Moody's Investors Service

Rating Action: Moody's assigns Baa3 issuer rating to Eutelsat SA

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New York, January 28, 2010 -- Moody's Investors Service today assigned a long-term senior unsecured issuer rating of Baa3 to Eutelsat SA (96% owned operating company of Eutelsat Communications SA) and upgraded the rating for the structurally subordinated bank debt at Eutelsat Communications SA to Ba1 (from Ba2). The outlook for all ratings is stable. At the same time the agency withdrew Eutelsat Communications SA's Ba1 Corporate Family Rating (CFR) and the Ba1 Probability of Default Rating (PDR).

The ratings upgrade reflects Moody's expectation that Eutelsat Communications group ('Eutelsat' or the 'company') will (i) maintain momentum in its operating performance, having shown resilience and continued strength despite the weak macro-economic environment in 2009 (ii) continue to invest in the replacement and growth of its satellite infrastructure and importantly (iii) improve on current leverage levels (the 30 June 2009 DEBT/EBITDA ratio as measured by Moody's was 3.4x) and manage future discretionary outflows so that the Baa3 rating level can be maintained.

For the year ending June 2009, Eutelsat again achieved its revenue and EBITDA margin growth objectives (recorded revenues of Euro 940.5 million with EBITDA margin of 78.9% against its objective of over Euro 925 million for revenues with EBITDA margin in excess of 78%) and revised its mid-term growth objectives upwards covering the three year period from FY2009/10 to FY2011/12 of achieving a CAGR of 7% (from ~6% for the three year period from FY2008/9 to FY2010/11) with an EBITDA margin in excess of 77%. With good Q12009-10 results, Eutelsat appears to be on track to achieve its guidance on revenues of over Euro 1 billion and of EBITDA in excess of Euro 780 million for FY2009-10. The current ratings factor in Moody's expectation that Eutelsat will continue to pursue a strategy focused on maximizing per transponder revenue (new video neighbourhoods, HDTV) while exploring new alleyways for incremental growth (KA band, S band, 3D).

Within the framework of its ongoing ambitious infrastructure investment programme (with an average annual expected capital expenditure of

~Euro 450 million over the three year period from FY2009/10 to FY2011/12), Eutelsat successfully launched three new satellites since the beginning of January 2009 (ATLANTIC BIRD™ 4A, W2A, W7) and redeployed some of its existing satellites (for instance - EUROBIRD™ 9A, EUROBIRD™ 16, W1) during the year to increase capacity. This has taken some pressure off the company, as fill rates decreased from a tight 97.6% (as of December 31, 2008) to an efficient 88.8% (as of June 30, 2009). Eutelsat remains on track to launch 4 new satellites over the course of calendar year 2010-2011, including KA-SAT, a Ka-band satellite dedicated for consumer broadband service across Europe. While ongoing industry growth should create demand for the substantial incremental transponder capacity being added, some risk of creating overcapacity remains. In particular, the level of (consumer) demand for the broadband services to be delivered by the KA-SAT satellite currently remains difficult to gauge, Moody's said.

Eutelsat's business is characterized by high EBITDA margins which translate into strong operational cash flows. However, high levels of capex associated with the current launch programme together with a progressive distribution policy (pay-out ratio between 50% and 75% of net income group share during the period FY2009-2012) are expected to continue to fully absorb Eutelsat's free cash flow generation in the near-term. High capex levels reflect both, replacement and considerable growth investment. However, the Baa3 rating factors in Moody's expectation that the company should produce good levels of free cash flow post completion of the current investment programme by the end of calendar year 2011 with the launch of ATLANTIC BIRD™ 7.

For FY2008-09, Eutelsat reported a gross debt (including performance incentives, operating leases and pension adjustments) to EBITDA ratio as calculated by Moody's of 3.4x. Given Moody's expectation of visible EBITDA growth in the near-to-intermediate term, this ratio should improve further despite the limitations on free cash flow generation (see above). While Moody's expects the company to consider add-on acquisitions from time to time, the Baa3 rating is calibrated on the assumption that the improving trend in EBITDA-leverage continues in the near-term. In any case, the agency would expect that the company manages discretionary outflows so that a ratio of Gross Debt/ EBITDA (as adjusted by Moody's) of below 3.5x is maintained.

Moody's believes Eutelsat's liquidity position is sufficient for its current needs. The company had cash and cash equivalents of 141.37 million as of June 30, 2009. The agency notes that Eutelsat currently has substantial headroom under its committed revolving credit facilities at Eutelsat SA (Euro 650 million due 2011, of which 200 million was drawn at the end of June 2009) and Eutelsat Communications SA (fully un-drawn EUR 300 million due 2013). The company has no long-term maturities until November 2011 when the Euro 650 million of term loan and Euro 650 million revolving credit facility at Eutelsat SA become due. However, Moody's would expect Eutelsat to arrange for the timely re-financing and/or term-out of the maturing bank debt, given the lumpiness of the company's maturity profile with the remainder of its debt (Euro 1.9 billion of bank facilities at Eutelsat Communications SA) falling due in its entirety in June 2013. The rating assignment reflects Moody's expectation that as the company strives to simplify its existing corporate structure, any future re-financing of Eutelsat group's existing senior unsecured bank debt (due 2011 and 2013) would likely be undertaken by the company at the Eutelsat SA level.

The last rating action was on March 19, 2009 when Moody's upgraded the CFR of Eutelsat Communications S.A. to Ba1 (from Ba2). Eutelsat's ratings were assigned by evaluating factors we believe are relevant to the credit profile of the issuer, such as i) the business risk and competitive position of the company versus others within its industry; ii) the capital structure and financial risk of the company; iii) the projected performance of the company over the near to intermediate term; and iv) management's track record and tolerance for risk. These attributes were compared against other issuers both within and outside of Eutelsat's core industry and Eutelsat's ratings are believed to be comparable to those of other issuers of similar credit risk.

Headquartered in Paris, Eutelsat SA is a 96% owned operating company of Eutelsat communications SA which is a leading, internationally operating supplier of fixed satellite services.

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