

COMPANY PROFILE

Eutelsat

Communications Group

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COMPANY OVERVIEW

Eutelsat Communications Group (Eutelsat or "the group") (Eutelsat S.A. and its subsidiaries), is a private telecommunications satellite operator involved in the design, establishment, operation and maintenance of satellite telecommunications systems. The group primarily operates in Europe. It is headquartered in Paris, France and employed approximately 1,000 people in FY2015.

The group recorded revenues of E1,476.4 million (\$1,775.2 million) during the financial year ended June 2015 (FY2015), an increase of 9.5% over FY2014. The operating profit of the group was E661.5 million (\$795.4 million) in FY2015, an increase of 6.1% over FY2014. The net profit of the group was E355.2 million (\$427.1 million) in FY2015, an increase of 17.2% over FY2014.

KEY FACTS

Head Office	Eutelsat Communications Group 70 rue Balard F-75502 Paris Cedex 15 FRA
Phone	33 1 5398 47 47
Fax	33 1 5398 37 00
Web Address	http://www.eutelsat.com/
Revenue / turnover (EUR Mn)	1,476.4
Revenue (USD Mn)	1,775.2
Financial Year End	June
Employees	1,000
Paris (Euronext) Ticker	ETL

SWOT ANALYSIS

Eutelsat Communications Group (Eutelsat or "the group") (Eutelsat S.A. and its subsidiaries), is a private telecommunications satellite operator involved in the design, establishment, operation and maintenance of satellite telecommunications systems. The group has a leading market position in the European satellite broadcasting market which proves to be a competitive advantage over its peers. However, intense competition from satellite operators and terrestrial network operators may have an adverse impact on the group's business, financial situation and results.

<p>Strength</p> <p>Leading position in the European satellite broadcasting market Strong customer base Extensive portfolio of orbital positions</p>	<p>Weakness</p> <p>High level of debt Lack of scale compared to peers</p>
<p>Opportunity</p> <p>Growth in the FSS market Positive outlook for global direct-to-home services Strong growth in the broadcasting and cable television markets</p>	<p>Threat</p> <p>Rapid technological changes Intense competition Intense competition Exchange rate risks</p>

Strength

Leading position in the European satellite broadcasting market

The group has a market leading position in the European satellite broadcasting market. It is the leading operator in Europe's satellite television (TV) and radio broadcasting market in terms of the number of channels broadcasted and transponders. As of June 30, 2015, the group broadcasted more than 5,793 free-to-air channels available without subscription on its fleet of satellites (out of a total of 2,120 channels) to more than 200 million homes mainly in Europe, Africa and the Middle East. Also, the group continues to maintain profitability at the highest level among leading satellite operators, with an EBITDA margin of approximately 76.5% over the last three years, establishing itself as the world's leading fixed satellite services (FSS) operator in terms of profitability. Moreover, Eutelsat is the third largest satellite operator in the world with market share of 15%. The group's leading market position in the European satellite broadcasting market proves to be a competitive advantage over its peers.

Strong customer base

The group has a strong customer base, which limits its business risks and provides steady revenue. Users of the group's capacity include leading media and telecommunications operators in Europe and the world, including private and public broadcasters. Eutelsat's satellite capacity customers for video

distribution include in particular Sky Italia, Orange, M7, nc+, TricolorTV and NTV+, United Group (Total TV), Al Jazeera Sport, Multichoice, DigiTurk and Millicom. The group also provides professional video services to customers, including European Broadcasting Union (EBU), France Television Group, BBC, CBS, Mediaset, NBC, NHK, RAI, TF1, APTN and Enx

Eutelsat's operators for data and telecom services includes America Movil and Telefonica in Latin America; and Orange in Sub-Saharan Africa. The group's service providers for data and telecom services include Harris Caprock and Schlumberger in Latin America, Skyvision, Astrium Services and Liquid Telecom in Sub-Saharan Africa. Eutelsat's customers for video applications include TV platforms such as Multichoice, NTV+, Tricolor TV, Cyfrowy Polsat, nc+ and Millicom. The group's largest customers include Public sector entities from US such as Orange, Globecast, Sky Italia, Telespazio, Telecom Italia, Nilesat, Noorsat, British Telecom, Arqiva, Multichoice Africa, Digital Platform Teknoloji Hizmetleri and Intersputnik International Organization of Space Communication. The group's strong customer base limits its business risks and provides steady stream of revenues.

Extensive portfolio of orbital positions

The group has a broad portfolio of orbital positions which provides it a competitive edge. The group has 37 satellites in operational service, transmitting video programming between 117° West and 172° East (as of June 30, 2015). The group broadcasts TV channels in Western Europe, Central Europe, Russia and Central Asia, North Africa, the Middle East, sub-Saharan Africa, a large part of the Asian continent together with a portion of the American continent.

The group's orbital position located at 13° East known as the HOT BIRD position is particularly suitable for TV broadcasting to Europe, the Middle East and parts of Africa and Asia. The group's three HOT BIRD satellites broadcasted 1,086 channels as of FY2015. In addition, the group's partnership with Nilesat boosts resources at the 7°/8° West orbital position to address the fast-growing digital television market covering territories from North Africa to the Middle East. This orbital position offers potential for growth for video applications, with a growing audience of over 52 million viewers. Moreover, the 36° East position is another major growth engine for Eutelsat. Under partnership agreements signed with the Russian operator RCSS, satellites deployed by Eutelsat at this position address the rapidly expanding markets of Russia and Africa. The launch of the EUTELSAT 36C satellite will boost this flagship position.

Furthermore, in FY2015, Eutelsat developed its other orbital positions used by its fleet, in particular the 7° East, 16° East, 9° East, 5° West and 117° West positions and it plans to open new one at 65° West. The group's broad portfolio of orbital positions constitutes a rare resource, providing it with a competitive edge to attract new customers.

Weakness

High level of debt

Eutelsat has a high level of debt. The group's consolidated net debt was E3,841.1 million (\$4,618.6 million) and E3,779 million (\$4,543.9 million) in FY2015 and FY2014, respectively. High debt burden impacts the group's operating performance, as the group paid interest of E146.6 million (\$176.3 million) and E142.6 million (\$171.5 million) in FY2015 and FY2014, respectively. High debt may require Eutelsat to dedicate a substantial portion of its cash flow from operations and other capital resources to service its debt; and also, the high debt may limit the group's ability to raise funds for capital expenditures, acquisitions, research and development and other general corporate requirements in future. In addition, any change in the group's debt rating may impact the cost and terms of its debt as well as its ability to raise finance. High debt also limits its flexibility in reacting to changes in its business and industry.

High level of debt burden limits its ability to raise funds which may affect future growth plans of the group.

Lack of scale compared to peers

The group lacks the scale to compete with its significantly large competitors. Eutelsat recorded revenues of E1,476.4 million (\$1,775.2 million) in FY2015. Comparatively, SES, the group's major competitor, reported revenues of E2,014.5 million (\$2,422.3 million) during the financial year ended December 2015. Another competitor, Intelsat, a provider of fixed satellite services, recorded revenues of \$2,352.5 million during the financial year ended December 2015. Moreover, these competitors hold larger market share in the global fixed satellite services market. According to the industry estimates, SES and Intelsat each hold a global market share of 21% and 20% respectively, compared to 15% by Eutelsat. The group's lack of scale compared to its peers is a competitive disadvantage in pursuing new contracts.

Opportunity

Growth in the FSS market

The growth in fixed satellite services (FSS) market may boost the group's revenues in the coming years. According to industry estimates, the global FSS market is expected to grow from approximately \$16 billion in 2015 to \$20 billion by 2020, representing a compound annual growth rate (CAGR) of 4.6%. Contributing to this market growth is the increasing demand for new TV platforms and technologies coupled with demand for consumer broadband and corporate enterprise networks, and growth in KU-band and Ka-band services are factors driving the growth of the global Satellite Transponder Market. The rapidly growing global broadcast market, expanding volumes of communication, particularly on the Internet, and the role of the satellites as a complement to terrestrial networks enabling access to digital services in all territories, are three major engines for growth in the FSS industry.

Eutelsat operates a fleet of 37 satellites in various orbital positions, located between 117° West and 172°

East (as of June 30, 2015) and provides coverage of Western Europe, Central Europe, Russia and Central Asia, North Africa, the Middle East and sub-Saharan Africa, a large part of the Asian continent together with a portion of the American continent. With strong satellite infrastructure for FSS, the group is well positioned to benefit from the growing FSS market.

Positive outlook for global direct-to-home services

The global direct-to-home (DTH) market is experiencing a fresh wave of growth driven by convergence of voice, video, and data. According to industry estimates, the total DTH subscribers would increase from 114.3 million in 2015 to about 209.6 million by the end of 2018 representing a CAGR of 22.4%. The DTH subscriber growth is steady as viewers switch from analog terrestrial to digital satellite. Eutelsat provides customers with capacity and services for broadcasting to 274 million homes equipped for DTH reception. Strong capabilities to provide support to DTH services and the growing end market would increase the demand for the company's services in the coming years.

Strong growth in the broadcasting and cable television markets

The outlook for the broadcasting and cable television markets in the Europe is robust. The global market has produced consistent reliable growth in recent years at a moderate level and is expected to maintain this through to the end of the forecast period in 2019. According to MarketLine, the global broadcasting & cable TV market had total revenues of \$482.4 billion in 2015, representing a CAGR of 4.6% between 2010 and 2015. Furthermore, the performance of the market is forecast to accelerate, with an anticipated CAGR of 4.9% for the 2015-19 periods, which is expected to drive the market to a value of \$584.9 billion by the end of 2019. The positive trends in the global broadcast and cable television markets is expected to catalyze the overall top-line growth at Eutelsat.

Threat

Rapid technological changes

The telecommunications industry is subject to rapid technological changes. Some technological innovations that will be developed in the future with alternatives to satellites may render satellite technology obsolete. If the group is not in a position to adapt to these changes quickly and efficiently, its satellite telecommunications system may become obsolete. As such, the group's competitive position may be weakened, especially if its competitors incorporate these new technologies into their own systems. Failure on Eutelsat's part to keep track of the latest technological advancements may negatively impact the overall business and also its competitive position.

Intense competition

The group faces intense competition in the markets it operates. The group faces stiff competition from international, national and regional satellite operators. It primarily competes with other global fixed satellite services (FSS) operators including, SES and Intelsat. These competitors have greater satellite capacity or geographical coverage compared to the group, and greater financial resources. The group also competes with a large number of regional and national satellite operators. Competition from these

regional and national operators, some of them enjoy advantages (tax or regulatory, for example) in their national markets.

Moreover, to some extent, satellite transmission is open to competition from terrestrial networks, including fiber-optic networks, digital subscriber line (DSL) networks, cable access, radio multiplex transmission and ultra-high frequency/ very high frequency (UHF/VHF) transmission. Stiff competition may result in greater price pressure on satellite broadcast and telecommunications services. Furthermore, any improvement or increase in the geographical penetration of terrestrial network operators may prompt the group's clients to opt for telecommunications solutions offered by these operators, thereby making it more difficult for the group to keep or increase its client portfolio. Intense competition from satellite operators and terrestrial network operators may have an adverse impact on the group's business, financial situation and results.

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Exchange rate risks

The group is exposed to exchange rate risks, which may impact its operating margins and profitability. The group uses the Euro to prepare its financial statements, however a portion of its activities are carried out outside the Eurozone. Some of the group's revenue, costs and investments are denominated in other currencies, primarily in the US dollar. As a result, fluctuations in exchange rates may have a negative impact on the group's results. In addition, the group is also exposed to EUR/USD exchange rate risks because purchases of satellites and launch services are denominated in the US dollars.

Fluctuating exchange rates may lead to an increase in the price of the group's capacity and services when paid in currencies other than the Euro. Although the group uses knock-in options to hedge exchange rate risks, it still is vulnerable to currency exchange risks, which may affect its operating margins and profitability.

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