SYCOMORE CORPORATE FINANCE ACTED AS FINANCIAL ADVISOR OF O3B NETWORKS BOARD OF DIRECTORS IN RELATION WITH THE ACQUISITION BY SES

26 May 2016

Following the **29 April 2016** announcement that SES S.A. (NYSE Euronext Paris and Luxembourg Stock Exchange: SESG) had agreed to increase its interest in O3b Networks (O3b) to 50.5% in order to take a controlling share in the company, SES announces that it is launching a capital raising to fund the acquisition of the remaining shares in O3b Networks.

As a result, SES will own 100% of O3b Networks, a next generation satellite operator with a constellation of 12 High Throughput Satellites (HTS) at Medium Earth Orbit (MEO) that delivers a unique, global 'fibre in the sky' connectivity solution with ultra-low latency.

SES had paid USD 20 million to increase its fully diluted ownership of O3b from 49.1% to 50.5%. SES now intends to exercise its call option, under the purchase agreement, to acquire the remaining 49.5% of O3b shares for a consideration of USD 710m, bringing SES's aggregate equity investment in O3b to date to USD 1.0bn (EUR 900m).

The transaction is subject to regulatory approvals which are expected to be completed during H2 2016, as previously foreseen. There will be no changes to the management of O3b, which has been highly successful to date in delivering the fastest growing satellite network in terms of capacity contracted.

The transaction is expected to generate returns exceeding SES's hurdle rates for infrastructure investments and will further enhance the returns on SES's existing investment in O3b. On completion, SES will consolidate O3b's net debt, which is currently USD 1.2bn with an average interest rate of 9.5% (including amortisation of loan origination costs and commitment fees), where significant refinancing synergies are possible and outlined below.

Strengthening SES's differentiated global network and capabilities

- **Expanding SES's global network and solutions**, by further incorporating O3b's unique, low latency satellite constellation, which is already in operation. O3b is a strong and positive fit within SES's thesis for building a future-proof and scalable technology solution
- **Augmenting SES's differentiated capabilities** by leveraging the capabilities and features of the combined fleets to deliver the best customer offering across the data-centric verticals
- **Enhancing SES's foundations for sustainable growth** with O3b's strong outlook representing an important accelerator of long-term growth
- **Accelerating commercial and financing synergies** by bringing SES and O3b closer together
- **Delivering attractive returns within SES's financial framework**, with the transaction generating an IRR in excess of SES's hurdle rate, while retaining the benefits of SES's investment grade credit status

O3b Networks – a unique, game-changing global solution

Since beginning commercial operations in September 2014, O3b has built a strong global customer base and now serves over 40 Enterprise, Mobility and Government clients across 31 countries. To date, over 50% of customers have already upgraded their initial service commitments, demonstrating the attraction of O3b's unique and 'game-changing' solution. As at 31 March 2016, O3b had a fully protected contract backlog of USD 350m.

O3b has procured an additional eight satellites to accommodate rapidly-expanding demand, with four satellites expected to be launched during H1 2018, and the remaining four satellites expected to be launched in H2 2019. These procurements will increase the size of the current fleet from 12 to 20 satellites (including three satellites currently flying as in-orbit back-up). At 'steady-state' utilisation, which is targeted to be achieved by the end of the third year of a satellite's commercial service, the full operational constellation is expected to generate annualised revenue of between USD 32m and USD 36m per satellite.

O3b is expected to generate more than USD 100m of revenue for the twelve months ended 31 December 2016, which represents nearly double the revenue recorded in the previous year. With the benefit of commercial and financing synergies, the acquisition is now expected to become free cash flow (before financing activities) and EPS accretive to SES in 2018.

As part of the IFRS purchase accounting treatment, the transaction will give rise to the recognition of a gain by SES of approximately USD 500m relating to the remeasurement to fair value of the current non-controlling interest in O3b. The final amount will depend on the closing date of the transaction.

Accelerating commercial and financing synergies

The combination of SES's global geostationary (GEO) satellite network with O3b's global MEO satellite constellation will enable SES to provide major customers in the Enterprise, Mobility and Government market verticals with an unsurpassed satellite-enabled network, complemented by a robust ground network and innovative products. SES, with 100% ownership of O3b, will be capable of providing an integrated and differentiated suite of solutions, which can match the optimal satellite technologies to best serve the customers' requirements.

As a result of owning 100% of O3b, O3b will be able to utilise the benefits of SES's investment grade credit status and have wider access to attractive sources of funding to substantially reduce O3b's annual interest costs for its USD 1.2bn of debt from an average of 9.5% per annum. In this context, around USD 300m of the proceeds from the capital raising will be used to repay O3b's most expensive debt facilities, leading to a reduction in annual financing costs after initially covering any repayment charges.

SES will also be in a position to further significantly reduce O3b's financing charges and average interest rate (currently at 9.5%), as the group gradually optimises O3b's funding structure. SES is also considering the issuance of hybrid debt instruments as part of a process to optimise O3b's funding structure, which could generate further interest cost savings. An offering of such instruments could be launched at any time, depending on market conditions. The size of such issuance would also be determined according to prevailing market conditions.

Launching equity capital raising

SES is launching a placement (the "Placement") to institutional investors of 39,857,600 new fiduciary depositary receipts ("FDRs"), as well as certain existing FDRs as described below. Each FDR represents one Class A share.

The Placement is part of a capital increase, which will also comprise 19,928,800 Class B shares, necessary to maintain the ratio of 1:2 with the Class A shares, as provided in SES's articles of association. These new shares will rank pari passu with the existing A-shares and B-shares.

The existing Class B shareholders (Banque et Caisse d'Epargne de l'Etat, Société Nationale de Crédit et d'Investissement and Etat du Grand-Duché de Luxembourg) will subscribe for newly-issued Class B shares, pro rata to their existing holding of Class B shares. Class B shares have 40% of the economic rights of Class A shares. Etat du Grand-Duché de Luxembourg will subscribe for its pro rata portion of Class B shares by a combination of cash and an in-kind contribution of a number of FDRs that it currently owns (which will be sold in the Placement). The number of FDRs to be contributed will depend on the Placement price.

On a pro forma basis, SES's end of year Net Debt to EBITDA ratio is expected to remain below 3.3 times, and the company's BBB/Baa2 investment grade credit rating is expected to be re-affirmed by Standard & Poor's and Moody's. SES remains committed to maintaining a progressive dividend policy. SES will use the proceeds raised to fund the total consideration of USD 730m to increase its ownership of O3b to 100%. SES will also use around USD 300m to repay O3b's most expensive debt facilities, leading to a reduction in annual financing costs after initially covering any repayment charges. The balance of the proceeds is to be used for general corporate purposes.

In the context of the transaction, Sycomore Corporate Finance acted as financial advisor to O3b Board of Directors. The transaction team comprised Olivier Barret, Stanislas de Gmeline, Tristan Dupont, Laurent Bricco and Khouloud Cheriqi.