

Rating Action: Eutelsat Communications SA

Moody's changes rating outlook for Eutelsat to positive (from stable)

New York, April 07, 2008 -- Moody's Investors Service today changed the rating outlook for Eutelsat Communications S.A. (Corporate Family Rating at Ba2) to positive (from stable). The outlook change recognizes Eutelsat's continued strong operating performance and its sustained focus on infrastructure strengthening.

Eutelsat remains on a good growth trajectory and appears to be on track to achieve its guidance on revenues of Euro 850-860 million and of EBITDA margin in excess of 78% in FY2007-08. With its HY 2007-08 results, the company confirmed its mid-term growth objectives announced in October 2007 covering the period 2007-2010 of achieving a CAGR of above 5.5% with an EBITDA margin in excess of 77%. The expected growth in revenues and profitability is underpinned by the solid business position of Eutelsat in Video Applications as well as the promising growth in its broadband services business. The positive outlook factors in Moody's expectation that Eutelsat can maintain its growth momentum with continued visible organic growth and commensurate profit development while continuing to build on its revenues from Video Applications as well as focusing on expanding revenues from broadband services.

Eutelsat has set clear medium term growth objectives and has outlined its plans of increasingly investing in infrastructure strengthening over the course of 2007-10 with an average annual expected capital expenditure of ~Euro 450 million during the period. The company is planning to launch seven new satellites during 2008-10 including KA-SAT, a Ka-band satellite primarily to be used for consumer broadband service across Europe. Though Moody's acknowledges that the enhancement of in-orbit resources from the launches of the planned new satellites should help to facilitate incremental growth in Eutelsat's overall revenues over the medium-term (notably broadband revenues subject to market acceptance of satellite broadband services), risks from the successful and timely launch and entry into service of the planned satellites continue to exist in Moody's view, in addition to the sector typical technological risks of malfunctioning and/ or breakdown. While Eutelsat's business is characterized by high EBITDA margins which translate into strong operational cash flows, high level of capex in conjunction with a progressive distribution policy with a pay-out ratio between 50% and 75% of net income Group share during the period 2007-2010 is expected to hold-back free cash flow generation in the near term. High capex levels reflect both, growth and replacement investment. However, Moody's would expect the company to return to visible free cash flow generation post completion of the planned investment programme by the end of 2010.

Moody's notes that Eutelsat has committed to adhere to a leverage target of Net Financial Debt/ EBITDA (as defined by the company) between 3x-4x over the medium term. For the last twelve months ending December 31, 2007, Eutelsat reported gross debt (including performance incentives, operating leases and pension adjustments) to EBITDA ratio as calculated by Moody's of 3.7x. While, Moody's expects no significant improvement in the leverage position of the company in the near term due to the enhanced capex programme in addition to the dividend outflows, it draws comfort from the company's commitment to a specific leverage target over the medium-term. Moody's would expect the company to manage any acquisitions in a prudent manner enabling it to adhere to its leverage guidance.

Continued solid operational progress and maintenance of Gross Debt/ EBITDA (as defined by Moody's) at around 4x while successfully pursuing a strategy of combining further strengthening of its premium video neighbourhoods (comprising 13 degrees East and 28.5 degrees East positions) together with the development of its other major video neighbourhoods and simultaneously making sustained efforts towards enhancing revenues from Value-added Services via continuous expansion of broadband services, would likely lead to further positive ratings evolution. At the same time, Moody's would also expect the company to continue maintaining a strong order backlog and return to satisfactory free cash flow generation post completion of the ongoing investment programme.

Moody's believes Eutelsat's liquidity position is sufficient for its current needs. The company has no long-term maturities until 2011. Although the company's free cash flow generation will be constrained in the near term due to high capex requirements, we note that there is headroom under the company's committed bank facilities, including the revolving credit facility of EUR 650 million at Eutelsat SA (due 2011) and EUR 300 million at Eutelsat Communications (due 2013).

For the first half of 2007/8, Eutelsat reported revenues of EUR 429.4 million (EUR 415.3 million in 2006/7), registering an increase of 3.4%. Growth was mainly driven by higher revenues (increase of 10.2%) from the video segment reflecting the arrival of new channels targeted to strengthen Group's premium and major video neighbourhoods. While revenues for the Data Services division fell by 12.9% due primarily to the re-

allocation of capacity to Video Applications, revenues at Value Added Services registered a 13.6% increase driven mainly by the strong take-up of the DSTAR broadband service. Revenues at Multi-Usage remained stable at Euro 29.5 million for the period. EBITDA margins improved to 81.3% (from 79.4% in H106-07) during the period due to lower in-orbit insurance costs, provision reversals together with lower allowance for provisions on trade receivables, and also due to the postponement of certain expenses to the second half of the year. Eutelsat expects the EBITDA margin for the second half of 2007/08 to be relatively lower than the first half of the year due to seasonal effects.

Headquartered in Paris, Eutelsat Communications SA is a leading, internationally operating supplier of fixed satellite services.

London
David G. Staples
Managing Director
Corporate Finance Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

London
Christian Rauch
Senior Vice President
Corporate Finance Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

© Copyright 2008, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."