SES beyond frontiers

Press release

First Quarter 2017 Results

Reported revenue up 12.2%, net profit increase of 11.5%

LUXEMBOURG, 28 April 2017 -- SES S.A. (Euronext Paris and Luxembourg Stock Exchange: SESG) announced financial results for the three months ended 31 March 2017.

Delivering return to (like for like) growth in revenue and profitability

- Revenue EUR 540.6 million, up 12.2% over prior period (up 1.0% like for like[1])
- EBITDA margin 66.2% and operating profit margin 34.5% (Q1 2016: 67.6% and 32.2% like for like[1])
- Net profit attributable to SES shareholders of EUR 128.4 million, up 11.5% over prior period
- Net debt to EBITDA ratio[2] 3.05 times (Q1 2016: 2.43 times), in line with SES's financial framework

Improved business mix supporting growth acceleration, re-affirming outlook for FY 2017

- Substantial contract backlog of EUR 7.8 billion (Q1 2016: EUR 7.6 billion)
- HDTV +6% (YOY) to 2,496 HDTV channels; total TV channels increased 4% (YOY) to 7,610 channels
- Return to growth in Enterprise driven by enhanced go-to-market capabilities
- Additional Mobility contracts signed with Global Eagle Entertainment and Gogo using existing assets
- Return to growth in Government underpinned by expanding market reach

Karim Michel Sabbagh, President and CEO, commented: "The first quarter 2017 results were fully in line with our expectations. SES returned to growth in Q1 2017 with all of our data-centric markets developing positively, and we remain well placed to deliver sustained growth in all four of our market verticals.

The restructuring of SES's go-to-market organisation model, with the creation of two natural business units, represents a further acceleration of our market-centric strategy. With SES Video and SES Networks, we are coalescing our differentiated capabilities to best serve customers globally.

The launch of SES-10 on SpaceX's first ever mission using a flight-proven rocket was a further step towards more efficient launch capabilities, and is yet another demonstration of SES's strategy of working with our industrial partners to be at the forefront of innovation."

[1] Comparative figures are restated at constant FX to neutralise currency variations and assuming that RR Media and O3b had been consolidated from 1 January 2016. For Q1 2016, reported EBITDA margin was 74.0% and operating profit margin was 44.5%
[2] Based on rating agency methodology (treats hybrid bonds as 50% debt and 50% equity). Under IFRS (treats hybrid bonds as 100% equity), net debt to EBITDA ratio was 2.60 times at 31 March 2017 (31 March 2016: 2.43 times)

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OPERATIONAL REVIEW

In April 2017, the Board approved a restructuring of SES's go-to-market organisation model with the creation of two highly focused communities – SES Video and SES Networks. The new organisation, which will be implemented during 2017, allows SES to deliver increasingly differentiated and essential satellite-enabled communication solutions to clients in the video and data-centric verticals.

Ferdinand Kayser, formerly Chief Commercial Officer, was appointed CEO of SES Video. Steve Collar, formerly CEO of O3b, was appointed CEO of SES Networks, which comprises the Enterprise, Mobility and Government verticals and integrates O3b.

Video: 65% of group revenue (Q1 2016: 71%)

- Reported revenue up 4.5% to EUR 353.4 million (-4.2% like for like)
- Lower periodic and services revenue were largely behind the movement in (like for like) revenue
- Contribution from further HD/UHD growth and new capacity in fast-growing markets support stable to slight growth (like for like) outlook for FY 2017

Lower periodic and services revenue in Q1 2017 largely accounted for the (like for like) revenue reduction over the prior period. The balance reflected a modest volume movement related to the timing of MPEG-4 expansion in line with the group's long-term objective of sustaining the upgrade of the viewing experience to High Definition (HD) and Ultra High Definition (UHD).

As at 31 March 2017, the SES global fleet carried 7,610 total TV channels, which was 4% higher than 31 March 2016. SES's HDTV channel count grew by 6%, year-on-year, to 2,496 channels, while the SES satellite network now also carries 22 commercial UHD channels (31 March 2016: 15). 63% of total TV channels are broadcast in MPEG-4 (31 March 2016: 57%).

SES's satellite fleet is broadcasting video content to 325 million households around the world, which represents an increase of around 8 million households (or 3%) over the prior year.

The main highlights in Video included:

- SPI International/FILMBOX Channels Group signed a multi-year capacity agreement to extend audience reach in Latin America and broadcast 10 HDTV channels to the region;
- Media Broadcast Satellite and SES agreed a multi-year capacity extension contract for use of a full transponder at 19.2 degrees East to continue to serve customers in Germany, Austria and Switzerland;
- SES's UHD trials in North America continued to gain momentum by adding seven additional U.S. cable operators to the test platform, which is now working with 15 cable operators across the U.S.;
- SES announced a collaborative agreement with Verizon for testing of UHD in North America to drive the overall development of UHD delivery solutions for Verizon Fios, which is currently serving over 4.5 million video subscribers in the U.S.; and

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- Successful launch of SES-10, on SpaceX's first ever mission using a flight-proven rocket, which will serve the Andean Community (Bolivia, Columbia, Ecuador and Peru) for direct-to-home broadcasting as well as enterprise and mobility services.

In addition, MX1 secured a long-term contract renewal and expanded agreement with Beta Film Ltd. for a range of media services, including content management, using the MX1 360 platform. MX1 360 is a centralised, cloud-based media asset management solution, which was also recently contracted by the Israel Premier Football League to provide an end-to-end service for live editing of sports content.

In January 2017, MX1 and Sky Deutschland agreed a multi-year contract extension for the provision of back-up services to enable business continuity. The agreement includes playout and turnaround services, such as encoding, multiplexing and encryption, and uplink services.

In April 2017, a multi-year distribution agreement was signed between MX1 and VUBIQUITY. The new service offers broadcasters, TV channels and rights holders the ability to aggregate content and reach millions of viewers in the U.S. and worldwide, quickly and simply through a single platform. This was followed by an agreement for MX1 to support the linear broadcasting requirements for a major global video on demand platform.

Enterprise: 13% of group revenue (Q1 2016: 12%)

- Reported revenue up 19.7% to EUR 71.7 million (+0.6% like for like)
- Further capacity increases by existing O3b clients supporting overall trend of return to growth in Enterprise, in line with expectations for FY 2017 (like for like) revenue development
- Building positive traction for SES (GEO) Enterprise+ services

The main highlights in Enterprise included:

- Intersat signed a multi-year capacity agreement for the delivery of internet solutions across Africa, using the SES Enterprise+ Broadband service. The agreement included a new C-band capacity lease as well as the renewal of Ku-band capacity and supporting teleport services;
- Palau Telecoms increased network capacity for the fifth time in under two years, nearly doubling its capacity requirement since going live on the O3b Medium Earth Orbit (MEO) network;
- Timor Telecom extended their contract for O3b services, which now delivers more than one gigabit per second of low latency connectivity delivered to two sites operated by Timor Telecom; and
- Presta Bist Telecoms increased by 66% its contracted capacity with O3b in response to rising demand for reliable, high-speed broadband in the Republic of Chad.

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Mobility: 9% of group revenue (Q1 2016: 5%)

- Reported revenue up 126.4% to EUR 50.5 million (+63.3% like for like)
- Q1 2017 included upfront contribution from Global Eagle Entertainment (GEE) related to AMC-3 contract
- Continued expansion of aeronautical and maritime solutions underpin strong growth outlook for FY 2017

The main highlights in Mobility included:

- GEE announced the acquisition of a Ku-band payload on SES's AMC-3 satellite to boost capacity for customers in North America, the Gulf of Mexico and the Caribbean;
- Satcom Global contracted capacity on both SES's existing fleet and upcoming next generation hybrid satellites with high throughput payloads, as well as ground network infrastructure, to support delivery of seamless and high-speed connectivity solutions to maritime, offshore and land customers;
- SES and Gilat Satellite Networks announced a strategic collaboration to deliver connectivity for small yachts and vessels in the Caribbean, the Mediterranean and North Sea, as well as Southeast Asia; and
- Gogo signed a new contract to use capacity on 12 Ku-band transponders, and supporting ground infrastructure, to expand high-speed inflight connectivity services over the U.S. and Canada.

The agreements with GEE and Gogo reflect SES's unique approach of leveraging its global fleet, including non-station-kept satellites, to support growth opportunities across the Mobility sector.

Government: 11% of group revenue (Q1 2016: 12%)

- Reported revenue up 4.5% to EUR 59.4 million (+2.4% like for like)
- NATO Alliance Ground Surveillance (AGS) contract and growth in O3b Government driving return to growth, in line with expectations of stable to slight (like for like) revenue growth for FY 2017

The main highlights in Government included:

- SES Government Solutions (SES GS) continued to benefit from increasing stabilisation in U.S. Government demand, which continues to recover from the impact of the U.S. budget sequestration;
- SES and the Luxembourg Ministry of Foreign Affairs extended a contract to maintain and support SATMED, a satellite-enabled e-health platform, until 2020; and
- SES launched the Rapid Response Vehicle (RRV), a new Government+ solution, capable of delivering multi-orbit (GEO-MEO) and multi-frequency connectivity for a broad range of government missions.

Future satellite capacity

On 30 March 2017, SES-10 was successfully launched into space on board a SpaceX Falcon 9 rocket, becoming the first geostationary satellite to launch on a flight-proven first-stage rocket booster. The satellite is expected to begin commercial service by the end of May 2017 and will provide capabilities for direct-to-home broadcasting, enterprise and mobility services.

In April 2017, SES and Thales Alenia Space announced the addition of a powerful Digital Transparent Processor (DTP) on board SES-17. The fully digital SES-17 spacecraft will provide customers with an unsurpassed ability to efficiently and flexibly modify their networks in real time. This will enable customers to deliver high-speed connectivity in a more efficient and cost effective manner.

COMMITTED LAUNCH SCHEDULE

Satellite	Region	Application	Launch Date
SES-10	Latin America	Video, Enterprise	Launched (March 2017)
SES-11	North America	Video, Enterprise	H2 2017
SES-12[(1)]	Asia-Pacific	Video, Enterprise, Mobility	H2 2017
SES-14[(1)]	Latin America	Video, Enterprise, Mobility	H2 2017
SES-15[(1)]	North America	Enterprise, Mobility, Government	Q2 2017
SES-16/GovSat-1[(2)]	Europe/MENA	Government	H2 2017
O3b (satellites 13-16)	Global	Enterprise, Mobility, Government	H1 2018
O3b (satellites 17-20)	Global	Enterprise, Mobility, Government	H2 2019
SES-17	Americas	Enterprise, Mobility, Government	2020

1) To be positioned using electric orbit raising (entry into service typically four to six months after launch)
2) Procured by LuxGovSat

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FINANCIAL REVIEW

Reported revenue was 12.2% higher than the prior period, including the contribution from RR Media (acquired on 6 July 2016) and O3b (consolidated on 1 August 2016). On a like for like basis (at constant FX and assuming that RR Media and O3b had been consolidated from 1 January 2016), revenue grew by 1.0% compared with the prior year.

REVENUE BY MARKET VERTICAL

EUR million	Q1 2017	Q1 2016	Change (reported)	Change (like for like)[1]
Video	**353.4**	338.4	+4.5%	-4.2%
Enterprise	**71.7**	59.9	+19.7%	+0.6%
Mobility	**50.5**	22.3	+126.4%	+63.3%
Government	**59.4**	56.8	+4.5%	+2.4%
Other[2]	**5.6**	4.2	n/m	n/m
Group Total	**540.6**	481.6	+12.2%	+1.0%

1) At constant FX and assuming RR Media and O3b had been consolidated from 1 January 2016
2) Other includes revenue not directly applicable to a particular vertical and revenue contributions from interim missions

Operating expenses of EUR 183.0 million (Q1 2016: EUR 125.4 million) were EUR 9.7 million (or 5.6%) higher on a like for like basis, mainly due to higher variable costs associated with O3b and HD+.

Reported **EBITDA** of EUR 357.6 million was 0.4% higher than the prior period (-1.2% like for like). The reported **EBITDA margin** of 66.2% compared to the Q1 2016 margin of 74.0% as reported and 67.6% like for like.

Depreciation and amortisation expense increased from EUR 142.0 million in Q1 2016 to EUR 170.9 million due to the consolidation of O3b and RR Media. Like for like depreciation and amortisation was 9.7% lower than the prior period reflecting lower depreciation on the O3b fleet and a net reduction in the depreciation on the GEO fleet, which more than offset additional depreciation from new capacity added.

Operating profit of EUR 186.7 million was 12.9% lower (+8.2% like for like) than the prior period. Consequently, the group's **operating profit margin** was 34.5% (Q1 2016: 44.5% as reported and 32.2% like for like).

Net financing costs of EUR 29.7 million (Q1 2016: EUR 42.6 million) included a net foreign exchange gain of EUR 7.1 million (Q1 2016: loss of EUR 3.5 million). Net interest expense was in line with the prior year, as the additional finance costs from RR Media and O3b were offset by lower same scope net interest and higher capitalised interest.

As presented using IFRS recognition principles, net financing costs exclude the interest payments for the EUR 1.3 billion of hybrid bonds issued during 2016 at an average coupon of 5.05%.

The group's **income tax expense** of EUR 27.7 million (Q1 2016: EUR 27.6 million) represented an **effective tax rate** of 17.7% (Q1 2016: 16.1%).

As a result of the consolidation of O3b on 1 August 2016, the group's **share of associates' results** (net of tax) was nil (Q1 2016: loss of EUR 28.3 million).

Net profit attributable to SES shareholders of EUR 128.4 million (Q1 2016: EUR 115.1 million) represented an increase of 11.5% over the prior period.

The group's **net debt to EBITDA ratio** was 3.05 times as at 31 March 2017 (31 March 2016: 2.43 times), based on the treatment of SES's hybrid bonds as 50% debt and 50% equity.

Financial Outlook reaffirmed

The financial outlook aims to provide shareholders with an understanding of SES's growth trajectory, drivers and strategy execution in each of the market verticals, as well as the group's long-term value creation potential.

For FY 2017, on a like for like basis[1], SES is targeting stable to slight revenue growth across Video and Government, complemented by a return to growth in Enterprise and strong growth for Mobility.

SES's future revenue trajectory will benefit from the significant contribution of recently added and forthcoming GEO and MEO investments expected to be launched by end-2019, which are expected to generate incremental annualised revenue of up to EUR 750 million (equivalent to around 35% of 2016 group revenue) at 'steady-state'.

SES's EBITDA margin[1] is expected to be broadly stable for FY 2017 and FY 2018 and rising slightly thereafter, while operating profit margin[1] is expected to significantly improve to more than 40% in the medium term.

These foundations will allow SES's to significantly grow Return on Invested Capital (ROIC)[2] to over 10% in the medium term.

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[1] On a like for like basis, assuming RR Media and O3b had been consolidated on 1 January 2016. On this basis, Full Year 2016 EBITDA margin of 66.7% and Full Year 2016 Operating profit margin (before gain on deemed disposal of equity interest) of 33.3%
[2] Net Operating Profit After Tax (NOPAT) divided by average of opening and closing shareholders' equity plus Net Debt

CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS ENDED 31 MARCH

EUR million	Q1 2017	Q1 2016
Average EUR/U.S. Dollar exchange rate	*1.0631*	*1.0898*
Revenue	**540.6**	481.6
Operating expenses	**(183.0)**	(125.4)
EBITDA[1]	**357.6**	356.2
EBITDA margin	***66.2%***	*74.0%*
Depreciation and amortisation expense	**(170.9)**	(142.0)
Operating profit	**186.7**	214.2
Operating profit margin	***34.5%***	*44.5%*
Net financing costs	**(29.7)**	(42.6)
Profit before tax	**157.0**	171.6
Income tax expense	**(27.7)**	(27.6)
Profit after tax	**129.3**	144.0
Share of associates' results (net of tax)	**--**	(28.3)
Non-controlling interests	**(0.9)**	(0.6)
Profit attributable to owners of the parent	**128.4**	115.1

1) Earnings before interest, tax, depreciation and amortisation

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Presentation of Results:

A presentation of the results for investors and analysts will be hosted at 9.30 CEST on 28 April 2017, and will be broadcast via webcast and conference call. The details for the conference call and webcast are as follows:

Belgium	+32 (0)2 620 0138
France	+33 (0)1 76 77 22 29
Germany	+49 (0)69 2222 10619
Luxembourg	+352 342 080 8654
U.K.	+44 (0)20 3427 1910
U.S.A.	+1 646 254 3363

Confirmation code: **2692273**

Webcast registration: http://edge.media-server.com/m/go/SES_Q1_2017

The presentation will be available for download from the Investors section of the SES website (www.ses.com), and a replay will be available for two weeks from the Investors section of the SES website.

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About SES

SES is the world-leading satellite operator and the first to deliver a differentiated and scalable GEO-MEO offering worldwide, with more than 50 satellites in Geostationary Earth Orbit (GEO) and 12 in Medium Earth Orbit (MEO). SES focuses on value-added, end-to-end solutions in two key business units; SES Video and SES Networks. The company provides satellite communications services to broadcasters, content and internet service providers, mobile and fixed network operators, governments and institutions. SES's portfolio includes the ASTRA satellite system, which has the largest Direct-to-Home (DTH) television reach in Europe, O3b Networks, a global managed data communications service provider, and MX1, a leading media service provider that offers a full suite of innovative digital video and media services. Further information available at: www.ses.com

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