Company: **Eutelsat**

Conference Title: **Full Year 2009-2010 Results**

Presenters: **Michel de Rosen, Jean-Paul Brillaud, Catherine Guillouard**

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Operator: Good day and welcome to the Eutelsat Communications Full Year Results 2009-2010 Presentation Conference Call. Today's conference is being recorded. At this time I would like to turn the conference over to Lisa Finas, Head of Investor Relations. Please go ahead.

Lisa Finas: Thank you for joining us today for the full year results for Eutelsat. I'm Lisa Finas, the new Head of Investor Relations and before we begin I'd like to remind everyone that this presentation is a summary of information related to the accounts activities of the fiscal year 2009-2010 of Eutelsat Group as well as its strategy. This should not be considered comprehensive or complete. For further details please refer to the consolidated accounts of Eutelsat Communications for the financial year 2009-2010 as approved by the Board of Directors dated July 29th 2010 and to the statement on Full Year 2009-2010 dated July 30th as approved by the board available on the Eutelsat website www.eutelsat.com. All statements other than those stating historical facts included in this presentation including those regarding Eutelsat Communications' position, business strategy, plans and objectives are forward-looking statements.

Presenting on this call today are Michel de Rosen, Eutelsat's CEO; Jean-Paul Brillaud, Deputy CEO; and Catherine Guillouard, CFO. I will now pass the call over to Michel de Rosen.

Michel de Rosen: Thank you Lisa and good morning to you ladies and gentlemen. Thank you for being with us today. I will share commenting on today's presentation with Jean-Paul and Catherine and it will be organised in four sections. Section number one is 2009-2010: a record year. Section number two is a description of the strong operating momentum. Section number three is excellent financial performance. Section number four is our commitment: growth, profitability and reliability.

So let me immediately jump into the first section which is 2009 and 2010. This is clearly in many ways a record year for Eutelsat. Our revenue has increased by more than €100 million a year in one year and has reached €1,047 million exceeding the guidance we provided in May of the target of more than €1,035 million. All of our businesses are growing. EBITDA reached €827.8 million recording a double digit growth of over 11%. Remember that our target for EBITDA was €795 million. We reached this record performance because we were able to lease new in-orbit capacity more quickly than expected as we benefited from the rapid rise of the expansion programme we began three years ago. In proposing an increase of 15.2% of the dividend we are consistent with our desire to offer our shareholders an attractive remuneration thus sharing in our company's success. Finally of course if you think of our outlook our prospects have never been better. Our ambition is to continue in the long term combining growth, profitability and reliability.

The next slide is just to remind you or inform those of you who don't know us well that at Eutelsat we deliver. We have always delivered. We deliver growth, we deliver profitability, we deliver reliability. Growth, profitability and reliability are the three key principles of our ambition for Eutelsat. This year we delivered on all of these points and if you take a little altitude you will see that over the past five years our revenue has grown at a compounded annual growth rate of 7%. Our successful strategy puts us at the heart of the most promising market for the digital economy: television and broadband access in Europe, the Middle East and Africa. In terms of profitability our EBITDA margin of 79% keeps us best in class among the main fixed satellite services operators. Finally in terms of reliability we have met or exceeded all financial targets we set for ourselves that we presented to you earlier.

The next slide ladies and gentlemen is to present to you the new executive team of Eutelsat. Eutelsat has a wealth of talent, expertise and experience and it is my privilege to work with such a talented team. However I think that at Eutelsat like in any other companies, it is good to bring some fresh blood and to add it to the existing talents. So the new executive team of the company is composed of Jean-Paul Brillaud, Deputy CEO who most of you know already very well; and Catherine Guillouard who has been the Chief Financial Officer of the company for now a few years and that most of you also know very well. The two new members of the team are David Bair who joined us in fact only at the beginning of last week, so very recently. He is our new Chief Technical Officer. David was most recently Chief Technical Officer of EchoStar and has a long and distinguished history in the satellite industry. Before EchoStar he was at Lockheed Martin, before that General Electric and before in the US Navy. Also Andrew Wallace joined us in June. He is our new Chief Commercial Officer. He oversees and supervises, in this capacity, all the sales and marketing activities for all applications at Eutelsat. Then, of course, myself, so we are the five members of the new executive team of the company. We are just one layer. I can tell you that working with us are some extraordinary people, great talents.

I will now turn the presentation over to Jean-Paul.

Jean-Paul Brillaud: Thank you Michel. We will go now to review in detail our operational and commercial performance, so moving directly to page 8, first we want to really note that our performance of this year is a record one in the history of Eutelsat. Looking at the performance over the last five years you'll see from the slide that in fact this performance is really part of a framework that shows an average CAGR over the last five years of 7% and I would ask you to remember this figure of 7% average growth over the last five years when Michel will come back to speak about the perspective in the future.

This record and exceptional performance of this year of an increase of 11.3% of the turnover is explained on page 9 as it relates to an increase in fleet capacity. We show you here what has been the evolution, so for capacity that we have deployed in orbit, you can really see that we have had an evolution which was relatively minor in the years '07 and '08 which led to a very high fill factor in our fleets of 93.4% by June '08. Since that time we have had to catch-up for the delay in deploying capacity, and have done this by launching five satellites and especially three in the last 18 months which have translated in an increased capacity between June '09 and June '10 by 11%. This increased capacity has permitted us to grow the number of leased transponders by 9%. It has also permitted us to improve the operational flexibility by reducing the fill factor on our fleet to 87.5% and it has then offered us new capacity to support the development of our most dynamic markets.

So moving to page 10, this explains the deployment of new capacity over the past 18 months, it's described in more detail here by the five satellites that we have launched, especially the last three ones, EUROBIRD 9A at 9º, W2A at 10º and W7. These satellites that were launched during the last two years, ending with the launch in November 2009 of W7 which has enjoyed a much more rapid ramp-up than anticipated,, explains most of our exceptional performance of the year. We have enjoyed the full effect of the capacity which was added in the year '08-'09 but also in addition the rapid pickup of W7 and that has in fact made us 11.3% in our turnover.

So coming now to the different market segments on page 11. I think that you know very well our portfolio of activities. Most of our business, it's Video. You'll see, nevertheless that this video activity has slowly decreased in terms of percentage of the total over the years and it was 71% this year. This is due to the fact that Data & Value Added Services, is a growing business as well as Multi-usage and that's where we'll grow in the future and we will look at that in more detail.

Page 12, Video. Thanks to the very strong exposure to the growing markets which are what we call our Second Continent meaning Eastern Europe, Central Europe, Middle East and Africa ,we have enjoyed most of the increase and growth. We have increased the number of channels that we broadcast in our fleets by 14.8% which means that we have added more than 400 channels, 471 channels to be precise, that are broadcast on our fleet. We've now reached 3,600 TV channels a growth, of 60% is coming from this Second Continent. So you'll see that the suitability and allocation of our fleet deployment in these emerging markets has permitted us to catch most of the growth and the potential in these markets. This translates an increase in revenue in the Video segment of more than 9% compared to the last year growth of 4.7% and that is really the result of the deployment of the different satellites that I mentioned to you, in particular W7 and on the Eastern countries as well as EUROBIRD 9A which was also targeting these countries.

So of these 471 new channels now broadcast from our fleet, on page 13, you'll see the breakdown over our fleet. Besides of HOTBIRD, which is historically what we call the "hot" positions of the fleet with more than 1,000 channels broadcast from this orbital slot, we have nine positions which are dedicated to video DTH (Direct to Home) business and four of them that we show here are the fastest growing. You see here, for example, that the 7º West position which is targeting North Africa and Middle East has enjoyed growth of more than 77% thanks to the deployment of the AB4A that was launched two years ago. In parallel, we also see growth in others, like at 16º East, which targets Central & Eastern Europe and 36º East which is dedicated to Russia and Africa both of which have enjoyed respectively more than 10% growth and 16% growth.

So the size of this growth in the number of channels, Video is also a growth driver which is really dependent on new quality television standards, mainly HDTV and you will see that in page 14 we have grown the number of channels transmitted in HDTV in our fleet by more than 80% reaching now 155 HDTV channels. Beyond HD there is 3D, 3D is quite interesting for lots of players. However, at this time it does not translate into significant turnover but I think that it shows the dynamics of the sector in Video and it could come in the future as a significant growth driver of HD in conjunction with 3D.

So moving now to page 14 which relates to the second market segments that we have which is Broadband and Data, you'll see that these are very dynamic ones which are really contributing to this very high performance, more than 17% of growth this year compared to 13% growth last year which are composed to two sub-segments, first Data Networks which continued to grow at more than 17%. That's really continuing strong demand from all emerging markets for interconnections of corporate networks and GSM networks which are also served by the new satellites like W2A which are really meeting the capacity needs in Europe and Africa. The second sub-segment, it's value-added services where we continue our strategy to roll out new broadband services moving from professional to consumer applications where our Tooway services will be deployed in larger scale from next year and the years to come from KA-SAT, but even with this relatively small deployment we have enjoyed more than 19% growth this year, so this is a good sign of strong demand in this market.

The last market segment on page 16, is the Multi-usage segment mainly serving demand from governmental services. We enjoyed very solid demands for this type of service This business is relatively volatile, with short term contracts, but nevertheless the demand is really very strong and we believe is sustainable. We have been able to renew all the contracts that came to an end during the period and in addition we have attracted new ones and this is thanks to the fact that the fleet that we have is very well positioned to capture these new contracts having suitable coverage over the regions which are of interest for the governmental agencies and you'll see that the revenue has increased by more than 30% over the year and we are quite confident that in the relatively foreseeable future we have a demand for that to continue.

The last indicator our operational performance that we want to measure is the backlog which translates to visibility and flexibility which is quite a characteristic of our business as an infrastructure and which shows the very defensive nature of our business. This visibility together with growth is something we offer to investors. We have enjoyed a very significant increase in our backlog, up by more than 24% which is now reaches €4.9 billion and increases our visibility to nearly 4.7 years of annual revenue and more importantly with a weighted average residual lifetime of the contracts in this backlog of 8 years.

So that concludes my presentations and I will leave the floor to Catherine to explain how this translated into financial performance for the year.

Catherine Guillouard: Thank you Jean-Paul and good afternoon to everybody. The financial performance of Eutelsat was excellent this year and I will walk you through the financial slides beginning with page 19. This year we reported record revenue €1.047 million representing growth of 11.3%. The two main growth drivers were the full effect of three new satellites as Jean-Paul explained to you, ATLANTIC BIRD 4A, EUROBIRD 9A, W2A and the repositioning of one EUROBIRD 4A. We are also doubling the capacity at the orbital position 36⁰ East with the entry into services of a new satellite W7. This gives us a strong top line growth of 11.3% and even higher 12.6% at constant euro-dollar exchange rates.

Going now to page 20 you will see that the strong increase in the top line translates in EBITDA growth. Our EBITDA grew by 11.5% reaching €827.8 million compared to €742.1 million last year. This strong performance is due in large part to robust revenue obviously but also to the group point of cost control. Especially operational expenses remain flat as a percent of revenues at 21% and once again Eutelsat performed best in class among satellite operators with an impressive 79% EBITDA margin.

In terms of balance sheet and cash flow page 21 you can see that the high level of cash generated this year from operating activities was 66.7% of revenues and what is interesting is to see that it's coming from a very pure growth of EBITDA, also improvement in working capital but no-one else this year compared to last year. This high level is mainly attributable obviously to this and in addition to that we have been able to decrease our net debt to EBITDA ratio and this one declined to 3.13 times last year to 2.93 times at the end of June despite the fact that we have to increase our capital expenditure by 18.7%, I will come back on that later and we have also boosted our distribution to shareholders by 10.2% which distribution in volume increasing by €14 million from one year to another.

Going to slide 22 you will see that the group continues to invest actively in its future and we have invested this year €494.4 million which is in line with the Capex guidance that we have delivered to you last year. We have a guidance of €450 million average over the last three years and we are in line with that and with cash flow generating from operating activities increasing by €43.6 million over last year, this was achieved at a high level considering the fact that we had no-one else this year. Remember that last year we had a 46.6 one-off with €25 million coming from the transfer of certain rights to Hispasat and also the fact that we have tax reimbursement for €21.6 million. Excluding these non-recurring items cash flow from operating activities would have increased by 14.8% and above all more than €200 million of operating free cash flow remained a surplus.

Going now to page 23, one of the main issues in terms of financials was this year the fact that we had let's say made the balance sheet of the group stronger in doing a successful refinancing at Eutelsat SA and this financing was conducted at efficient costs. In March we completely refinanced Eutelsat SA, the main operating subsidiary for a total of €1.3 billion. We have received investment grade status from both Moody's and Standard & Poor's. We were able to access the capital markets for the first time and we have completed a Eurobond issue for €850 million and we have completed this bond with a credit facility of €450 million. You can see that finally our coupon, we have reached a coupon of 12.5% and in terms of revolver credit facility we had to pay a margin over Euribor if we drew down which is not the case today of 150 basis points. The new debt structure was struck at very efficient costs and allows us to extend the maturity of our debt at Eutelsat SA level until March 2017 for the bond and March 2015 for the new revolving credit facility.

So if you look at this from a group level and it's the case on page 24 you can see that we have now a much more balanced finance structure because thanks to the refinancing we are now relieved now 100% on bank debt. After the refinancing at the group level 26% of our funding is coming from the bonds and 74% from bank facility. Obviously if you look at Eutelsat SA level it's 65% of the financing coming from the bonds and only 35% coming from bank facilities. In addition we have improved the debt maturity profile and we had obviously in terms of loans and repayment profile smoothed the repayment profile and we have extended from 2.7 before the refinancing, we have extended the average years in terms of debt at 4.8 years now, the average maturity of the debt.

Going now to page 25 you have an idea of the structure of the debt at the end of June, so the net debt at the end of June has been posted at €2,424 million. It is an increase of €98 million. Considering the fact that we have increased our Capex by nearly €200 million and also that we have to pay €74 million additional tax compared to last year, we have been able to mitigate the increase of the debt also because we have improved our management in customer incomings which allows us to have this moderate increase in net debt. Average maturity 4.8 years now. Average rate of the debt after ageing during the year only 3.61% versus 4.15% in the previous year. At Eutelsat Communications we have our term loan of €1.6 billion which matured in June 2013. This line is hedged with a swap at 3.85% plus 0.75 bp. Ageing has been taken in 2006 and is starting from April 2010 until the maturity of the line. We have €750 million of undrawn credit lines available and obviously we want to stick to our investment grade rating that we have from the two agencies and Michel will come back on that later when he will talk about the guidance.

Looking at page 26 at the performance in terms of P&L, very quickly revenues so you have seen it's an 11.3% increase, €1,047 million; EBITDA €827.8 million, an increase of 11.5%, 79% in EBITDA margin. Operating income has reached €508.6 million, it's an increase of 7.8% which is a strong performance considering the fact that depreciation has risen by €19.2 million linked to the launch of the satellites that we have in the fleet, the new ones that Jean-Paul and me have already talked about, HOTBIRD 9, HOTBIRD 10, W2A, W7 and also the fact that we have a drop in net order operating versus last year because last year we had the indemnity regarding the pre-emption rights in Hispasat.

In terms of financial result, we have posted a financial result of €100.6 million which is pretty stable last year despite the cost of refinancing. This cost was mitigated by two things: the net gain of Forex exchange on one side and on the other side we have a decrease in financial charges because we have been able to benefit from interest rate decrease especially linked to some hedging instruments that we have at the Eutelsat credit line. Income from associates were helped by 11.8%, €17.8 million, it's due to the good performance of Hispasat. Income tax up too linked to the results of the company, €143.2 million, it's an increase of nearly 12% and after taking into account minority interests the group share net income of the group is posted at €269.5 million which is an increase of 9%.

Considering these excellent results our Board of Directors yesterday recommended a dividend of 76 cents per share which is in fact a 15.2% increase over last year. This payout ratio of 62% is bang in the middle of our guidance, between 50-75% payout ratio. This dividend will be voted by the shareholders at the annual shareholder meeting on November 9th 2010 and I would like now to turn the call back over to Michel.

Michel de Rosen: Thank you Catherine. We are now on page 28 and I will briefly comment to you our commitment on growth, profitability and reliability. Page 29 first. Our ambitions are clear. They are to meet the growing needs of the digital economy. We operate a business infrastructure that is at the heart of the digital revolution and satellites are indispensable to meet these needs. They are truly a complement to operators helping them to extend their reach by feeding data to the networks. Our industry is characterised by the duration of the contracts that we sign with the majority of our customers for periods extending over 10 years and frequently run as long as the life of our satellites. Deepening our model we provide operational excellence in serving our customers and innovating by using new frequencies to deliver images and data. We are not obsessed with size. We regularly get questions from people saying "why don't you acquire this company and that company and you can become the largest satellite operator in the world". We are not obsessed with size. We don't want to be the largest company. We want to be the best company, the one that serves customers the best and that serves shareholders the best. Therefore we adopt a policy of targeted investments in our fleet concentrating on one quarter of the geostationary orbit and marketing video and broadband services in Europe, the Middle East and Africa.

Turning to page 30, in the past three years we have started the implementation of one of the largest investment programmes of in-orbit resources in our industry. We currently have seven satellites under construction to be launched by early 2013. These new resource will enable us to replace five satellites. This will mean a 25% increase of our capability and with KA-SAT we shall open the first European multi-beam technology using the Ka-band frequency and multi-slot technology. We are focused on organic growth and strategic partnerships like the one we recently completed with ictQATAR. It is a good example of a creative way to grow business. The concentration of our fleet allows us to act with greater operational efficiency as satellites can be quickly redeployed to supplement capacity where needed, thus allowing us to expand our coverage in fleets where the demand is highest. Ladies and gentlemen, we continue to work towards maximising our revenue per transponder and we expect to continue this strategy in the future.

Moving now to page 31, the share of our satellite internet services in our portfolio will continue to strengthen as fibre optics creates a digital divide by not reaching areas beyond the reach of fibre. Today more than 12 million households remain outside of any terrestrial broadband network in Europe, enlarged Europe, however to serve the mass market by preserving our profitability we have opted to bring to Europe our KA-SAT satellite. It is based on already proven technology in the US. On live television which needs the broad coverage of the Ku-band for the internet it is necessary to re-use frequencies in narrow beams to reduce all the costs of bandwidth. That is the strength of our KA-SAT satellite that will carry into orbit a payload at the end of 2010, with more than 80 spot beams 250km in diameter and eventually it can connect more than 1 million households connected to broadband through a single satellite.

So moving to page 32, our strategy allows us to combine growth and profitability while some others prefer to choose one or the other. We clearly want to offer you both. We are confident in our ability to continue to grow at the rate we achieved over the previous five years. We have communicated today to the market the following objectives. Revenues of more than €1,120 million in 2010-2011, the year that started a month ago, and a weighted average annual growth above 7% for the three years in the period July 2010 to June 2013. That is for revenues. About EBITDA, we targeted our EBITDA margin to exceed 77% for each year for the same guidance for the period 2011-2013 and specifically an EBITDA or more than €875 million for the fiscal year 2010-2011. Capex. The amount of investment is at the same pace as the previous guidance period, that is €450 million per year on average over the period 2010-2013. We intend to continue to share our growth with our shareholders by distributing between 50% and 75% of net income attributable to the group. Finally we of course want our financial structure to remain solid. Our goal is that our net debt should remain below 3.5 times EBITDA.

Let me come now to a very brief conclusion on page 33. At Eutelsat we have delivered. The company became public in 2005 and since then it has always delivered. We intend to continue. We want to give our shareholders a clear perspective and keep our commitments as we have done in the past. We have achieved and often surpassed our targets since 2005 and our return to shareholders via dividend has helped create a true capital of trust with our shareholders.

Ladies and gentlemen, we have just finished a record year. Our ambition is clear and our future is solid. We're now available to answer your questions.

Operator: Thank you. If you would like to ask a question at this time please press the star or asterisk key followed by the digit 1 on your telephone. Please ensure that the mute function on your telephone keypad is switched off to allow your signal to reach our equipment. If you find that your question has already been answered you may remove yourself from the queue by pressing *2. Again please press *1 to ask a question. We will pause for just a moment to allow everyone to signal.

We will take the first question from Andrew Entwistle from New Street Research. Please go ahead.

Andrew Entwistle: Good afternoon, thank you very much. I'm just asking a question about your guidance specifically next year's revenue guidance as to how we should take that because it is obviously a significant slowdown from the momentum you have in the business at the moment and clearly you'll have internal expectations as well. I'm expecting let's say a few percentage points higher than your guidance. Should I be more cautious than that?

Michel de Rosen: Jean-Paul will take that question.

Jean-Paul Brillaud: I think that we should really answer this once against the exceptional character of the performance of this year. I think that has been very well explained by Michel, by Catherine and I hope by myself that this year we have enjoyed a confluence of several factors, in particular the launches that we have previously done in the year '08 and '09, secondly the rapid pick up of W7 that we have entered into services in January which has permits to deliver the performance of 11%. This performance of 11%, I think that it's not really in line with the market. It's much above what is really the demand coming from the market and we for the next few years, I think that we are first starting from a higher basis which will be the performance of this year, more than €1,047 million and I think that the performance of 7% over that when you think about what is really the demand over our geography. Secondly you see that really we are infrastructure offering growth and when you also compare with what our peers are delivering today and our ambitions to deliver, we cannot really qualify that as a slowdown. I think that it's completely in line with the longer term performance of the company. I have shown to you that over the last five years we have delivered an increasing performance reaching an average of 7% which has steadily increased from 2005 to 2010 and I think that what is our medium term for the market and our ambitions, I think that we will really qualify 7% of growth on the basis of more than €1 billion as really quite reasonable, some even more ambitious for infrastructure. I would say also that it's completely in line with really the investment programme that we have because the capacity that we will deploy over the next three years will increase by 25% and you will see that we are consistent between our investment programmes and Capex that we will spend and the turnover on the revenue that we intend to generate.

Andrew Entwistle: Thank you, that's very clear. Could I ask if there's a specific currency expectation you're prepared to disclose that goes with that growth guidance?

Catherine Guillouard: Yes. For next year we have in fact expectations of an average of €1.36 and in the plan it's more €1.40 considering three years.

Andrew Entwistle: Ok, thank you.

Michel de Rosen: Thank you very much.

Operator: We will take the next question from Henrik Nyblom from Nomura. Please go ahead.

Henrik Nyblom: Hi there, a few questions please. The first one related to video revenues in the fourth quarter. We saw an extremely minor sequential growth in the fourth quarter in video and if I'm not mistaken at least there was probably 6-8 transponders on W7 that should have become operational from 1st April, so it seems to be a bit low on that end, so if you can clarify how many transponders on the W7 actually generated revenues as we ended June or more when actually the transponders started to generate revenue? The second question was on the World Cup. You typically have event driving revenues in these events and I believe you did announce contracts ahead of the World Cup that you would be selling capacity. Is it fair to assume that those revenues will be coming in July and have not been included in June? Then lastly on your three year guidance. Towards the end of the guidance period I guess we should start seeing

KA-SAT generate some serious amount of revenue as the year after your guidance period ends it should generate according to your guidance €100 million in revenues, so how much have you actually included from KA-SAT's contribution the last year of your three year guidance? That would be helpful. Thank you.

Jean-Paul Brillaud: Thank you Henrik. I see that as usual your questions are very detailed and researched. I would say that first I should recall that we are relatively in long term type of business I think you cannot really detail quarter by quarter the contributions of each satellite one by one. W7, I think that we had a much quicker take-up than anticipated which contributed to the overall performance of the year. I think that we are not disclosing the details of contributions of each satellite one by one but you see a trend of the video which are increased and I think that the most important contribution was in the third quarter which is mainly due to two satellites which is AB 4A and W7. I think that's really what is the comment on the video. On the questions of the KA-SAT I think that it's clear and I think that we included it in the guidance of the 7%, the revenue of KA-SAT. We will have next year in the €1,120 million revenue a relatively modest contribution coming from KA-SAT because the time for the satellite to enter into service, I think that they will have a relatively modest participation for the last quarter of the fiscal year. For the two next years I think the business will be growing up and I think that we have said that for a year, 7 at 14, I think that it will generate more than €100 million of revenue. I'm sure that Henrik you are clever enough to really make your assumptions on the two next year what could be the contributions but we have not up to now I think really made a breakdown of the contributions to our growth for different types of acquisitions.

Henrik Nyblom: On the World Cup revenues?

Jean-Paul Brillaud: I think that the World Cup revenues, I think that it's part of this video, I think that there is a part which is already included in June which is a relatively small part but I think that we will have also some additions in July of this year, but I think that in the increase of revenue I would say that it's really not material.

Henrik Nyblom: Ok, thank you.

Michel de Rosen: Thank you Henrik.

Operator: Torsten Achtmann from JP Morgan has the next question. Please go ahead.

Torsten Achtmann: Hello. On your three year guidance for the margin which is lower than in the past three years, can you give me an update what extra costs you expect to incur from KA-SAT and maybe any other costs which explains the lower guidance of the margin? Thank you.

Catherine Guillouard: We have developed today two or three activities which are at variable costs, FRANSAT and for instance Tooway and we think that developing these activities we need some Opex. For instance in the accounts at the end of June half of the increase of the cost that you can see in the accounts is linked to Tooway and FRANSAT, so we have not totally finished deploying Tooway activities, so we will have some cost increase here on Tooway in the next year and we have also some commercial costs in order to develop our business in high potential zones. It was also one of the explanations of the cost increase of this year and especially in emerging countries where we had some marketing contribution and also some business development costs. They are the two main reasons why we could endeavour at still a high level but stable margin, but remind us 1% of margin is €8 million, so it is not too much.

Jean-Paul Brillaud: If you allow me Catherine I could comment that we are not really decreasing our margins. I think that we are just reiterating the same guidance that we had last year. I think that for this year we have said more than…

Catherine Guillouard: It's 78%, the margin.

Jean-Paul Brillaud: 78% margins and other horizons more than 77%.

Catherine Guillouard: We have increased our guidance.

Jean-Paul Brillaud: Yes, we have increased even more our guidance. So that means that we don't intend to really significant decrease our margin. We are just factoring in the same guidance. You can say that compared to our performance I think that it's lower but I think that it was already the case on which the guidance we gave and the performance that we delivered, there's always some margin but I think it's the way we guide the market. We have no specific objectives or consequence to decrease our margin. We intend to deploy this type of activity with variable costs within the same types of order of magnitude for Opex and performance.

Catherine Guillouard: Even though we have increased the guidance in fact because we have said before that we will be around 77% in year 2 and year 3 and we are seeing now that we will be above 77% in year 2 and year 3, so it's better.

Michel de Rosen: Not usually better, but better.

Torsten Achtmann: Ok. On Tooway have you captured any revenue potential from these new initiatives in your outlook or would that be additional?

Catherine Guillouard: Revenue?

Michel de Rosen: Did you say of Tooway?

Torsten Achtmann: Yes.

Michel de Rosen: On Tooway the guidance we have presented today encompasses everything.

Torsten Achtmann: Perfect, thank you,

Michel de Rosen: Thank you.

Operator: As a reminder if you wish to ask a question please press *1 on your telephone keypad. Henrik Herbst from Credit Suisse has our next question. Please go ahead.

Henrik Herbst: Yes, thank you. I was just wondering if you could give a little bit a visibility on revenue breakdown by geographical region and if you see any change going forward, if there are any regions in particular that look to be slowing down? That was it, thank you.

Catherine Guillouard: As you know the only breakdown that we are communicating is by billing address, so saying so what we could see at the end of this year is the following: we have a small decrease in percentage considering France and Great Britain regions, a small one. The market share if I could say so in turnover was 14.3 for France at the end of June '09 and is now at 13.9 and for Great Britain it was 9.1 and it's now 8.4. Italy is a little bit up, 16.2 instead of 16.1 before. Europe, all Europe, other countries is stable at 34.4 and we have an increase in Middle East which rose from 8.8 to 9.7 and also in what we call America but again it's billing address, so it's linked to multi-usage, 10.4 to 11.2. But again it's billing address, I insist because we are not splitting by anything else, it's billing address.

Michel de Rosen: It's not geographic coverage.

Catherine Guillouard: So stable zone, Italy, Europe. A small decrease in France and Great Britain, increasing in Middle East and America.

Henrik Herbst: Ok, thank you very much.

Operator: We'll now take a follow-up question from Henrik Nyblom from Nomura. Please go ahead.

Henrik Nyblom: Hi there, just a very quick one. Your other revenue of -€4 million or so for the fourth quarter I guess is related to some currency hedge which doesn't seem to me like a very good hedge, so can you just explain or clarify whether we should be worried about the other revenue line in the next few quarters or whether you have now closed the hedge and hence why you realise the negative on the revenue side?

Catherine Guillouard: Henrik, effectively we have a position at the end of June which was finally negative. Let me just say this, what we are doing is in terms of hedging compared to what the company did before. The company before bought options, so there are cash outs for options which is not the case now because we are…in fact what we are doing is we are buying what we call not-in buyer, that is to say there is no cash out in what we are doing and in fact we have a position with a strike which was effectively underwater, so in fact it is this which explains this €4 million but globally speaking we have an effect which was as you can see on the financial results positive in terms of Forex in the financials where the positive effect was €17 million. So in fact what we are doing is we have a policy where we are hedging only the net position between revenues and Capex each year and this position was effectively negative for us this time which explains the €4 million.

Michel de Rosen: Is that clear enough Henrik?

Henrik Nyblom: I still don't understand the purpose with what you're doing. You speculate rather than running a satellite business…

Catherine Guillouard: No, absolutely not speculate. It's cash flow hedging so it's absolutely not speculation. We never take positions in speculation in Eutelsat, it's protection because we have set the budget at a certain level. We process the revenue at the level of the budget and if after we have some discrepancies with the market, we accept that.

Henrik Nyblom: Ok, thank you.

Michel de Rosen: Henrik, obviously this becomes technical. Catherine is available to speak with you and give you additional details to make sure things are crystal clear.

Catherine Guillouard: There is absolutely no speculation because all our instruments are cash flow hedging, that is to say absolutely not considering speculation. The issue of the company is to cover compared to the budget level that we have taken in terms of euro-dollar in order to be sure that we set a correct target for the end of the year. So I could explain to you this if you want after.

Michel de Rosen: Henrik, Catherine is at your disposal. I believe there is one additional question.

Operator: We will take now the next question from Wilton Fry from Merrill Lynch. Please go ahead.

Wilton Fry: Hi there. I just wondered if you could give us an update on Solaris' strategy? You haven't ordered a new S-band payload. Are you trying to get by with the partially working payload on a permanent basis? Also on that if you did build a new one would you consider sharing ownership with Inmarsat? Thank you.

Jean-Paul Brillaud: I didn't catch exactly your point. We have in fact launched an S-band payload on W2A. These S-band payloads belong to the joint venture that we have established 50-50 with SES which is called Solaris. This S-band payload had a technical failure and it has been completely reimbursed by the insurance with an arrangement that nevertheless if we are able to use it I think that we have an arrangement with an insurer for that. It offers some limited service on limited coverage and today we are considering what are our options, what are the options for Solaris in order to use these payloads and maybe also for any future investment that the company could do. So if your question is related to any potential future investment in the S-band to complement the existing one, I think that we are in fact analysing the different options. We are doing that of course with the management of Solaris and with our partner SES. I think that we are not specifically considering anything with Inmarsat today but of course we are open to any alternative. We are looking to what could be the potential use. We see quite a lot of interest coming from different market segments, whether it's for mobile broadcasts, infomobility, services or mobile broadband we see some potential for this S-band activity and we are working on the different alternative scenarios. Our objective is to come around the end of the year with some in fact decisions about what is the future of this venture, but I just want to give you I would say some sentiments of optimism about the interest which we have been able to generate about the use of these bands. Today there is quite a scarcity of spectrum within this area of the spectrum and I think that we see some potential for that.

Michel de Rosen: Wilton, I would just like to add one or two comments to what Jean-Paul said. The technical problem that Jean-Paul referred to was obviously when it happened a disappointment, however it created an opportunity because not to speak of what was done with the insurers which was a successful discussion and with a win-win result for Solaris and the insurance community. We have used the time I believe quite productively. We used the time to execute demonstrations to demonstrate to whoever's interested including politicians, regulators, customers etc that this works, that in fact there is a reality of the quality of signal and commercial potential for capacity and we are doing more of that going forward. We have also used the time to work with regulators on frequencies. The idea there is to progress on acquiring and consolidating rights. As of mid-July Solaris Mobile has been granted 18 year licences in quite a few countries and we are working in other EU countries, so this is a topic that Jean-Paul was referring to is of course very precious. Finally because we have also taken some time it allows us to refine our business plan with either customers or potential partners and we believe that by the end of the year we will have a plan that we will then share with you.

Wilton Fry: Ok, very clear. Thank you.

Michel de Rosen: Thank you.

Operator: As there are no further questions I would like to turn the call back to Miss Lisa Finas for any additional or closing remarks.

Lisa Finas: I just want to thank you all for participating in the call today. Let me remind you that we plan to publish our first quarter revenues at the quarter ending September 30th 2010 on November 4th 2010. We look forward to seeing you then or in the meantime. Thank you.

Jean-Paul Brillaud: Thank you, have a good weekend.

Michel de Rosen: Thank you.

Operator: That will conclude today's conference call. Thank you for your participation ladies and gentlemen, you may now disconnect.