GROWTH OPPORTUNITIES IN BRAZIL

With a fleet of 55 geostationary satellites, SES is a world-leading satellite operator which provides satellite communications services to broadcasters, internet service providers, mobile and fixed network operators as well as business and governmental organisations around the world. With five satellites authorised in Brazil, and two recent acquired orbital locations, the company stands as a strong competitor to satisfy capacity needs and rising market demands in Brazil.

LFF spoke with Jurandir Pitsch, Vice President Market Development, Latin America and the Caribbean about the scope of SES's activities in Brazil and future projects.

*Jurandir **PITSCH**,*
Vice President Market Development,
SES

LFF: HOW IMPORTANT IS THE BRAZILIAN MARKET FOR SES?

JP: Brazil is the most important market for SES in Latin America. Our company has been located in Brazil since 1998, originally as New Skies Satellites, a company acquired by SES.

SES has five satellites authorized in Brazil by Anatel, the Brazilian National Telecommunications Agency, and has recently acquired two orbital locations from the Brazilian administrations, which will increase SES's presence and market share in the country. Current market share is around 23% according to Anatel's data. SES is the third largest satellite communications company in the country, with Star One, the local satellite company and Intelsat.

LFF: WHAT ROLE DOES YOUR BRAZILIAN SUBSIDIARY HAVE WITHIN SES?

JP: Our Brazilian subsidiary, SES DTH DO Brazil, is increasing its presence in Brazil, growing from 6 to 12 persons in the next 2 months. With the recently acquired Brazilian positions, SES will have to control two satellites (occupying the Brazilian positions) from Brazil, which will further increase the importance of the Brazilian subsidiary.

LFF: WHAT BUSINESS OPPORTUNITIES DO THE EMERGING MARKETS OFFER?

JP: In countries like Brazil, with a larger territory, the use of satellite is important for integration. Basically, all areas depend on satellite, for example for video distribution, Internet trunking – providing high capacity to cities in the North, West and North East regions of Brazil, GSM and 3G base station connection in the north of the country, fiber restoration and government digital insertion programmes, such as the Brazilian GESAC network.

LFF: WHAT ARE THE MAIN DRIVERS FOR THE DEMAND OF SATELLITE SERVICES IN BRAZIL?

JP: We see demand growing in different areas: 3G expansion in areas with less terrestrial infrastructure like Amazonia and the West of Brazil, digital insertion programmes, enterprise satellite ground stations (VSAT) – especially in the oil and gas areas of Macaé and Santos - and the Direct-to-Home (DTH) expansion, considering that the pay TV penetration in Brazil is still relatively low.

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WHAT CHALLENGES DO YOU HAVE TO OVERCOME IN THE BRAZILIAN MARKET AND HOW DO YOU ADDRESS THEM?

Jurandir ***PITSCH***

Brazil has a very difficult and complex tax system which is sometimes very hard to understand at first. The regulatory system in Brazil is also complex and demands much effort in terms of providing reports and negotiating the landing rights. Different from most countries, Brazil requires a complex landing rights procedure for foreign companies. SES works with the local Satellite Association and Chambers of Commerce, with the regulator as well as the government in order to reduce some of these burdens.

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WHAT MAKES THE BRAZILIAN MARKET SO DIFFERENT FROM OTHERS?

Jurandir ***PITSCH***

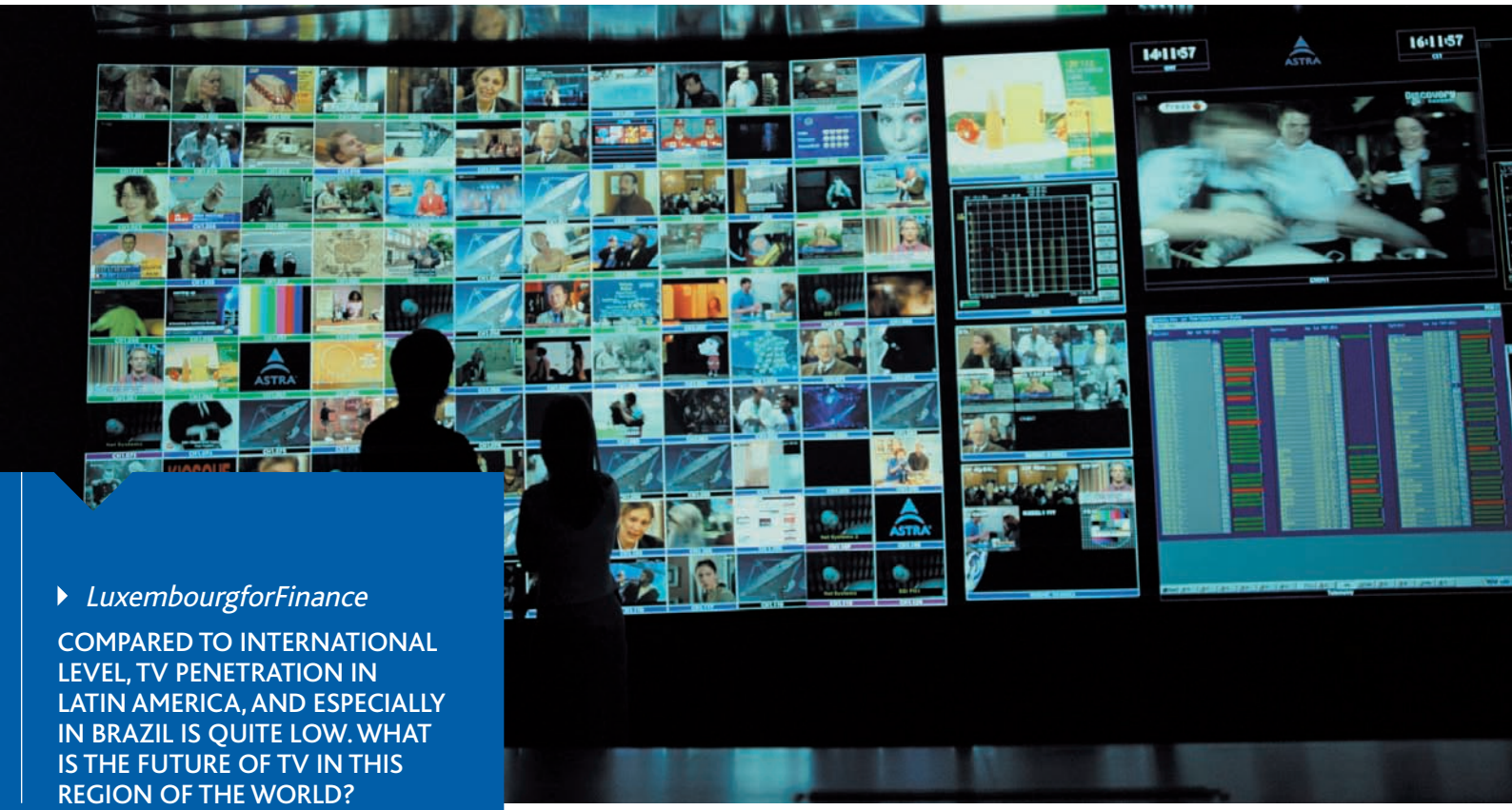
For satellite communication, Brazil is a relatively open market. In fact, all major operators have subsidiaries in Brazil and almost 40 satellites are authorized. Brazil has a very strong National Telecommunications Agency (Anatel), which pushes the satellite operators to use Brazilian Orbital locations instead of foreign ones. This was one of the main reasons SES decided to invest in two orbital locations in Brazil. This way, the company is able to operate also as a Brazilian satellite operator. The way Brazil auctions the orbital locations is quite unique and quite expensive.

On the other hand, the relatively low income of the population does not allow the adoption of expensive technologies. On average, the market price of the capacity is lower in Brazil than in the more mature markets, such as the US and Europe and is similar to prices in Asia. This is a challenge for satellite companies: bring more capacity to the emerging markets, with lower cost and still make a reasonable return to justify the investment.

LFF: BRAZIL WAS THE HOST OF MAJOR SPORTING EVENTS SUCH AS THE CONFEDERATION CUP IN 2013 AND THE 2014 FIFA WORLD CUP. IT WILL ALSO HOST THE OLYMPIC GAMES IN 2016. THESE MAJOR SPORTING EVENTS, WHICH ATTRACT GLOBAL ATTENTION, ARE BROADCASTED WORLDWIDE. WHAT ROLE DO YOU PLAY IN SUCH IMPORTANT SPORTING EVENTS?

JP: Satellite technology was used for two reasons in the World Cup. In the first case, the C-Band satellite capacity served as a backup for the transmissions, in case of failure with sending data via optical fiber. Furthermore, the transmission of news from the national teams, which were scattered over the Brazilian territory, demanded extensive Ku-band,.a specific frequency range, currently used for transmissions to and from broadcast satellites. Thanks to satellite technology, sports fans could follow everything that was happening in the training centers, the player's and the World Cup's atmosphere in Brazil. In total, SES provided more than 45,000 hours of broadcast from nine different satellites and teleports.

For the Olympic Games, SES and the satellite operators will have the challenge to transmit multiple sports simultaneously from the same city. And to meet this extensive satellite capacity demand, the company is preparing several satellites.



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COMPARED TO INTERNATIONAL LEVEL, TV PENETRATION IN LATIN AMERICA, AND ESPECIALLY IN BRAZIL IS QUITE LOW. WHAT IS THE FUTURE OF TV IN THIS REGION OF THE WORLD?

Jurandir ***PITSCH***

The pay-tv market in Brazil and the region has great potential for growth. According to ABTA - Brazilian Association of pay-tv, it is expected that the country will have 20 million users this year. Another survey, developed by SES with the Economist Intelligence Unit (EIU), pointed out that this market will reach 35 million users by 2017. In addition, satellite broadcasting should be responsible for at least 70% of the pay TV market in the country in 2015.

Therefore, we believe that the market will expand, so we are investing in the region. For example, the SES-10 satellite, which is currently under construction, is the company's first satellite specifically designed for the region of Latin America. The launch date will be in mid-2016.

LFF: WHAT ARE YOUR FUTURE PLANS IN BRAZIL?

JP: SES recently won two Brazilian orbital positions, in the ANATEL auction, held in May 2014. Thus, SES gained access to the 48 degrees west and 64 degrees west positions.

For the first position, SES will have up to four years to fill the slot. For that, the company intends to move the NSS-806 satellite (which is already in orbit and which still has a considerable lifetime), until a new satellite is available.

For the second slot, SES will have up to six years to and has already begun developing plans for the position.

In addition, the company is also investing in an Antenna Programme in the region, so customers and partners can have visibility of the planned C-band capacity of the SES-6 satellite. This will make new transponders available for the region. More than 250 antennas and kits will be provided for cable operators in Brazil. Other countries will also be included soon in the programme, such as Colombia and Peru. **OB**