

FINANCIAL FRAMEWORK UNDERPINNING DEVELOPMENT

Antoine Castarède, Chief Financial Officer

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Financial profile

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Satellite business model

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Investment process and required returns

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Conclusions

Financial Profile

1



Long term record of consistent growth



Good visibility and predictable cash-flows



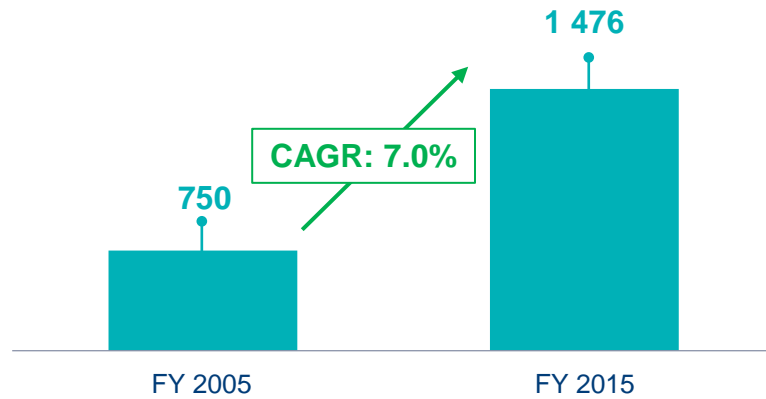
Sound financial structure



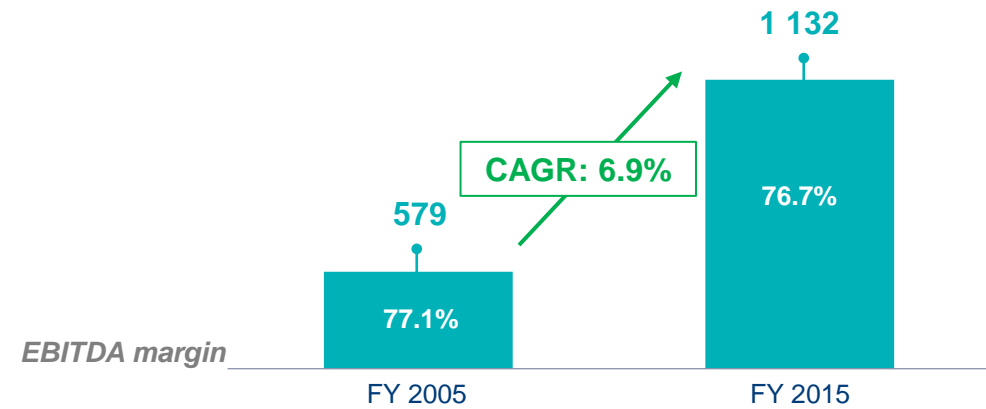
Attractive shareholder returns

Long term record of consistent growth

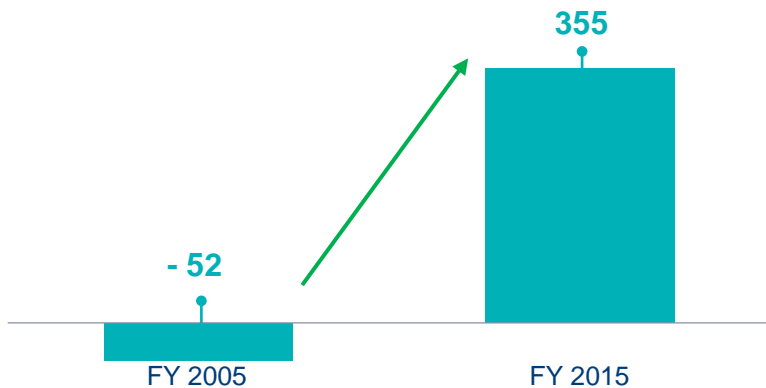
REVENUE (€M)



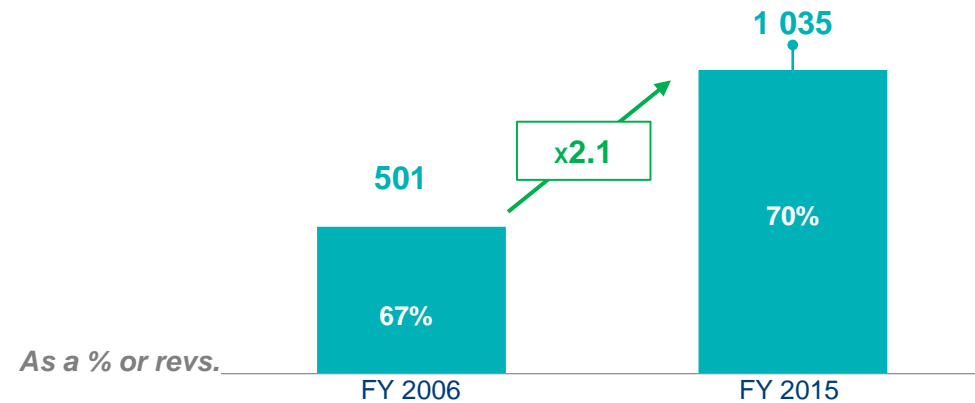
EBITDA (€M)



NET INCOME (€M)



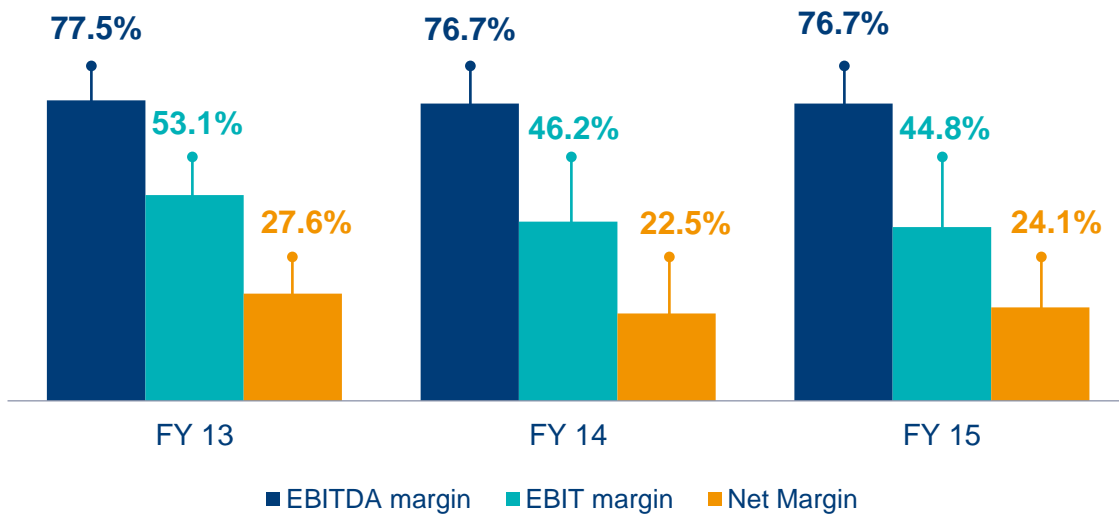
CASH FLOW FROM OPERATIONS (€M)



High profitability and predictable cash-flows

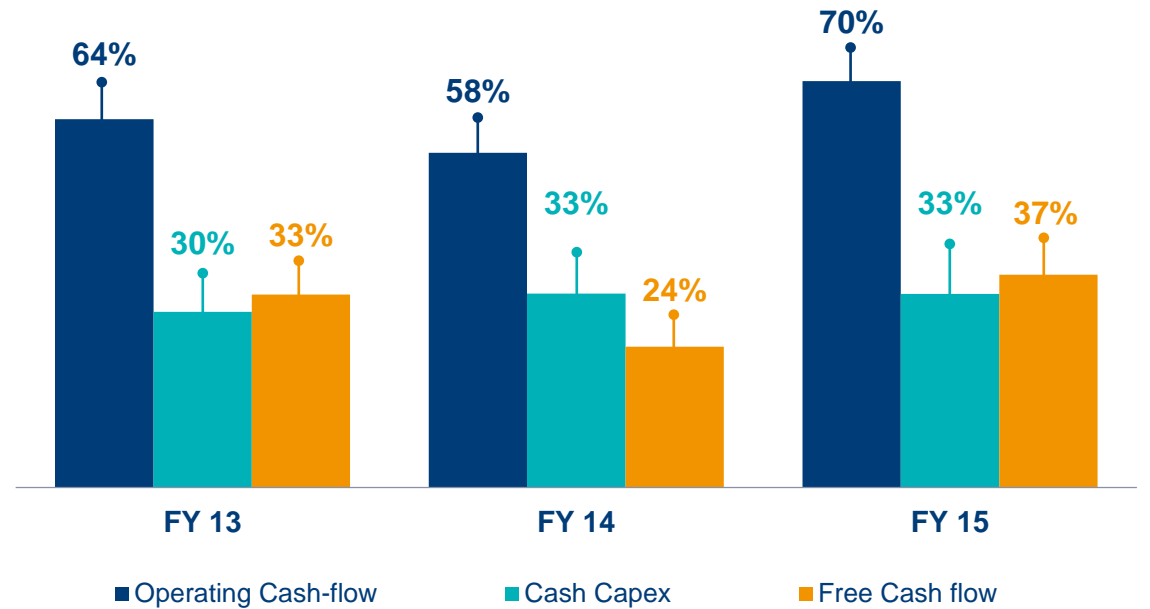
HIGH PROFITABILITY

- ▶ Opex light and capex heavy
- ▶ Mainly fixed costs
- ▶ Operating leverage



PREDICTABLE CASH-FLOWS

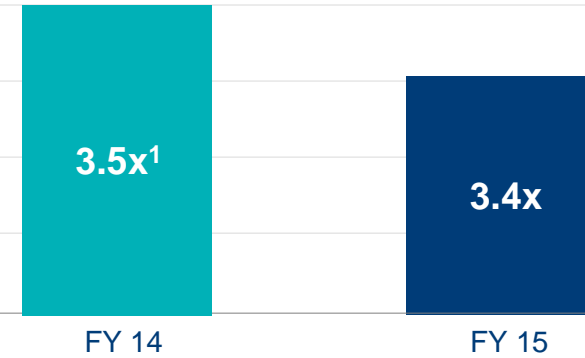
CASH-FLOW AS A % OF REVENUE



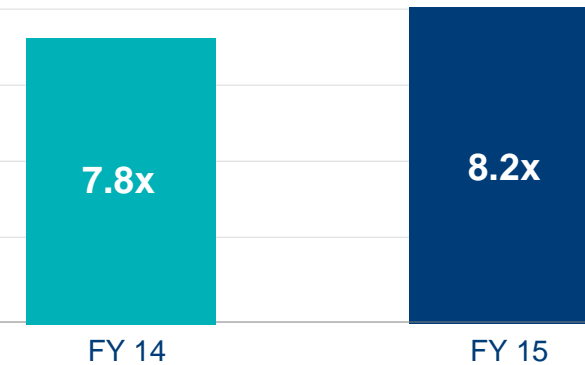
Sound financial structure

- ▶ **Manageable debt levels thanks to steady cash-flow generation**
- ▶ **Investment grade ratings**
 - S&P: BBB/ Stable
 - Moody's: Baa3/Positive
- ▶ **Strong liquidity**
 - €420m cash
 - €650m of undrawn credit lines

NET DEBT / EBITDA



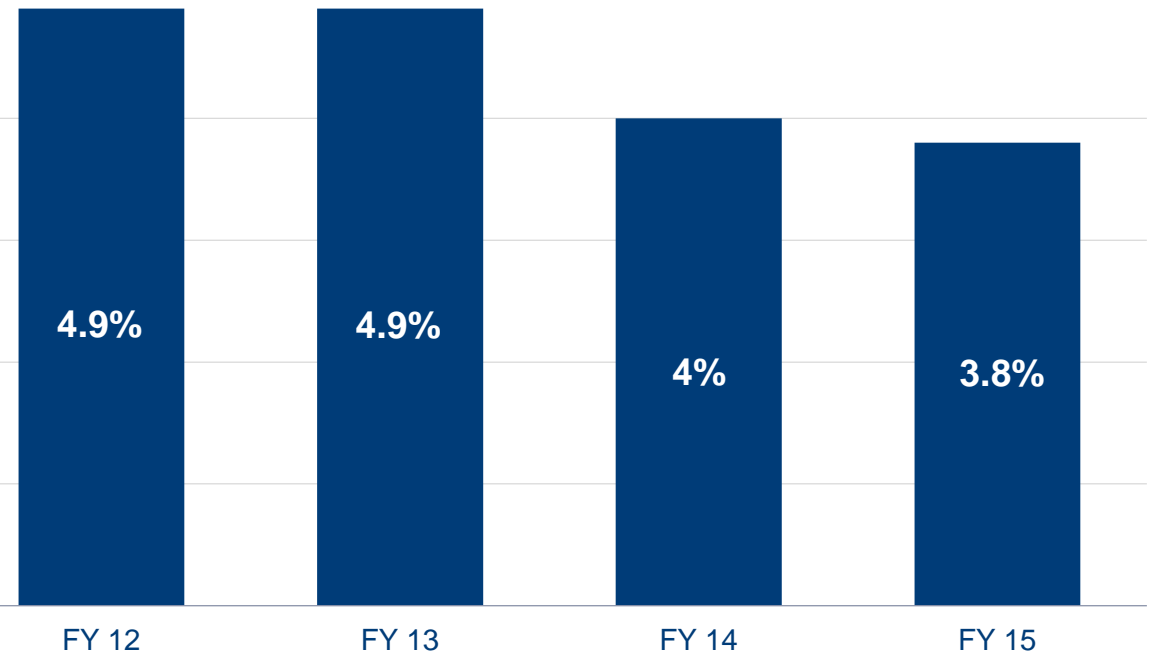
EBITDA / COST OF DEBT



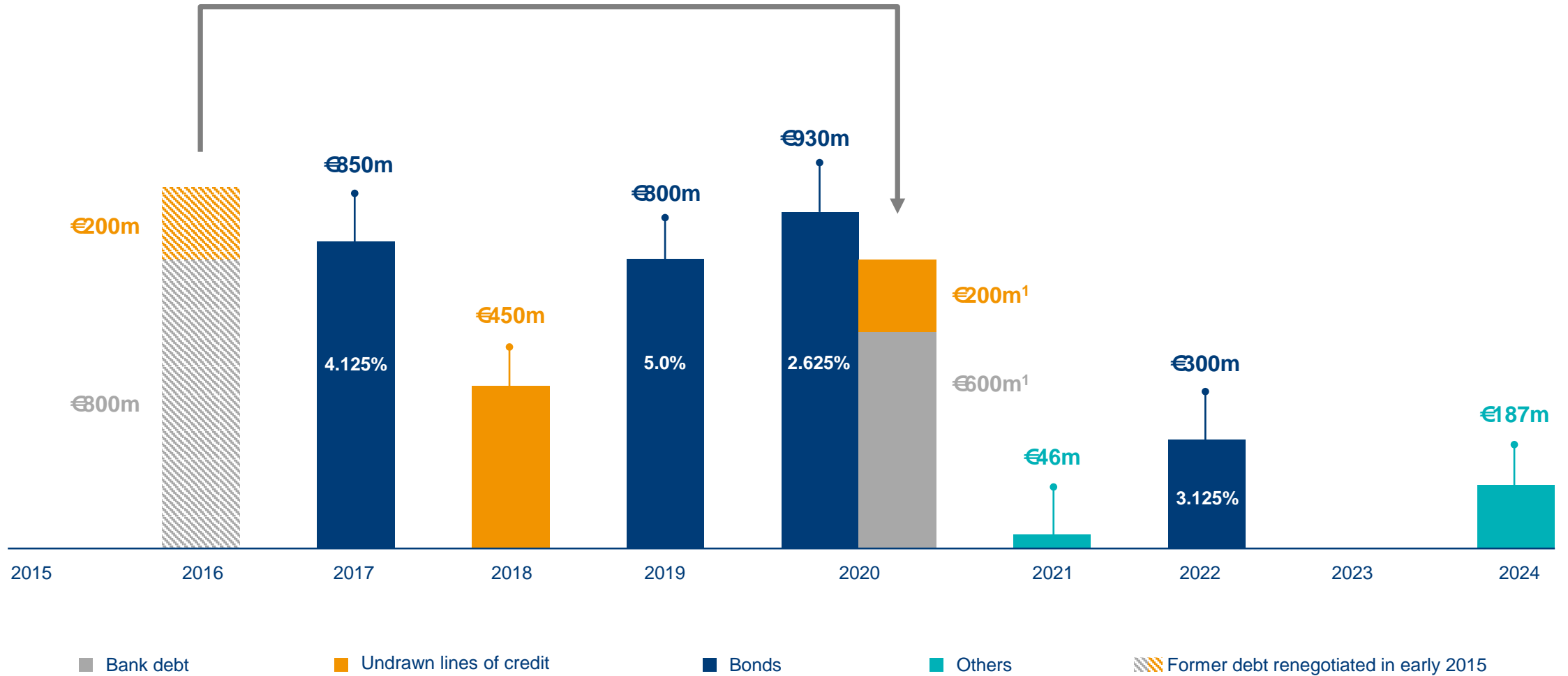
Cost of debt decreasing...

- ▶ **Proactive financial management**
- ▶ **Export credit facilities at attractive rates in FY 2013**
- ▶ **€930m bond in Dec 2013 at 2.625%**
- ▶ **Early renegotiation of term loan in 2015**
 - €15m savings per annum¹
 - Lower rate
 - Reduction in nominal from €800m to €600m
 - Full impact in FY 2016

AVERAGE COST OF DEBT



...with scope for further improvement



Use of cash

ORGANIC GROWTH

- ▶ Future satellite programmes meeting internal return criteria

FINANCIAL STRUCTURE

- ▶ Target of Net Debt / EBITDA below 3.3x
- ▶ Maintain investment grade ratings

SHAREHOLDER REMUNERATION

- ▶ Payout ratio of 65% to 75% of net income

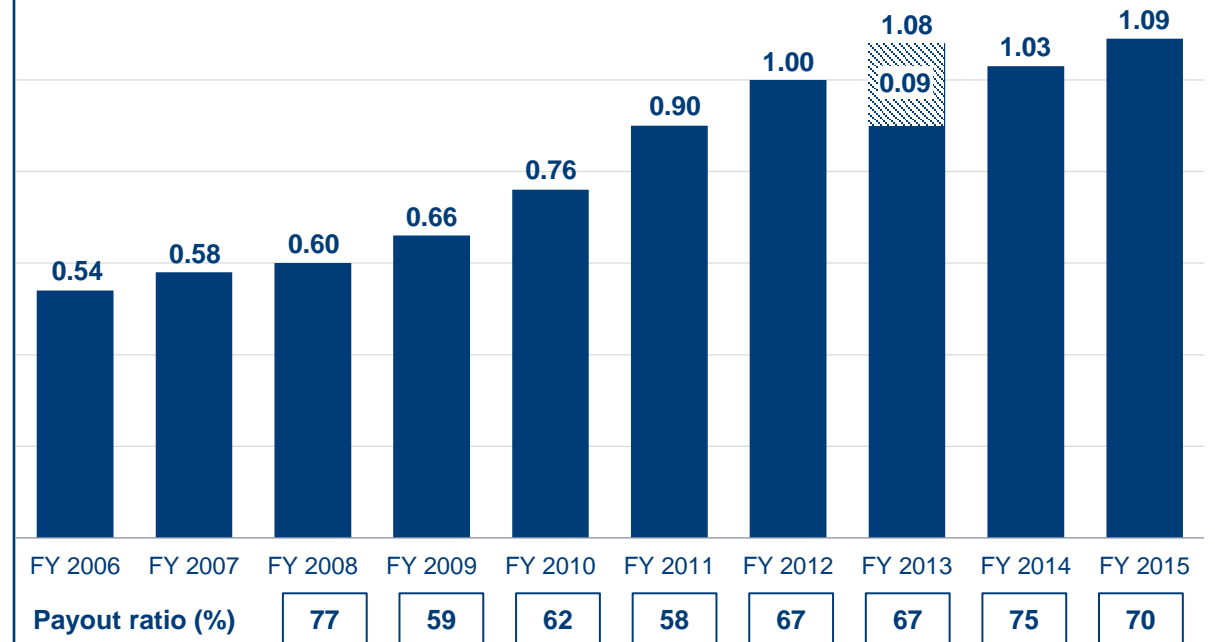
M&A

- ▶ No further strategic imperatives following the acquisitions of GE-23 and Satmex
- ▶ Opportunistic approach based on value creation potential

Dividend track record

- ▶ **Consistent rise in dividend per share**
 - Distribution of €19m one-off element in FY2013
- ▶ **Distribution ratio based on net Income**
 - Floor raised from 50% to 65% in 2012
- ▶ **Scrip option offered in FY 2014 and FY 2015**
 - 66% take-up in FY 2014

DIVIDEND HISTORY SINCE LISTING



 Distribution of an exceptional element in FY 2013

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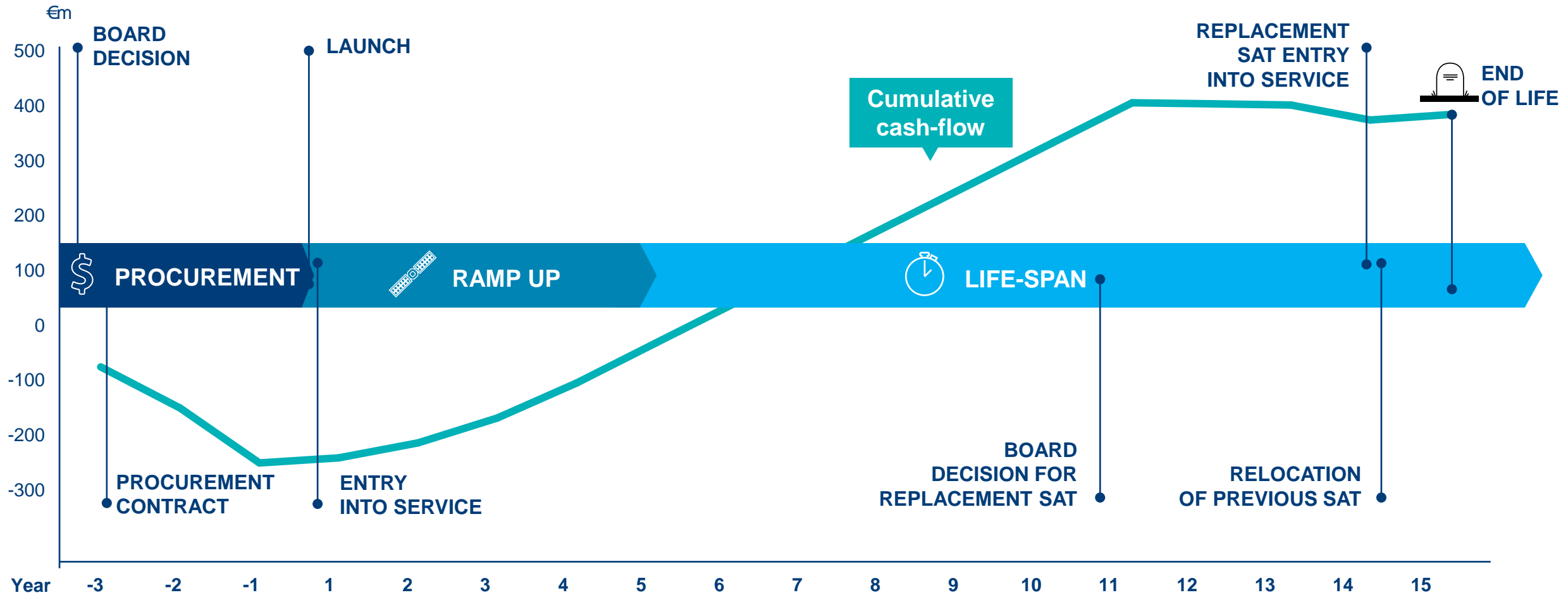
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Satellite economic model

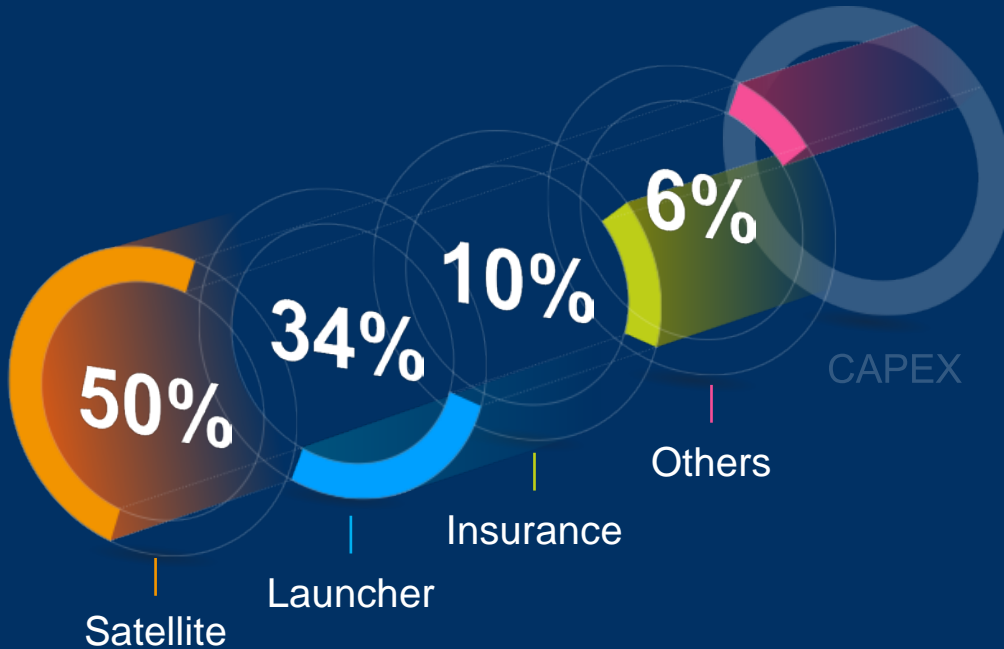
Regular capacity



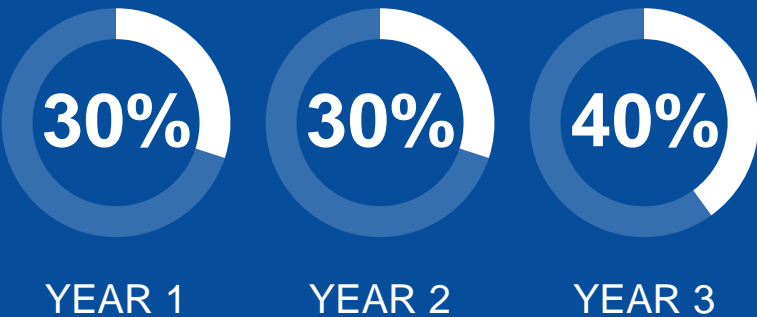
Satellite programme capex profile



BREAKDOWN OF CAPEX



TYPICAL TIMING OF CAPEX PAYMENTS

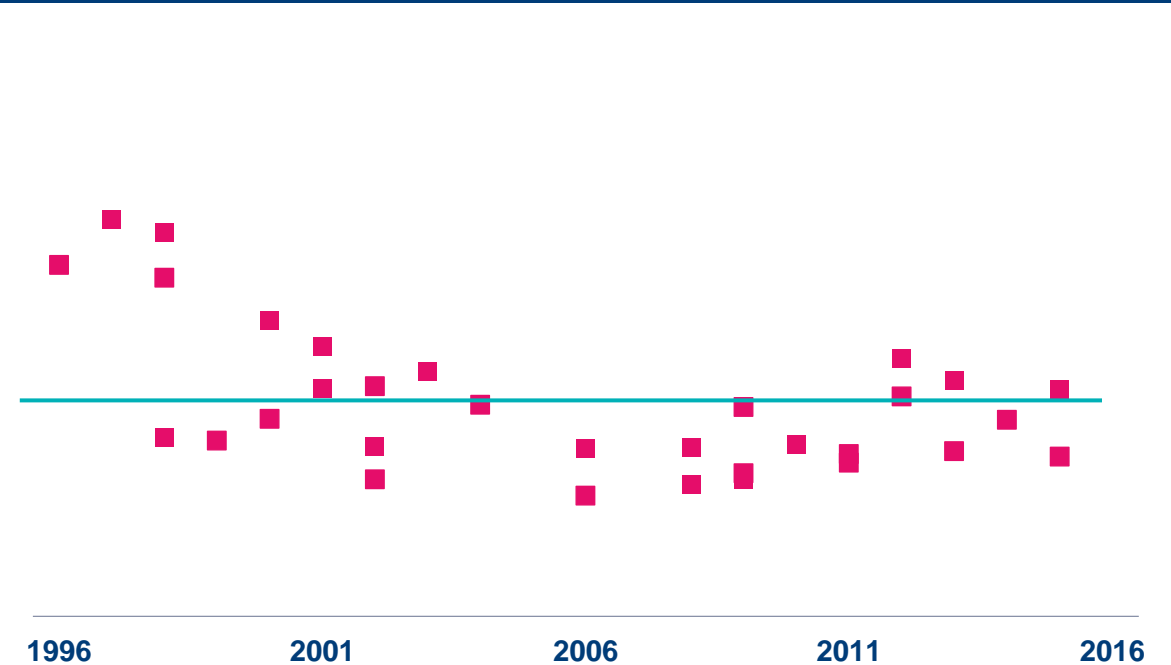


- ▶ Capex generally split equally over three years prior to launch
- ▶ Insurance paid in year three

Reducing capex, increased satellite size

- ▶ Average capex per tpx of €4.2m in past 20 years, excluding insurance
- ▶ Decline in cost
- ▶ Increase in satellite size

COST PER TPX ON EUTELSAT SATELLITES LAUNCHED SINCE 1996¹

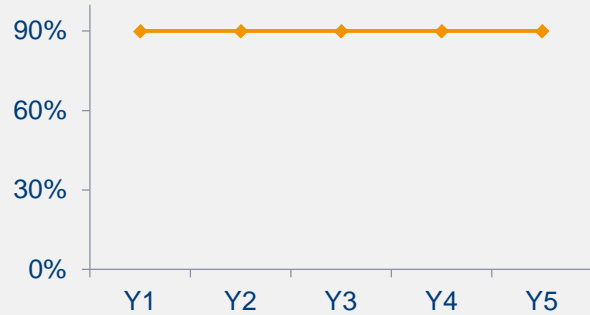


Average: €4.2m - excluding insurance

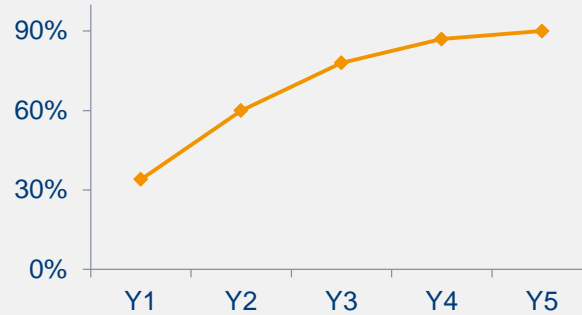
Ramp-up

Typical ramp-up profile for a regular capacity satellite

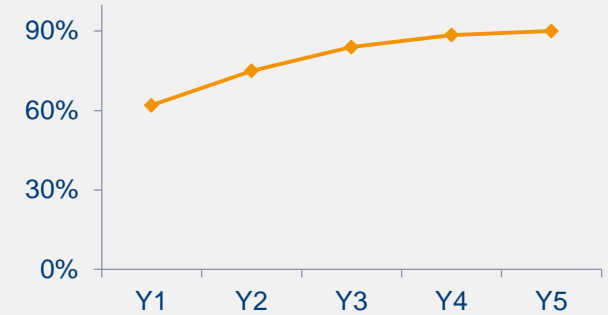
Pure replacement



Pure expansion



Mix of expansion and replacement



Assumption: 50% pure replacement, 50% pure expansion

► Ramp-up dependent on:

- Mix of replacement vs. expansion
- Region and application

► Pre-sales not the norm, but occur in fast-growing markets, and more common in Video

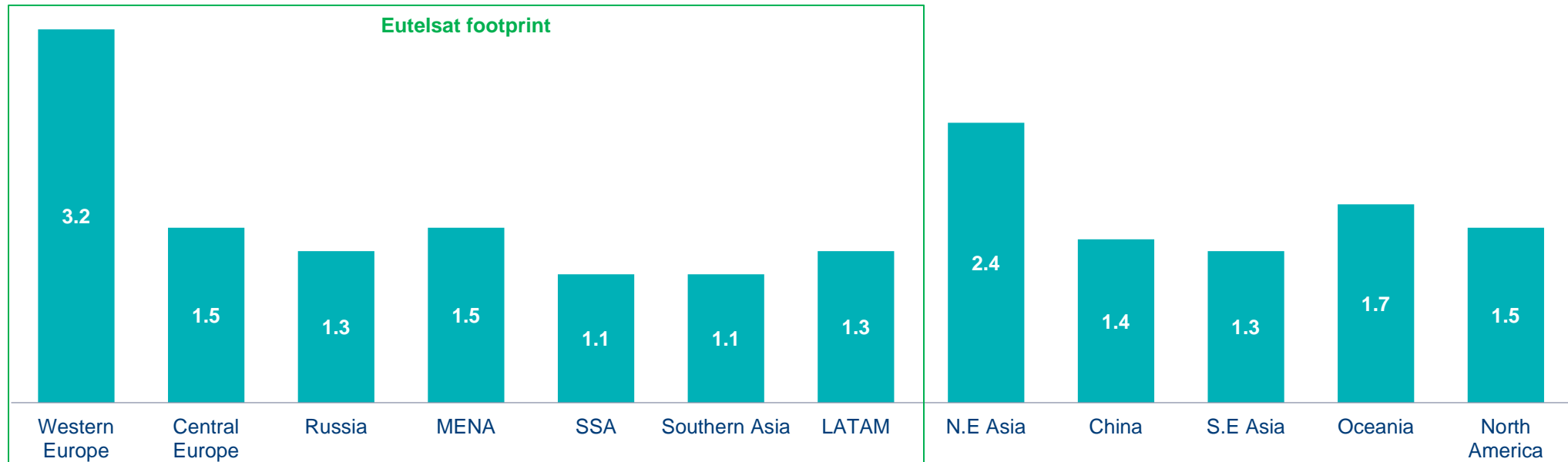
Pricing

► Average revenue per TPE of €1.5m/year on Eutelsat's fleet (regular capacity)

- Average of €3.8m on Hotbird

► Pricing dependent on region / application

MARKET AVERAGE REVENUE PER 36 MHZ TRANSPONDER (M\$) FOR REGULAR CAPACITY



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Satellite project investment process

MARKET ANALYSIS

- ▶ Supply /demand balance
- ▶ Pricing

FINANCIAL ANALYSIS

- ▶ Minimum required IRR (unlevered) of 12% after tax
- ▶ NPV calculation based on WACC (dependent on specific project risk)
- ▶ Cash flow projected over the construction period and lifetime
- ▶ Terminal value based on perpetual cash-flow with adjusted replacement Capex

RISK ANALYSIS

- ▶ Regulatory and technical
- ▶ Contingency for launch failure
- ▶ Business plan sensitivity

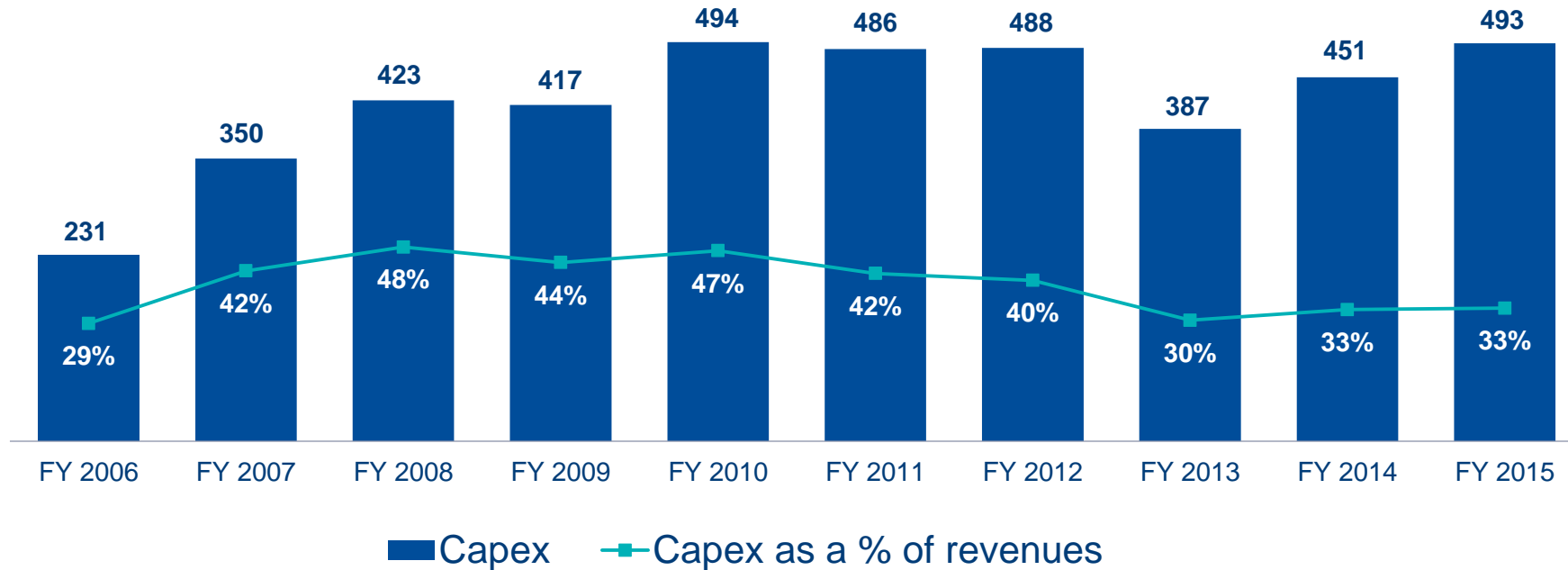
TENDER OFFER FOR ALL COMPONENTS

- ▶ Manufacturer
- ▶ Launcher
- ▶ Insurer

ALL PROJECTS SUBJECT TO BOARD APPROVAL

Improving capex efficiency

Evolution of capex and capex/revenues



- ▶ Capital intensive business model
- ▶ Improving capex efficiency

Scope for further capex efficiency

▶ Electrical propulsion for in-orbit raising

- Lowers mass for a given capacity
- Increases capacity for a given mass

▶ Extension in satellite lifetime

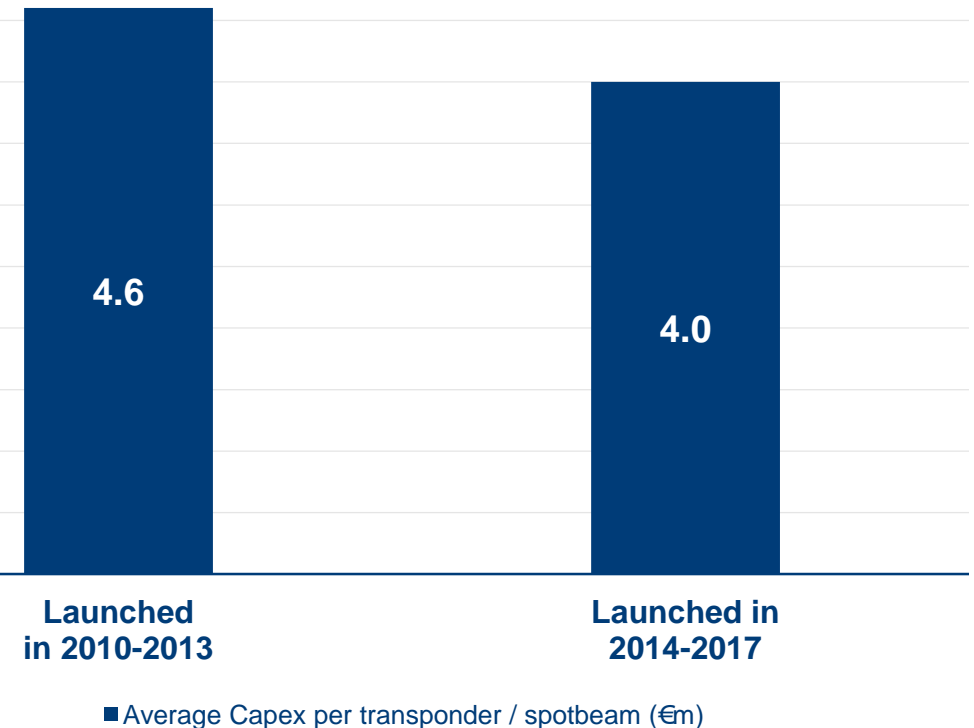
- Potentially even longer with all-electric satellites

▶ Greater competitiveness in launcher market

▶ More rigorous procurement process

▶ Further improvements to come

AVERAGE CAPEX PER TRANSPONDER

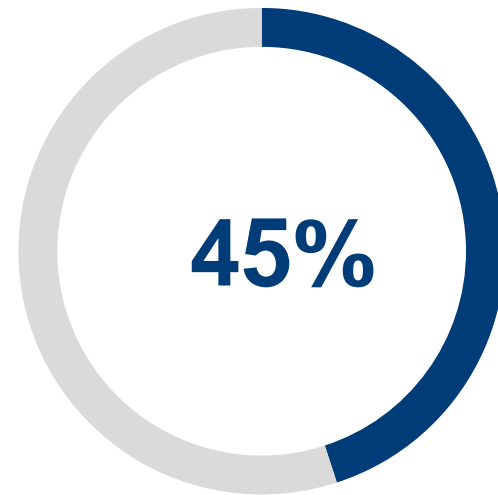
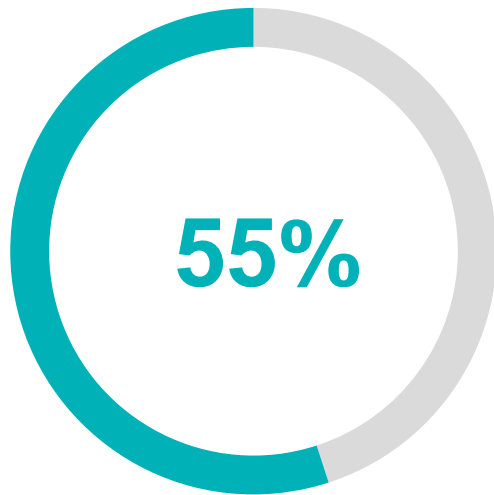


Replacement CAPEX

HISTORICAL REPLACEMENT CAPEX

REPLACEMENT

GROWTH



Based on FY 2010-11 to FY 2014-15 average

NORMATIVE REPLACEMENT CAPEX

- ▶ **Estimated replacement capex of c. €350m for fleet at the end of current deployment program**
- ▶ **Assumes**
 - ~1,300 transponders / spotbeams at June 2017
 - Capex per transponder of c.€4m
 - Satellite life of 18 years
 - Ground capex c. €60-70m p.a.
- ▶ **Includes improvement related to electrical propulsion launcher competitiveness**

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To sum up:

- ✓ **Topline growth**
- ✓ **Optimised Capex, highly selective investment approach**
- ✓ **High profitability, steady cash-flows**
- ✓ **Conservatively managed balance sheet**
- ✓ **Value creation and attractive return to shareholders**



Q&A

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