PR/08/06

EUTELSAT COMMUNICATIONS REPORTS FIRST-HALF 2005-2006 RESULTS ABOVE OBJECTIVES

- Revenue up 6.4% at 395 million euros; up 2.6% excluding one-offs
- Profitability maintained at high level with EBITDA margin at 78.7%
- Strong operating free cash flow at 155 million euros
- Financial flexibility improved: leverage ratio down to 3.8x net debt to EBITDA, within objective of 3x to 4x
- Visibility further enhanced: backlog up 29% over the last six months, to 4.0 billion euros, representing 5.3 years of sales[1]
- Revenue growth objective raised from 2% to 2.5% for FY 2005-2006 and CAGR over the following three fiscal years upped from 4% to above 4.5%, with acceleration of HOT BIRD™ 9 procurement and relocation of HOT BIRD™ 3 following the launch of HOT BIRD™ 8

Paris, February 17, 2006 – Eutelsat Communications (ISIN: FR0010221234 - Euronext Paris: ETL), one of the world's leading satellite operators, today reported results for the first half ended December 31, 2005.

In millions of euros		Six months ended December 31 2005	2004 (pro forma)	% change
Key elements of the consolidated income statement				
Revenue	M€	394.9	371.1	+6.4%
EBITDA[2]	M€	311.0	297.2	+4.6%
EBITDA margin	%	78.7	80.1	-1.4pt
Key elements of the cash flow statement				
Net cash flow from operating activities	M€	228.0	NA	NA
Capital expenditure	M€	73.0	NA	NA
Operating free cash flow	M€	155.0	NA	NA
Key elements of the consolidated balance sheet				
Net debt reduction	M€	915	NA	NA
Net debt	M€	2,242	NA	NA
Net debt/EBITDA	x	3.8	NA	NA
Key operational metrics		31/12/05	30/06/05	
Backlog	€bn	4.0	3.1	+29%
Transponders in use	x	352	343	+2.6%

Net result was a negative 21.2 million euros, including 59.2 million euros of post-IPO debt restructuring costs and satellite impairment charges. Excluding these items, adjusted net result would have been a positive 38.0 million euros.

[1] Based on last 12 months revenue, excluding one-offs
[2] EBITDA is defined as operating income before depreciation and amortisation, excluding impairment charges

Commenting on the first half 2005-2006 results, Giuliano Berretta, Chief Executive Officer of Eutelsat Communications, said: "*Today's results reflect our ability to deliver a strong financial and operational performance and to achieve an EBITDA margin of more than 78% which is the highest in the FSS sector. With new contracts secured for video broadcasting and value-added services, we continue to see growth across our key business applications, which increases our backlog by nearly 30 per cent to four billion euros. This is equivalent to more than five years of revenue.*

In addition, the success of our Initial Public Offering, together with our sustained cash flow generation, has allowed us to reduce our indebtedness by some 915 million euros, adding flexibility to finance our development plan.

Given the robustness of the first half performance, I am confident in our ability not only to increase our revenue growth objective for 2005-2006 to 2.5%, but also to raise to above 4.5% our compound annual revenue growth rate projection for the following three fiscal years, with the acceleration of the procurement of HOT BIRD™ 9 and the relocation of HOT BIRD™ 3 following the launch of HOT BIRD™ 8".

Eutelsat Communications has established its unique competitive presence with its high-quality customer base and leading market share positions in Western Europe and emerging markets in Eastern Europe, Asia, the Middle East and Africa. I am sure that Eutelsat Communications is, and will continue to be the Fixed Satellite Services provider of choice, as we continue to invest in our first-class fleet in order to consistently offer the right satellites for the right markets".

Key business highlights:

- Solid momentum in data and value-added services, increased demand from video applications
- Strategy validated by new contracts
- Visibility further enhanced: backlog up 29% to 4.0 billion euros, representing 5.3 years of sales [3]
- Fill rate[4] at 76.6%

Video Applications revenue rose 1.3% reflecting notably the continuous increase of TV channels broadcast by Eutelsat (+75 channels growth from 30 June to 31 December 2005). With a limited number of analogue channels (14 as of December 31, 2005), the Group has almost completed the transition towards digital broadcasting. Only 7% of video capacity is still in analogue.

Data Services revenue was up 7.9%, notably due to strong growth in value-added services (+25.8%), reflecting business development with corporate and institutional customers and sustained activity in emerging countries.

Multi-usage leases increased 4.2% owing principally to a more favorable dollar/euro exchange rate.

[3] Based on last 12 months revenue, excluding one-offs
[4] The fill rate is defined as the ratio between the number of transponders leased to customers and the number of marketable transponders.

The operational performance of Eutelsat Communications validates the growth strategy defined by the Group to maximise revenue per transponder for Western Europe and emerging markets through:

- Consolidation of the Group's leadership position in video services by developing video neighbourhoods in addition to the HOT BIRD™ neighbourhood to serve growing markets such as Africa and Russia (36° East) and Eastern Europe (16° East);
- Deployment and development of broadband solutions;

In order to increase overall revenue the Group also follows an opportunistic approach, leveraging on multi-usage applications.

This strategy for the development of the Group's business was illustrated by sustained commercial activities in Western Europe and emerging markets as shown by the following examples of commercial successes:

- Additional capacity of 10 transponders at the HOT BIRD™ neighbourhood for Sky Italia as well as renewal of existing 16 transponder leases to ensure continuing expansion over the next 20 years of channels and services in Sky Italia's pay-TV platform;
- Selection of HOT BIRD™ capacity by MultiChoice Hellas to expand Nova pay-TV platform and by SNRT (Morocco's national public broadcaster) for new digital platform;
- Selection of W2 capacity by Serbia Broadband (SBB) to support a new DTH[5] platform with 25 TV channels in Serbia and Montenegro and neighbouring regions;
- Selection of W4 capacity by Poverkhnost Satellite Communications to broadcast the Ukraine's first DTH pay-TV platform;
- Deployment, through Eutelsat's subsidiary Skylogic Italia, of broadband solutions with corporate and institutional customers in Western Europe (regional administrations in Piedmont (Italy), schools in Ireland) and in emerging markets;
- Sustained demand for capacity from service providers in emerging markets: Orascom (Algeria), Al Harbi (Saudi Arabia), Omantel (Oman).

As a result of the commercial activity during the semester, backlog increased by 29% to 4.0 billion euros as of December 31, 2005, representing 5.3 years of sales[6]. This 900 million euro increase is primarily attributable to video services which represent nearly 92% of the backlog as of December 31, 2005, and further improves visibility and predictability in the Group's business model.

Lastly, the fill rate as of December 31, 2005 was sustained at 76.6%, representing an increase over the last six months of nine transponders in use from 343 to 352, or 2.6% underlying growth which was mainly driven by increased use of multi-purpose satellites.

[5] Direct-to-Home

[6] Based on last 12 months revenue, excluding one-offs

Income statement highlights:

- Revenue up 6.4%, reflecting growth across all core business applications and non-recurring revenues of 17.4 millions euros
- Profitability maintained at high level with EBITDA margin at 78.7%
- Net loss of 21.2 million euros, including 59.2 million euros of post-IPO debt restructuring costs and satellite impairment charges

Six months ended December 31	H1 2005/2006		H1 2004/2005 (pro forma[7])	
	In millions of euros	In % of revenue	In millions of euros	In % of revenue
Revenue	394.9	*100.0%*	371.1	*100.0%*
Operating expenses[8]	-83.9	*-21.3%*	-73.9	*-19.9%*
EBITDA	311.0	*78.7%*	297.2	*80.1%*
Depreciation and Amortisation	-146.6	*-37.1%*	-155.3	*-41.9%*
Other operating expenses[9]	-31.5	*-8.0%*	-84.4	*-22.7%*
Operating income	132.9	*33.7%*	57.5	*15.5%*

Revenue for the first half 2005-2006[10] was up 6.4% year-over-year, including late delivery penalties and service interruption penalties of 17.4 million euros related to the ATLANTIC BIRD™1 satellite. Excluding these one-off items, revenues grew by 2.6% compared with pro forma consolidated revenue for the first half 2004-2005.

Operating expenses reflect a net year-over-year increase of 3.2 million euros in satellite in-orbit insurance due to the subscription on November 25, 2004, of a new one-year in-orbit insurance contract. Following its expiry, the Group has implemented a new insurance programme for its satellite fleet. Excluding this item and after restating for a 4.4 million euros professional tax provision reversal booked in the first half 2004-2005, operating expenses were up 3.1% year-over-year.

As a result, EBITDA increased 4.6% to 311 million euros, maintaining the EBITDA margin at the high level of 78.7%.

Depreciation and Amortisation decreased 5.6% due to the impairment[11] of the ATLANTIC BIRD™ 1 satellite last year and of the W1 satellite during the first half 2005-2006. Amortisation expense (22.2 million euros) is related to the intangible asset “Customer Contracts and Associated Relationships” identified during the acquisition of Eutelsat S.A. by Eutelsat Communications.

Other operating expenses reflect impairment of 30.4 million euros in the value of the W1 satellite following a technical incident on August 10, 2005. This amount does not differ from the one disclosed at the time of the Group’s initial public offering at the end of 2005.

Consequently, operating income increased by 75.4 million euros to 132.9 million euros, taking the operating margin to 33.7%.

[7] Pro forma financial information is based on Eutelsat S.A.'s. IFRS financial statements for the first half ended December 31, 2005. Pro forma financial information includes the most significant adjustments in Eutelsat Communications' consolidated income statement and the consolidated balance sheet for the period ending June 30, 2005 (see note 29 of the international offering memorandum dated November 29, 2005).

[8] Operating expenses are defined as cost of operations plus sales & administrative expenses.

[9] In 2004-2005, this was primarily due to an 84.0 million euro impairment of the value of the ATLANTIC BIRD™ 1 satellite

[10] See press release dated February 15, 2006, available on the Group’s website.

[11] Impairment charges are included in other operating expenses.

In millions of euros	Six months ended December 31 2005	2004 (pro forma)
Operating income	132.9	57.5
Financial result	-118.0	-96.6
Income from equity investments	1.2	0.8
Income tax	-37.4	-4.6
Net result	-21.2	-42.9
Minority interests	4.5	2.3
Net result, Group share	-25.6	-45.2

Financial result reflects the Group's pre-IPO financial structure and includes one-off charges of 39.2 million euros, of which 25.0 million euros are non-cash, in relation with the early full repayment, on December 6, 2005, of the PIK loan and of the Second Lien Credit Facility[12]. These were the most expensive debt instruments. Their reimbursement should lead to a significant reduction in the average cost of debt going forward.

Income from equity investments shows the contribution of Hispasat, the leading satellite operator in the Spanish and Portuguese-language markets, of which Eutelsat holds a 27.69% ownership.

The effective income tax rate reflects the financial expenses borne by the holding company. They include post-IPO debt restructuring costs (39.2 million euros) and interest payments related to the PIK loan and the Second Lien Credit Facility.

Consequently, net result was a negative 21.2 million euros, impacted by 59.2 million euros of post-IPO debt restructuring costs and satellite impairment charges. Excluding these items, adjusted net result would have been a positive 38.0 million euros, as illustrated in the table below:

In millions of euros	Six months ended Dec. 31 2005	2004 (pro forma)
Net result – as reported	-21.2	-42.9
One-off financial results (after tax)	+39.2	
W1 related impairment charge after deferred tax	+19.9	
ATLANTIC BIRD™1 related impairment charge after deferred tax		+55.1
Total post-IPO debt restructuring costs and satellite impairment charges	+59.2	+55.1
Adjusted net result before post-IPO debt restructuring costs and satellite impairment charges	+38.0	+12.2

Minority interests rose 2.2 million euros, driven by improvement in the net income of Eutelsat S.A. of which Eutelsat Communications held 95.2% of the share capital at December 31, 2005, compared with 93.2% at June 30, 2005.

As a result, net loss, Group share was 25.6 million euros.

[12] See international offering memorandum dated November 29, 2005 for more details on the Group's debt structure.

Cash flow and balance sheet highlights:

- Strong operating free cash flow: 155 million euros
- Capital expenditure contained at 73 million euros
- Net debt reduced by 915 million euros
- Financial flexibility improved: leverage ratio down to 3.8x net debt to EBITDA, within objective of 3x to 4x

Compared to June 30, 2005, net debt is down 915 million euros, driven by net IPO proceeds (839 million euros), operating free cash flow (155 million euros) and settlement of the ATLANTIC BIRD™ 1 dispute (96 million euros). This was partly compensated for by financial expenses (103 million euros) and by further purchases of Eutelsat S.A. minority interests (61 million euros).

As a result, the Group's net debt to EBITDA ratio was down to 3.8x at December 31, 2005, compared with 5.5x at June 30, 2005.

Capital expenditure (73 million euros) should not be extrapolated for the full fiscal year 2005-2006 given the upcoming launches of HOT BIRD™ 7A and HOT BIRD™ 8.

IPO proceeds were used to repay in full the PIK loan (300 million euros) and the Second Lien Credit Facility (475 million euros) as well as associated accrued interests.

Outlook:

Given the robustness of the first half performance, Eutelsat Communications is confident in its ability to achieve a revenue growth objective for 2005-2006 of 2.5%, compared to the previous guidance of approximately 2%.

In order to fully benefit from new revenue opportunities, the Group has decided to accelerate its satellite programme by moving forward the deployment of HOT BIRD™ 9, initially scheduled for beyond 2009. This will allow for the relocation of HOT BIRD™ 3 following the launch of HOT BIRD™ 8 and thereby increase marketable transponder capacity by 20 transponders.

As a consequence, the Group also raises its objective of a compound annual revenue growth rate over the next three fiscal years, from approximately 4.0% to above 4.5%, progressively ramping up between fiscal year 2007 and fiscal year 2009. Profitability as expressed by the EBITDA margin is expected to remain consistently above 76%, the highest level in the industry.

Acceleration of this capital expenditure programme will be financed for a large part by the savings already achieved with the current investment programme. Capital expenditure will thereby increase by only 80 million euros over the four fiscal years 2006 to 2009 on the initial projection of 900 million euros, with the 2006 guidance unchanged at 310 to 330 million euros.

This acceleration of the deployment plan should not impact the normalised capital expenditure programme of 230 million euros beyond 2009.

Satellite fleet update:

Two satellites are scheduled for launch during the current fiscal year. They both intend to ensure continuity of service and provide sparing capacity for the HOT BIRD™ satellites:

- o HOT BIRD™ 7A to be launched with ARIANE 5 on February 21, 2006.
- o HOT BIRD™ 8 to be launched with PROTON Breeze M in May 2006.

In addition, Eutelsat Communications has placed an order with an industrial partnership combining the expertise of EADS Astrium and ISRO, the Indian Space Research Organisation, to build a new telecommunications satellite in the W series, called W2M. According to the terms of the agreement, W2M will be delivered to Eutelsat in 2008 for launch in the second quarter of 2008.

The new satellite is designed to provide additional security for customers and can be deployed at a number of orbital positions of the W satellite fleet, and in particular at the 10 degrees East position.

W2M, like all the other Eutelsat satellites in the W series, displays great flexibility to operate a wide range of services from television broadcasting to data networks and broadband. In addition to a fixed beam coverage taking in Europe, North Africa and the Middle East, it will carry one steerable beam which can be re-oriented in orbit according to market requirements and notably towards Africa and central Asia, consolidating Eutelsat's high levels of commercial flexibility.

Conference call

Eutelsat Communications will hold a conference call to discuss its financial results for the first-half of 2005-2006 on February 17, 2006. The call will begin at 2:30 pm CET (New York: 8:30 am, London: 1:30 pm). The call-in numbers are 01 71 23 04 18 from France, and +44 20 7138 0835 from outside France.

The presentation will be available on the Group's website www.eutelsat-communications.com from 8:30 am CET on February 17, 2006.

The conference call will be replayed at the same web address until to February 23, 2006.

Financial calendar

Eutelsat Communications will report third quarter revenues on April 28, after market close.

About Eutelsat Communications

Eutelsat Communications (Euronext Paris: ETL) is the holding company of Eutelsat S.A. The Group is a leading satellite operator with capacity commercialised on 22 satellites providing coverage over the entire European continent, as well as the Middle East, Africa, India and significant parts of Asia and the Americas. The Group is one of the world's three leading satellite operators in terms of revenues. Its satellites are used for broadcasting over 1,700 TV and 860 radio stations to nearly 120 million cable and satellite homes. The Group also provides TV contribution services, corporate networks, mobile positioning and communications, Internet backbone connectivity and broadband access for terrestrial, maritime and inflight applications. Eutelsat Communications is headquartered in Paris, and the Group's workforce comprises over 480 employees from 25 countries.

www.eutelsat-communications.com

For further information

Press

Vanessa O'Connor	Tel: + 33 1 53 98 38 88	voconnor@eutelsat.fr
Frédérique Gautier	Tel: + 33 1 53 98 38 88	fgautier@eutelsat.fr

Investors

Gilles Janvier	Tel: +33 1 53 98 35 35	investors@eutelsat-communications.com

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Appendices

Revenues by business application

In millions of euros	Six months ended December 31 2005	 2004 (pro forma)	 % change
Video Applications	259.0	255.7	+1.3%
Data Services	83.1	77.0	+7.9%
Multi-usage	33.5	32.1	+4.2%
Other	1.9	3.2	NM
Sub-total	377.5	368.0	+2.6%
One-off revenues	17.4	3.1	NM
Total	394.9	371.1	+6.4%

CONSOLIDATED BALANCE SHEETS
(in thousands of euros)

ASSETS	30 June 2005	31 December 2005
Non-current assets		
Goodwill	728 694	748 986
Intangible assets	918 688	896 462
Satellites and other property plant and equipment, net	1 834 001	1 693 363
Satellites under construction	236 341	299 251
Equity investments	111 425	112 674
Financial assets	1 585	1 844
Deferred tax assets	38 111	33 658
TOTAL NON-CURRENT ASSETS	**3 868 845**	**3 786 238**
Current assets		
Inventories	1 371	2 622
Accounts receivable	212 183	219 444
Other current assets	29 828	35 325
Financial instruments	1 499	12 023
Cash and cash-equivalents	37 043	246 009
TOTAL CURRENT ASSETS	**281 924**	**515 423**
TOTAL ASSETS	**4 150 769**	**4 301 661**

LIABILITIES AND SHAREHOLDERS' EQUITY	30 June 2005	31 December 2005
Shareholders' equity		
Share capital	278 733	215 627
Additional paid-in capital	-	907 552
Retained earning and reserves	(25 488)	(51 114)
Minority interests	125 158	84 501
TOTAL SHAREHOLDERS' EQUITY	**378 402**	**1 156 566**
Non-current liabilities		
Long-term bank debt	2 921 550	2 395 779
Financial instruments	35 027	8 782
Other long-term liabilities	115 587	78 486
Provisions (long-term portion)	49 387	45 994
Deferred tax liabilities	316 304	308 652
TOTAL NON-CURRENT LIABILITIES	**3 437 855**	**2 837 693**
Current liabilities		
Current portion of bank debt	77 811	66 687
Current portion of other liabilities	54 892	19 440
Accounts payable	46 283	48 137
Fixed assets payable	25 630	25 045
Taxes payable	22 468	10 522
Other payables and deferred revenues	100 291	130 786
Provisions (current portion)	7 137	6 785
TOTAL CURRENT LIABILITIES	**334 512**	**307 402**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4 150 769**	**4 301 661**

CONSOLIDATED INCOME STATEMENT
(in thousands of euros, except for share data)

	Six-month period ended 31 December 2005
Revenues	394 948
Revenues from operations	**394 948**
Operating costs	(33 697)
Selling and administrative expenses	(50 268)
Depreciation and amortisation	(146 584)
Other operating charges	(31 484)
Operating income	**132 915**
Financial revenues	14 952
Financial expenses	(132 936)
Financial result	**(117 984)**
Income from equity investments	1 249
Income before tax and minority interests	**16 180**
Income tax expense	(37 344)
Net income (loss)	**(21 164)**
Group share of net income (loss)	(25 631)
Minority interests’ share of net income (loss)	4 467
Earnings per share attributable to Eutelsat Communications’ shareholders	
Basic earnings per share in €	(0.16)
Diluted earnings per share in €	(0.16)
Weighted average number of ordinary shares, diluted	199,780,550
Weighted average number of ordinary shares, diluted	198,345,905
Number of ordinary shares outstanding, as of December 31, 2005	215,626,632

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands of euros)

	Six-month period ended 31 December 2005
Cash-flow from operating activities	
Net income (loss)	(21 164)
Elimination of income and expenses not related to operating cash-flows	
Income from equity investments	(1 249)
Loss on disposal of assets	25
Interest expense and other financial expenses	104 647
Other non-operating items	2 015
Depreciation, amortisation and provisions	178 780
Deferred taxes	(9 137)
Changes in working capital requirements	
Changes in accounts receivable	(11 880)
Changes in other assets	(6 494)
Changes in accounts payable	7 377
Changes in other payables and deferred revenues	43 757
Taxes paid	(58 427)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**228 250**
Cash-flow from investing activities	
Acquisition of satellites and other property, plant and equipment	(73 102)
Proceeds from disposal of assets	(7)
Acquisition of investments	(61 460)
Changes in other long-term assets	48
NET CASH USED IN INVESTING ACTIVITIES	**(134 521)**
Cash-flow from financing activities	
Capital increase	839 364
Distribution	(7 629)
Additional long-term and short-term debt	246 227
Repayment of debt	(800 278)
Repayments in respect of performance incentives and long-term leases	(59 793)
Interest and other fees paid	(104 647)
Interest received	1 511
Other cash-flows	3 507
NET CASH INFLOW FROM FINANCING ACTIVITIES	**118 262**
Impact of exchange rate on cash and cash equivalents	15
Increase in cash and cash equivalents	**212 006**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	32 606
CASH AND CASH EQUIVALENTS, END OF PERIOD	244 612

Cash reconciliation	
Cash and cash equivalents	246 004
Bank overdraft included under debt	(1 392)
Cash and cash equivalents as per cash-flow statement	**244 612**