



**INTERVIEW
WITH GIULIANO BERRETTA
CHAIRMAN AND CEO**

“Our Group’s strategy is to favour the most dynamic and profitable applications in the Fixed Satellite Services sector,,

Eutelsat Communications has delivered excellent results with a larger share of business derived from Video Applications. Is this a strategy you aim to continue?

Eutelsat has pursued a strategic direction over recent years that aims to increase in-orbit resources for video applications and to develop a significant pole of broadband services. This direction is driven by the prospects for longstanding growth offered by digital broadcasting and Internet applications and is fully in line with our Group’s strategy to favour the most profitable applications in the Fixed Satellite Services Sector.

The dynamic of today’s digital broadcasting markets enables us to extract value from the inherent capacity of satellites to serve large audiences at a cost of only a few euro cents a year per home per channel. Video broadcasting is also favourably characterised by the long-term nature of contracts that frequently cover the entire service life of the satellites they use. Combining profitability and long-term visibility, we believe that the share of revenue generated by video applications should continue to remain predominant.

In addition to Western Europe which remains your leading market, this year shows sustained growth in other regions covered by your fleet. How do you see these markets developing?

One of our Group’s major strengths is our resolution to combine solid leadership in mature digital markets in Western Europe with longstanding presence in a wider range of regions covered by our satellites. Our growth over the past ten years has come primarily from European Union countries which have experienced dramatic expansion of digital broadcasting and increase in volume of data traffic over broadband networks. This dynamic is now extending to all countries within our coverage.

Broadcasting and broadband services in Russia, Central Europe, the Middle East, North Africa and sub-Saharan Africa are today growing at a rate that is three to five times that of more mature markets of Western Europe.

We are reaping the benefits in these regions of our longstanding presence that has enabled us to build privileged relationships with the media groups that have emerged as dominant players over the last ten years and who are now experiencing strong commercial success with ambitious plans for expansion. The innovative culture of these groups and their capacity to leverage the step-changes afforded by digital technologies are at the heart of their impressive rate of growth. At launch they have already assembled an impressive array of national, international, general and thematic channels. Our satellites enable them to build large audiences within their own frontiers and to reach out to communities living overseas. In the new market of High Definition Television (HDTV), Russia’s NTV+ pay-TV platform, Poland’s Cyfra+ and “n” have already joined their opposite numbers SKY Italia in Italy and BSkyB in the United Kingdom in launching 100% high-definition channels this year.

“Our diversification into markets with strong business potential is a key factor driving lasting growth,,

In terms of in-orbit resources, how do you anticipate market demand?

Over recent years a number of major satellite operators have rationalised their satellite systems in order to maintain the balance between capacity and demand across Extended Europe. This balance is essential for preserving profit margins in our field and for ensuring that operators can continue their long-term investment plans, which necessitate a two to three year period from the order of a satellite to its launch.

Our Group has two key assets which enable it to respond to this challenge. The first is the high level of flexibility of our in-orbit resource which enables satellites to seamlessly replace one another. The second is the fact that our fleet is tightly concentrated along the geostationary arc over Europe, which enables us to quickly redeploy capacity from one location to another.

Building on these advantages, since 2001 we have pursued a dynamic “cascade” management strategy of our in-orbit resource which involves securing our key neighbourhoods and developing other positions. In order to do this, we anticipate the replacement of satellites at premium neighbourhoods with new satellites delivering higher power. Released ahead of time, the replaced satellites subsequently represent an additional resource available in orbit to consolidate an emerging position or seize a new market opportunity. This “cascade” policy preserves our strategic priority towards our core markets, increases the reliability of our fleet and gives our Group the flexibility and the resources we need to drive growth.

The launch of HOT BIRD™ 8 brought the number of our operational transponders in stable orbit to 505. Together with HOT BIRD™ 7A, which was launched in February 2006, these satellites have renewed a significant volume of capacity at the 13° East position, reducing the age of our Group’s key neighbourhood to 2.2 years at the end of the reporting period. Their entry into service released three satellites that have enabled us to open three new orbital positions serving Europe, the Middle East and North Africa.

A number of initiatives attracted attention this year, notably the order of the S-band payload, the opening of the market for double-feed reception from 9° and 13° East, and the launch of Ka-band Internet services. What weight do you give to innovation in the expansion of your resources?

In view of the nature of the digital environment in which we operate, technological innovation naturally plays a major role in our expansion strategy. Our two main paths of innovation concern technologies that increase the power, reliability and flexibility of our satellite fleet and technologies that expand the portfolio of applications we can provide.

In terms of consolidating our in-orbit resources, a total of five satellites were in construction as of 30 June 2007, of which three were ordered during the financial year. These satellites will be launched in 2008 and 2009. HOT BIRD™ 9 and HOT BIRD™ 10 form part of our programme to secure and rationalise our 13° East neighbourhood. Initiated with the launch of HOT BIRD™ 8, this programme comprises the deployment of three identical high-capacity satellites at our key video neighbourhood. This unique inter-satellite security programme, ensuring full redundancy, will be completed in 2009.

In parallel, we have taken a number of initiatives this year which are aimed at expanding satellite applications. In October 2006, we announced the order of an S-band payload on the W2A satellite. Jointly financed and operated by Eutelsat and SES Astra, this payload will provide the first S-band satellite capacity offering coverage of Europe. In 2009, this capacity will open a new field of mobile communications for broadcasting video content and interactive services to mobiles.

“With our excellent performance this year we have exceeded the targets set in December 2005 when our shares began trading on the stock market,,

Does the arrival of Abertis and CDC among your shareholders change your strategic directions?

Whereas Abertis and CDC individually joined our Group as shareholders, they both share a policy of long-term investments in infrastructure businesses and are actively involved in the development of the companies in which they invest. Their commitment gives us confidence for continuing to pursue the strategic directions we have implemented over the last few years. Two independent Directors, Pier Francesco Guarguaglini, Chairman and CEO of Finmeccanica and Lord Birt, former Director General of the BBC have also joined our Board of Directors. Together, all of our directors combine extensive industrial and financial experience of Eutelsat’s markets.

With the excellent performance achieved this year we have exceeded the targets set in December 2005 when our shares began trading on the stock market. Revenue has risen by 4.8% to 829 million euros. With our EBITDA margin at 78.7%, we have maintained our profitability at the highest level among Fixed Satellite Service operators. Our net debt level is fully under control at a multiple of 3 to 4 times EBITDA and we have increased our consolidated net result fourfold. Our Group is not only able to apply a policy of attractive return to shareholders but also to undertake a major investment programme securing lasting and profitable growth.



Giuliano Berretta
Chairman and CEO
Eutelsat Communications

Already in use in the United States and Asia, the S-band has successfully introduced many millions of subscribers to new mobile digital television and radio broadcasting services. Together with GPS and Galileo satellite-positioning systems, it will enable deployment in Europe of a new generation of interactive services for vehicles and professional fleets.

A second initiative was the opening in May 2007 of the 9° East position, which sits close to the HOT BIRD™ location. The proximity of both positions opens the possibility to European homes of using a single antenna equipped with an off-the-shelf dual-feed for receiving channels from our HOT BIRD™ constellation and EUROIRD™ 9. For our broadcasting clients, this brings great potential for expansion and enables them to capitalise on the installed base of satellite homes receiving channels from the HOT BIRD™ neighbourhood.

A third major innovative initiative concerns the development of our portfolio of value added broadband services. These services primarily target regions beyond range of terrestrial networks, where satellite coverage is often the only way to ensure access to broadband services. As is already the case for our D-STAR service, which has further consolidated inroads into enterprise, maritime and business aviation markets, Eutelsat joined forces in February 2007 with ViaSat, that produces innovative satellite and other wireless communication products, to launch in Europe the first satellite-based Ka-band Internet service, called Tooway™.

The major innovation with Tooway™ is that Internet by satellite can be accessed by consumers using competitively-priced equipment. On the satellite side, bandwidth is optimised with a multi-spot architecture of the Ka-band payload supplied by our HOT BIRD™ 6 satellite. Two years after their launch in North America, more than 300,000 households subscribe to Ka-band satellite broadband services. We are convinced that Europe will experience the same levels of success for this new generation of service, as the digital divide remains a reality in many suburban and rural areas. It is with this in mind that our Board of Directors recently approved the decision to order a satellite operating exclusively in Ka-band frequencies. This new infrastructure will open the door to a new generation of services including consumer broadband access and broadcasting local television and HDTV.