

Press release

Full Year 2018 Results

LUXEMBOURG, 27 February 2019 -- SES S.A. announced strong financial results for the year ended 31 December 2018, beating revenue outlook on the back of a standout Networks performance and posting double-digit growth in Free Cash Flow.

Key financial highlights

- Reported revenue of EUR 2,010.3 million, up 1.7% at constant FX⁽¹⁾
- Underlying revenue⁽²⁾ of EUR 1,963.2 million; up 1.9%⁽¹⁾ (Video: -4.0%^(1,2) and Networks +15.8%^(1,2))
- Breakout year for SES Networks which delivered double-digit underlying growth and growth in all three market segments
- EBITDA of EUR 1,255.5 million representing EBITDA margin of 62.5% (2017: 65.1%); 63.0% excluding restructuring charge
- Net profit attributable to SES shareholders of EUR 292.4 million
- Free Cash Flow before financing activities up 14.4% to EUR 870.5 million with investing activities 34.6% lower than 2017
- Net debt to EBITDA of 3.29 times, in line with expectations and reflecting net debt reduction of EUR 202.5 million (or 5.5%)
- 2020 outlook trimmed for Video; Networks outlook unchanged, supporting revenue and EBITDA growth
- Board is proposing a 2018 dividend per A share of EUR 0.80, stable with respect to 2017

EUR million	FY 2018	FY 2017	Change (%)	
			Reported	Constant FX ⁽¹⁾
Revenue	2,010.3	2,035.0	-1.2%	+1.7%
EBITDA	1,255.5	1,324.2	-5.2%	-2.6%
Operating profit	391.1	610.6	-36.0%	-34.6%
Net profit attributable to SES shareholders	292.4	596.1	-50.9%	n/a
Basic earnings per A share	EUR 0.54	EUR 1.21	-55.4%	n/a
Dividend per A share	EUR 0.80	EUR 0.80	Unchanged	n/a

1) Comparative figures are restated at constant FX to neutralise currency variations

2) Excluding periodic and other revenue (disclosed separately) that are not directly related to or would distort the underlying business trends

Steve Collar, President and CEO, commented: “2018 was a good year for SES. We have delivered top-line growth, exceeding the top end of our revenue outlook on the back of an exceptionally strong year for SES Networks. We are transforming our business internally and externally, retooling the organisation in response to the strong demand for end-to-end services, managing operational costs while expanding competencies and capabilities to drive growth. The strong focus on cash flow and cost control that started in 2018 will continue and accelerate in 2019.

It was a breakout year for our networks business with double-digit underlying revenue growth, fuelled by advances in all three major market verticals and the strongest year to date in terms of new business signed. Aeronautical was the standout segment in 2018 with the entry into service of SES-15 at the start of the year, while in cruise we consolidated our leading position with important wins with Carnival, MSC and Genting. Our U.S. Government business grew substantially with strong adoption of O3b, including the signature of a Blanket Purchase Agreement. In Global Government, we expanded our relationship with both the United Nations and European Space Agency, as well as delivering on important infrastructure projects such as our cooperation with the Government of Burkina Faso. In Fixed Data, we returned to growth in the segment that’s been most impacted by the disruption in our industry, built on customer examples such as full year revenues from O3b deployment with ETECSA in Cuba, our support to the APEC summit in PNG with DataCo, the customer adoption of managed services on MEO and GEO assets with Millicom, and the growth of our business with the likes of Claro in the Amazonas region in Brazil.

SES Video, representing two-thirds of our group revenue, also delivered on its 2018 revenue outlook and scored important wins despite challenging market conditions. We signed new customers and platforms while securing important renewals in our core neighbourhoods, including with Viacom, M7, QVC and Channel 4 in Europe as well as Comcast in North America. Given our 30+ year experience as one of the first providers of Direct-to-Home (DTH) services, I am delighted that we signed multi-year agreements to launch and expand new DTH platforms in the Caribbean with Kiwisat and in Eastern Europe with Telekom Srbija. In MX1, our video services business, new deals were secured with Agence France-Press, Discovery and Cell-C, while our HD+ service in Germany expanded with the addition of an Ultra High Definition channel from RTL. We continue to carry more HD and UHD channels across our network than any other satellite service provider.

2018 also saw us make significant progress with our C-band initiative in the U.S. and our market-based proposal is well placed to facilitate a leading position for the U.S. in 5G while protecting the important broadcast and other communities that we serve.

2019 is going to be another important year for SES as look to capitalise on a strong 2018. Our focus for 2019 is to deliver exceptional service and experience to our customers, driving their success and in so doing creating value for SES.”

Key business highlights

- Group revenue was EUR 2,010.3 million for FY 2018 (+1.7% at constant FX compared with the prior period). Underlying revenue (excluding periodic and other) grew by 1.9% (year-on-year) at constant FX to EUR 1,963.2 million. Periodic and other revenue for FY 2018 was EUR 47.1 million.
- Video underlying revenue of EUR 1,292.1 million was 4.0% lower (year-on-year) at constant FX due to lower video distribution revenue (-5.2%), notably in the International markets where trading conditions remain highly competitive, while video services was in line (-0.5%) with the prior year.
- Networks' underlying revenue grew by 15.8% (year-on-year) at constant FX to EUR 671.1 million reflecting the benefit of SES' unique (GEO-MEO-terrestrial) network architecture. All three of Networks' verticals delivered year-on-year growth with Mobility up 35.4%, Government up 19.4% and Fixed Data up 2.1%.
- EBITDA of EUR 1,255.5 million (down 2.6% at constant FX) represented an EBITDA margin of 62.5%, or 63.0% excluding a restructuring charge of EUR 11.1 million associated with the group's on-going optimisation programme.
- Net profit attributable to SES shareholders was EUR 292.4 million including an income tax benefit of EUR 41.9 million (compared with an income tax benefit of EUR 130.6 million in 2017) mainly relating to GovSat-1 and the O3b business, recognised in H1 2018. Net profit also included EUR 156.4 million of impairment expenses (2017: EUR 40.3 million) related to the more prudent outlook in Video (including for North American wholesale and video services) and recognised as part of the group's regular impairment testing process.
- Free Cash Flow before financing improved by 14.4% (year-on-year) to EUR 870.5 million, benefitting from a combination of a cash conversion ratio of 94.9% and lower net cash absorbed by investing activities as compared with FY 2017.
- The Group's Net debt to EBITDA ratio (as per the rating agency methodology) was 3.29 times at 31 December 2018, compared with 3.27 times at 31 December 2017. SES remains committed to its investment grade credit rating which was recently re-affirmed by both Moody's and S&P.

- EUR 900 million of refinancing successfully completed in 2018 (including EUR 400 million Schuldschein in December 2018). As a result, SES has no further senior debt maturities to be financed until early 2020.
- SES's fully protected contract backlog at 31 December 2018 was EUR 6.8 billion (gross backlog of EUR 7.5 billion when including backlog subject to contractual break clauses). Over 85% of 2019 expected group revenue is already contractually committed.
- During 2018, Management embarked on an organisational transformation of the business, flattening layers within the organisation, bringing together all Technology and IT functions under common leadership and forming a Global Services team to drive customer service and success across SES. This will accelerate in 2019 with the formation of a single video team, bringing together the SES video infrastructure business with MX1, enhancing the value of SES' service capabilities to our core video customers.
- 2019 outlook of EUR 1,975 - 2,040 million for group revenue and EUR 1,220 - 1,265 million for group EBITDA (excluding a restructuring charge of EUR 25 - 30 million associated with on-going optimisation initiatives) reflects continued growth in underlying revenue, offset by lower expected periodic and other revenue which totalled EUR 47.1 million in 2018.
- 2020 outlook of EUR 2,060 - 2,160 million for group revenue and EUR 1,260 - 1,340 million for group EBITDA is trimmed to include a more prudent view of expected revenue for SES Video, while SES Networks revenue outlook is re-affirmed and is expected to drive in group revenue and EBITDA.
- In its meeting on 26 February 2019, the SES Board of Directors decided to propose a dividend per A share of EUR 0.80 for 2018, stable with respect to 2017. At the same meeting, after 8 years as a Board Member, Marc Beuls announced his decision to step down as a Director for personal reasons, effective on 4 April 2019, being the date of the Annual General Meeting of SES. The SES Board decided to propose to the shareholders to reduce the size of the Board accordingly to 14.

OPERATIONAL REVIEW

REVENUE BY BUSINESS UNIT

EUR million	FY 2018	FY 2017	Change (%)	
			Reported	Constant FX
Video	1,306.3	1,383.0	-5.5%	-3.7%
- Underlying	1,292.1	1,373.2	-5.9%	-4.0%
- Periodic	14.2	9.8	n/m	n/m
Networks	695.7	646.1	+7.7%	+12.9%
- Underlying	671.1	606.6	+10.6%	+15.8%
- Periodic	24.6	39.5	n/m	n/m
Sub-total	2,002.0	2,029.1	-1.3%	+1.5%
- Underlying	1,963.2	1,979.8	-0.8%	+1.9%
- Periodic	38.8	49.3	n/m	n/m
Other ⁽¹⁾	8.3	5.9	n/m	n/m
Group Total	2,010.3	2,035.0	-1.2%	+1.7%

"Underlying" revenue represents the core business of capacity sales, as well as associated services and equipment. This revenue may be impacted by changes in launch schedule and satellite health status. "Periodic" revenue separates revenues that are not directly related to or would distort the underlying business trends on a quarterly basis. Periodic revenue includes: the outright sale of transponders or transponder equivalents; accelerated revenue from hosted payloads during the course of construction; termination fees; insurance proceeds; certain interim satellite missions and other such items when material.

1) Other includes revenue not directly applicable to Video or Networks

2018 underlying revenue of EUR 1,963.2 million was EUR 37.1 million (or 1.9%) higher at constant FX, compared with the prior year, fuelled by double-digit growth delivered by the expansion of the Networks business. Total group revenue included periodic and other revenue of EUR 47.1 million (2017: EUR 55.2 million).

Fourth quarter 2018 underlying revenue of EUR 517.6 million was EUR 7.9 million (or 1.6%) higher than fourth quarter 2017 at constant FX.

Video: 65% of group revenue (2017: 68%)

VIDEO REVENUE BY VERTICAL

EUR million	FY 2018	FY 2017	Change (%)	
			Reported	Constant FX
Video Distribution	983.1	1,053.8	-6.7%	-4.7%
- Underlying	968.9	1,044.0	-7.2%	-5.2%
- Periodic	14.2	9.8	n/m	n/m
Video Services	323.2	329.2	-1.8%	-0.5%
- Underlying	323.2	329.2	-1.8%	-0.5%
- Periodic	--	--	n/m	n/m
Video (total)	1,306.3	1,383.0	-5.5%	-3.7%
- Underlying	1,292.1	1,373.2	-5.9%	-4.0%
- Periodic	14.2	9.8	n/m	n/m

Video underlying revenue of EUR 1,292.1 million was EUR 54.2 million (or 4.0%) lower at constant FX than the prior year. Total Video revenue included EUR 14.2 million of periodic revenue (2017: EUR 9.8 million).

Fourth Quarter 2018 underlying revenue of EUR 324.6 million was EUR 26.3 million (or 7.5%) lower at constant FX than the prior period, mainly driven by lower distribution revenue and lower services (where the year-on-year comparison reflected an exceptional Q4 2017).

At 31 December 2018, SES is now delivering 8,151 total TV channels to viewers around the world. This represented an increase of 6% (year-on-year) and was driven by the introduction of new High Definition (up 7% year-on-year to 2,777 HD TV channels) and Ultra High Definition (up 46% to 41 commercial UHD TV channels) offerings across all three of SES' major regions. 66.5% of total TV channels are now broadcast in MPEG-4, compared with 65.0% a year ago.

Video Distribution

2018 underlying revenue was 5.2% lower (constant FX) than the prior year.

The European business benefitted from important long-term renewals, notably in the U.K. and Germany, while the expiration in Q3 2018 of certain capacity contracts signed on a short-term basis contributed to overall revenue being slightly lower (year-on-year).

North America decreased (year-on-year), due to lower volume resulting from the switch-off of Standard Definition TV channels which had already been replaced with HD TV channels, as well as on-going fleet optimisation initiatives.

Trading conditions in the International markets are challenging with recently launched DTH platforms experiencing slower than expected subscriber growth which led to lower (year-on-year) revenue, while competition to establish new DTH platforms remains intense. The business continues to focus on building the commercial pipeline, notably for SES-9 (Asia-Pacific) and SES-10 (Latin America).

Fourth quarter 2018 underlying revenue of EUR 244.1 million was 6.4% lower (constant FX) than the prior period.

Video Services

Underlying revenue was overall in line (-0.5%) with the prior year.

HD+ benefitted from the increase in the annual subscription fee (from EUR 60 per annum to EUR 70 per annum) that was introduced at the start of Q2 2017, contributing to growth (year-on-year) in underlying revenue.

In MX1, the non-renewal of certain low-margin, 'legacy' services in the fourth quarter of 2018 contributed to overall revenue being slightly lower (year-on-year).

Fourth quarter 2018 underlying revenue of EUR 80.5 million was 10.8% lower (constant FX) compared with Q4 2017. The year-on-year comparison reflected an exceptional Q4 2017 as noted above.

Networks: 35% of group revenue (YTD 2017: 32%)

NETWORKS REVENUE BY VERTICAL

EUR million	FY 2018	FY 2017	Change (%)	
			Reported	Constant FX
Government	275.4	245.9	+12.0%	+16.2%
- Underlying	267.6	233.0	+14.9%	+19.4%
- Periodic	7.8	12.9	n/m	n/m
Fixed Data	255.8	254.8	+0.4%	+5.5%
- Underlying	239.0	245.8	-2.8%	+2.1%
- Periodic	16.8	9.0	n/m	n/m
Mobility	164.5	145.4	+13.1%	+20.3%
- Underlying	164.5	127.8	+28.6%	+35.4%
- Periodic	--	17.6	n/m	n/m
Networks (total)	695.7	646.1	+7.7%	+12.9%
Underlying	671.1	606.6	+10.6%	+15.8%
Periodic	24.6	39.5	n/m	n/m

Underlying revenue of EUR 671.1 million was EUR 91.3 million (or 15.8%) higher at constant FX, compared with 2017, reflecting double-digit growth in Government and Mobility, while Fixed Data also grew.

Total Networks revenue included EUR 24.6 million of periodic revenue (2017: EUR 39.5 million, including the second of two up-front revenue contributions from the sale of transponders to Global Eagle Entertainment).

Fourth quarter 2018 underlying revenue of EUR 193.0 million was 21.6% higher (constant FX) than the prior period, benefiting from positive contributions from all three of the major market verticals (Government, Mobility and Fixed Data).

Government

Underlying revenue grew by 19.4% (year-on-year) in 2018, reflecting strong growth in both the U.S. and Global Government businesses.

Significant incremental adoption of SES Networks' O3b-based services by the U.S. Department of Defense was the key driver of strong growth (year-on-year) in U.S. Government revenue. This was complemented by solid performance across the existing business, as well as securing important new business on the GEO fleet.

Global Government also delivered a strong (year-on-year) performance. The extension and expansion of important service commitments, notably to support humanitarian and peacekeeping operations, was complemented by the first revenue contributions from GovSat-1 which began delivering services to government clients at the end of Q1 2018.

Fourth quarter 2018 underlying revenue of EUR 74.8 million was 15.4% higher (constant FX) than Q4 2017.

Fixed Data

2018 underlying revenue grew 2.1% (year-on-year) at constant FX.

Revenue in the Americas and Asia grew (year-on-year) benefiting from the deployment of managed service agreements supporting telecommunications companies (Telcos) and mobile network operators (MNOs) to extend their 3G and 4G network reach where these cannot be delivered terrestrially.

Fixed Data revenue in Europe, the Middle East and Africa decreased (year-on-year) reflecting the impact of lower wholesale capacity revenue which offset positive momentum generated by the expansion of O3b-based services.

Fourth quarter 2018 underlying revenue of EUR 72.5 million was 17.0% higher (constant FX) than the fourth quarter 2017, including an important contribution from the provision of managed connectivity services delivered in support of the 26th annual Asia-Pacific Economic Cooperation (APEC) forum event in Papua New Guinea.

Mobility

Underlying revenue grew by 35.4% (year-on-year) at constant FX as significant growth in aeronautical was complemented by additional new business wins in maritime.

Aeronautical delivered significant growth, notably in North America, with the start of commercial services on SES-15 at the beginning of 2018, while important incremental agreements were also signed in the second half of 2018.

This was complemented by a positive (year-on-year) development in maritime, notably in the second half of 2018, which benefited from the on-going expansion of services with existing and new cruise customers.

Fourth quarter 2018 underlying revenue of EUR 45.7 million was 43.1% higher (constant FX) than the prior period, including the first full three-month contribution from SES-14 which began delivering services in September 2018.

Other Revenue

Other revenue of EUR 8.3 million (2017: EUR 5.9 million) includes transactions not directly applicable to Video or Networks. This included EUR 7.3 million of other revenue in Q4 2018 (Q4 2017: EUR 0.2 million).

Future satellite capacity and fleet update

COMMITTED LAUNCH SCHEDULE

Satellite	Region	Application	Launch Date
SES-12	Asia-Pacific	Video, Fixed Data, Mobility	Launched (June 2018)
SES-14	Latin America	Video, Fixed Data, Mobility	Launched (January 2018)
GovSat-1 ⁽¹⁾	Europe/MENA	Government	Launched (January 2018)
O3b (satellites 13-16)	Global	Fixed Data, Mobility, Government	Launched (March 2018)
O3b (satellites 17-20)	Global	Fixed Data, Mobility, Government	Q1 2019
SES-17	Americas	Fixed Data, Mobility, Government	H1 2021
O3b mPOWER (satellites 1-7)	Global	Fixed Data, Mobility, Government	H1 2021

1) Procured by GovSat (a 50/50 public private partnership between SES and the Government of Luxembourg)

2018 was an important and successful year with three Geostationary Earth Orbit (SES-14, GovSat-1 and SES-12) and four O3b Medium Earth Orbit (satellites 13-16) satellites successfully launched, adding future growth capabilities for SES Networks.

GovSat-1, SES-14 and the O3b satellites all commenced services during 2018, contributing to the overall growth in SES Networks, which also benefitted from the beginning of commercial services on SES-15 (launched in 2017) in January 2018.

SES-12 began delivering services at the end of February 2019 and the launch of the final four O3b satellites (satellites 17-20) of the first generation remains on track for Q1 2019, with both adding incremental capabilities in the Networks' segments.

FINANCIAL OUTLOOK

The financial outlook assumes a EUR/USD FX rate of EUR 1 = USD 1.15, nominal launch schedule and satellite health status.

SES delivered on the financial outlook for 2018 with group revenue exceeding the top end of the range, fuelled by double-digit growth in SES Networks and SES Video delivering in line with the company's expectations. In addition, total capital expenditure (representing the net cash absorbed by the group's investing activities excluding acquisitions and financial investments) of EUR 321 million in 2018 was EUR 139 million, or 30%, lower than the outlook.

	2019	2020
Video revenue	EUR 1,225 - 1,255 million	EUR 1,200 - 1,250 million (from EUR 1,250 - 1,300 million)
Networks revenue	EUR 740 - 775 million	EUR 850 - 900 million
Other revenue	Approximately EUR 10 million	Approximately EUR 10 million
Group revenue	EUR 1,975 - 2,040 million	EUR 2,060 - 2,160 million (from EUR 2,110 - 2,210 million)
EBITDA	EUR 1,220 - 1,265 million ⁽¹⁾	EUR 1,260 - 1,340 million (from EUR 1,340 - 1,410 million)

1) Excluding a restructuring charge of EUR 25-30 million expected to be recognised in 2019

2019 expected group revenue reflects continued underlying growth, offset by lower forecast periodic and other revenue (compared with EUR 47 million in 2018).

2020 group revenue is expected to grow reflecting the strong outlook for SES Networks which is unchanged, while the outlook for SES Video is trimmed to include a more prudent view of expected development of volume in North American distribution, particularly wholesale, and a more prudent view for the level of growth expected in video services.

EBITDA development in 2019 and 2020 reflects the combination of expected growth in underlying revenue, driven by the expansion of end-to-end solutions in SES Networks which will require additional investment to deploy. This additional investment is expected to be largely offset by operational efficiencies in other areas generated by SES' on-going optimisation programme.

Expected capital expenditure (representing the net cash absorbed by the group's investing activities excluding acquisitions and financial investments) for the period of 2019-2022 is consistent with SES' previous expectations and comprises EUR 450 million in 2019, EUR 390 million in 2020, EUR 1,200 million in 2021 (principally relating to the investment in O3b mPOWER) and EUR 450 million in 2022, while the capital expenditure for 2023 is expected to be EUR 450 million.

FINANCIAL REVIEW

Income Statement

REVENUE, OPERATING EXPENSES AND EBITDA

EUR million	FY 2018	FY 2017	Change	Change (%)
Revenue	2,010.3	2,035.0	-24.7	-1.2%
Revenue (constant FX)	2,010.3	1,977.4	+32.9	+1.7%
Operating expenses	(754.8)	(710.8)	-44.0	-6.2%
Operating expenses (constant FX)	(754.8)	(689.0)	-65.8	-9.5%
EBITDA	1,255.5	1,324.2	-68.7	-5.2%
EBITDA (constant FX)	1,255.5	1,288.4	-32.9	-2.6%

Reported **revenue** was lower than the prior period due to the weaker U.S. dollar compared to 2017. At constant FX, revenue increased by EUR 32.9 million (or 1.7%) reflecting the contribution of Networks' double-digit underlying growth.

Operating expenses were EUR 44.0 million higher as reported (or EUR 65.8 million at constant FX) and included a restructuring charge of EUR 11.1 million as part of the company's on-going optimisation programme. Excluding this restructuring charge, investment to support the expansion of end-to-end solutions in SES Networks which has delivered double-digit growth (year-on-year) in its underlying revenue, was the main contributor to the higher operating expenses.

Group **EBITDA** of EUR 1,255.5 million represented an EBITDA margin of 62.5% (2017: 65.1%), or 63.0% excluding the restructuring charge noted above.

DEPRECIATION, AMORTISATION AND OPERATING PROFIT

EUR million	FY 2018	FY 2017	Change	Change (%)
Depreciation and impairment expense	(719.0)	(635.0)	-84.0	-13.2%
Amortisation and impairment expense	(145.4)	(78.6)	-66.8	-85.0%
Depreciation, amortisation and impairment	(864.4)	(713.6)	-150.8	-21.1%
Depreciation, amortisation and impairment (constant FX)	(864.4)	(690.2)	-174.2	-25.3%
Operating profit	391.1	610.6	-219.5	-36.0%
Operating profit (constant FX)	391.1	598.2	-207.1	-34.6%

Reported **depreciation, amortisation and impairment expense** increased by EUR 150.8 million compared with the prior year and includes EUR 156.4 million of impairment expenses (comprising EUR 93.1 million relating to satellites, mainly Ciel-2 and ASTRA 5B, and EUR 63.3 million relating to MX1) related to the more prudent outlook and recognised as part of the group's regular impairment testing process. Excluding impairment, depreciation expense was higher (at constant FX) than the prior year reflecting the entry into service of new satellites since 31 December 2017.

Operating profit represented an operating profit margin of 19.5% (2017: 30.0%), or 27.5% excluding the restructuring charges and impairment expenses as noted above.

PROFIT ATTRIBUTABLE TO SES SHAREHOLDERS

EUR million	FY 2018	FY 2017	Change	Change (%)
Net interest expense and other	(180.3)	(189.2)	+8.9	+4.7%
Capitalised interest	28.9	47.0	-18.1	-38.6%
Net foreign exchange gains	5.1	(1.1)	+6.2	n/m
Net financing costs	(146.3)	(143.3)	-3.0	-2.1%
Profit before tax	244.8	467.3	-222.5	-47.6%
Income tax benefit/(expense)	41.9	130.6	-88.7	n/m
Profit after tax	286.7	597.9	-311.2	-52.1%
Non-controlling interests	5.7	(1.8)	+7.5	n/m
Profit attributable to SES shareholders	292.4	596.1	-303.7	-50.9%
Coupon on hybrid (perpetual) bond, net of tax	(48.1)	(47.3)	-0.8	-1.5%
Adjusted profit attributable to SES shareholders	244.3	548.8	-304.5	n/m
Basic earnings per Class A share	EUR 0.54	EUR 1.21	-0.67	-55.4%

Net financing costs were EUR 3.0 million higher than the prior period with lower capitalised interest partly offset by the reduction in net interest expense and higher foreign exchange gains.

The positive **income tax** contribution included the recognition of a one-time deferred tax asset relating to GovSat-1 in Q1 2018, the transfer of the O3b Jersey business to Luxembourg in H1 2018 and, in Q4 2018, the favourable impact of the Dutch corporate income tax reform.

The positive contribution of **non-controlling interests** reflects the share of impairment expenses, noted above, not attributable to SES. These offset the deferred tax asset relating to GovSat-1 that was recognised in the first quarter 2018.

Net profit attributable to SES shareholders of EUR 292.4 million (2017: EUR 596.1 million) represented basic **earnings per share** of EUR 0.54 (2017: EUR 1.21) after deducting the assumed coupon (net of tax) for the group's hybrid (perpetual) bonds.

Cash Flow and Financing

FREE CASH FLOW BEFORE FINANCING ACTIVITIES

EUR million	FY 2018	FY 2017	Change	Change (%)
Net cash generated by operating activities	1,191.3	1,251.2	-59.9	-4.8%
Net cash absorbed by investing activities	(320.8)	(490.4)	+169.6	+34.6%
Free cash flow before financing activities	870.5	760.8	+109.7	+14.4%

Net cash generated by operating activities was lower than the prior year, in line with the development in EBITDA. The group's cash conversion ratio (measured as the ratio of net cash generated by operating activities to EBITDA) was 94.9% (2017: 94.5%).

Lower **net cash absorbed by investing activities** of EUR 169.6 million resulted in an overall increase of EUR 109.7 million (or 14.4%) in **free cash flow before financing activities** compared with the prior year. Consequently, the ratio of free cash flow before financing activities to revenue increased from 37.4% in 2017 to 43.3% in 2018.

NET DEBT TO EBITDA RATIO

EUR million	31 December 2018	31 December 2017	Change	Change (%)
Borrowings⁽¹⁾	4,384.9	3,947.9	-437.0	-11.1%
Cash and cash equivalents	(909.1)	(269.6)	+639.5	n/m
Net debt	3,475.8	3,678.3	+202.5	+5.5%
Net debt to EBITDA (rating agency)⁽²⁾	3.29 times	3.27 times		
Weighted average interest cost⁽³⁾	3.62%	3.66%		
Weighted average debt maturity	7.0 years	7.0 years		

1) As presented using IFRS recognition principles, where hybrid (perpetual) bonds are treated as 100% equity

2) Rating agency methodology treats the hybrid bonds as 50% debt and 50% equity. Net debt to EBITDA represents the ratio of net debt plus 50% of the group's EUR 1.3 billion of hybrid bonds, divided by the last 12 months' EBITDA.

3) Excluding loan origination costs, commitment fees and hybrid bonds (average coupon of 5.05%)

Group net debt reduced by EUR 202.5 million, or 5.5%, and the group's net debt to EBITDA ratio was 3.29 times as at 31 December 2018.

In October 2018, the group repaid a five-year EUR 500 million Eurobond that was due for maturity and carried a fixed interest rate of 1.875%. This was funded from the group's existing resources, which included the proceeds from the issuance of an eight-year EUR 500 million Eurobond with an annual coupon of 1.625% that was successfully completed in March 2018.

In December 2018, the group received EUR 400 million from the placing of a multi-tranche Schuldschein loan. The proceeds will support SES' general corporate purposes and the refinancing of existing debt maturities, including a USD 500 million 144A bond with a final maturity date of March 2019. As a result, SES has no further senior debt maturities to be financed until early 2020.

The successful financing activities completed in 2018 resulted in an overall reduction in the group's weighted average interest cost, while the weighted average debt maturity is maintained at the same level of 12 months prior.

Dividend

The Board of SES is proposing a dividend of EUR 0.80 for each Class A share and EUR 0.32 for each Class B share. This dividend, which is subject to approval at the company's annual general meeting on 4 April 2019, will be paid to shareholders on 25 April 2019.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

EUR million	FY 2018	FY 2017
Revenue	2,010.3	2,035.0
Cost of sales	(285.8)	(273.9)
Staff costs	(305.7)	(279.2)
Other operating expenses	(163.3)	(157.7)
Operating expenses	(754.8)	(710.8)
EBITDA⁽¹⁾	1,255.5	1,324.2
Depreciation and impairment expense ⁽³⁾	(719.0)	(635.0)
Amortisation and impairment expense ⁽⁴⁾	(145.4)	(78.6)
Operating profit	391.1	610.6
Finance income	16.7	1.1
Finance costs	(163.0)	(144.4)
Net financing costs	(146.3)	(143.3)
Profit before tax	244.8	467.3
Income tax benefit/(expense)	41.9	130.6
Profit after tax	286.7	597.9
Non-controlling interests	5.7	(1.8)
Profit attributable to owners of the parent	292.4	596.1
Basic earnings per share (in EUR)⁽²⁾		
Class A shares	0.54	1.21
Class B shares	0.22	0.48

1) Earnings before interest, tax, depreciation, amortisation and share of associates' result (net of tax)

2) Earnings per share is calculated as profit attributable to owners of the parent divided by the weighted average number of shares outstanding during the year, as adjusted to reflect the economic rights of each class of share. For the purposes of the EPS calculation only, the net profit for the year attributable to ordinary shareholders has been adjusted to include the assumed coupon, net of tax, on the perpetual bonds. Fully diluted earnings per share are not significantly different from basic earnings per share

3) Includes impairment expenses of EUR 93.1 million in 2018 (primarily relating to Ciel-2 and ASTRA 5B) and EUR 40.3 million in 2017 (predominantly relating to AMC-9)

4) Includes an impairment expense of EUR 63.3 million against MX1 in 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

EUR million	2018	2017
Property, plant and equipment	5,106.9	4,591.4
Assets in the course of construction	907.4	1,480.2
Intangible assets	4,720.5	4,630.9
Other financial assets	6.5	5.0
Trade and other receivables	294.5	317.8
Deferred customer contract costs	10.3	15.2
Deferred tax assets	162.3	70.4
Total non-current assets	11,208.4	11,110.9
Inventories	35.1	30.1
Trade and other receivables	614.2	648.2
Deferred customer contract costs	17.5	10.4
Prepayments	62.8	43.7
Derivatives	0.2	2.6
Income tax receivable	12.0	68.9
Cash and equivalents	909.1	269.6
Total current assets	1,650.9	1,073.5
Total assets	12,859.3	12,184.4
Equity attributable to the owners of the parent	6,148.4	5,987.9
Non-controlling interests	102.2	124.6
Total equity	6,250.6	6,112.5
Borrowings	3,908.5	3,413.8
Provisions	16.8	41.2
Deferred income	370.3	477.3
Deferred tax liabilities	412.5	438.5
Other long-term liabilities	133.9	76.1
Lease liabilities	28.6	--
Fixed assets suppliers	200.9	53.4
Total non-current liabilities	5,071.5	4,500.3
Borrowings	476.4	534.1
Provisions	48.6	12.7
Deferred income	476.1	443.2
Trade and other payables	367.5	385.6
Lease liabilities	9.5	--
Fixed assets suppliers	130.8	126.6
Derivatives	0.1	0.6
Income tax liabilities	28.2	68.8
Total current liabilities	1,537.2	1,571.6
Total liabilities	6,608.7	6,071.9
Total equity and liabilities	12,859.3	12,184.4

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

EUR million	2018	2017
Profit before tax	244.8	467.3
Taxes paid during the year	(37.8)	(58.4)
Interest expense	128.0	111.0
Depreciation, impairment and amortisation expense	864.4	713.6
Amortisation of client upfront payments	(75.8)	(70.8)
Other non-cash items in consolidated income statement	63.6	34.3
Consolidated operating profit before working capital changes	1,187.2	1,197.0
Changes in working capital	4.1	54.2
Net operating cash flow	1,191.3	1,251.2
Payments for purchases of intangible assets	(37.4)	(35.1)
Payments for purchases of tangible assets	(290.8)	(446.1)
Proceeds from disposal of tangible assets	11.6	1.1
Net investment in equity-accounted investments	(1.2)	(8.7)
Other investing activities	(3.0)	(1.6)
Cash flow absorbed by investing activities	(320.8)	(490.4)
Free cash flow before financing activities	870.5	760.8
Proceeds from borrowings	893.0	34.5
Repayment of borrowings	(541.7)	(287.5)
Proceeds from perpetual bond, net of transaction costs paid	--	(2.1)
Coupon paid on perpetual bond	(65.6)	(24.7)
Dividends paid on ordinary shares, net of dividends received on treasury shares	(362.9)	(608.3)
Dividends paid to non-controlling interest	(6.2)	(7.2)
Interest paid on borrowings	(152.3)	(158.3)
Payments for acquisition of treasury shares	(15.9)	(51.3)
Proceeds from treasury shares sold and exercise of stock options	28.8	40.5
Lease payments	(9.5)	--
Other financing activities	0.5	1.9
Cash flow absorbed by financing activities	(231.8)	(1,062.5)
Free cash flow after financing activities	638.7	(301.7)
Net foreign exchange movements	0.8	(16.2)
Net increase/(decrease) in cash and equivalents	639.5	(317.9)
Cash and equivalents at beginning of the year	269.6	587.5
Cash and equivalents at end of the year	909.1	269.6

Supplementary information:

QUARTERLY REVENUE BY VERTICAL

EUR million	Revenue (reported)					Change (year-on-year) at constant FX				
	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
Video Distribution	247.2	248.3	239.2	248.4	983.1	-4.3%	-3.1%	-5.5%	-5.8%	-4.7%
- Underlying	244.3	242.7	237.8	244.1	968.9	-4.2%	-4.2%	-5.8%	-6.4%	-5.2%
- Periodic	2.9	5.6	1.4	4.3	14.2	n/m	n/m	n/m	n/m	n/m
Video Services	77.2	85.8	79.7	80.5	323.2	-2.0%	+9.5%	+3.1%	-10.8%	-0.5%
- Underlying	77.2	85.8	79.7	80.5	323.2	-2.0%	+9.5%	+3.1%	-10.8%	-0.5%
- Periodic	--	--	--	--	--	n/m	n/m	n/m	n/m	n/m
Video (total)	324.4	334.1	318.9	328.9	1,306.3	-3.8%	-0.2%	-3.5%	-7.0%	-3.7%
- Underlying	321.5	328.5	317.5	324.6	1,292.1	-3.6%	-1.0%	-3.8%	-7.5%	-4.0%
- Periodic	2.9	5.6	1.4	4.3	14.2	n/m	n/m	n/m	n/m	n/m
Government	59.4	71.6	69.6	74.8	275.4	+12.0%	+26.0%	+14.3%	+13.0%	+16.2%
- Underlying	59.4	63.8	69.6	74.8	267.6	+13.0%	+21.7%	+28.1%	+15.4%	+19.4%
- Periodic	--	7.8	--	--	7.8	n/m	n/m	n/m	n/m	n/m
Fixed Data	56.2	57.8	57.6	84.2	255.8	-11.1%	-7.7%	+5.6%	+35.8%	+5.5%
- Underlying	56.2	54.8	55.5	72.5	239.0	-6.0%	-5.3%	+1.7%	+17.0%	+2.1%
- Periodic	--	3.0	2.1	11.7	16.8	n/m	n/m	n/m	n/m	n/m
Mobility	37.4	39.8	41.6	45.7	164.5	-14.8%	+31.3%	+36.1%	+43.1%	+20.3%
- Underlying	37.4	39.8	41.6	45.7	164.5	+30.4%	+31.3%	+36.1%	+43.1%	+35.4%
- Periodic	--	--	--	--	--	n/m	n/m	n/m	n/m	n/m
Networks (total)	153.0	169.2	168.8	204.7	695.7	-4.5%	+13.0%	+15.6%	+27.8%	+12.9%
- Underlying	153.0	158.4	166.7	193.0	671.1	+8.5%	+12.7%	+19.5%	+21.6%	+15.8%
- Periodic	--	10.8	2.1	11.7	24.6	n/m	n/m	n/m	n/m	n/m
Sub-total	477.4	503.3	487.7	533.6	2,002.0	-4.0%	+3.9%	+2.4%	+3.8%	+1.5%
- Underlying	474.5	486.9	484.2	517.6	1,963.2	+0.0%	+3.1%	+3.2%	+1.6%	+1.9%
- Periodic	2.9	16.4	3.5	16.0	38.8	n/m	n/m	n/m	n/m	n/m
Other⁽¹⁾	0.2	0.5	0.3	7.3	8.3	n/m	n/m	n/m	n/m	n/m
Group Total	477.6	503.8	488.0	540.9	2,010.3	-4.9%	+4.0%	+2.4%	+5.2%	+1.7%

"Underlying" revenue represents the core business of capacity sales, as well as associated services and equipment. This revenue may be impacted by changes in launch schedule and satellite health status. "Periodic" revenue separates revenues that are not directly related to or would distort the underlying business trends on a quarterly basis. Periodic revenue includes: the outright sale of capacity; accelerated revenue from hosted payloads during the course of construction; termination fees; insurance proceeds; certain interim satellite missions and other such items when material.

1) Other includes revenue not directly applicable to Video or Networks

QUARTERLY INCOME STATEMENT (AS REPORTED)

EUR million	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Average EUR/USD exchange rate	1.1764	1.2221	1.2033	1.1682	1.1418
Revenue	507.8	477.6	503.8	488.0	540.9
Operating expenses	(178.2)	(173.2)	(187.1)	(181.4)	(213.1)
EBITDA	329.6	304.4	316.7	306.6	327.8
EBITDA margin	64.9%	63.7%	62.9%	62.8%	60.6%
Depreciation and impairment	(147.0)	(147.0)	(156.5)	(160.2)	(255.3)
Amortisation and impairment	(20.4)	(18.6)	(21.3)	(19.8)	(85.7)
Operating profit	162.2	138.8	138.9	126.6	(13.2)
Operating profit margin	31.9%	29.1%	27.6%	26.0%	-2.5%
Net financing costs	(41.1)	(35.9)	(39.3)	(36.3)	(34.8)
Profit before tax	121.1	102.9	99.6	90.3	(48.0)
Income tax benefit/(expense)	81.1	10.1	30.8	(13.6)	14.6
Non-controlling interests	(0.6)	(14.8)	(0.9)	(0.7)	22.1
Profit attributable to owners of the parent	201.6	98.2	129.5	76.0	(11.3)
Basic earnings per share (in EUR) ⁽¹⁾					
Class A shares	0.42	0.19	0.26	0.14	(0.05)
Class B shares	0.17	0.08	0.10	0.06	(0.02)

1) Earnings per share is calculated as profit attributable to owners of the parent divided by the weighted average number of shares outstanding during the year, as adjusted to reflect the economic rights of each class of share. For the purposes of the EPS calculation only, the net profit for the year attributable to ordinary shareholders has been adjusted to include the coupon, net of tax, on the perpetual bonds. Fully diluted earnings per share are not significantly different from basic earnings per share

QUARTERLY OPERATING PROFIT (AT CONSTANT FX)

EUR million	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Average U.S. dollar exchange rate	1.1418	1.1418	1.1418	1.1418	1.1418
Revenue	514.2	492.8	516.4	493.6	540.9
Operating expenses	(181.3)	(180.9)	(193.4)	(183.9)	(213.1)
EBITDA	332.9	311.9	323.0	309.7	327.8
EBITDA margin	64.7%	63.3%	62.5%	62.7%	60.6%
Depreciation	(149.8)	(153.2)	(161.7)	(162.6)	(255.3)
Amortisation	(20.5)	(18.9)	(21.5)	(20.0)	(85.7)
Operating profit	162.6	139.8	139.8	127.1	(13.2)
Operating profit margin	31.6%	28.4%	27.1%	25.7%	-2.5%

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A presentation of the results for investors and analysts will be hosted at 9.30 CET on 27 February 2019, and will be broadcast via [webcast](#) and conference call. The details for the conference call and webcast are as follows:

Belgium	+32 (0)2 400 9874/ 0800 48740
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Conference code:	1767479

Webcast registration: https://edge.media-server.com/m6/go/SES_18FY

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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