the Spanish administration that needs to approve any foreign investment in Spain. This is why even if we have announced this move it is not yet in our figures. You should expect that it will take some weeks. We don't exactly know how many, but some weeks before it is effective and before we paid the cheque for these shares.*

*Third comment is to say that we have a good relationship with the Spanish government I would say because of what you said on this topic. The next comment is to say that we do not know what the intentions—we may have ideas, like I am sure you have ideas—of the Spanish state are for their own shares in Hispasat, where they are the third largest shareholder behind Abertis and Eutelsat.*

*I will add that we became a shareholder of Hispasat in 2001. This for us is a long term investment and we intend to remain a shareholder of Hispasat.*

*Your third question was about Sea Launch. Probably your question is explained by the fact that there was a failed launch by Sea Launch exactly a week ago. This is of course unfortunate both for Sea Launch and for Intelsat who lost their satellite. Having said this, for 2013 we had a successful launch with Sea Launch a few months ago if you remember. And another successful launch with Sea Launch a year before. In 2013 we do not have any planned launch with Sea Launch and in our plans we had the possibility of launches with Sea Launch in the future, but we have alternatives. And for example our two agreements contracts with Arianespace, the one we had before covering 2014/15 and the new one covering 2016/17 gives us significant options.*

### ***Vincent Maulay - Oddo***

*(The first question on the deal Arabsat acquiring HellasSat -- do you know if it includes orbital positions in Europe and what about the threat of increasing pressure specifically in Balkans. And a second question on the multi usage issue; give us some colour on the mood and appetite of the US Army ahead of renegotiation in the weeks coming. You say you are confident it will be in line with your internal targets? Do you integrate aggressive acceptance on your incremental capacity in the Middle East and Asia Pacific? So I don't know if you could give us your internal targets? Is it roughly plus 5% year on year in H2 2012/13?)*

*So I will comment on your first question and Michel will comment on the second one. I will just say a word on your second question. We do not provide the financial community with targets per application. We give targets for the company overall. Thank you for trying that.*

*On your first question, we were informed only last night of this transaction. As you know it is not a secret. We were interested by Hellas Sat but no details have been provided yet on the exact terms of the transaction. I will add that when you are in the inorganic growth game, these things happen, especially if you are fiscally conservative which we are. G23 is a good example. We entered the game and we had—we did a lot of work and had decided not to go beyond a certain price and if the price had gone further we would not have bought this asset.*

*Hellas Sat we had done our homework and we were willing to go until a certain price. Again we don't know all the details there of the deal but we cannot be surprised because when many operators are interested, the probability that you win is obviously limited. This is the characteristic of inorganic growth initiatives. Michel, on the second question?*

*Yes. What makes us confident about the renewal campaign, of course we are not yet there, and it is just starting now in February/March, is that first we believe that in spite of the budget cuts the US government will give priority to the ongoing support of the troops in the areas of tensions and conflicts. So we are not afraid that there will not be demand in the key orbital slots which are delivering services to the US DoD, for instance 21B where we added capacity, 21 East, 70 East, 36 East and maybe even 25.5 East all of which are going to be proposing good capacity for the US DoD that [we think] they will take. The welfare, including the entertainment of the troops maybe will be a little bit more limited going forward, but we don't believe this is going to have a significant negative impact on us.*



*And we have very good fundamentals going forward with the UAVs. We believe that if there are cuts on the procurement that would also have a positive impact on the civil satellite—communications satellite because the cut would impact more the military programmes. And finally we are also very well positioned in the Pacific as you have mentioned for the Pacific with the G23 satellite, Eutelsat 172A. So all in all having the visibility we have today we are confident.*

***Tania Valiente – Citi***

The first one is on CAPEX, so if I look at it on an underlying basis, stripping out the acquisition of G23, I believe you were at roughly €220 million, which is below your sort of expected annual run rate of roughly 500 million for the year. So is this a seasonal effect or should we expect that indeed underlying CAPEX comes lower for the year? And then my second question was on your data and value added services business for the second quarter, if I strip out again G23, it looks like it was down a little bit by roughly one million in each business on an underlying basis. So could you explain why that happened and do you see this recovering in the second half given your incremental capacity?

*Tania, you are right without Eutelsat 172A, we have been decreasing our expenses of CAPEX during the first half, but it is only due to some delays in programmes, because in fact we will continue to target our average envelope for the year of €500 million. We have for instance to pay the insurance costs for the two last programmes, Eutelsat 21B and 70B during the first semester. We have begun to pay some programmes to come, but we have finished paying Eutelsat 7 West A and Eutelsat 16A, so all in all we are a little bit late but absolutely we remain on our envelope for the year, because—of €500 million. So it is just linked to the development of the programmes.*

*On data and data services, which are part of value added services, I would say first that you are right. That there was a slight decline in the semester for this business line. You have to take into account as I think I mentioned during the presentation that part of this effect is due to a one off issue that we have with one customer that we cut because they were a bad or slow payer and by the way we have—it was in C-band capacity in Africa and in the meantime resold this capacity, so going forward that would be wiped out.*

*The data business as you said, yes we expect to re-boost this business line for the first half of the calendar year, first because we would add the capacity obviously of 21B and 70B on which we already have leads for data. And second we are re-boosting the D-Star business and we expect it to come back up, probably at the end of the fiscal year. So we are definitely more positive for the trend over the second part of the fiscal year than what we had been in the first part.*

Thanks for that. Just a quick follow up on my second question, could you say that the early days of 21B and 70B have been good in terms of take up?

*These satellites carry, as you know, multi usage and data capacity, so these are services that are generally not presold, and we are just at the beginning of the curve of selling the services. And what we can say it is encouraging, in particular with the visibility we have now on multi usage. But data will come as well, we have no reason to think otherwise — we have very good capacity for data in terms of connectivity between continents that we*

*will sell it, but with of course a slower ramp up than what is seen for video which goes faster usually.*

***Henrik Nyblom – Nomura***

Firstly for Michel de Rosen, if you can comment on M&A given that Mea Sat, as we know, last year was gone and is no longer an opportunity. Hellas Sat now gone. Looking at the landscape there might be one more to do, which I don't want to mention on the call, but apart from that, shouldn't we start looking at using and stepping up further your cash returns to shareholders given your leverage that you are well below your target? The second question is to Michel Azibert on KA-Sat. Maybe just to—we have seen the number of terminals grow strongly, but are there any spots to date that have reached 70% fill rate?

And the third question I have is for Catherine—actually two questions. It is one regarding, mentioning your exercised pre-emption rights in Hispasat, I recall you actually sold and got some cash from Abertis for pre-emption rights in Hispasat earlier. Does this mean that we should also expect you to pay Abertis back for this? And lastly, when it comes to the 800 million term loan and the swap that you have expiring end of June, what is your thinking in terms of refinancing that and pushing out the maturity further?

*Thank you, Henrik. I am impressed by how organised and allocated your questions are. So we will take them in the order that you indicated and with the speakers that you chose. So on the first one, M&A, we will be interested to know what is the name you don't want to say publically. Give us a call after this call.*

*However, we are being serious now, we have said and I can repeat today that the main priority for Eutelsat to deliver growth is the organic part. We do not need—we are not looking to do any major transformational transaction. We are not looking at that. However, we are interested to do limited, focused, value creation transactions like G23 or like—which we did, or like Hellas Sat which we are not doing. And we are working on several ideas of that kind.*

*Do not expect anything to happen in the near term future. Nothing is in the oven as we speak. However, because of our interest in these possibilities, we prefer to keep some financial flexibility to be able to catch, grab and opportunity when it comes our way. So that is my answer. And now following your order, Michel will speak about KA-Sat.*

*Yes, the Tooway subscribers are mostly in five countries in Western Europe; France, UK, Italy, Spain and Germany. We have a very nice push by the way now in Spain. In these countries none of the beams are filled up to the capacity you mentioned. It is very, very far from this. We have a lot of capacity for expansion everywhere, so this is quite encouraging to give us space of course for accelerating the ramp up in terms of activations.*

*I would add to that that obviously the throughput is shared between the Tooway consumer service and the professional services and just to mention that as it was alluded to in the presentation, we have good hope to be able at some point in time to sell beams, or to sell throughput shared between different beams that integrators or operators would buy from us. So that is also a way to increase, I would say in significant steps, the fill rate of the*

*satellite. But again at this point in time it is still very low, which gives a lot of room for expansion.*

*Just one last point, in Ukraine when we had the parliamentary elections, the interest of this is not just a one shot revenue which is nice, but also the fact that we tested the service at its full capacity, because at this point in time we had video interconnection between 12,000 or 10,000 sites in the Ukraine for monitoring the election, which helped us check what the service—how the service is performing when it is at full capacity on all the beams and it was very successful from the technical standpoint.*

*And I will add before Catherine what Michel alludes to in Ukraine that had never been done before, by any satellite operators. So this was a first. Catherine?*

*Okay, on Hispasat we have absolutely two separate operations. True that in 2009 we have received 25 million from Abertis in order not to exercise; this was done and it is finished. It is over. There is no link between what happened in 2009 and what happened now. Now we will pay €56 million in order to go from 27.7% to 33.7%, i.e. taking 6% more in Hispasat and if you look at Hispasat published accounts at the end of December you will see that it is more or less an easy EBITDA of 7.6 times. Based on what has been published by the company, so it is two separate operations. And as Michel said previously, the cash out will be let's say when we will have the blessing of the last administrative procedure in Spain.*

*Regarding the swap, just to give you the history behind that, when we did the refinancing of Eutelsat Communication in December 2011, we have a term loan of 800 million. We have to de swap partly because the term loan was initially 1,465 million and we have kept the old swap taken in 2006 on this 800 million. This explains why you have an average cost of debt before aging that increased because this swap of 2006 is with a high level of the margins on the last refinancing plus 3.85%. At the end of June 2013 we will be free from that because we have put in place new age on the swap, obviously at much lower levels. In our estimation it is that it will be maximum 3.8%. So it will be a significant improvement of the average cost of debt when we will put in place the new age versus the previous one.*

#### ***Mathieu Robilliard – Exane BNP Paribas***

First with regards to your fleet rearrangement, I have noticed that following some of the successful launches you indicate in the press release that you are moving some satellites from one place to another. I just wanted to know if that is adding capacity beyond what is being added by the new launches and how we should think about that. Second, with regards to the video revenues, I noticed that they are down sequentially quarter on quarter between Q1 and Q2, if you could give us a bit of colour as to what explains that decline. It is the second decline in a row.

Thirdly, coming back to KA-SAT and to a previous question, you said that ARPU is going as expected, you are happy about the volumes, you are also happy about the business side of KA-SAT, so maybe if you can confirm that for you it is in line with what you were envisioning for the next two or three years in terms of revenue ramp up. But also to example maybe what went better in the professional services which was an issue last year, how has that changed?

*On the fleet, basically the two launches in one case does not directly or indirectly add capacity, because in the case of W6 the satellite is approaching its end of life. So it has been relocated but it will not generate significant revenues where it is and when it is there. It is a little bit different for W5 (E70A) relocation after the launch of Eutelsat 70B. In this case there will be a transition period just for backing the future launches and then there will be a possibility to use this satellite at a new orbital slot where we hope it will generate additional revenues, but that would be for the next year and not for this year.*

*Regarding the video, you should not—of course when you see quarter for quarter you see—or two quarters in a row of apparent decline or a decline in figures, you should not see that as a trend. The trend is in fact positive for the video business as it has always been. In fact regarding fundamentals the HD penetration, the penetration of the satellite overall, the number of the lease in fact of transponders for permanent use, DTH and permanent contribution and distribution is positive.*

*It just happened that in the last quarter versus the previous quarter we had a decline of professional video, not at all of the DTH, but professional video for a combination of two reasons. One is that we had an exceptional one off in Q1 linked to the London Olympics of occasional use and the second is that there were a couple of small events regarding video distribution or contribution, so professional services linked to clients in Southern Europe which explained the change, but it is just a one off. There is nothing recurring there. So a positive trend for video ongoing in particular due to DTH; is very good even.*

*I should add that MENA is really doing quite well at this moment in time; Africa we are also very encouraged by what we see for video and also Russia where we will add capacity as Michel has explained starting this year.*

*The last question on KA-Sat; first of all regarding as you say since we are let's say happy with the volumes although we believe the volumes should and will ramp up faster in the second half, and as we are happy with the revenues, it means that we are basically in line with our expectations regarding the revenue of this service for this year. And second we—as we have implemented a lot of changes in the professional services, last year we mentioned this negative headwinds, it was very difficult to release the products.*

*Now we have a very good SOHO product, it is selling quite well. We have not mentioned the figures, but the ramp up is quite good there. We have also the professional video KA-Sat service is working. We should improve, fine tune a little bit this service to be a top service performance, but it is promising and we will probably sell it to key accounts as well as through distributors.*

*And lastly we have this offer which is again this multi beam offer for professional services, for which we have signed a contract with Telefonica Wireless Services some time ago and we expect to continue to develop this offer for big telcos or big clients. So there are positive developments indeed on the professional services for KA-Sat.*

**Jean-Michel Köster – CM-CIC**

The tax rate was 36.5% in H1. Is it sustainable beyond this year?

*We are not guiding on tax rate. You know that the French tax environment is unstable, so we are not guiding on that. True, that we have improved by nearly 2 percentage points despite the impact of the last French tax deal. We have seen during the first semester an additional nine million due to the new French tax legislation, but it is not still totally clear. For instance you know that we have a non deductibility charge in the French tax and the definition of the net financial charges is not still issued by the French tax administration, so it is estimation. We have been able to improve the effective tax rate because we have been able to also add some deductible tax losses from subsidiaries. So considering the French fiscal environment is very difficult to foresee and we don't guide on effective tax rates, sorry, Jean-Michel, but you understand why.*

***Julien Rossi – Morgan Stanley***

The first one is on margins, despite the increasing marketing push on KA-SAT, operating expenses were reasonably tightly controlled in the first half and the margin only dropped by I think 20 basis points or so. Presumably there might be a little bit more operational gearing in the second half as all revenue growth maybe picks up. How confident are you that—I know seasonally margins are lower in the second half, but you know do you think you can maintain this sort of 20, 30, 40 basis point decline in the second half? And maybe more generally where are we in the reinvestment cycle of KA-SAT? Are we expecting another marketing push as some point or should this increased effort phase out?

And the other question is on pricing, you mention in the previous set of results that your pricing on average was stable, in fact very marginally growing. Can you give us a bit of an update on that, especially in the Balkans where I think the situation may have very slightly improved?

*So as you know we have always a seasonality effect between H1 and H2, with lower levels of expenses in H1 it is true if you look at it since we are in IPO. What happened this year it is that we have some expenses that we expected to pay in H1 which will be delayed in H2, is mainly technical and marketing contribution. Third we have decided to push for marketing and commercial cost on KA-SAT and especially to boost the new KA-Sat offer that we have just released and it is true for both professionals and consumer products, so this explains why and we confirm our guidance of around 77% for June. Nothing changes on that.*

*Just to add that as part of the work to boost the new offer, we will, together with our distributors, we have would have marketing campaign, in particular telemarketing, which will generate some costs but we expect very good returns. We are also promoting the development of KA-Sat vis-à-vis local governments, especially in France, but also in other countries. We have specific operation with 1,000 municipalities where we would provide KA-SAT for free for six months and we hope that we will build awareness and we are targeting very specifically municipalities so that is just examples to show why we believe we should be a little bit careful on cost, because we would need that to boost the service.*

*Regarding prices, overall the average revenue per transponder is stable. So our prices are basically stable across the fleet and now it is true that there are pockets of geographical regions where there is still competitive tension, we mentioned Africa again for data, because of the competition of regional operators in spite of the very good underlying trend. And in the Balkans things are yes progressively hopefully getting a little*

*bit better. What is noticeable in the Balkans is that joining the group of the DTH operators are coming the telcos. So it will be interesting to see how these big telcos present in the Balkans. It could or could not, but we hope it could generate additional business for us in this region.*

***Laurie Davison – Deutsche Bank***

It is just a follow up on the video revenues point; you know a sequential fall in revenue there. You mention those two one off effects, the Olympics and the Southern European contracts. Can you just quantify those? And also given the growth you should be seeing in the emerging markets, presumably—does that mean that Western Europe is falling in terms of the year's revenues? Could you just give us perhaps some magnitude or a regional breakout there?

Second question is just about the tax rate, you mentioned in the release that you had—I realise you are not going to give a full year guidance, there is a lot still uncertain, but could you just give us the details of the towns on which you have provisioned already four changes in tax law? What you have already provisioned for? And then the third question is just about the Media Broadcast contract and your arbitration there; any further comments on what you plan to do in terms of provisioning for the arbitration process on those revenues?

*I might have part of your question, so please, Michel, if I miss something, add it. First of all regarding the video trend, again if we concentrate on the permanent use of transponders for DTH and permanent connections, let's say distribution for instance distribution to DTT stations or to cable heads, this is in fact increasing year on year and it is across the period, so there is no specific downturn at all in this part. We are selling more transponders and of course in the more mature market the capacity is more limited, Hot Bird's capacity is nearly full as you know in the emerging markets as you pointed out.*

*Yes the growth is quite significant and again I will say in particular in MENA where we are getting very, very good commercial results at this point in time, of which probably the consequences will be seen in particular in the years to come. But there is absolutely no trend in video which would mean that you know for instance the combination of HD growth and the change in technology of higher compression would result in any decline. That is not at all what we are seeing now.*

*On the impact of the recent French tax change in the H1 accounts it is €9.2 million that we have plugged in the accounts for the first semester mainly due to two elements. The deductibility of interest which was limited to 85%, this represents 3.6M euros during half year one, i.e. 1ppt of effective tax rate. And second element, which is significant, is the 3% tax on dividends, which represents 6.8M euros in total based on the last year dividends we have paid €220 million of dividends. And in the P&L we have taken for H1 3.5 million euros on that matter, so it is more to come in H2. So you have all the details.*

*The third question, if I understood it well, is related to the 28.5° situation. On that one, as all of you probably know, we have taken two initiatives. One is an arbitration initiative with Deutsche Telekom, the other one is an arbitration initiative with SES, both with the International Chamber of Commerce. We believe that our rights are solid, which is why by the way we have taken these initiatives. We therefore do not need to create any*

*provision. At a recent call I had the opportunity to summarise, hopefully clearly, our position. This is still what we believe and today we have no further comment on this matter.*

### **Closing Comments**

Well then to all of you, especially those who maybe in far away countries got up very early for the call, we thank you and those of you who are in the room if you can stay so we can continue to chat we will be honoured. Thank you very much.