

CP 08/04

## **EUTELSAT ANNOUNCES RESULTS FOR FIRST HALF-YEAR 2003/2004**

**Eutelsat continues to benefit from the strategy pursued in 2002 and 2003 to increase in-orbit resources on select key markets.**

### **Paris, 15 March 2004 :**

Eutelsat, one of the world's leading satellite operators, today announced consolidated results for the first six months of its 2003/2004 financial year (to 31 December 2003).

**Consolidated (non-audited) revenues were 390.6 M€ EBITDA was 309.9 M€ and net income was 144.7 M€**

*“Our results for the first six months of the 2003/2004 financial year are in line with objectives presented at the General Meeting of Shareholders on 25 November 2003”, commented Giuliano Berretta, Eutelsat CEO. “Our consolidated turnover is 5.7% above the last half-year and 12.9% above the first six-month period of the 2002/2003 financial year. While demand for satellite capacity from the video and professional communications markets is still affected by the absence of economic recovery, Eutelsat continues to benefit from the strategy pursued in 2002 and 2003 to increase in-orbit resources on select key markets.”*

*“Alongside our two main business segments (video applications and professional data networks), where revenues are stable compared with the last half-year, sales of C-band capacity on ATLANTIC BIRD™ 3 for connections between Europe and Africa, and of W5 capacity for communications between Europe, the Middle East and Asia, have generated growth in revenue for broadband services and Multi-usage. Demand for capacity for Internet backbone connections between Europe, Africa, Asia and the Middle East represents the main driver for broadband. For Multi-usage, demand is led by provision of capacity to other satellite operators or to providers of government services.”*

Concerning Eutelsat's in-orbit development programme, Giuliano Berretta added: *“With the five satellites we launched or acquired in the 2002 to 2003 period we are now equipped with the youngest satellite fleet in the world through at least to 2005. With the launch of e-BIRD™, whose first transponders went into service at the end of December 2003, and the upcoming launch in March this year of W3A, Eutelsat will complete its substantial satellite expansion programme. The recent orders of HOT BIRD™ 7A and HOT BIRD™ 8 are part of our regular programme of in-orbit resource renewal. Beyond covering investment and financial charges over the period, the cash flow generated by our operating activities has*

enabled us to reduce our bank debt by 145 million euros. At the same time, we have maintained our ability to react in order to seize internal or external growth opportunities.”

## **KEY HALF-YEAR FINANCIAL INDICATORS**

### **✎ Consolidated accounts (non-audited)**

(in thousands of euros)	Half-year ended		
	<b>31.12.03</b>	<b>31.12.02</b>	<b>30.06.03</b>
Revenues.....	390 573	346 049	369 419
Operating costs .....	(80 688)	(85 887)	(89 098)
EBITDA *	309 885	260 162	280 321
EBITDA margin.....	79,3%	75,2%	75,9%
<b>Operating result .....</b>	<b>186 687</b>	<b>151 519</b>	<b>162 360</b>
Financial result.....	(22 132)	(27 935)	(24 638)
Income tax .....	(19 898)	(26 966)	(30 197)
Income/(Loss) from equity investments	(420)	176	(145 395)
<b>Net income .....</b>	<b>144 686</b>	<b>97 024</b>	<b>*** (37 444)</b>
Shareholders' equity .....	1 522 177	1 415 448	1 377 538
Net debt ** .....	848 191	1 315 062	1 051 406

\* : EBITDA represents the results before net financial charges, tax, depreciation and amortisation, and income from equity investments. EBITDA is not a measure of performance under French GAAP.

\*\* : Net debt is calculated as short-term and long-term financial debt less cash, and including liabilities for in-orbit performance incentives and a capitalised operating lease.

\*\*\* : Net income for the half-year ended 30.06.03 includes the effect of the revaluation of Eutelsat's investment in Hispasat at 110.0 million euros.

## **CONSOLIDATED REVENUE**

Revenue for the half-year was 390.6 M€ against 369.4 M€ over the previous six months and 346.0 M€ in the first half of the 2002/2003 financial year. This growth is due partly to the increase in income from operating activities and partly to settlement of indemnities for late delivery of satellites, which amounted to 23.2 M€. In the second half of the 2002/2003 financial year 4 M€ were generated under the same heading.

## **CONSOLIDATED OPERATING COSTS**

Operating costs for the half-year are 80.7 M€, down by 8.4 M€ on the previous six-month period and by 5.2 M€ compared to the first six months of the 2002/2003 financial year. Items with the greatest impact on the decrease are the savings made on capacity purchased from other operators and the resolution of a commercial dispute.

## **CONSOLIDATED EBITDA**

The EBITDA of 309.9 M€ at 31 December 2003 includes 23.2 M€ of indemnities for late delivery of satellites. Excluding non-recurring revenues, the EBITDA margin is 78% compared with 75.6% for the preceding half-year and 75.2% for the half-year to 31 December 2002.

## **OTHER CONSOLIDATED CHARGES**

Depreciation is relatively stable in comparison with the previous six months and stands at 123.2 M€ compared with 118.0 M€. The difference is essentially explained by the fact that this six-month period is three days longer. A 13% increase over the six-month period ended 31 December 2002 is principally due to the full impact of the depreciation of the new satellites launched or acquired between July and December 2002.

The reduction in financial charges is largely explained by the decrease in net indebtedness and produces an improved financial result.

## **CONSOLIDATED NET RESULT**

As well as the increase in revenues, the savings on operating costs and the direct impact of non-recurring revenues related to the late delivery of satellites, the net half-year result of 144.7 M€ also benefited from the application of a lower tax rate than in the preceding half-year period as a result of losses sustained on the disposal of financial investments during the half-year period.

## **CONSOLIDATED CASH FLOW AND NET DEBT**

After two years of substantial increase in indebtedness as a result of the launch and acquisition programme of five satellites in 18 months and the investment in HISPASAT, the first six months of the 2003/2004 financial year see a reversal of this trend. As well as covering investments and financial charges for the period, the cash flow of 339.9 M€ from operating activities was used to reduce bank debt by 145.0 M€. The cash situation benefits from advance payments generally paid by some clients during the first semester, and the delay into the second semester of certain payments relating to the continuing investment programme, notably amounts of 20 M€ potentially due for the delivery in orbit of a satellite and an additional 10 M€ for future launches, as well as the delay in payment of a debt of 2M€ to a former Signatory of the Intergovernmental Organisation.

## **BACKLOG**

The backlog was 3.7 billion euros at 31 December 2003, a reduction of 0.1 billion euros compared to the beginning of the financial year, with growth in income derived mainly from short and medium-term leases. The backlog represents 5.1 times the revenue for the 2002/2003 financial year and mainly derives from contracts for the operational lifetime of the satellites.

## **Operating report highlights**

- ? Eutelsat concluded a number of new contracts in the video applications segment during the period, notably for capacity over the Indian Ocean and eastern Europe. These new contracts enabled Eutelsat to maintain half-year consumer broadcasting revenues at a stable level of 256 M€. This segment represents 70 per cent of consolidated revenues of which 195.6 M€ is consumer broadcasting to DTH and cable homes, 25.9 M€ contribution services, particularly newsgathering, and 34.2 M€ professional exchanges and specific video networks.
  
- ? At 31 December 2003 Eutelsat's satellites were broadcasting more than 1,400 television channels and 700 radio stations to more than 110 million DTH and cable homes. The number of channels broadcast on Eutelsat's satellites progressed during the period by 5%, increasing from 1335 to 1400.
  
- ? Eutelsat's HOT BIRD™ position at 13 degrees East, which broadcasts 744 television channels, maintained its rank as the world's leading satellite broadcasting neighbourhood in terms of number of channels.
  
- ? 80% of cable and satellite homes in Europe, the Middle East and North Africa receive channels broadcast through Eutelsat's satellites.
  
- ? 40 per cent of channels broadcast are free-to-air, 80 per cent are thematic or serving language communities. A total of 155 services are interactive.
  
- ? With the launch of new broadband services for satellite Internet access and interconnection of sites through open broadband platforms, certain types of business networks have migrated to broadband, resulting in a slight (2%) reduction in revenue from traditional VSAT business. Broadband activity for the professional market grew in line with forecast figures. The take-up of consumer broadband continues to be affected by the economic climate and strong competition in terms of pricing from consumer ADSL packages. A number of new contracts consolidated Eutelsat's position in the market for professional data networks, notably in the North Sea, central Europe and Africa, both in C-band in Ku-band.
  
- ? Multiusages, representing 11 percent of consolidated turnover, covers contracts for capacity to other satellite operators and to providers of government services. It progressed by 10% over the previous half-year, mainly due to income for the whole of the six-month period from leases which began in the period from January to June 2003.

## **Highlights on satellite operations**

The first half of the financial year was marked by the launch of e-BIRD™ on 27 September and the order of two new satellites for 13 degrees East (HOT BIRD™ 7A from Alcatel Space and HOT BIRD™ 8 from EADS Astrium) as part of Eutelsat's ongoing programme to renew capacity in order to consolidate the 13 degrees East neighbourhood. Construction of the W3A satellite progressed at Astrium's facilities with target launch planned for March 2004 from the Baikonur Cosmodrome. The main mission of the e-BIRD™ satellite, positioned at 33 degrees East, is to provide capacity for two-way broadband services in Europe. Its entry into operational service is taking place transponder by transponder, as and when validation test are completed, beginning on 15 December 2003. Finally, in October 2003 Eutelsat retired EUTELSAT II-F4 followed in November by EUTELSAT II-F1. By the end of the half-year Eutelsat was operating capacity on 22 satellites located at 16 orbital positions between 15 degrees West and 70.5 degrees East.

## **About Eutelsat :**

With capacity commercialised on satellites that provide coverage from the Americas to Far East Asia, Eutelsat is one of the world's leading satellite operators. This satellite infrastructure gives the company the flexibility to offer direct-to-home broadcasting, video distribution and contribution services, corporate network solutions, positioning and communications services for mobile users and a portfolio of IP applications which include broadband Internet access and Internet backbone connections. Eutelsat has developed a range of turnkey broadband products (D-STAR, D-SAT, OPENSKY™) for local communities, SMEs, SoHos and consumers beyond ADSL access. It has also set up a subsidiary called Skylogic Italia to market and operate broadband services through its multimedia platform in Turin (Italy). Eutelsat's satellites broadcast more than 1,400 television and 700 radio stations to an audience of 110 million cable and satellite homes.

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