EUTELSAT Communications

2017-2018 HALF YEAR FINANCIAL REPORT

(July-December 2017)

2017-18 HALF-YEAR FINANCIAL REPORT

(July-December 2017)

SUMMARY

THIS INTERIM FINANCIAL REPORT INCLUDES A STATEMENT OF INDIVIDUALS RESPONSIBLE FOR THIS DOCUMENT, AN INTERIM MANAGEMENT REPORT, INTERIM CONSOLIDATED ACCOUNTS AND THEIR APPENDIX FOR THE PAST SIX MONTHS AND THE REPORT OF THE AUDITORS ON THE REVIEW OF THE ABOVE.

PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

I certify that, to my knowledge,the consolidated financial statements for the half year are prepared in accordance with applicable accounting standards and present fairly the assets, financial condition and results of the company and the entities included in consolidation, and that the interim management report includes a fair review of significant events occurring during the first six months of the year, their impact on the accounts, the main transactions between related parties and a description of major risks and uncertainties for the remaining six months of the year.

Mr. Rodolphe Belmer

Chief Executive Officer

This press release contains figures from the consolidated half-year accounts, prepared under IFRS, and subject to a limited review by the Auditors. They were reviewed by the Audit Committee on 6 February 2018 and approved by the Board of Directors of Eutelsat Communications on 15 February 2018. Furthermore, EBITDA, EBITDA margin, Net debt / EBITDA ratio, Cash Capex and Discretionary Free-Cash-Flow are considered as Alternative Performance Indicators. Their definition and calculation can be found in appendix 3 of this document.
IFRS 15 will be adopted in the Group's consolidated financial statements for the financial year beginning 1 July 2018. IFRS 16 will be adopted at the earliest in the Group's consolidated financial statements for the financial year beginning 1 July 2018.

1 KEY EVENTS AND BUSINESS OVERVIEW

1.1. HIGHLIGHTS

- Solid commercial performance to support revenues in the second half:
  - Positive outcome of Video contract renewals, notably with Cyfrowy Polsat at the HOTBIRD position
  - Capacity contract at the 5° West orbital position with SFR-Altice for the distribution of c. 20 HD channels
  - Favourable outcome of US Government Autumn renewals with a rate of almost 95% in value (versus 85% in Spring 2017 and 90% in Autumn 2016).
  - Incremental business secured in Government services at 174° East
- Entry into service and ramp-up of EUTELSAT 172B with incremental capacity contracted for in-flight mobility;
- MoU with China Unicom to address satellite communications market in the framework of the “Belt and Road” initiative. In this context, China Unicom contracted the totality of the remaining HTS capacity on the EUTELSAT 172B satellite (60% sold to Panasonic);
- Smooth integration of Noorsat, acquired in October 2017 to optimise Video distribution in the MENA region;
- Improved profitability:
  - LEAP cost-savings program ahead of plan, helping 0.5 point rise in EBITDA margin at constant currency
- Strong Discretionary Free Cash Flow generation, up 8% at constant currency
  - Effective capex containment in the first half
  - Capex for current fiscal year now expected below the 3-year average objective

1.2. KEY FIGURES

Key Financial Data	6 months to Dec. 2016	**6 Months to Dec. 2017**	**Change**
Revenues - €m	755.1	**696.6**	**-7.7%**
Revenues at constant currency and perimeter	748.8	**705.7**	**-5.7%**
EBITDA[1] - €m	588.0	**544.6**	**-7.4%**
EBITDA margin - %	77.9	**78.2**	**+0.3 pts**
EBITDA margin at constant currency - %	77.9	**78.4**	**+0.5 pts**
Group share of net income - €m	192.2	**156.5**	**-18.6%**
Financial structure			
Discretionary Free-Cash-Flow[2]	324.8	**338.8**	**+4.3%**
Discretionary Free-Cash-Flow at constant currency	324.8	**351.4**	**+8.1%**
Net debt - €m	3,885.0	**3,630.3**	**-€255m**
Net debt/EBITDA - X	3.4x	**3.3x**	**-0.1 pts**
Backlog – €bn	5.3	**4.7**	**-11.4%**

[1] Operating income before depreciation and amortisation, impairments and other operating income/(expenses).
[2] Net cash-flow from operating activities – Cash Capex - Interest and Other fees paid net of interests received.

1.3. Revenues[3]

In € millions	6 months to Dec 2016	6 months to Dec 2017	Change vs. reported revenues	Like-for-like change[4]
Video Applications	455.4	**449.2**	*-1.4%*	-1.2%
Fixed Data	84.9	**73.4**	*-13.5%*	-10.6%
Government Services	86.1	**80.7**	*-6.3%*	-0.1%
Fixed Broadband	*48.6*	**44.1**	*-9.3%*	-8.1%
Mobile Connectivity	*38.5*	**37.1**	-3.6%	+20.6%
Other revenues[5]	*41.6*	***12.2***	*-70.7%*	*-70.2%*
Total	*755.1*	***696.6***	***-7.7%***	***-5.7%***
EUR/USD exchange rate	*1.11*	***1.17***		

Group **first half** revenues stood at €696.6 million, down 5.7% at constant currency and perimeter. On a reported basis, they were down 7.7% reflecting a negative currency effect of 1.7 points and a negative perimeter effect of -0.3 points (disposal of Wins/DHI and DSAT Cinema, acquisition of Noorsat[6]). Excluding other revenues, revenues were down 1.8% at constant currency and perimeter.

Second quarter revenues stood at €347.4 million, down 4.8% like-for-like and by 6.2% on a reported basis.

Core businesses

Video Applications (66% of revenues)

Video Applications revenues in the **first half** were down 1.2% like-for-like to €449.2 million. Broadcast revenues were up 0.3% excluding the carry-forward impact of the termination of the TV d'Orange contract last year, with growth coming predominantly from MENA. Professional Video revenues continued to experience a mid-single digit decline.

Second quarter revenues stood at €225.9 million, flat on a quarter on quarter basis and down 1.6% year-on-year.

At 31 December 2017, the total number of channels broadcast by Eutelsat satellites stood at 6,810 up 7.4% year-on-year. HD penetration continued to increase, standing at 1,275 channels versus 997 a year earlier (+28%), implying a penetration rate of 18.7% compared to 15.7% a year earlier.

On the commercial front a major contract was renewed with Cyfrowy Polsat at the HOTBIRD position as well as with the distributor, Globecast. A capacity contract was signed at the 5°West orbital position with SFR-Altice for the distribution of some 20 channels. Multi-year agreements were signed for new DTH platforms in several emerging broadcast markets, including Fiji on EUTELSAT 172B and the Caribbean region on EUTELSAT 117 WEST B.

Elsewhere, the Group took steps to streamline Video distribution in MENA with the absorption of Noorsat, its largest reseller in the region. The integration of Noorsat is progressing smoothly.

Fixed Data (11% of revenues)

In the **first half**, **Fixed Data** revenues stood at €73.4 million, down 10.6% like-for-like. **Second quarter** revenues stood at €36.3 million, down 9.4% on a year-on-year basis, and by 2.9% quarter-on-quarter.

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[3] i) Unless otherwise stated, all growth rates are like-for-like, i.e are at constant currency and perimeter ii) the share of each application as a percentage of total revenues is calculated excluding "other revenues".

[4] At constant currency and perimeter. The variation is calculated as follows: i) H1 2017-18 USD revenues are converted at H1 2016-17 rates; ii) H1 2016-17 revenues are restated from Wins/DHI and DSAT revenues. H1 2017-18 revenues are restated from the net contribution of Noorsat. .

[5] Other revenues include compensation paid on the settlement of business-related litigations, financing of certain research programmes by the EU and other organisations, the impact of EUR/USD currency hedging, the provision of various services or consulting/engineering fees and termination fees.

[6] Wins/DHI (Mobile Connectivity) deconsolidated from end-August 2016 and DSAT Cinema (Video) from end-October 2016 and Noorsat (predominantly Video) consolidated from October 2017.

The performance of this vertical continues to reflect ongoing pricing pressure in all geographies.

Government Services (12% of revenues)

In the **first half**, **Government Services** revenues stood at €80.7 million, stable like-for-like, reflecting solid levels of renewals with the US Department of Defence in the last 12 months.

Second quarter revenues stood at €39.6 million, down 1.2% on a year-on-year basis, but up by 0.4% quarter-on-quarter,

Following the entry into service of EUTELSAT 172B, EUTELSAT 172A was relocated to the 174° East position enabling it to secure ncremental business in coverage of Asia-Pacific and to pursue other potential opportunities. Elsewhere, Eutelsat signed a multi-transponder agreement with the Colombian Ministry of Defence for capacity on the EUTELSAT 115 West B satellite.

Connectivity

Fixed Broadband (6% of revenues)

In the **first half**, **Fixed Broadband** revenues stood at €44.1 million, down 8.1% like-for-like, partly reflecting the absence of a positive one-off booked in the first quarter last year related to the phasing of payments by a specific customer as well as a slight underlying decline in European consumer Broadband.

Second quarter revenues stood at €21.8 million, down 6.5 % year-on-year and down by 1.7% quarter-on-quarter.

Revenue trends are expected to improve in the second half now that the retail joint-venture with ViaSat is up and running. The first offers have been launched in Norway and Poland in December, and in Sweden and Finland in January.

Mobile Connectivity (5% of revenues)

In the **first half**, **Mobile Connectivity** revenues stood at €37.1 million, up 20.6% like-for-like, reflecting the effect of the Taqnia contract signed last year as well as continued growth on wide-beam capacity notably over the Americas and at 172° East.

Second quarter revenues stood at €18.5 million, up 10.1% on a year-on-year basis, and 0.8% quarter-on-quarter.

EUTELSAT 172B started to operate end-November with the HTS payload now fully sold as well as incremental wide-beam capacity sold for in-flight Mobility.

Other Revenues

Other Revenues amounted to €12.2 million in the **first half,** of which €5.4 million in the second quarter.

This compares with the exceptionally high level of €41.6 million in H1 2016-17 which included fees in respect of technical and engineering services, termination fees related to the rationalisation of the distribution at HOTBIRD as well as revenues related to the agreements with SES at 28.5° East which ended on 31 December 2016.

1.4. Backlog

The order backlog[7] stood at €4.7 billion at 31 December 2017 versus 5.2 billion at end June, mainly reflecting the impact of the integration of Noorsat (-€0.4 billion)[8].

The backlog was equivalent to 3.2 times 2016-17 revenues. Video Applications represented 85% of the backlog.

	31 Dec 2016	30 Jun 2017	**31 Dec 2017**
Value of contracts (in billions of euros)	5.3	5.2	**4.7**
In years of annual revenues based on previous fiscal year	*3.5*	*3.5*	***3.2***
Share of Video Applications	84%	85%	**85%**

1.5. Operational and leased transponders

[7] The backlog represents future revenues from capacity lease agreements and can include contracts for satellites under procurement.
[8] Long-term capacity contracts with Noorsat replaced by shorter-term contracts with end-customers

The number of operational transponders at 31 December 2017 rose by 90 to 1,416 year-on-year, mainly due to the entry into service of EUTELSAT 117 West B and EUTELSAT 172B.

The fill rate stood at 67.0% compared to 70.9% a year earlier, reflecting mainly the impact of this new capacity. An incremental 18 transponders have been leased since end-June '17 reflecting notably new business in Government Services at 174° East and in Mobile Connectivity.

	31 Dec 2016	30 Jun 2017	**31 Dec 2017**
Operational transponders[9]	1,326	1,372	**1,416**
Leased transponders[10]	940	931	**949**
Fill rate	70.9%	67.9%	**67.0%**

Note: Based on 36 MHz-equivalent transponders excluding high throughput capacity (KA-SAT satellite, Ka-band HTS payloads on EUTELSAT 3B, EUTELSAT 65 West A, EUTELSAT 36C and leased on Al-Yah 2, Ku-band HTS payload on EUTELSAT 172B).

[9] Number of transponders on satellites in stable orbit, back-up capacity excluded.
[10] Number of transponders leased on satellites in stable orbit.

2 PROFITABILITY

2.1. Profitability

EBITDA amounted to €545 million at 31 December 2017 compared with €588 million a year earlier, down 7.4%. The EBITDA margin stood at 78.2% (78.4% at constant currency), an improvement compared to last year (77.9%) thanks to the impact of the "LEAP" cost saving plan and in spite of the much lower level of 'Other revenues' which no associated costs.

As usual the H1 margin is not representative of the full-year due the favourable phasing of certain operating costs.

Group share of net income stood at €157 million versus €192 million a year earlier, a 18.6% decrease, and represented a margin of 22.5%. This reflected:

- Lower **depreciation and amortisation**, down €20 million year-on-year, principally due to lower depreciation of satellites ending their operational life in the past 18 months (EUTELSAT 70D and EUTELSAT 48A) or already fully depreciated;
- **'Other operating income'** of -€10 million reflecting mainly the one-off accounting impact related to the integration of Noorsat compared with +€23 million a year ago, an amount which included the capital gain on Wins/DHI;
- A **net financial result of -€56 million** (versus -€60 million a year earlier), reflecting a lower cost of debt (-€48 million versus -€66 million a year earlier) thanks mainly to the reimbursement of a €850 million bond in March 2017 and the evolution of Other financial income (-€8 million versus +€6 million a year earlier) reflecting predominantly the negative variation in foreign exchange gains and losses.
- A **tax rate** of 27.0% (versus 28.2% last year) which included notably the recognition of a positive non-cash one-off related to deferred tax liabilities to take into account the future evolution of the French corporate tax rate as well as the full impact of the refund asked regarding the 3% dividend tax for previous years. As a reminder last year's tax rate also reflected the partial tax-exemption of the capital gain in respect of the disposal of Wins/DHI.

2.2. Cash flow generation

Net cash flow from operating activities amounted to €412 million versus €482 million in H1 2016-17. This reflected mainly the lower EBITDA, and to a lesser extent slightly more unfavourable impact from working capital requirement and higher tax paid, reflecting the timing of tax payments.

Cash Capex amounted to €53 million, down from €130 million a year earlier, reflecting the phasing of various satellite programmes. This amount is not representative of the anticipated full year level.

Interest and other fees paid net of interest received' amounted to €21 million compared to €27 million last year, reflecting lower interest related to financial leases.

As a result, **Discretionary Free Cash Flow** amounted to €339 million, up 4.3% on a reported basis and by 8.1% at constant currency.

2.3. Financial structure

At 31 December 2017, **net debt** was broadly unchanged at €3,630 million, versus €3,641 million at 30 June 2017. Discretionary Free-Cash Flow largely covered the dividend payment (€295 million including dividends paid to minority interests). Equity investments (acquisition of Noorsat and of minority interests in Broadband for Africa) generated a cash outflow of €89 million, while the foreign exchange portion of the cross-currency swaps - which is included in Net Debt - decreased by €32 million. Other items mainly related to repayments of export credit financings and financial leases contributed to the reduction of net debt for an amount of €24 million.

The **net debt to EBITDA ratio** stood at 3.3x times, a slight improvement on end-December 2016 (3.4x times).

The weighted average maturity of the Group's debt stood at 2.5 years, compared to 2.9 years at end-December 2016. The average cost of debt after hedging was 2.9% (3.1% in H1 2016-17).

Liquidity remained strong, with undrawn credit lines of €650 million and cash of €360 million.

3 RISK FACTORS

Information contained in this report expresses the objectives set on the basis of the Group's current estimates or assessments. However, the said information is subject to risks and uncertainties as set out below.

The main risks which the Group is likely to face during the second half of the financial year are similar by nature to those described in Chapter 4 – Risk Factors – of the Company's Reference Document as registered with the “Autorité des marchés financiers” (French securities regulator) and filed on 2 November 2017 under number D. 17-1017.

The nature of these risks has not changed substantially during the First Half of the financial year.

However, it is worth noting that the Group's activity, in particular its development and ability to meet the objectives described in this half-year report, is likely to be impacted by a number of identified or unknown risks. A significant example of the risks pertaining to the Group's activity is the technical risk associated with the total or partial loss of all or part of an operational satellite or with a launch or launch-related operations.

Furthermore, it is important to point out that the global economic environment might fuel additional uncertainties regarding the Group's business activities and development, in spite of its limited impact on the Group's half-year consolidated accounts ended 31 December 2017 or on its activities during the First Half of the financial year ending 30 June 2018.

4 CHANGES WITHIN THE GROUP

4.1. Governance

The Ordinary and Extraordinary Shareholders' Meeting of Eutelsat Communications of 8 November 2017 approved the appointment of four new directors: Dominique D'Hinnin, Paul-François Fournier, Esther Gaide and Didier Leroy.

Dominique D'Hinnin was subsequently appointed as chairman succeeding Michel de Rosen.

The Board is now made up of twelve members, 42% of whom are women (five out of twelve) and 67% of whom are independent directors (eight out of twelve).

The Combined General Meeting also approved all the other resolutions, including the approval of the accounts, the dividend for the 2016-17 Financial Year, (€1.21 per share, paid on 23 November 2017), executive compensation and financial resolutions.

4.2. Dividend

The Annual General Meeting of Shareholders held on 8 November 2017 approved the payment of a dividend of €1.21 per share in respect of the financial year ended 30 June 2017, up from €1.10 the previous year.

The dividend, totaling €281 million, was fully paid in cash on 23 November 2017.

4.4. Change in the scope of Group consolidation

On 14 July 2017, Eutelsat repurchased the minority interests held by Inframed in Broadband for Africa.

On 12 October, Eutelsat acquired Noorsat, one of the leading satellite service providers in the Middle East, from Bahrain's Orbit Holding Group.

5 RECENT EVENTS AND SATELLITE FLEET EVOLUTION

5.1. Recent events

None.

5.2. Satellite fleet evolution

Nominal deployment programme

Satellite[1]	Orbital position	Estimated launch (calendar year)	Main applications	Main geographic coverage	Physical transponders	36 MHz-equivalent transponders / Spotbeams	Of which expansion 36 MHz-equivalent transponders
EUTELSAT 7C	7° East	H2 2018	Video	Turkey, Middle-East, Africa	44 Ku	49 Ku	19 Ku
EUTELSAT 5 WEST B	5° West	H2 2018	Video	Europe, MENA	35 Ku	35 Ku	None
EUTELSAT QUANTUM	To be confirmed	2019	Government Services	Flexible	8 beams "QUANTUM"	Not applicable	Not applicable
African Broadband satellite	To be confirmed	2019	Broadband	Africa	65 spotbeams	75 Gbps	75 Gbps

[1] Chemical propulsion satellites (EUTELSAT QUANTUM, EUTELSAT 5 West B) generally enter into service 1 to 2 months after launch. Electric propulsion satellites (EUTELSAT 7C and the African Broadband satellite) between 4 and 6 months.

Al Yah 3 satellite, on which Eutelsat is leasing capacity for its Konnect Africa project, was launched on 25 January 2018. The mission experienced some challenges during the launch stages which resulted in the Al Yah 3 satellite being inserted into an orbit that differed from the flight plan. Thereafter, the satellite was successfully acquired by Yahsat and the satellite is healthy and operating nominally. A revised flight plan will be executed in order to achieve the operational orbit and fulfil the original mission.

Changes in the fleet

EUTELSAT 172B which was launched in June 2017 stared to operate end-November. Subsequently, EUTELSAT 172A was relocated at 174° East and renamed EUTELSAT 174A.

EUTELSAT 31A reached the end of its operational life and was de-orbited in January 2018.

EUTELSAT 16C reached the end of its operational life and was de-orbited in February 2018.

6 CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS AS OF 31 DECEMBER 2017

7 OUTLOOK

Based on the performance of the First Half, the Group confirms the financial objectives communicated on 28 October 2017.

- **Revenues** (at constant currency and perimeter) for FY 2017-18 are expected at between -1 and -2%[11]. They are expected to return to slight growth from FY 2018-19 onwards;

  The absorption of Noorsat (consolidated from October 2017) will add some USD15 million on a full-year basis.

- **The EBITDA margin** (at constant currency) is expected above 76% for FY 2017-18. From FY 2018-19 onwards it is expected at above 77%;
- **Cash Capex** will be maintained at an average of €420 million[12] per annum for the period July 2017 to June 2020; for the current year it is expected below this level
- **Discretionary Free Cash Flow**[13] is expected to deliver mid-single digit CAGR in the period July 2017[14] to June 2020 (at constant currency;
- The Group is committed to maintaining a sound financial structure to support its **investment grade credit rating** and aims at a **net debt / EBITDA ratio** below 3.0x;
- It also retains its commitment to serving a stable to progressive **dividend**.

This outlook is based on the nominal deployment plan hereunder.

[11] For fiscal year 2016-17, revenues on the basis of perimeter as of 30 June 2017 stood at €1,472 million (excluding revenues from Wins/DHI and DSAT Cinema which were sold during fiscal year 2016-17). The absorption of Noorsat (consolidated from October 2017) will add some 15 million dollars on a full-year basis).
[12] Including capital expenditure and payments under existing export credit facilities and long-term lease agreements on third party capacity.
[13] Net cash-flow from operating activities – Cash Capex - Interest and Other fees paid net of interest received;
[14] Discretionary Free-Cash-Flow of €407.8 million in FY 2016-17.

APPENDIX

Appendix 1: Additional financial data

Extract from the consolidated income statement (in € millions)

Six months ended December 31	2016	**2017**	**Change (%)**
Revenues	755.1	**696.6**	**-7.7%**
Operating expenses	(167.1)	**(152.0)**	**-9.0%**
EBITDA	588.0	**544.6**	**-7.4%**
Depreciation and amortisation	(274.3)	**(254.2)**	**-7.3%**
Other operating income (expenses)	23.3	**(10.4)**	**na**
Operating income	336.9	**280.0**	**-16.9%**
Financial result	(59.6)	**(55.8)**	**-6.4%**
Income tax expense	(78.2)	**(60.6)**	**-22.5%**
Income from associates	-	**(1.0)**	**na**
Portion of net income attributable to non-controlling interests	(7.0)	**(6.2)**	**-11.4%**
Group share of net income	192.2	**156.5**	**-18.6%**

Net debt to EBITDA ratio

		31 Dec. 2016	**31 Dec. 2017**
Net debt at the beginning of the period	€m	4,007	**3,641**
Net debt at the end of the period	€m	3,885	**3,630**
Net debt / EBITDA (Last twelve months)	X	3.4	**3.3**

Change in net debt (€ millions)

Half-year ending	31 Dec. 2016	**31 Dec. 2017**
Net cash flows from operating activities	**481.6**	**412.1**
Cash Capex[15]	(130.2)	(52.8)
Interest and Other fees paid net of interests received	(26.6)	(20.5)
Discretionary Free-Cash Flow[16]	**324.8**	**338.8**
(Acquisition) / disposal of equity investments and subsidiaries	54.0	(89.0)
Distributions to shareholders (including non-controlling interests)	(266.3)	(295.5)
Change in foreign exchange portion of the cross-currency swap	(28.7)	32.4
Other	37.9	23.7
Decrease (increase) in net debt	**121.7**	**10.4**

[15] Please refer to appendix 3 for definition of Alternative performance indicators

Appendix 2: quarterly revenues by application

Reported revenues

The table below shows quarterly reported revenues. Q1 2016-17 revenues are restated under the new classifications used since H1 2016-17 results.

In € millions	Q1 2016-17	Q2 2016-17	Q3 2016-17	Q4 2016-17	Q1 2017-18	Q2 2017-18
Video	226.5	228.9	228.1	224.3	223.3	225,9
Fixed Data	43.4	41.4	42.1	41.1	37.1	36.3
Government Services	42.3	43.8	45.2	44.8	41.1	39.6
Fixed Broadband	24.9	23.7	24.2	23.4	22.3	21.8
Mobile Connectivity	20.6	17.9	17.2	18.9	18.6	18.5
Other revenues	27.1	14.5	7.5	6.0	6.8	5,4
Total	**384.8**	**370.2**	**364.3**	**358.5**	**349.1**	**347.4**

Proforma revenues

The table below shows quarterly proforma revenues for FY 2016-17excluding revenues from Wins / DHI and DSAT Cinema:

In € millions	Q1 2016-17	Q2 2016-17	Q3 2016-17	Q4 2016-17	FY 2016-17
Video	226.5	228.7	228.1	224.3	907.7
Fixed Data	43.4	41.4	42.1	41.1	168.1
Government Services	42.3	43.8	45.2	44.8	176.1
Fixed Broadband	24.9	23.7	24.2	23.4	96.2
Mobile Connectivity	14.5	17.9	17.2	18.9	68.5
Other revenues	27.1	14.5	7.5	6.0	55.0
Total	**378.7**	**370.0**	**364.3**	**358.5**	**1,471.6**

Appendix 3: Alternative performance indicators

In addition to the data published in its accounts, the Group communicates on three alternative performance indicators which it deems relevant for measuring its financial performance: EBITDA, cash capex and Discretionary Free-Cash Flow (DFCF). These indicators are the object of reconciliation with the consolidated accounts.

EBITDA, EBITDA margin and Net debt / EBITDA ratio

EBITDA reflects the profitability of the Group before Interest, Tax, Depreciation and Amortization. It is a key indicator in the Fixed Satellite Services Sector. The table below shows the calculation of EBITDA based on the consolidated P&L accounts for H1 2016-17 and H1 2017-18:

Six months ended December 31 (€ millions)	2016	2017
Operating result	336.9	280.0
+Depreciation and Amortization	274.3	254.2
- Other operating income and expenses	-23.3	10.4
EBITDA	**588.0**	**544.6**

The EBITDA margin is the ratio of EBITDA to revenues. It is computed as follows:

Six months ended December 31 (€ millions)	2016	2017
EBITDA	588.0	544.6
Revenues	755.1	696.6
EBITDA margin (as a % of revenues)	**77.9**	**78.2**

At constant currency, the EBITDA margin stood at 78.4% as of 31 December 2017.

The Net debt / EBITDA ratio is the ratio of net debt to last-twelve months EBITDA. It is computed as follows:

Six months ended December 31 (€ millions)	2016	2017
Last twelve months EBITDA	1,152.3	1,090.2
Closing net debt[16]	3,885.0	3,630.3
Net debt / EBITDA	**3.4x**	**3.3**

Cash Capex

The Group on occasion operates capacity within the framework of financial leases, or finances all or part of certain satellite programs under export credit agreements, leading to outflows which are not reflected in the item "acquisition of satellites and other tangible or intangible assets". Cash Capex including these two elements is published in order to reflect the totality of Capital Expenditures undertaken in any financial year.

Cash Capex therefore covers the acquisition of satellites and other tangible or intangible assets as well as payments in respect of export credit facilities and long term financial leases on third party capacity.

[16] Net debt includes all bank debt, bonds and all liabilities from long-term lease agreements and Export Credit Agencies as well as Forex portion of the cross-currency swap, less cash and cash equivalents (net of bank overdraft). Net Debt calculation is available in the Note 14 of the appendices to the financial accounts.

Cash Capex for H1 2016-17 was restated from the value of the payment owed in 2015-16 to RSCC in respect of lease of EUTELSAT 36C but paid effectively in H1 2016-17[17] (€87.2m) which was already accounted for in 2015-16 cash capex.

The table below shows the calculation of Cash Capex for H1 2016-17 and 2017-18:

Six months ended December 31 (€ millions)	**2016**	**2017**
Acquisitions of satellites, other property and equipment and intangible assets	100.7	26.7
Repayments of ECA loans and long-term capital leases[18]	116.7	26.2
Payment owed to RSCC in respect of lease of EUTELSAT 36C blocked in H1 2015-16 due to Yukos legal proceeding	(87.2)	-
Cash Capex per financial outlook definition	**130.2**	**52.8**

Discretionary Free-Cash Flow (DFCF)

The Group communicates on Discretionary Free-Cash Flow which reflects its ability to generate cash after the payment of interest and taxes. DFCF generally and principally serves the dividend payment and debt reduction.

Discretionary Free-Cash Flow is defined as Net cash flow from operating activities less Cash Capex as well as interest and other financial costs, net of interest income.

The table below shows the calculation of Discretionary Free-Cash Flow for H1 2016-17 and 2017-18 and its reconciliation with the cash flow statement:

Six months ended December 31 (€ millions)	**2016**	**2017**
Net cash flows from operating activities	481.6	412.1
Acquisitions of satellites, other property and equipment and intangible assets	(100.7)	(26.7)
Repayment of Export credit facilities[19]	(15.5)	(11.9)
Repayment in respect of long-term leases[20]	(101.2)	(14.3)
Interest and other fees paid net of interest received	(26.6)	(20.5)
Payment to RSCC in respect of lease of EUTELSAT 36C included in 2015-16 Discretionary Free-Cash Flow	87.2	-
Discretionary Free-Cash Flow	**324.8**	**338.8**

At constant currency, the Discretionary Free-Cash Flow would have amounted to €351.4m as of 31 December 2017.

[17] In FY 2015-16 the payment was frozen in the context of the legal action brought against the Russian State by former Yukos shareholders.
[18] Included in lines "Repayment of borrowings" and of "Repayment of finance lease liabilities" of cash-flow statement
[19] Included in the line "Repayment of borrowings" of cash-flow statement
[20] Included in the line " Repayment in respect of finance lease liabilities" of cash-flow statement

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