

EUTELSAT COMMUNICATIONS: NEW STRATEGIC PRIORITIES AND FINANCIAL OBJECTIVES

- **Review of strategic priorities and financial objectives in the context of evolving market dynamics**
- **Maximizing cash-flow of our core businesses**
 - **Return to broad top-line stability in FY 2017-18¹**
 - **Maintain EBITDA margin above 75%**
 - **Capital expenditure reduced by €80m on average to €420m pa**
 - **Reduced cost of debt**
 - **Discretionary free cash flow² CAGR>10% from FY 2015-16 to FY 2018-19**
 - **Stable to progressive dividend**
- **Returning to growth by building on our core Video business and capturing longer term potential in Connectivity**

Paris, 27 June 2016 – In a context of slowing industry-wide momentum, Eutelsat Communications (ISIN: FR0010221234 - Euronext Paris: ETL) is announcing a review of its strategic priorities and financial objectives.

Rodolphe Belmer, Chief Executive Officer commented: *“It has become clear in recent months that the traditional businesses within the Fixed Satellite Services sector are facing a context of slowing industry-wide momentum. To face this lower growth environment, we are implementing an adaptation of our strategic priorities and financial objectives. Our immediate priority will be to maximize the free-cash-flow generation of our core businesses. We are confident in our ability to generate a level of discretionary free cash flow in the next three years, which will enable us to serve a stable to progressive dividend and reduce leverage, in line with our commitment to our investment grade rating. We will continue to invest selectively to prepare for a return to growth by building on our core Video business and capturing the longer term opportunities in Connectivity. Our objective is to return to broad top line stability as early as FY 2017-18.”*

ADAPTING STRATEGY TO EVOLVING MARKET DYNAMICS

In recent months it has become clear that the traditional businesses within the Fixed Satellite Services sector are facing slowing industry-wide momentum, reflecting broadly stable demand in developed markets (Europe), and economic headwinds in economies such as Russia and Latin America, only partly offset by more robust demand in Sub-Saharan Africa, the Middle-East and North Africa and Asia. Competition continues to intensify in the Data Services segment, where we anticipate ongoing downward pricing pressure.

¹ At constant currency and perimeter and excluding non-recurring revenues

² Net cash-flow from operating activities – Cash Capex - Interest and Other fees paid net of interests received

Against this backdrop, Eutelsat has undertaken a review of its strategic priorities and financial objectives, leading to the adoption of a two-step strategy, based around the following priorities:

- **Step one:** Immediately implement measures to maximize free-cash-flow generation of our core businesses (Video, Data and Government Services);
- **Step two:** At the same time prepare for a return to growth by building on our core Video business and capturing the longer-term potential in Connectivity.

STEP ONE: maximize free-cash-flow generation of our core businesses

Eutelsat's focus in the immediate term will be to maximize the free cash flow generation of its existing businesses in order to secure ongoing deleveraging in line with its commitment to its Investment Grade rating, deliver stable to progressive dividend to shareholders and finance targeted investments to pave the way for a return to growth.

CAPEX Reduction

Capex savings will be achieved without impacting the current deployment plan and attendant future revenues. Savings will be driven by the implementation of a 'design to cost' approach, a focus on hosted payload and partnership or "condosats" opportunities when appropriate, as well as capitalization on industry-wide efficiency improvements. Ground capex will be placed under strict control.

In consequence, estimated average annual cash capex for the period July 2016 to June 2019 will be reduced to €420 million (versus an average of €500 million previously for the period July 2015 to June 2018).

Cost of debt optimization

The €500 million bond issue at a 1.125% coupon in June 2016 to refinance, along with cash in the balance sheet, the €850 million March 2017 bond, will lead to savings of c.€30 million per annum. Elsewhere, a swap-lock has been negotiated in anticipation of the January 2019 €800 million bond maturity, while the Eutelsat Communications term loan has been extended for 12 months to 2021. Cumulated annual savings from January 2019 are anticipated in the region of €50million.

OPEX containment

Operating cost containment measures are under consideration, notably procurement and SG&A expenses, with a view to underpinning our EBITDA margin above a level of 75%.

Optimize asset portfolio

Eutelsat will continue to consider opportunities to streamline its portfolio of assets, following on from the divestment of AlternaTV in April 2016. At the same time it will seek partnerships for some of its broadband projects, such as ViaSat in Europe and Inframed in Africa.

Streamlining the organization

Eutelsat's organization is being realigned along the following five business lines: Core businesses (Video, Data and Government services) and Connectivity (Fixed Broadband and Mobile Connectivity). Measures will be implemented to further strengthen the quality of the salesforce, while the metrics on which key personnel are measured will be aligned to our cash flow generation targets.

Within this framework, Eutelsat is adapting the strategies within its three core businesses (Video, Data and Government services) in order to optimize revenues based on its assumptions for their current and future operating contexts.

Video

Demand in the Video segment should rise modestly over the next five years. It should see continued growth in emerging markets, in particular MENA and Sub-Saharan Africa where Eutelsat has a strong footprint, notably driven by increasing channel count. The trend in Europe is expected to be broadly stable with HD and Ultra HD ramp-up broadly offsetting improving encoding and compression techniques.

Against this backdrop, Eutelsat's strategy in developed markets will be to optimize value, notably by increasing direct access to customers by integrating or reorganizing indirect distribution, stimulating HD and Ultra HD take-up and implementing more segmented pricing strategies.

At the same time Eutelsat will continue to capture growth in emerging markets, benefiting from recent investments at the 7/8° West and 36° East positions, and investing selectively notably at 7° East.

Data Services

Global demand in volume for Data Services will continue to grow, driven by increasing connectivity needs. However, this segment will remain structurally challenged, with the arrival of new technologies, particularly large HTS systems compounding an already oversupplied market and leading to increasing pricing pressure. Certain verticals, notably point-to multipoint applications, which currently represent more than half of Eutelsat's Data Services revenues, should be more resilient in the short- to medium-term.

Eutelsat will partly offset the impact of lower pricing with a series of measures including prioritizing the ramp-up of existing capacity by adapting its pricing strategies where appropriate, focusing on less competitive geographies, complex networks and less price-sensitive customers, pursuing opportunities in verticals where satellite has untapped potential and leveraging on a differentiated offer (EUTELSAT QUANTUM).

Government Services

Demand by the US Government appears to be stabilizing, albeit at prices well below the previous cycle. Eutelsat will seek to develop new sub-segments. The arrival of EUTELSAT QUANTUM in 2019 will enable us to develop a differentiated value proposition.

More generally, Government Services, like Data, will be impacted by the arrival of HTS, although it is expected to be slower to migrate. On the other hand development opportunities exist in regions such as Europe, Asia and MENA, as well as in non-military verticals.

These measures will underpin our objective of broadly stable revenues in FY 2017-18 and a return to modest growth in FY 2018-19.

STEP TWO: Returning to growth by building on our core Video business and capturing the longer-term potential in Connectivity

Eutelsat will return to growth with two horizons: in the medium term (from FY 2018-19 onwards) by building on our core Video business to accelerate growth, and in the longer term by preparing to capture the opportunity in Fixed Broadband and Mobile Connectivity (from FY 2020-21 onwards).

Video

Video by satellite will continue to grow and our expectation is that in the longer term, Video distribution will be globally mostly split between satellite and IPTV.

Additional sources of demand will be created as broadcasters increase the level of outsourced services. In this context, deeper integration within the IP ecosystem and harnessing existing IP-based technologies will enable satellites to enhance the end-viewer experience, further increasing customer adhesion and generating opportunities to sell additional services for broadcasters, Pay-TV operators and advertisers.

Fixed Broadband

The potential of Fixed Broadband by satellite is significant, underpinned by poor infrastructure in emerging markets and in certain developed markets, and the cost-competitiveness of satellite versus terrestrial technologies in low-density areas. The challenge for the satellite industry will be to deliver a fiber-like service both in terms of quality and price. This will be achieved with the advent of VHTS (Very High Throughput Satellites) at the beginning of the next decade.

In the meantime, Eutelsat will pave the way for mass-market adoption, by rolling-out different commercial models on its existing and committed capacity (KA-SAT and the Russian and African broadband projects), and working with industrial partners to reduce cost of terminals, in order to determine an appropriate level of investment from 2018 onwards.

Mobile Connectivity

In the next 10 years, Mobility has the potential to evolve from a niche to a mass-market, driven by an increasing number of connected devices, the take-up of more bandwidth-hungry usages leading to exponential rise in data consumption per user and the extension in the longer term of mobility from aero and maritime to land and connected cars.

Eutelsat will adopt a step-by-step approach, leveraging its existing strong positions at 172° East and 10° East, and developing aero mobility on KA-SAT. We will focus on securing the prerequisites for mass-market distribution, notably via selective investments to ensure we have the appropriate capacity and seeking partnership deals with all stakeholders.

FINANCIAL OUTLOOK

Based on a continuation of trends observed in the Third Quarter, notably a deteriorated economic context in several emerging markets, in particular Latin America, where much of the recently launched capacity has been targeted and intensifying competitive pressure for Data Applications in all geographies, we confirm that Full Year 2015-16 Revenues³ will be flat, with an EBITDA margin around 76%.

FY 2016-17 will remain impacted by these headwinds, and will also reflect the impact of lower renewals in Government Services as well as a €25-30 million decline in revenues at the HOT BIRD position, notably due to the proactive rationalization by Eutelsat of contractual arrangements with several distributors. In consequence, revenues are expected in the region of -3% to -1%, with an EBITDA margin above 75%.

In FY 2017-18, while Data revenues will be under pressure, this should be offset by modest growth in Video and growth in Broadband and Mobility on the back of the capacity on EUTELSAT 36C, Amos-6 (Broadband for Africa) and EUTELSAT 172B. Our objective therefore is to return to broadly stable revenues, with an EBITDA margin above 75%. In FY 2018-19, we expect to deliver modest growth, also with an EBITDA margin above 75%.

Capital expenditure will be reduced from an average of €500 million per annum for the period July 2015 to June 2018 to an average of €420 million⁴ per annum for the period July 2016 to June 2019.

Discretionary Free Cash Flow⁵ is expected to see CAGR in excess of 10% over the same three year period. On this basis, we remain committed to reducing our net debt to below 3.3X EBITDA and to our investment grade rating.

At the same time, we will adopt a stable to progressive dividend policy (versus a payout ratio in the range of 65-75% of net income).

³ At constant currency and perimeter and excluding non-recurring revenues.

⁴ This includes capital expenditures and payments under existing export credit facilities and under long-term lease agreements on third party capacity.

⁵ Net cash-flow from operating activities – Cash Capex - Interest and Other fees paid net of interests received

Details for conference call

Eutelsat Communications will hold a presentation of this strategic update on Monday, 27 June 2016 at its headquarters, 70, rue Balard, 75015 Paris, starting at 9:00 CET.

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

- France: +33(0)1 76 77 22 26
- UK: +44(0)20 3427 1909

Access code: 1874699#

A live presentation will be also available by webcast via the following link:

<https://pgi.webcasts.com/starthere.jsp?ei=1108260>

You can test your system via this link: <https://event.webcasts.com/test>

Instant replay will be available from 27th June, 03:00pm CET to 28th July, midnight

- France: +33(0)1 74 20 28 00
- UK: +44(0)20 3427 0598

Access code: 1874699#

Financial calendar

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

- 29 July 2016: Full-Year 2015-16 results.

About Eutelsat Communications:

Established in 1977, Eutelsat Communications (Euronext Paris: ETL, ISIN code: FR0010221234) is one of the world's leading and most experienced operators of communications satellites. The company provides capacity on 39 satellites to clients that include broadcasters and broadcasting associations, pay-TV operators, video, data and Internet service providers, enterprises and government agencies.

Eutelsat's satellites provide ubiquitous coverage of Europe, the Middle East, Africa, Asia-Pacific and the Americas, enabling video, data, broadband and government communications to be established irrespective of a user's location.

Headquartered in Paris, with offices and teleports around the globe, Eutelsat represents a workforce of 1,000 men and women from 37 countries who are experts in their fields and work with clients to deliver the highest quality of service.

For more about Eutelsat please visit www.eutelsat.com

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