

# **Eutelsat Communications Group**

“Société anonyme” with a capital of 232,774,635 euros

Registered office: 70, rue Balard 75015 Paris

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## **CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS**

**AS OF 31 DECEMBER 2016**

## CONSOLIDATED BALANCE SHEET

| (in millions of euros)                        | Note | 30 June 2016   | 31 December 2016 |
|---|------|----------------|------------------|
| <b>ASSETS</b>                                 |      |                |                  |
| <i>Non-current assets</i>                     |      |                |                  |
| Goodwill                                      | 4    | 1,166.3        | 1,176.2          |
| Intangible assets                             | 4    | 751.9          | 734.0            |
| Satellites and other property and equipment   | 5    | 4,305.4        | 4,203.7          |
| Construction in progress                      | 5    | 694.2          | 709.0            |
| Financial assets and other non-current assets |      | 10.1           | 28.7             |
| Deferred tax assets                           |      | 8.5            | 6.2              |
| <b>Total non-current assets</b>               |      | <b>6,936.3</b> | <b>6,857.7</b>   |
| <i>Current assets</i>                         |      |                |                  |
| Inventories                                   |      | 2.8            | 3.0              |
| Accounts receivable                           |      | 406.4          | 378.9            |
| Other current assets                          |      | 37.8           | 43.8             |
| Current tax receivable                        |      | 11.8           | 1.1              |
| Current financial assets                      |      | 31.3           | 22.7             |
| Cash and cash equivalents                     | 7    | 1,153.8        | 1,188.2          |
| Assets held for sale                          | 6    | 301.9          | 301.9            |
| <b>Total current assets</b>                   |      | <b>1,945.8</b> | <b>1,939.6</b>   |
| <b>Total assets</b>                           |      | <b>8,882.1</b> | <b>8,797.3</b>   |

| (in millions of euros)                            | Note | 30 June 2016   | 31 December 2016 |
|---|------|----------------|------------------|
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |      |                |                  |
| <i>Shareholders' equity</i>                       |      |                |                  |
| Share capital                                     | 8.1  | 232.8          | 232.8            |
| Additional paid-in capital                        |      | 738.1          | 738.1            |
| Reserves and retained earnings                    |      | 1,682.7        | 1,715.9          |
| Non-controlling interests                         |      | 81.2           | 80.2             |
| <b>Total shareholders' equity</b>                 |      | <b>2,734.8</b> | <b>2,766.9</b>   |
| <i>Non-current liabilities</i>                    |      |                |                  |
| Non-current financial debt                        | 9    | 3,302.4        | 3,290.3          |
| Other non-current financial liabilities           | 10   | 1,053.9        | 902.6            |
| Non-current fixed asset payables                  |      | 15.5           | 28.5             |
| Non-current deferred revenues                     |      | 140.6          | 134.0            |
| Non-current provisions                            |      | 128.4          | 115.4            |
| Deferred tax liabilities                          |      | 270.6          | 246.0            |
| <b>Total non-current liabilities</b>              |      | <b>4,911.3</b> | <b>4,716.7</b>   |
| <i>Current liabilities</i>                        |      |                |                  |
| Current financial debt                            | 9    | 927.3          | 976.0            |
| Other current financial liabilities               | 10   | 49.0           | 94.7             |
| Accounts payable                                  |      | 66.7           | 44.0             |
| Fixed assets payable                              |      | 35.8           | 34.1             |
| Taxes payable                                     |      | 3.5            | 30.7             |
| Other current payables and deferred revenues      |      | 135.7          | 105.1            |
| Current provisions                                | 19   | 18.0           | 29.1             |
| <b>Total current liabilities</b>                  |      | <b>1,236.0</b> | <b>1,313.7</b>   |
| <b>Total liabilities and shareholders' equity</b> |      | <b>8,882.1</b> | <b>8,797.3</b>   |

## CONSOLIDATED INCOME STATEMENT

| (in millions of euros, except per share data)                                  | Note | 31 December 2015 | 31 December 2016 |
|--|------|------------------|------------------|
| <b>Revenues from operations</b>  |      | <b>774.4</b>     | <b>755.1</b>     |
| Operating costs  |      | (52.9)           | (47.4)           |
| Selling, general and administrative expenses                                   |      | (121.3)          | (119.8)          |
| Depreciation and amortisation  | 4, 5 | (238.0)          | (274.3)          |
| Other operating income   | 12   | -                | 30.2             |
| Other operating expenses   | 12   | (1.2)            | (6.9)            |
| <b>Operating income</b>  |      | <b>361.0</b>     | <b>336.9</b>     |
| Cost of debt   | 13   | (56.0)           | (66.2)           |
| Financial income   | 13   | 2.8              | 0.9              |
| Other financial items  | 13   | (10.2)           | 5.7              |
| <b>Financial result</b>  |      | <b>(63.4)</b>    | <b>(59.6)</b>    |
| Income from associates   |      | 10.0             | -                |
| <b>Net income before tax</b>   |      | <b>307.6</b>     | <b>277.4</b>     |
| Income tax expense   | 14   | (112.3)          | (78.2)           |
| <b>Net income</b>  |      | <b>195.3</b>     | <b>199.2</b>     |
| Attributable to the Group  |      | 188.0            | 192.2            |
| Attributable to non-controlling interests                                      |      | 7.3              | 7.0              |
| <b>Earnings per share attributable to Eutelsat Communications shareholders</b> |      |                  |                  |
| Basic and diluted earnings per share in euro (*)                               | 15   | 0.828            | 0.826            |

(\*) There are no dilutive instruments as of 31 December 2015 and 31 December 2016.

## COMPREHENSIVE INCOME STATEMENT

| (in millions of euros)  | Note | 31 December 2015 | 31 December 2016 |
|---|------|------------------|------------------|
| <b>Net income</b>   |      | <b>195.3</b>     | <b>199.2</b>     |
| <i>Other recyclable items of gain or loss on comprehensive income</i>     |      |                  |                  |
| Translation adjustment  | 8.5  | 18.3             | 71.2             |
| Tax effect  |      | 6.1              | 8.9              |
| Changes in fair value of hedging instruments <sup>(1)</sup>               | 8.4  | 0.8              | 24.7             |
| Tax effect  |      | (0.2)            | (8.5)            |
| <i>Other non-recyclable items of gain or loss on comprehensive income</i> |      |                  |                  |
| Changes in post-employment benefits                                       | 8.6  | 4.5              | 9.5              |
| Tax effect  |      | (1.5)            | (7.0)            |
| <b>Total of other items of gain or loss on comprehensive income</b>       |      | <b>27.9</b>      | <b>98.8</b>      |
| <b>Total comprehensive income</b>   |      | <b>223.1</b>     | <b>298.0</b>     |
| Attributable to the Group   |      | 214.9            | 287.4            |
| Attributable to non-controlling interests <sup>(2)</sup>                  |      | 8.2              | 10.6             |

(1) Covers only cash-flow hedges. Net foreign investment hedges are recorded as translation adjustments.

(2) The portion attributable to non-controlling interests breaks down as follows:

- Net result for 7.3 million euros as of 31 December 2015 and 7.0 million euros as of 31 December 2016;

- Other recyclable items of gain or loss on comprehensive income for 0.9 million euros as of 31 December 2015 and 3.6 million euros as of 31 December 2016;

- Other non-recyclable items of gain or loss on comprehensive income for 0.1 million euros as of 31 December 2015 and 0.1 million euros as of 31 December 2016.

## CONSOLIDATED STATEMENT OF CASH FLOWS

| (in millions of euros)   | Note     | 31 December 2015 | 31 December 2016 |
|--|----------|------------------|------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                     |          |                  |                  |
| Net income   |          | 195.3            | 199.2            |
| Income from equity investments   | 6        | (10.0)           | -                |
| Tax and interest expense, other operating items                                |          | 194.6            | 138.4            |
| Depreciation, amortisation and provisions                                      |          | 231.1            | 292.0            |
| Deferred taxes   |          | (19.3)           | (30.3)           |
| Changes in accounts receivable   |          | (42.9)           | 23.9             |
| Changes in other assets  |          | (2.9)            | (7.6)            |
| Changes in accounts payable  |          | (10.0)           | (14.6)           |
| Changes in other debt  |          | (1.4)            | (49.1)           |
| Taxes paid   |          | (87.8)           | (70.1)           |
| <b>Net cash flows from operating activities</b>                                |          | <b>446.7</b>     | <b>481.6</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |          |                  |                  |
| Acquisitions of satellites, other property and equipment and intangible assets | 4, 5     | (161.2)          | (100.7)          |
| Acquisition of control   |          | -                | -                |
| Disposal of entities   |          | -                | 36.7             |
| Dividends received from associates and other items                             | 6        | 2.5              | 2.6              |
| <b>Net cash flows from investing activities</b>                                |          | <b>(158.7)</b>   | <b>(61.4)</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |          |                  |                  |
| Distributions  |          | (109.0)          | (266.3)          |
| Increase in debt   | 9        | 0.6              | -                |
| Repayment of debt  | 9        | (3.7)            | (15.5)           |
| Repayment in respect of performance incentives and long-term leases            |          | (6.2)            | (101.2)          |
| Loan set-up fees   |          | -                | (1.0)            |
| Interest and other fees paid   |          | (23.0)           | (26.8)           |
| Interest received  |          | 3.9              | 0.1              |
| Transactions relating to non-controlling interests                             |          | -                | 18.5             |
| Other changes  |          | (0.8)            | (0.6)            |
| <b>Net cash flows from financing activities</b>                                |          | <b>(138.3)</b>   | <b>(392.8)</b>   |
| Impact of exchange rate on cash and cash equivalents                           |          | (6.6)            | 7.0              |
| <b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>                        |          | <b>143.3</b>     | <b>34.4</b>      |
| <b>Cash and cash equivalents, beginning of period</b>                          |          | <b>420.2</b>     | <b>1,153.8</b>   |
| <b>Cash and cash equivalents, end of period</b>                                | <b>7</b> | <b>563.5</b>     | <b>1,188.2</b>   |
| Cash reconciliation  |          |                  |                  |
| Cash   |          | 563.5            | 1,188.2          |
| Overdraft included under debt <sup>(1)</sup>                                   | 9        | -                | -                |
| <b>Cash and cash equivalents per cash flow statement</b>                       |          | <b>563.5</b>     | <b>1,188.2</b>   |

(1) Overdrafts are included in determining "Cash and cash equivalents" in the cash-flow statement as they are repayable on demand and form an integral part of the Group's cash-flow management. They are shown as "Current financial debt" under "Current liabilities" on the balance sheet.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| (in millions of euros, except share data)                              | Common stock       |              |                             | Reserves and retained earnings | Shareholders' equity Group share | Non-controlling interests | Total          |
|--|--------------------|--------------|-----------------------------|--------------------------------|----------------------------------|---------------------------|----------------|
|  | Number             | Amount       | Addi-tional paid in capital |                                |                                  |                           |                |
| <b>As of 30 June 2015</b>  | <b>226,972,338</b> | <b>227.0</b> | <b>594.0</b>                | <b>1,651.8</b>                 | <b>2,472.8</b>                   | <b>61.1</b>               | <b>2,533.9</b> |
| Net income for the period  |                    |              |                             | 188.0                          | 188.0                            | 7.3                       | 195.2          |
| Other items of gain or loss on comprehensive income                    |                    |              |                             | 26.9                           | 26.9                             | 1.0                       | 27.9           |
| <b>Total comprehensive income</b>                                      |                    |              |                             | <b>214.9</b>                   | <b>214.9</b>                     | <b>8.2</b>                | <b>223.1</b>   |
| Transaction affecting the capital                                      |                    |              |                             | 0.6                            | 0.6                              | -                         | 0.6            |
| Treasury stock   |                    |              |                             | (0.4)                          | (0.4)                            | -                         | (0.4)          |
| Distributions  | 5,802,297          | 5.8          | 144.0                       | (247.2)                        | (97.4)                           | (12.3)                    | (109.7)        |
| Benefits for employees upon exercising options and free shares granted |                    |              |                             | -                              | -                                | -                         | -              |
| Liquidity offer and others   |                    |              |                             | (5.0)                          | (5.0)                            | 0.2                       | (4.8)          |
| <b>As of 31 December 2015</b>  | <b>232,774,635</b> | <b>232.8</b> | <b>738.0</b>                | <b>1,614.7</b>                 | <b>2,585.5</b>                   | <b>57.2</b>               | <b>2,642.8</b> |
| <b>As of 30 June 2016</b>  | <b>232,774,635</b> | <b>232.8</b> | <b>738.0</b>                | <b>1,682.8</b>                 | <b>2,653.6</b>                   | <b>81.2</b>               | <b>2,734.8</b> |
| Net income for the period  |                    |              |                             | 192.2                          | 192.2                            | 7.0                       | 199.2          |
| Other items of gain or loss on comprehensive income <sup>(1)</sup>     |                    |              |                             | 95.2                           | 95.2                             | 3.6                       | 98.8           |
| <b>Total comprehensive income</b>                                      |                    |              |                             | <b>287.4</b>                   | <b>287.4</b>                     | <b>10.6</b>               | <b>298.0</b>   |
| Transaction affecting the capital                                      |                    |              |                             | -                              | -                                | -                         | -              |
| Treasury stock   |                    |              |                             | -                              | -                                | -                         | -              |
| Distributions  |                    |              |                             | (255.8)                        | (255.8)                          | (10.5)                    | (266.3)        |
| Benefits for employees upon exercising options and free shares granted |                    |              |                             | 0.2                            | 0.2                              | -                         | 0.2            |
| Transactions with non-controlling interests and others                 |                    |              |                             | 1.4                            | 1.4                              | (1.1)                     | 0.3            |
| <b>As of 31 December 2016</b>  | <b>232,774,635</b> | <b>232.8</b> | <b>738.0</b>                | <b>1,715.9</b>                 | <b>2,686.8</b>                   | <b>80.2</b>               | <b>2,766.9</b> |

(1) Changes in other items of gain and loss on comprehensive income are detailed in Notes 8.4 "Change in the revaluation surplus of financial instruments", Note 8.5 "Translation reserve" and Note 8.6 "Actuarial gains and losses".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 1. KEY EVENTS DURING THE FINANCIAL PERIOD

- The Group sold Wins Ltd and its subsidiaries in August 2016 and DSAT Cinema in October 2016. These entities were excluded from the Group's scope of consolidation at the date of loss of control.
- On 12 July 2016, Eutelsat initiated the process of selling its equity interest in Hispasat by exercising the put option granted in 2008 by Abertis Group, Hispasat's majority shareholder.
- The Ka spot beams embarked on the EUTELSAT 36C satellite have entered commercial service on 1st July 2016.

## NOTE 2. APPROVAL OF THE ACCOUNTS

The condensed consolidated half-year accounts of Eutelsat Communications as of 31 December 2016 have been prepared by the Board of Directors on 08 February 2017.

## NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 COMPLIANCE WITH IFRSs

The financial statements at 31 December 2016 have been prepared in accordance with the IFRSs as adopted by the European Union and effective as of that date. The relevant texts are available for consultation on the following website:

[http://ec.europa.eu/internal\\_market/accounting/ias/index\\_fr.htm](http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm)

The financial statements have been prepared on a historical cost basis except for certain items for which the standards require measurement at fair value.

The financial information disclosed in these financial statements is prepared in accordance with the option contained in IAS 34 "Interim Financial Reporting" in a condensed format. The accounts as presented do not therefore contain all the information and Notes required under IFRSs for the preparation of consolidated full-year financial statements and must be read in conjunction with the consolidated full-year financial statements for the financial year ended 30 June 2016.

### 3.2 PUBLISHED STANDARDS AND INTERPRETATIONS

The accounting methods and rules used in preparing these condensed interim accounts are identical to those used for the consolidated full-year financial statements for the year ended 30 June 2016, with the exception of the new standards and interpretations as described below, which are adopted by the European Union and are to be applied after 1st July 2016:

- Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations;
- Amendment to IAS 1: Disclosure Initiative;
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation;
- Improvements to IFRSs (2012-2014 cycle).

Applying these standards, amendments and interpretations had no significant impact on the Group's financial statements.

Furthermore, no standard, interpretation or amendment has been applied in advance by the Group. The Group is currently analysing the practical impact of these new texts and the effects of applying them in the financial statements. This concerns:

- IFRS 9 "Financial instruments";
- IFRS 15 "Revenue from Contracts with Customers";
- IFRS 16 "Leases".

### 3.3 PERIODS PRESENTED AND COMPARATIVES

The six-month period extends from 1st July to 31 December 2016.

The reference currency and the presentation currency used to issue financial statements are the euro.

### 3.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Preparation of the Group's consolidated financial statements requires Management to make estimates and judgements that are likely to affect the amounts of certain assets, liabilities, income and expenses appearing in these financial statements and their accompanying Notes. Eutelsat Communications constantly updates its estimates and assessments using past experience in addition to other relevant factors in relation to the economic environment. The close down of the transactions underpinning these estimates and assumptions could result in significant adjustments to the amounts that are recognised in a subsequent financial period because of the uncertainty that surrounds them.

## Judgements

In preparing the financial statements for the period ended 31 December 2016, Management has exercised judgement, particularly with regard to the recoverable amounts of assets, contingent liabilities, provisions, customer risk assessment and the functional currency used by the consolidated entities.

### 3.5 TAXES

In accordance with IAS 34, the interim income tax expense is calculated by applying the average effective rate estimated for the financial year to earnings before taxes for the period (see Note 14 - *Income tax*).

## NOTE 4. GOODWILL AND OTHER INTANGIBLES

"Goodwill and Other Intangibles" breaks down as follows:

### Changes in gross assets, depreciation and amortisation

| (in millions of euros)                          | Goodwill       | Customer contracts and relationships | Eutelsat brand | Other intangibles | Total          |
|---|----------------|--------------------------------------|----------------|-------------------|----------------|
| <b>GROSS ASSETS</b>                             |                |                                      |                |                   |                |
| 30 June 2016                                    | 1,166.3        | 1,107.0                              | 40.8           | 242.1             | 2,556.2        |
| 31 December 2016                                | 1,176.2        | 1,112.0                              | 40.8           | 259.0             | 2,588.0        |
| <b>DEPRECIATION AND AMORTISATION</b>            |                |                                      |                |                   |                |
| Accumulated depreciation as of 30 June 2016     | -              | (534.7)                              | -              | (103.3)           | (638.0)        |
| Accumulated depreciation as of 31 December 2016 | -              | (563.2)                              | -              | (114.5)           | (677.8)        |
| Net value as of 30 June 2016                    | 1,166.3        | 572.0                                | 40.8           | 139.1             | 1,918.2        |
| <b>Net value as of 31 December 2016</b>         | <b>1,176.2</b> | <b>548.8</b>                         | <b>40.8</b>    | <b>144.5</b>      | <b>1,910.2</b> |

The change over the period ended 31 December 2016 mainly relates to:

- the change in goodwill arising from the acquisition of Satmex (denominated in US dollars) and the effects of the disposal of Wins Ltd. and its subsidiaries;
- the amortisation of customer contracts and relationships.

As of 31 December 2016, goodwill, which was monitored only at Eutelsat segment level, was tested annually for impairment. The test did not challenge the amount shown on the balance sheet. The recoverable amount was calculated using the implicit market value (fair value) of Eutelsat S.A. measured on the basis of the stock market valuation of Eutelsat Communications S.A. (and taking into account this company's indebtedness). The share price would have to drop by at least 35% for the fair value to fall below the carrying amount. Should such an event occur, a test would be carried out based on the value in use.

## NOTE 5. SATELLITES, OTHER PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

“Satellites and other property and equipment” is broken down as follows (including assets acquired under finance leases):

### Changes in gross values, depreciation and amortisation

| (in millions of euros)                                 | Satellites       | Other tangibles | Construction in progress | Total            |
|--|------------------|-----------------|--------------------------|------------------|
| <b>GROSS ASSETS</b>                                    |                  |                 |                          |                  |
| <b>Gross value as of 30 June 2016</b>                  | <b>6,358.1</b>   | <b>399.0</b>    | <b>694.2</b>             | <b>7,451.3</b>   |
| Acquisitions   | 0.8              | 4.8             | 123.7                    | 129.3            |
| Disposals  | -                | (0.3)           | -                        | (0.3)            |
| Change in scope of consolidation                       | -                | (13.2)          | -                        | (13.2)           |
| Scrapping of assets                                    | (210.1)          | (3.9)           | -                        | (214.1)          |
| Foreign-exchange variation                             | 58.5             | 0.8             | 21.2                     | 80.5             |
| Transfers and others                                   | 76.5             | 8.4             | (130.2)                  | (45.3)           |
| <b>Gross value as of 31 December 2016</b>              | <b>6,283.9</b>   | <b>395.5</b>    | <b>709.0</b>             | <b>7,388.4</b>   |
| <b>DEPRECIATION AND AMORTISATION</b>                   |                  |                 |                          |                  |
| <b>Accumulated depreciation as of 30 June 2016</b>     | <b>(2,175.1)</b> | <b>(276.6)</b>  | <b>-</b>                 | <b>(2,451.7)</b> |
| Depreciation and amortisation                          | (215.9)          | (18.3)          | -                        | (234.2)          |
| Reversals (disposals)                                  | -                | 0.1             | -                        | 0.1              |
| Reversals (changes in scope)                           | -                | 9.2             | -                        | 9.2              |
| Reversals (scrapping of assets)                        | 210.9            | 0.2             | -                        | 211.1            |
| Reclassification                                       | -                | 0.9             | -                        | 0.9              |
| Foreign-exchange variation                             | (10.8)           | (0.4)           | -                        | (11.2)           |
| <b>Accumulated depreciation as of 31 December 2016</b> | <b>(2,190.9)</b> | <b>(284.9)</b>  | <b>-</b>                 | <b>(2,475.7)</b> |
| Net value as of 30 June 2016                           | 4,183.0          | 122.4           | 694.2                    | 4,999.6          |
| <b>Net value as of 31 December 2016</b>                | <b>4,093.0</b>   | <b>110.7</b>    | <b>709.0</b>             | <b>4,912.7</b>   |

During the half year ended 31 December 2016, the Group deorbited the EUTELSAT 70D satellite.

Satellite-related transfers as of 31 December 2016 correspond to the entry into operational service of the Ka spot beams onboard the EUTELSAT 36C satellite which was launched during the financial year ended 30 June 2016.

### SATELLITES UNDER CONSTRUCTION

The satellites listed as below are under construction at balance sheet date and should be brought into service during the financial years as indicated:

| Projects                           | Expected year of commissioning |
|------------------------------------|--------------------------------|
| EUTELSAT 172B                      | 2017-2018                      |
| QUANTUM, EUTELSAT 7C, EUTELSAT 5WB | 2018-2019                      |
| BROADBAND4AFRICA                   | 2019-2020                      |

## NOTE 6. ASSETS HELD FOR SALE

As of 30 June 2016 and 31 December 2016, as a result of the sale of Eutelsat's interest in Hispasat initiated by the company in July 2016, the amount of the Hispasat portion was shown as assets held for sale.

## NOTE 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are detailed as follows:

| (in millions of euros) | 30 June 2016   | 31 December 2016 |
|------------------------|----------------|------------------|
| Cash                   | 316.4          | 448.6            |
| Cash equivalents       | 837.3          | 739.6            |
| <b>Total</b>           | <b>1,153.8</b> | <b>1,188.2</b>   |

Cash equivalents are mainly composed of mutual fund investments qualifying as "cash equivalents" (505.7 million euros as of 31 December 2016) and deposit certificates, which mature less than three months from the date of acquisition.

## NOTE 8. SHAREHOLDERS' EQUITY

### 8.1 SHAREHOLDERS' EQUITY

As of 31 December 2016, the share capital of Eutelsat Communications S.A. comprised 232,774,635 ordinary shares with a par value of 1 euro per share. As of the same date, the Group held 220,261 treasury shares amounting to 3.8 million euros under a liquidity agreement. Furthermore, under the free share allocation plans (see below), the Group holds 106,022 equity shares amounting to 2.3 million euros. The aggregate amount of treasury stock is deducted from shareholders' equity.

### 8.2 DIVIDENDS

On 04 November 2016, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of 1.10 euro per share, i.e. a total of 255.8 million euros, taken from net income for the financial year 2015-2016.

In 2015, the amount distributed as a dividend was 247.2 million euros, i.e. 1.09 euro per share, partly settled through the issuance of new shares.

### 8.3 SHARE-BASED COMPENSATION

During the first half of the financial year ending 30 June 2017, the Group has managed three plans set up in November 2012, February 2015 and February 2016 respectively.

Under the three plans, the expense (excluding employer's contributions) recognised for the six-month period ended 31 December 2016 was 0.6 million euros, compared to 2.6 million euros for the six-month period ended 31 December 2015.

### 8.4 CHANGE IN THE REVALUATION SURPLUS OF FINANCIAL INSTRUMENTS

All financial instruments that have an impact on the revaluation reserve are hedges for their effective portion.

| (in millions of euros)   | Total         |
|--|---------------|
| <b>Balance at 30 June 2016</b>   | <b>(32.3)</b> |
| Changes in fair value within equity that can be reclassified to income | 16.2          |
| Transfer to income statement <sup>(1)</sup>                            | -             |
| <b>Balance at 31 December 2016</b>                                     | <b>(16.1)</b> |

(1) This amount corresponds to coupons due and matured on the interest rate hedging instruments (see Note 13 – Financial result).

### 8.5 TRANSLATION RESERVE

| (in millions of euros) | Total |
|------------------------|-------|
|------------------------|-------|

|                                    |              |
|------------------------------------|--------------|
| <b>Balance at 30 June 2016</b>     | <b>212.4</b> |
| Change over the period             | 80.1         |
| <b>Balance at 31 December 2016</b> | <b>292.5</b> |

The revaluation reserve includes the value of the Cross Currency Swap used to hedge currency exposure of a net investment in a foreign operation. The main currency generating translation differences is the US dollar.

## 8.6 ACTUARIAL GAINS AND LOSSES

These provisions were revised downwards as a result of the rise by approximately 0.2 base point recorded since 30 June 2016 in reference interest rates used to determine the discounted value of the guarantee granted to a pension fund and retirement benefits.

The net impact on provisions represented a 9.5 million euro decline. Having recognised deferred tax assets for 2.8 million euros and discounted deferred tax liabilities using the applicable discount rate as from 2020 (see Note 14 - *Income tax*), the net impact on actuarial gains and losses stood at 1.5 million euros.

## NOTE 9. FINANCIAL DEBT

As of 30 June and 31 December 2016, the aggregate amount of bank debt is denominated in euros, with the exception of the export credit facility which is denominated in US dollars.

### 9.1 FINANCIAL INFORMATION AS OF 30 JUNE AND 31 DECEMBER 2016

| (in millions of euros)                         | Rate     | 30 June 2016   | 31 December 2016 | Maturity         |
|--|----------|----------------|------------------|------------------|
| Term loan 2021                                 | Variable | 600.0          | 600.0            | 31 March 2021    |
| Bond 2019 <sup>(1)</sup>                       | 5.000%   | 800.0          | 800.0            | 14 January 2019  |
| Bond 2020 <sup>(1)</sup>                       | 2.625%   | 930.0          | 930.0            | 13 January 2020  |
| Bond 2021 <sup>(1)</sup>                       | 1.125%   | 500.0          | 500.0            | 23 June 2021     |
| Bond 2022 <sup>(1)</sup>                       | 3.125%   | 300.0          | 300.0            | 10 October 2022  |
| US EXIM export credit                          | 1.710%   | 31.8           | 29.8             | 15 November 2021 |
| ONDD-guaranteed export credit                  | Variable | 166.0          | 154.2            | 17 May 2024      |
| Other  | Variable | 0.9            | -                |                  |
| <b>Sub-total of debt (non-current portion)</b> |          | <b>3,328.7</b> | <b>3,314.0</b>   |                  |
| Loan set-up fees and premiums                  |          | (26.5)         | (23.7)           |                  |
| <b>Total of debt (non-current portion)</b>     |          | <b>3,302.4</b> | <b>3,290.3</b>   |                  |
| Bond 2017 <sup>(1)</sup>                       | 4.125%   | 850.0          | 850.0            | 27 March 2017    |
| US EXIM export credit & ONDD                   |          | 30.8           | 31.2             |                  |
| Bank overdrafts                                |          | -              | -                |                  |
| Accrued interest not yet due                   |          | 46.7           | 94.8             |                  |
| <b>Total debt (current portion)</b>            |          | <b>927.5</b>   | <b>976.0</b>     |                  |

(1) Fair values (level 1) are detailed below:

| (in millions of euros) | 30 June 2016 | 31 December 2016 |
|------------------------|--------------|------------------|
| Bond 2017              | 875.1        | 858.7            |
| Bond 2019              | 891.7        | 879.7            |
| Bond 2020              | 989.0        | 988.8            |
| Bond 2021              | 499.5        | 511.4            |
| Bond 2022              | 337.8        | 337.3            |

The book values of the term loan and the export credit facilities are reasonably close to their fair values.

The Group also has 650 million euros available under its various active lines of undrawn revolving credit as of 31 December 2016.

## 9.2 DEBT MATURITY ANALYSIS

As of 31 December 2016, the debt maturity analysis is as follows:

| (in millions of euros)        | Amount         | Maturity within<br>1 year | Maturity between<br>1 and 5 years | Maturity<br>exceeding 5 years |
|-------------------------------|----------------|---------------------------|-----------------------------------|-------------------------------|
| Term loan                     | 600.0          | -                         | 600.0                             | -                             |
| US EXIM export credit         | 37.2           | 7.4                       | 29.8                              | -                             |
| ONDD-guaranteed export credit | 177.9          | 23.7                      | 94.9                              | 59.3                          |
| Bond 2017                     | 850.0          | 850.0                     | -                                 | -                             |
| Bond 2019                     | 800.0          | -                         | 800.0                             | -                             |
| Bond 2020                     | 930.0          | -                         | 930.0                             | -                             |
| Bond 2021                     | 500.0          | -                         | 500.0                             | -                             |
| Bond 2022                     | 300.0          | -                         | -                                 | 300.0                         |
| <b>Total</b>                  | <b>4,195.1</b> | <b>881.1</b>              | <b>2,954.7</b>                    | <b>359.3</b>                  |

## 9.3 COMPLIANCE WITH BANKING COVENANTS

The banking covenants on financing facilities as of 31 December 2016 have not changed since their inception. As of 31 December 2016, the Group was in compliance with all banking covenants under its credit facilities.

## NOTE 10. OTHER FINANCIAL LIABILITIES

Other financial liabilities break down as follows:

| (in millions of euros)                | 30 June 2016   | 31 December 2016 |
|---------------------------------------|----------------|------------------|
| Derivative instruments <sup>(1)</sup> | 174.3          | 174.5            |
| Finance leases                        | 831.1          | 725.6            |
| Other liabilities                     | 97.5           | 97.3             |
| <b>Total</b>                          | <b>1,102.9</b> | <b>997.4</b>     |
| <i>Incl. current portion</i>          | <i>49.0</i>    | <i>94.7</i>      |
| <i>Incl. non-current portion</i>      | <i>1,053.9</i> | <i>902.6</i>     |

(1) See Note 16 – Financial instruments.

The derivative instruments are measured at fair value (Level 2), and the other liabilities at amortised cost. For information, the amortised cost of other financial liabilities represents a reasonable approximation of fair value. The fair value of derivative instruments is provided by the banks.

Amounts shown for finance leases include accrued interest totalling 8.1 million euros as of 30 June 2016 and 4.2 million euros as of 31 December 2016.

“Other liabilities” mainly comprise advance payments and deposits from clients, and debts over non-controlling interests.

## NOTE 11. SEGMENT INFORMATION

Over the period ended 31 December 2016, there was no change in the Group's organisation which could affect the nature of and method used for reporting financial information and business performance data to the Group's chief operating decision maker.

Having performed an analysis and with respect to IFRS 8, and in a similar way to the financial year ended 30 June 2016, the Group considers that it only operates in a single industry segment, basing that view on an assessment of services rendered and the nature of the associated risks, rather than on their purpose. This is the provision of satellite-based video, business and broadband networks, and mobile services mainly to international telecommunications operators and broadcasters, corporate network integrators and companies for their own needs.

Group revenues by geographical zone, based on invoice addresses, for the six-month periods ended 31 December 2015 and 2016 are as follows:

| (in millions of euros and as a percentage) | 31 December 2015 |              | 31 December 2016 |              |
|--|------------------|--------------|------------------|--------------|
|  | Amount           | %            | Amount           | %            |
| France                                     | 73.4             | 9.5          | 61.3             | 8.1          |
| Italy                                      | 104.4            | 13.5         | 88.4             | 11.7         |
| United Kingdom                             | 56.0             | 7.2          | 54.0             | 7.1          |
| Europe (other)                             | 200.8            | 25.9         | 198.1            | 26.2         |
| Americas                                   | 174.5            | 22.5         | 164.3            | 21.8         |
| Middle-East                                | 98.1             | 12.7         | 118.9            | 15.8         |
| Africa                                     | 45.7             | 5.9          | 52.3             | 6.9          |
| Asia                                       | 21.2             | 2.7          | 17.6             | 2.3          |
| Other                                      | 0.3              | 0.0          | 0.1              | 0.0          |
| <b>Total</b>                               | <b>774.4</b>     | <b>100.0</b> | <b>755.1</b>     | <b>100.0</b> |

Group EBITDA <sup>(1)</sup> stood at 600.3 million euros and 588.0 million euros for the six-month periods ended 31 December 2015 and 31 December 2016 respectively.

Most of the Group's assets are satellites in orbit. The remaining assets are mainly located in France, Italy and Mexico.

Net debt <sup>(1)</sup> breaks down as follows:

| (in millions of euros)                      | 30 June 2016   | 31 December 2016 |
|---|----------------|------------------|
| Term loan                                   | 600.0          | 600.0            |
| Bonds                                       | 3,380.0        | 3,380.0          |
| Other loans                                 | 0.9            | -                |
| Export credit                               | 228.7          | 215.1            |
| "Change" portion of the cross-currency swap | 128.0          | 156.7            |
| Finance leases                              | 823.0          | 721.3            |
| Cash and cash equivalents                   | (1,153.8)      | (1,188.2)        |
| <b>Total</b>                                | <b>4,006.8</b> | <b>3,885.0</b>   |

(1) The components of EBITDA and net debt have not changed since 30 June 2016.

## NOTE 12. OTHER OPERATING INCOME AND EXPENSES

As of 31 December 2016, "Other operating income and expenses" mainly include capital gains arising from the disposal of Wins Ltd. and its subsidiaries.



## NOTE 13. FINANCIAL RESULT

The financial result is made up as follows:

| (in millions of euros)                          | 6-month period ended<br>31 December 2015 | 6-month period ended<br>31 December 2016 |
|---|--|--|
| Interest expense after hedging <sup>(1)</sup>   | (67.3)                                   | (70.1)                                   |
| Loan set-up fees and commissions <sup>(2)</sup> | (4.4)                                    | (4.7)                                    |
| Capitalised interest <sup>(3)</sup>             | 15.7                                     | 8.6                                      |
| <b>Cost of gross debt</b>                       | <b>(56.0)</b>                            | <b>(66.2)</b>                            |
| Financial income                                | 2.8                                      | 0.9                                      |
| <b>Cost of net debt</b>                         | <b>(53.2)</b>                            | <b>(65.3)</b>                            |
| Changes in financial instruments <sup>(4)</sup> | (0.3)                                    | 1.0                                      |
| Foreign-exchange impact                         | (9.8)                                    | 8.2                                      |
| Other   | (0.1)                                    | (3.4)                                    |
| <b>Financial result</b>                         | <b>(63.4)</b>                            | <b>(59.6)</b>                            |

<sup>(1)</sup> The interest expense was impacted by instruments qualified as interest-rate hedges for 2.7 million euros during the half-year period ended 31 December 2015 and it was not impacted during the half-year period ended 31 December 2016.

<sup>(2)</sup> Issuing costs include amortisation of all loan issuing costs and premiums.

<sup>(3)</sup> The amount of capitalised interest depends on the state of progress and number of satellite construction programmes recorded during the financial year concerned.

The capitalisation rates used for determining the amount of interest expense eligible for capitalisation were 3.60% as of 31 December 2015 and 3.15% as of 31 December 2016.

<sup>(4)</sup> Changes in fair value of financial instruments mainly include:

- changes in fair value of derivatives not qualified as hedges;
- the ineffective portion of qualifying derivatives in a hedging relationship.

## NOTE 14. INCOME TAX

The "Income tax" expense comprises current and deferred tax expenses of consolidated entities.

As of 31 December 2016, the Group's effective income tax rate was 28.2%. This rate includes (i) the effects in France of the 3.3% social contribution to the corporate income tax, the standard income tax rate now standing at 34.43% for the financial year ended 30 June 2017, (ii) an additional 3% contribution on cash-settled dividends, and (iii) capping of deductible financial expenses at 75%. Furthermore, the effective income tax rate includes the effects of the 2017 Finance Act, which provides for a decrease to 28% of the standard corporate income tax for financial years beginning on or after 1<sup>st</sup> January 2020. It should be noted that the capital gains earned from the disposal of Wins Ltd and DSAT Cinema are almost entirely exempt from taxation.

## NOTE 15. EARNINGS PER SHARE

The following table shows the reconciliation between net income and net earnings attributable to shareholders (basic and diluted) used to compute earnings per share (basic and diluted). There were no dilutive instruments as of 31 December 2015 and 2016.

| (in millions of euros)   | 31 December 2015   | 31 December 2016   |
|--|--------------------|--------------------|
| <b>Net income</b>  | <b>195.3</b>       | <b>199.2</b>       |
| Income from subsidiaries attributable to non-controlling interests | (7.3)              | (7.0)              |
| <b>Net earnings used to compute earnings per share</b>             | <b>188.0</b>       | <b>192.2</b>       |
| <b>Average number of shares</b>                                    | <b>227,172,136</b> | <b>232,600,726</b> |

## NOTE 16. FINANCIAL INSTRUMENTS

The following tables analyse the contractual or notional amounts and fair values of derivatives as of 30 June and 31 December 2016, per contract type. The financial instruments are valued by an independent expert and this valuation is verified/validated by the Group's banking counterparts.

| (in millions of euros)   | Notional     |                  | Fair value     |                  | Change in fair value over the period | Impact on income (excl. coupons) | Impact on equity (excl. coupons) | Termination indemnity |
|--|--------------|------------------|----------------|------------------|--------------------------------------|----------------------------------|----------------------------------|-----------------------|
|  | 30 June 2016 | 31 December 2016 | 30 June 2016   | 31 December 2016 |                                      |                                  |                                  |                       |
| Synthetic forward transaction with knock-in option (Eutelsat S.A.) | -            | 83.0             | -              | (0.1)            | (0.1)                                | -                                | (0.1)                            | -                     |
| Cross currency swap  | 500.0        | 500.0            | (115.2)        | (141.0)          | (25.8)                               | -                                | (25.8)                           | -                     |
| NDF  | 8.9          | -                | (1.0)          | -                | 1.0                                  | 1.0                              | -                                | -                     |
| <b>Total foreign exchange derivatives</b>                          | <b>508.9</b> | <b>583.0</b>     | <b>(116.2)</b> | <b>(141.1)</b>   | <b>(24.9)</b>                        | <b>1.0</b>                       | <b>(25.9)</b>                    | <b>-</b>              |
| Pre-hedging swap   | 800.0        | 800.0            | (58.1)         | (33.4)           | 24.8                                 | -                                | 24.8                             | -                     |
| <b>Total interest rate derivatives</b>                             | <b>800.0</b> | <b>800.0</b>     | <b>(58.1)</b>  | <b>(33.4)</b>    | <b>24.8</b>                          | <b>-</b>                         | <b>24.8</b>                      | <b>-</b>              |
| <b>Total derivatives</b>   |              |                  | <b>(174.3)</b> | <b>(174.5)</b>   | <b>(0.1)</b>                         | <b>1.0</b>                       | <b>(1.1)</b>                     | <b>-</b>              |

As of 31 December 2016, the cumulative fair value of derivative instruments was negative at 174.5 million euros.

## NOTE 17. PURCHASE COMMITMENTS

As of 31 December 2016, future payments under satellite construction, launch and financing contracts amounted to 513 million euros. These future payments are spread over four years.

The Group has also made commitments with other suppliers for service provisions and acquisitions of fixed assets relating to the monitoring and control of satellites.

Future payments in respect of such acquisitions of assets and provision of services as of 31 December 2016 are scheduled as follows:

| (in millions of euros) | As of 31 December 2016 |
|------------------------|------------------------|
| 2017                   | 72                     |
| 2018                   | 79                     |
| 2019                   | 34                     |
| 2020                   | 30                     |
| 2021 and beyond        | 63                     |
| <b>Total</b>           | <b>278</b>             |

## NOTE 18. RELATED PARTY TRANSACTIONS

No related party transaction of a different nature than those entered into during the six-month period ended 31 December 2016 has been made during the reporting period.

## NOTE 19. LITIGATION AND CONTINGENT LIABILITIES

In the course of its business activities, the Group has been involved in legal actions and commercial disputes. Consequently, the Group has exercised its judgement to assess the risks incurred on a case-by-case basis and a provision was recorded to cover an expected outflow of resources. In cases viewed as unsubstantiated or insufficiently argued, no provision was recognised. The main ongoing legal actions and business disputes are described as follows:

### Viasat Brasil:

Following a significant breach by ViaSat Brasil of its legal obligations, the Group cancelled the agreement signed with this company for the use of the Ka-band payload on the EUTELSAT 3B satellite.

ViaSat Brasil claimed compensation from Eutelsat before the Rio de Janeiro commercial court. Eutelsat has strongly challenged the claim. In August 2016, the court declined jurisdiction. At this stage, no appeal has been filed by the claimant.

### Tax dispute in France:

Eutelsat S.A. which is included in the tax consolidation group headed by Eutelsat Communications S.A. underwent an accounting audit in respect of the financial years ended 30 June 2012, 2013 and 2014.

In addition to the tax adjustment notified in December 2015, the French tax authorities issued new tax reassessments on 27 December 2016 in respect of the financial years ended 2013 and 2014.

Eutelsat S.A. believes that it has a strong case to defend itself and intends to challenge the validity of the latest tax adjustment. In the light of information held at balance sheet date, the company did not book any provision for risk, considering it as a contingent liability.

### Horizonsat:

During the financial year ended 30 June 2015, Eutelsat S.A. was summoned by Horizonsat before the Commercial Court of Paris for unilateral termination without compensation of a commercial bid. As of 31 December 2016, the court has not issued any judgement.

### Frequency right:

Discussions are under way between Eutelsat and the Italian Ministry of Telecommunications on the use of landing rights.

## NOTE 20. SUBSEQUENT EVENTS

No significant event occurred between the balance sheet date and the date on which the consolidated financial statements were approved by the Board of Directors.