

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 2019

CONSOLIDATED INCOME STATEMENT

| (in millions of euros, except per-share data) | Note | 31 December 2018 | 31 December 2019 |
|---|------------|------------------|------------------|
| Revenues from operations | 5.1 | 658.1 | 636.6 |
| Operating costs | | (42.9) | (44.2) |
| Selling, general and administrative expenses | | (96.8) | (96.9) |
| Depreciation expense | 6.1 | (257.6) | (262.5) |
| Other operating income and expenses | 5.3 | 35.7 | (7.8) |
| Operating income | | 296.6 | 225.3 |
| Cost of net debt | | (48.8) | (39.1) |
| Other financial items | | (4.4) | (2.3) |
| Financial result | 5.4 | (53.2) | (41.4) |
| Income from associates | | (1.3) | - |
| Net income before tax | | 242.1 | 183.9 |
| Income tax | 5.5 | (85.0) | (33.7) |
| Net income | | 157.2 | 150.2 |
| Attributable to the Group | | 150.4 | 140.7 |
| Attributable to non-controlling interests | | 6.8 | 9.5 |
| Basic and diluted earnings per share attributable to Eutelsat Communications shareholders ⁽¹⁾ | 5.6 | 0.647 | 0.605 |

⁽¹⁾ There are no dilutive instruments as of 31 December 2018 and 2019.

COMPREHENSIVE INCOME STATEMENT

| (in millions of euros) | Note | 31 December 2018 | 31 December 2019 |
|---|-------|------------------|------------------|
| Net income | | 157.2 | 150.2 |
| Other recyclable items of gain or loss on comprehensive income | | | |
| Translation adjustment | 6.5.4 | 9.2 | 10.0 |
| Tax effect | | 6.4 | 8.3 |
| Changes in fair value of hedging instruments ⁽¹⁾ | 6.5.3 | (2.0) | 4.4 |
| Tax effect | | (10.4) | - |
| Other non-recyclable items of gain or loss on comprehensive income | | | |
| Changes in post-employment benefits | | 3.2 | - |
| Tax effect | | (0.8) | - |
| Total of other items of gain or loss on comprehensive income | | 5.6 | 22.7 |
| Total comprehensive income | | 162.9 | 172.9 |
| Attributable to the Group | | 155.9 | 162.5 |
| Attributable to non-controlling interests ⁽²⁾ | | 7.0 | 10.3 |

⁽¹⁾ Changes in the fair value of hedging instruments concern 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 9.5 million euros as of 31 December 2019 and 6.8 million euros as of 31 December 2018
- Other recyclable items of gain or loss on comprehensive income for 0.8 million euros as of 31 December 2019 and 0.1 million euros as of 31 December 2018
- No other non-recyclable items of gain or loss on comprehensive income as of 31 December 2019 and 0.1 million euros as of 31 December 2018.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (in millions of euros) | Note | 30 June 2019 | 31 December 2019 |
|--|-------|----------------|------------------|
| Assets | | | |
| Goodwill | 6.1.1 | 1,206.1 | 1,212.3 |
| Intangible assets | 6.1.1 | 575.5 | 545.6 |
| Tangible assets and construction in progress | 6.1.2 | 3,881.4 | 3,889.1 |
| Right of use in respect of leases | 6.1.3 | 657.9 | 609.6 |
| Non-current financial assets | 6.3.4 | 13.6 | 32.4 |
| Non-current assets associated with customer contracts and costs to obtain or fulfil a contract | 6.2 | 59.1 | 78.9 |
| Deferred tax assets | | 2.7 | 2.7 |
| Total non-current assets | | 6,396.3 | 6,370.5 |
| Inventories | | 3.9 | 6.1 |
| Accounts receivable | 6.2 | 284.7 | 323.1 |
| Current assets associated with customer contracts and costs to obtain or fulfil a contract | 6.2 | 20.0 | 25.9 |
| Other current assets | | 25.5 | 19.2 |
| Current tax receivable | | 22.4 | 27.9 |
| Current financial assets | 6.3.4 | 83.4 | 10.2 |
| Cash and cash equivalents | 6.3.1 | 1,455.4 | 373.3 |
| Total current assets | | 1,895.3 | 785.8 |
| Total assets | | 8,291.6 | 7,156.2 |

| (in millions of euros) | Note | 30 June 2019 | 31 December 2019 |
|--|-------|----------------|------------------|
| Liabilities | | | |
| Share capital | 6.5.1 | 232.8 | 232.8 |
| Additional paid-in capital | | 738.1 | 738.1 |
| Reserves and retained earnings | | 1,710.1 | 1,566.6 |
| Non-controlling interests | | 186.4 | 159.9 |
| Total shareholders' equity | | 2,867.4 | 2,697.4 |
| Non-current financial debt | 6.3.2 | 2,873.1 | 2,915.9 |
| Non-current lease liabilities | 6.3.4 | 507.2 | 474.5 |
| Other non-current financial liabilities | 6.3.4 | 60.8 | 88.1 |
| Non-current payables to fixed asset suppliers | | 7.7 | 6.3 |
| Non-current liabilities associated with customer contracts | | 129.0 | 122.2 |
| Non-current provisions | 6.6 | 130.8 | 124.6 |
| Deferred tax liabilities | | 229.1 | 210.3 |
| Total non-current liabilities | | 3,937.7 | 3,941.9 |
| Current financial debt | 6.3.2 | 986.0 | 42.5 |
| Current lease liabilities | 6.3.4 | 75.1 | 68.9 |
| Other current payables and financial liabilities | 6.3.4 | 230.8 | 230.2 |
| Accounts payable | | 61.7 | 58.5 |
| Current payables to fixed asset suppliers | | 55.0 | 20.0 |
| Tax payable | | 2.5 | 18.4 |
| Current liabilities associated with customer contracts | | 59.5 | 62.2 |
| Current provisions | 6.6 | 16.0 | 16.2 |
| Total current liabilities | | 1,486.6 | 516.9 |
| Total liabilities and shareholders' equity | | 8,291.6 | 7,156.2 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| (in millions of euros) | Note | 31 December 2018 | 31 December 2019 |
|---|--------------|------------------|------------------|
| Cash flow from operating activities | | | |
| Net income | | 157.2 | 150.2 |
| Income from equity investments | | 1.3 | - |
| Tax and interest expenses, other operating items | | 110.2 | 81.1 |
| Depreciation, amortisation and provisions | | 275.3 | 265.6 |
| Deferred taxes | | (21.1) | (11.9) |
| Changes in accounts receivable | | (1.1) | (42.1) |
| Changes in expenses on assets held under customer contracts and other assets | | (4.5) | (12.5) |
| Changes in accounts payable | | (12.3) | (4.5) |
| Changes in liabilities associated with customer contracts and other liabilities | | (34.2) | (30.3) |
| Taxes paid | | (92.1) | (42.3) |
| Net cash flows from operating activities | | 378.7 | 353.4 |
| Cash flow from investing activities | | | |
| Acquisitions of satellites, other property and equipment, and intangible assets | 6.1.1, 6.1.2 | (82.2) | (151.1) |
| Sales ⁽¹⁾ | | 67.5 | 67.5 |
| Dividends received from associates and other items ⁽²⁾ | | 0.2 | (12.7) |
| Net cash flows from investing activities | | (14.5) | (96.4) |
| Cash flow from financing activities | | | |
| Distributions | | (310.5) | (315.7) |
| Increase in borrowings | 6.3.2 | 800.0 | - |
| Repayment of borrowings | 6.3.2 | (11.9) | (941.9) |
| Repayment of lease liabilities | | (35.9) | (26.1) |
| Loan set-up fees | | (7.6) | (0.7) |
| Interest and other fees paid | | (23.5) | (56.5) |
| Premiums and termination indemnities on derivatives settled | | (32.9) | - |
| Other changes | | (0.4) | - |
| Net cash flow from financing activities | | 377.3 | (1,340.9) |
| Impact of exchange rate on cash and cash equivalents | | 1.8 | 1.9 |
| Increase/(Decrease) in cash and cash equivalents | | 743.4 | (1,082.0) |
| Cash and cash equivalents, beginning of period | | 733.5 | 1,455.3 |
| Cash and cash equivalents, end of period | | 1,476.9 | 373.3 |
| <i>Including Cash and cash equivalents, end of period</i> | 6.3.1 | 1,476.9 | 373.3 |
| <i>Including Overdrafts included under debt, end of period</i> | | - | - |

⁽¹⁾ Disposals include two payments made in August 2018 and August 2019 totalling 67.5 million euros pursuant to the sale of the EUTELSAT 25B satellite to its co-owner, Es'Hailsat, for a consideration of 135 million euros.

⁽²⁾ As of 31 December 2019, acquisitions of equity investments include the payment of 10 million euros related to the acquisition of Broadpeak, see Note 2.1 "Acquisition of interest in Broadpeak".

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| (in millions of euros, except share data) | Share capital | | | Reserves and retained earnings | Shareholders' equity Groupshare | Non-controlling interests | Total |
|--|--------------------|--------------|----------------------------|--------------------------------|---------------------------------|---------------------------|----------------|
| | Number | Amount | Additional paid in capital | | | | |
| As of 30 June 2018 | 232,774,635 | 232.8 | 738.1 | 1,695.1 | 2,665.9 | 181.4 | 2,847.5 |
| Net income for the period | - | - | - | 150.4 | 150.4 | 6.8 | 157.2 |
| Other items of gain or loss In comprehensive income | - | - | - | 5.4 | 5.4 | 0.2 | 5.6 |
| Total comprehensive income | - | - | - | 155.9 | 155.9 | 7.0 | 162.9 |
| Treasury stocks | - | - | - | 0.2 | 0.2 | - | 0.2 |
| Dividend distributions | - | - | - | (295.3) | (295.3) | (15.3) | (310.5) |
| Benefits for employees upon exercising options and free shares granted | - | - | - | 0.4 | 0.4 | - | 0.4 |
| Transactions with non-controlling interests and others | - | - | - | (0.4) | (0.4) | 5.0 | 4.7 |
| As of 31 December 2018 | 232,774,635 | 232.8 | 738.1 | 1,556.3 | 2,527.1 | 178.0 | 2,705.1 |
| As of 30 June 2019 | 232,774,635 | 232.8 | 738.1 | 1,710.1 | 2,681.0 | 186.4 | 2,867.4 |
| Net income for the period | - | - | - | 140.7 | 140.7 | 9.5 | 150.2 |
| Other items of gain or loss In comprehensive income ⁽¹⁾ | - | - | - | 21.9 | 21.9 | 0.8 | 22.7 |
| Total du résultat global | - | - | - | 162.5 | 162.5 | 10.3 | 172.9 |
| Treasury stocks | - | - | - | 0.2 | 0.2 | - | 0.2 |
| Dividend distributions | - | - | - | (295.3) | (295.3) | (20.6) | (315.9) |
| Benefits for employees upon exercising options and free shares granted | - | - | - | - | - | - | - |
| Transactions with non-controlling interests and others | - | - | - | (11.1) | (11.1) | (16.3) | (27.3) |
| As of 31 December 2019 | 232,774,635 | 232.8 | 738.1 | 1,566.6 | 2,537.4 | 159.9 | 2,697.4 |

¹⁾ Changes in other items of gain or loss on comprehensive income are detailed in Note 6.5.3 "Change in the revaluation surplus of derivative instruments"» and Note 6.5.4 "Translation reserve".

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NOTE 1: GENERAL OVERVIEW

1.1 BUSINESS

Operating capacity on 37 satellites, the Eutelsat Group is one of the world leaders in fixed satellite services. It mainly operates and provides capacity for Video Services, Fixed Data and Government Services as well as capacity for Connectivity applications (Fixed Broadband and Mobile Connectivity), which offer strong potential for growth. Via its fleet, the Group covers the entire European continent, the Middle East, North Africa, Sub-Saharan Africa and large parts of the Asian and American continents.

1.2 APPROVAL OF ACCOUNTS

The condensed consolidated half-year accounts as of 31 December 2019 have been prepared under the responsibility of the Board of Directors, which approved them at its meeting held on 13 February 2020.

NOTE 2: KEY EVENTS DURING THE PERIOD

2.1 ACQUISITION OF INTEREST IN BROADPEAK

On 2 July 2019, Eutelsat acquired a circa 20% investment in Broadpeak, an industry leader in video content delivery solutions. The transaction enables the two groups to pool their technological resources to expand their respective portfolios of services for telecommunication operators, media groups and content owners and develop new solutions aimed at integrating satellite technology into the 5G generation of mobile networks. Eutelsat's investment, in the form of shares and convertible bonds, represents a consideration of circa 10 million euros.

2.2 INCIDENT ON THE EUTELSAT 5 WEST B SATELLITE

The EUTELSAT 5 West B satellite was launched on 10 October 2019. On 24 October 2019, the Group reported an incident on one of the satellite's two solar panels and confirmed the loss of the South solar array on 17 January 2020. The attendant power loss means that circa 45% of the satellite's capacity should remain operational. The satellite has entered commercial service on 21 January 2020. EUTELSAT 5 West B is fully insured against the possibility of a partial or total loss by a "launch plus one year" insurance policy. The incident did not have any material impact on the condensed consolidated half-year accounts as of 31 December 2019. In particular, no insurance income has been recognized pending confirmation of compensation to be received from insurers.

NOTE 3: ACCOUNTING PRINCIPLES AND VALUATION METHODS

3.1 BASIS OF PREPARATION OF FINANCIAL INFORMATION

The condensed consolidated half-year financial statements as of 31 December 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting" in a condensed format. The accounts as presented do not contain all the information and Notes required under IFRS 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 2019.

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 2019, with the exception of the new standards and interpretations which are adopted by the European Union and are to be applied after 1 July 2019.

- IFRIC 23 "Uncertainty over Income Tax Treatments", which addresses uncertain tax positions relating to income taxes.
- Improvements to IFRSs 2015–2017 Cycle

Applying these standards had no significant impact on the Group's financial statements.

3.2 FINANCIAL REPORTING RULES

3.2.1 Translation of financial statements and foreign currency transactions

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

The rules for translating items in financial statements and foreign currency transactions remain unchanged from 30 June 2019.

The main foreign currency used is the U.S. dollar. The closing exchange rate used is 1.119 U.S. dollar for 1 euro and the average exchange rate for the period is 1.111 U.S. dollar for 1 euro.

3.2.2 Presentation of current and non-current assets and liabilities

Current assets and liabilities are those that the Group expects to realise, consume or settle in its normal operating cycle, which is shorter than 12 months. All other assets and liabilities are classified as non-current.

3.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Preparation of the Group's consolidated financial statements requires the use of estimates and judgements that are likely to affect the amounts of certain assets, liabilities, income and expenses reported in these financial statements and their accompanying Notes. Management constantly updates its estimates and assessments using past experience in addition to other relevant factors related 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.

In preparing the condensed consolidated half-year financial statements for the period ended 31 December 2019, Management has exercised judgement, particularly with regard to the recoverable amounts of assets, the recognition of revenues, the estimation of provisions, contingent assets and liabilities, the recognition of tax assets and liabilities and the assessment of customer risk.

3.4 MAJOR CHANGES IN THE SCOPE OF CONSOLIDATION

3.4.1 Half-year ended 31 December 2018

On 23 November 2018, Eutelsat S.A. transferred its 49% stake in Eurobroadband Retail to an entity of the Viasat Group, an existing shareholder with a 51% interest. The divestment had no material impact on the Group's financial statements.

3.4.2 Half-year ended 31 December 2019

No significant changes were made to the Group's scope of consolidation during the period.

NOTE 4: SEGMENT INFORMATION

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.

The performance indicators that are monitored by the Chief Executive Officer, the Deputy Chief Executive Officers and the Chief Financial Officer who together make up the Group's main operational decision-making body are as follows:

- Revenues;
- EBITDA defined as the operating result before amortisation and depreciation, impairment of assets and other operating income and expense, and the EBITDA profit margin on turnover;
- Cash Capex covering the acquisition of satellites and other tangible or intangible assets as well as payments in respect of export credit facilities and lease liabilities;
- Discretionary free cash flow defined as Net cash flow from operating activities less Cash Capex as well as interest and other financial costs, net of interest received;
- Net debt to EBITDA ratio (see Note 6.3.3 "Net Debt").

Internal reporting is a presentation of the Group's consolidated income statement according to a different breakdown of items than the one used in the consolidated financial statements in order to highlight performance indicators for which the main aggregates are identical to those included in the Group's consolidated accounts. Financial reporting is prepared in accordance with IFRS principles applied by the Group for its consolidated financial statements

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

NOTE 5: NOTES TO THE INCOME STATEMENT

5.1 REVENUES

5.1.1 Revenues by application

Revenues by application are as follows:

| (in millions of euros) | 31 December 2018 | 31 December 2019 |
|----------------------------------|------------------|------------------|
| Broadcast | 394.4 | 389.4 |
| Data and Professional Video | 103.6 | 87.8 |
| Government Services | 81.8 | 78.3 |
| Fixed Broadband | 40.5 | 39.1 |
| Mobile Connectivity | 40.0 | 41.2 |
| Total Operating Verticals | 660.4 | 635.8 |
| Other Revenues | (2.3) | 0.9 |
| Total | 658.1 | 636.6 |
| <i>EUR/USD exchange rate</i> | <i>1.16</i> | <i>1.11</i> |

5.1.2 Revenues per geographical region

Revenues by geographical zone, based on customer billing addresses, are as follows:

| (in millions of euros and as a percentage) | 31 December 2018 | | 31 December 2019 | |
|--|------------------|--------------|------------------|--------------|
| | Amount | % | Amount | % |
| Regions | | | | |
| France | 45.6 | 6.9 | 42.9 | 6.7 |
| Italy | 73.7 | 11.2 | 72.3 | 11.4 |
| United Kingdom | 39.8 | 6.0 | 36.8 | 5.8 |
| Europe (other) | 182.2 | 27.7 | 169.0 | 26.5 |
| Americas | 150.4 | 22.9 | 139.7 | 21.9 |
| Middle-East | 112.1 | 17.0 | 112.7 | 17.7 |
| Africa | 46.2 | 7.0 | 48.9 | 7.7 |
| Asia | 15.3 | 2.3 | 19.5 | 3.1 |
| Other | (7.1) | (1.1) | (5.1) | (0.8) |
| Total | 658.1 | 100.0 | 636.6 | 100.0 |

Other revenues include the impact of EUR/USD currency hedging which stood at (5.1) million euros for the half-year ended 31 December 2019 compared to (7.1) million euros for the half-year ended 31 December 2018.

5.2 SHARE-BASED COMPENSATION

In addition to the plans in force within the Group as of 30 June 2019, the Group has granted a new phantom share plan on 7 November 2019. Vesting of these phantom shares is subject to the achievement of performance-related conditions and to the condition that the beneficiaries be still employed within the Group during a given period.

The expense relating to share-based compensation (excluding social contributions) amounted to 1.0 million euros for the half-year ended 31 December 2019 (3.1 million euros for the half-year ended 31 December 2018).

5.3 OTHER OPERATING INCOME AND EXPENSES

| (in millions of euros) | 31 December 2018 | 31 December 2019 |
|--------------------------|------------------|------------------|
| Other operating income | 48.9 | - |
| Other operating expenses | (13.2) | (7.8) |
| Total | 35.7 | (7.8) |

“Other operating income” during the half-year period ended 31 December 2018 mainly reflects the capital gain on the disposal of the Group’s interest in the EUTELSAT 25B satellite. Other operating expenses mainly include scrapped assets and disposals.

5.4 FINANCIAL RESULT

| (in millions of euros) | 31 December 2018 | 31 December 2019 |
|---|------------------|------------------|
| Interest expense after hedging | (48.4) | (38.2) |
| Interest on lease liabilities | (7.7) | (7.6) |
| Loan set-up fees and commissions | (3.7) | (4.2) |
| Capitalised interest | 10.5 | 10.2 |
| Cost of gross debt | (49.3) | (39.7) |
| Financial income | 0.6 | 0.6 |
| Cost of net debt | (48.8) | (39.1) |
| Changes in derivative financial instruments | (1.8) | - |
| Foreign-exchange impact | 1.2 | 0.5 |
| Other | (3.8) | (2.7) |
| Financial result | (53.2) | (41.4) |

The interest expense as of 31 December 2019 includes 4.4 million euros related to the execution and termination of pre-hedging instruments used to secure the interest rate on the October 2018 and June 2019 bond issues. The interest expense as of 30 June 2018 stood at 0.8 million euros.

The amount of capitalised interest depends on the state of progress and number of satellite construction programmes recorded during the financial period concerned. The interest rates used to determine the amount of interest expense eligible for capitalisation were 2.42% as of 31 December 2019 compared to 2.82 % as of 31 December 2018.

Changes in fair value of financial derivatives as of 30 June 2018 and 2019 mainly include changes in the fair value of derivatives that do not qualified as hedges or are no longer qualified for hedge accounting, and the ineffective portion of the time value of derivatives qualified as hedging instruments.

5.5 INCOME TAX

The “Income tax” expense comprises current and deferred tax expenses of consolidated entities. In accordance with IAS 34, the income tax expense for the interim period ended 31 December is calculated by applying the average annual effective income tax rate estimated for the financial year to pre-tax income of the interim period.

As of 31 December 2019, the effective income tax rate stood at 18.3%. The rate includes the effect of the exemption of the portion of Eutelsat S.A.’s profit attributable to the company’s satellites operated outside France (article 247 of the French General Tax Code introduced by the 2019 Finance Bill), the effect of taxation rates for foreign subsidiaries that are lower than in France, as well as exchange rate differences and inflation effects on the deferred tax positions of the Satellites Mexicanos subsidiary.

As of 31 December 2018, the effective income tax rate was 34.9%. This rate included the impact of the 75% limit on the deductibility of financial expenses in France, which was offset by the effect of lower tax rates for foreign subsidiaries than in France, as well as foreign exchange differences and inflation effects on the deferred tax positions of the Satellites Mexicanos subsidiary. This rate did not take into account the impact of Article 247 of the French General Tax Code introduced by the 2019 Finance Bill.

5.6 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):

| (in millions of euros) | 31 December 2018 | 31 December 2019 |
|--|--------------------|---------------------|
| Net income | 157.2 | 150.2 |
| Income from subsidiaries attributable to non-controlling interests | (6.8) | (9.5) |
| Net earnings used to compute earnings per share | 150.4 | 140.7 |
| Average number of basic and diluted shares | 232,416,067 | 232,492, 821 |

NOTE 6: NOTES TO THE BALANCE SHEET

6.1 FIXED ASSETS

6.1.1 GOODWILL AND OTHER INTANGIBLES

Goodwill and intangible assets have evolved over the past two financial periods as follows:

| (in millions of euros) | Goodwill | Customer contracts and relationships | Eutelsat brand | Other intangibles | Total |
|--|----------------|--------------------------------------|----------------|-------------------|----------------|
| Gross assets | | | | | |
| Gross value as of 30 June 2019 | 1,206.1 | 1,122.7 | 40.8 | 311.9 | 2,681.6 |
| Acquisitions | - | - | - | 6.3 | 6.3 |
| Transfers | - | - | - | 8.8 | 8.8 |
| Foreign-exchange variation | 6.2 | 3.9 | - | 1.2 | 11.3 |
| Disposals and scrapping of assets | - | - | - | (14.8) | (14.8) |
| Gross value as of 31 December 2019 | 1,212.3 | 1,126.6 | 40.8 | 313.4 | 2,693.2 |
| Amortisation and impairment | | | | | |
| Accumulated amortisation as of | | (708.9) | - | (191.0) | (899.9) |
| Amortisation expense | - | (32.5) | - | (16.0) | (48.5) |
| Reversals (disposals and scrapping of assets) | - | - | - | 14.6 | 14.6 |
| Foreign-exchange variation | - | (1.2) | - | (0.3) | (1.6) |
| Accumulated amortisation as of 31 December 2019 | | (742.6) | | (192.7) | (935.4) |
| Net value as of 30 June 2019 | 1,206.1 | 413.8 | 40.8 | 120.8 | 1,781.7 |
| Net value as of 31 December 2019 | 1,212.3 | 384.0 | 40.8 | 120.7 | 1,757.9 |

The economic conditions observed at balance sheet date did not lead Management to test goodwill for impairment as of 31 December 2019.

6.1.2 Tangible assets and construction in progress

Tangible assets have evolved over the past two financial periods as follows:

| (in millions of euros) | Satellites | Other tangibles | Construction in progress | Total |
|--|------------------|-----------------|--------------------------|------------------|
| Gross assets | | | | |
| Gross value as of 30 June 2019 | 5,703.7 | 426.7 | 1,028.6 | 7,159.1 |
| Acquisitions | - | 3.0 | 174.9 | 177.9 |
| Disposals | - | (0.5) | - | (0.5) |
| Scrapping of assets | - | (1.2) | - | (1.2) |
| Foreign-exchange variation | 25.9 | 0.8 | 0.1 | 26.8 |
| Transfers and others | - | 8.3 | (16.1) | (7.8) |
| Gross value as of 31 December 2019 | 5,729.6 | 437.1 | 1,187.5 | 7,354.2 |
| Depreciation and impairment | | | | |
| Accumulated depreciation as of 30 June 2019 | (2,947.0) | (329.6) | (1.2) | (3,277.9) |
| Depreciation expense | (165.9) | (14.0) | - | (179.9) |
| Reversals (disposals) | - | 0.3 | - | 0.3 |
| Reversals (scrapping of assets) | - | 1.2 | - | 1.2 |
| Foreign-exchange variation | (7.5) | (0.5) | - | (8.0) |
| Transfers and others | - | (1.0) | - | (1.0) |
| Accumulated depreciation as of 31 December 2019 | (3,120.4) | (343.6) | (1.2) | (3,465.2) |
| Net value as of 30 June 2019 | 2,756.7 | 97.1 | 1,027.5 | 3,881.4 |
| Net value as of 31 December 2019 | 2,609.2 | 93.5 | 1,186.3 | 3,889.1 |

The KONNECT satellite was launched on 16 January 2020 and is due to enter commercial service in fall 2020.

The satellites listed below are under construction at balance sheet date and should be launched during the financial years as indicated.

| Projects | Years |
|---|--------------------|
| QUANTUM | Calendar year 2020 |
| KONNECT VHTS, HOTBIRD 13F and HOTBIRD 13G | Calendar year 2021 |
| EUTELSAT 10B | Calendar year 2022 |

6.1.3 Rights of use in respect of leases

During the financial period ended 31 December 2019, rights of use have evolved as follows:

| (in millions of euros) | Satellites | Miscellaneous Tangible assets | Total |
|---|----------------|-------------------------------|----------------|
| Gross assets | | | |
| Gross value as of 30 June 2019 | 878.6 | 44.2 | 922.8 |
| Acquisitions | - | 0.2 | 0.2 |
| Foreign-exchange variation | - | 0.1 | 0.1 |
| Lease amendments and terminations | - | (13.7) | (13.7) |
| Gross value as of 31 December 2019 | 878.6 | 30.8 | 909.4 |
| Depreciation and impairment | | | |
| Accumulated depreciation as of 30 June 2019 | (255.8) | (9.1) | (264.9) |
| Depreciation expense | (30.3) | (4.6) | (34.9) |
| Provision for bad debt | - | (0.1) | (0.1) |
| Accumulated depreciation and impairment as of 31 December 2019 | (286.0) | (13.8) | (299.9) |
| Net value as of 30 June 2019 | 622.8 | 35.1 | 657.9 |
| Net value as of 31 December 2019 | 592.6 | 17.0 | 609.6 |

Satellite rights of use mainly relate to Express AT1, Express AT2, Express AM6, Express 36C and Astra 2G leases. None of the leases contains purchase options on expiry of the lease.

No renewal options have been considered to determine the term of the leases.

6.1.4 Purchase commitments

In addition to the items posted to the balance sheet, the Group has commitments with suppliers for the acquisition of assets (satellites and other assets) and the provision of services for an aggregate amount of 857 million euros as of 31 December 2019 and 689 million euros as of 30 June 2019. Future payments as of 31 December 2019 in respect of these commitments are scheduled as follows:

| (in millions of euros) | At 31 December 2019 |
|----------------------------|---------------------|
| Maturity within 1 year | 395 |
| From 1 to 2 years | 222 |
| From 2 to 3 years | 119 |
| From 3 to 4 years | 57 |
| Maturity exceeding 4 years | 64 |
| Total | 857 |

Furthermore, the Group has granted a parental guarantee of 2.8 million euros to a third party in respect of one of its subsidiaries.

6.2 RECEIVABLES, ASSETS AND LIABILITIES FROM CUSTOMER CONTRACTS AND COSTS TO OBTAIN OR FULFIL A CONTRACT

Receivables, assets and liabilities from customer contracts are summed up as follows:

| (in millions of euros) | 30 June 2019 | 31 December 2019 |
|---|--------------|------------------|
| Assets | | |
| Accounts receivable | 284.7 | 323.1 |
| Assets associated with customer contracts | 38.0 | 56.4 |
| Costs to fulfil contracts | 23.0 | 25.8 |
| Costs to obtain contracts | 18.1 | 22.5 |
| Total current and non-current assets | 363.9 | 427.9 |
| <i>Incl. non current portion</i> | 59.1 | 78.9 |
| <i>Incl. current portion</i> | 304.7 | 349.0 |
| Liabilities | | |
| Financial liabilities - Guarantees and commitments received | 51.7 | 55.9 |
| Current contract liabilities | 188.5 | 184.4 |
| Total current and non-current liabilities | 240.2 | 240.3 |
| <i>Incl. non current portion</i> | 159.4 | 152.1 |
| <i>Incl. current portion</i> | 80.8 | 88.2 |

6.2.1 Accounts receivable

Accounts receivable (matured and non-matured) break down as follows:

| (in millions of euros) | 30 June 2019 | 31 December 2019 |
|---|--------------|------------------|
| Non-matured receivables | 149.1 | 150.7 |
| Matured receivables between 0 and 90 days | 61.8 | 61.9 |
| Matured receivables for more than 90 days | 178.2 | 218.2 |
| Provision for bad debt | (104.4) | (107.7) |
| Total | 284.7 | 323.1 |

Changes in Impairment of trade receivables over the past two financial periods were as follows:

| (in millions of euros) | Total |
|----------------------------------|--------------|
| Value as of 30 June 2019 | 104.4 |
| Net allowance (reversals) | 5.6 |
| Reversals (used) | (2.6) |
| Foreign-exchange variation | 0.3 |
| Value at 31 December 2019 | 107.7 |

6.3 FINANCIAL ASSETS AND LIABILITIES

6.3.1 Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

| (in millions of euros) | 30 June 2019 | 31 December 2019 |
|--------------------------|----------------|------------------|
| Cash at bank and in hand | 541.5 | 345.8 |
| Cash equivalents | 913.8 | 27.6 |
| Total | 1,455.4 | 373.3 |

6.3.2 Financial debt

Financial debt breaks down as follows:

| (in millions of euros) | Rate | 30 June 2019 | 31 December 2019 | Maturity |
|--|----------|----------------|------------------|---------------|
| Term loan 2022 | Variable | 600.0 | 600.0 | 31 March 2022 |
| Bond 2021 | 1.125% | 500.0 | 500.0 | 23 June 2021 |
| Bond 2022 | 3.125% | 300.0 | 300.0 | 10 Oct 2022 |
| Bond 2025 | 2.000% | 800.0 | 800.0 | 02 Oct 2025 |
| Bond 2027 | 2.250% | 600.0 | 600.0 | 13 July 2021 |
| Structured debt | | | | |
| | Variable | 94.9 | 83.0 | 17 May 2024 |
| | 0.65% | - | 25.2 | 30 June 2022 |
| | 0.75% | - | 26.3 | 30 June 2023 |
| Sub-total of debt (non-current portion) | | 2,894.9 | 2,934.6 | |
| Loan set-up fees and premiums | | (21.8) | (18.6) | |
| Total of debt (non-current portion) | | 2,873.1 | 2,915.9 | |
| Bond 2020 | 2.625% | 930.0 | - | |
| Structured debt | | 23.7 | 23.7 | |
| Accrued interest not yet due | | 32.3 | 18.8 | |
| Total debt (current portion) | | 986.0 | 42.5 | |
| Total | | 3,859.1 | 2,958.4 | |

All debt was denominated in euros.

Term loans and ONDD-guaranteed export credits are subject to a financial covenant that provides for a net total debt to EBITDA ratio equal to or less than 4.0/1. Under the term loan covenants, each lender may equally request early repayment of all sums due in case of a change of control of Eutelsat SA or Eutelsat Communications. The obligations are also backed by a banking covenant which provides for each lender to request early repayment of all amounts due in the event of a change of control of Eutelsat S.A. or Eutelsat Communications, and a rating downgrade on Eutelsat S.A. As of 31 December 2019, the Group was in compliance with all banking covenants under its credit facilities.

Credit agreements do not include any guarantee by the Company or any pledge of assets to lenders, but contain restrictive clauses (subject to the usual exceptions provided for in this type of loan agreement) which limit the ability of Eutelsat Communications and its subsidiaries, in particular to grant liens on a borrower's assets, incur additional debt, dispose of assets, enter into mergers or acquisitions, sales of assets and finance lease transactions (except those carried out within the Group and expressly provided for in the loan agreement) and modify the nature of the business of the Company and its subsidiaries.

Credit arrangements include a commitment to maintain "launch plus one year" insurance policies for any satellite located at 13° East and, for any other satellite, a commitment not to have more than one satellite that is not covered by a launch insurance policy.

As of 31 December 2019, the Group had active credit lines for an aggregate undrawn amount of 798 million euros (850 million as of 30 June 2019). These lines of credit were backed by the same type of bank covenants as those in place for the term loan and other structured debt.

The schedule of debt maturities, excluding issue costs and premiums and accrued interest not yet due as at 31 December 2019 was as follows:

| (in millions of euros) | Amount | Maturity within 1 year | Maturity between 1 and 5 years | Maturity exceeding 5 years |
|------------------------|----------------|------------------------|--------------------------------|----------------------------|
| Term loan | 600.0 | - | 600.0 | - |
| Structured debt | 158.3 | 23.7 | 134.6 | - |
| Bond 2021 | 500.0 | - | 500.0 | - |
| Bond 2022 | 300.0 | - | 300.0 | - |
| Bond 2025 | 800.0 | - | - | 800.0 |
| Bond 2027 | 600.0 | - | - | 600.0 |
| Total | 2,958.4 | 23.7 | 1,534.6 | 1,400.0 |

6.3.3 Net debt

Net debt breaks down as follows:

| (in millions of euros) | 30 June 2019 | 31 December 2019 |
|---|----------------|------------------|
| Term loan | 600.0 | 600.0 |
| Bonds | 3,130.0 | 2,200.0 |
| Structured debt | 118.6 | 158.3 |
| Change portion of the cross-currency swap | 99.8 | 109.7 |
| Lease liabilities | 579.8 | 540.1 |
| Gross debt | 4,528.1 | 3,608.1 |
| Cash and cash equivalents | (1,455.4) | (373.3) |
| Net debt | 3,072.8 | 3,234.8 |

Changes in the debt position between 30 June 2019 and 31 December 2019 are presented below:

| (in millions of euros) | 30 June 2019 | Cash flow | Non-cash flow | Currency effect | Fair value change and other | 31 December 2019 |
|---|----------------|----------------|---------------|-----------------|-----------------------------|------------------|
| Term loan | 600.0 | - | - | - | - | 600.0 |
| Bonds | 3,130.0 | (930.0) | - | - | - | 2,200.0 |
| Structured debt | 118.6 | (11.9) | 51.5 | - | - | 158.3 |
| Change portion of the cross-currency swap | 99.8 | - | - | - | 9.9 | 109.7 |
| Lease liabilities | 579.8 | (25.9) | (13.9) | 0.1 | 0.1 | 540.1 |
| Total | 4,528.1 | (967.8) | 37.6 | 0.1 | 10.0 | 3,608.1 |

6.3.4 Other financial assets and liabilities

Other financial assets break down as follows:

| (in millions of euros) | 30 June 2019 | 31 December 2019 |
|-------------------------------------|--------------|------------------|
| Non-consolidated equity investments | 2.2 | 14.7 |
| Financial Instruments | 4.0 | 2.4 |
| Other financial assets | 90.8 | 25.5 |
| Total | 97.0 | 42.6 |
| <i>Incl. current portion</i> | <i>83.4</i> | <i>10.2</i> |
| <i>Incl. non current portion</i> | <i>13.6</i> | <i>32.4</i> |

As of 30 June 2019, other financial assets included a receivable of 67.5 million euros in respect of the deferred payment of a portion of the divestment of the Group's share in the EUTELSAT 25B satellite. This receivable was settled in August 2019.

Other financial liabilities break down as follows:

| (in millions of euros) | 30 June 2019 | 31 December 2019 |
|--|--------------|------------------|
| Lease liabilities | 582.2 | 543.4 |
| Other liabilities | 89.6 | 116.5 |
| Derivative financial instruments | 140.2 | 155.9 |
| Social contributions and payroll liabilities | 56.0 | 36.6 |
| Tax liabilities | 5.7 | 9.3 |
| Total | 873.7 | 861.7 |
| <i>Incl. current portion</i> | 305.9 | 299.1 |
| <i>Incl. non current portion</i> | 567.9 | 562.6 |

Lease liabilities include accrued interest for 2.5 million euros as of 30 June 2019 and 3.3 million euros as of 31 December 2019.

6.3.5 Derivative financial instruments

Derivative financial instruments are valued by an independent expert before being reconciled with the valuations provided by banking counterparts. The following table presents the contractual or notional amounts and fair values of derivative financial instruments by type of contract.

| (in millions of euros) | Notional | | Fair value | | Change in fair value over the period | Impact on income (excl. coupons) | Impact on equity (excl. coupons) |
|---|----------------|----------------|----------------|----------------|--------------------------------------|----------------------------------|----------------------------------|
| | 30 June 2019 | 31 Dec 2019 | 30 June 2019 | 31 Dec 2019 | | | |
| Synthetic forward sale with knock-in option | 237.3 | 270.0 | 0.1 | (1.0) | (1.1) | | (1.1) |
| Cross currency swap | 500.0 | 500.0 | (97.6) | (114.8) | (17.2) | | (17.2) |
| Total forex derivatives | 737.3 | 770.0 | (97.5) | (115.9) | (18.3) | | (18.3) |
| Pre-hedging swap | 500.0 | 800.0 | (42.1) | (39.0) | 3.1 | 2.0 | 1.1 |
| Interest rate swap | 500.0 | 500.0 | 3.3 | 1.3 | (2.0) | (2.0) | |
| Total interest rate derivatives | 1,000.0 | 1,300.0 | (38.7) | (37.7) | 1.0 | - | 1.1 |
| Total derivatives | 1,737.3 | 2,070.0 | (136.2) | (153.5) | (17.3) | - | (17.3) |

As of 31 December 2019, the cumulative fair value of the derivative financial instruments was positive at 2.4 million euros and negative at 155.9 million euros (see Note 6.3.4 "Other financial assets and liabilities").

6.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which a financial asset could be exchanged, or a liability extinguished, between knowledgeable, willing parties in an arm's length transaction.

With the exception of bonds and derivative financial instruments, the carrying amount of financial liabilities represents a reasonable approximation of their fair value.

The fair values of Level 1 bonds (quoted price) are as follows:

| (in millions of euros) | 30 June 2019 | 31 December 2019 |
|------------------------|----------------|------------------|
| Bond 2020 | 937.0 | - |
| Bond 2021 | 510.0 | 507.5 |
| Bond 2022 | 329.6 | 326.4 |
| Bond 2025 | 824.0 | 835.9 |
| Bond 2027 | 613.1 | 624.7 |
| Total | 3,213.7 | 2,294.4 |

6.5 SHAREHOLDERS' EQUITY

6.5.1 Share capital

As of 31 December 2019, 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 212,545 equity shares amounting to 3.5 million euros acquired under a liquidity contract (223,296 shares amounting to 3.6 million euros as of 30 June 2019) and 105,068 equity shares amounting to 1.5 million euros acquired under free share allocation plans (105,068 equity shares amounting to 1.7 million euros as of 30 June 2019). The aggregate amount of treasury stock is deducted from shareholders' equity.

6.5.2 Dividends

On 07 November 2019, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of 1.27 euro per share, i.e. a total of 295.3 million euros, taken from net income for the financial year ended 30 June 2019. In 2018, the dividend payout amounted to 295.3 million euros, i.e. 1.27 euro per share.

6.5.3 Change in the revaluation surplus of financial instruments

Changes in the revaluation surplus for derivative instruments qualified as hedging instruments during the financial year break down as follows:

| (in millions of euros) | Total |
|--|---------------|
| Balance at 30 June 2019 | (61.9) |
| Changes in fair value within equity that can be reclassified to income | 4.4 |
| Balance at 31 December 2019 | (57.4) |

6.5.4 Translation reserve

Changes in the translation reserve during the financial period were as follows:

| (in millions of euros) | Total |
|------------------------------------|--------------|
| Balance at 30 June 2019 | 157.9 |
| Net change over the period | 18.3 |
| Balance at 31 December 2019 | 176.2 |

The main currency generating translation differences is the US dollar.

As of 31 December 2019, the translation reserve included (114.8) million euros for the Cross Currency Swap used to hedge currency exposure of a net investment in a foreign operation (see Note 6.3.5 "Derivative financial instruments").

6.5.5 Actuarial gains and losses

The reference interest rates used to determine the discounted value of the guarantee given to a pension fund and retirement benefits have remained stable since 30 June 2019. No adjustments to these commitments have therefore been recorded as of 31 December 2019.

6.6 PROVISIONS

Changes in provisions between 30 June 2019 and 31 December 2019 are presented below:

| (in millions of euros) | 30 June 2019 | Reversal | | Reclassification | Recognised in equity | 31 December 2019 |
|---|--------------|------------|--------------|------------------|----------------------|------------------|
| | | Allowance | Used | | | |
| Financial guarantee granted to a pension fund | 100.1 | 0.6 | - | - | - | 100.7 |
| Retirement indemnities | 15.4 | 0.6 | (0.1) | - | - | 15.8 |
| Other post-employment benefits | 6.6 | - | - | - | - | 6.6 |
| Total post-employment benefits | 122.1 | 1.3 | (0.1) | - | - | 123.1 |
| Commercial, employee-related and tax litigation | 17.0 | 3.1 | (1.4) | (1.5) | - | 17.4 |
| Other | 7.8 | - | - | - | (7.5) | 0.3 |
| Total provisions | 146.9 | 4.4 | (1.5) | (1.5) | (7.5) | 140.8 |
| <i>Incl. non current portion</i> | 130.8 | | | | | 124.6 |
| <i>Incl. current portion</i> | 16.1 | | | | | 16.2 |

6.5.6 Litigation and contingent liabilities

Eutelsat S.A., a company belonging to the tax consolidation group of which Eutelsat Communications S.A. is the integral parent company, underwent a tax audit in respect of the financial years ended 30 June 2012, 2013 and 2014. In December 2016, the company received a tax adjustment notification in respect of the financial periods ended 30 June 2013 and 30 June 2014. As a result of the pre-litigation appeals and subsequent discussions, the amounts claimed by the tax authorities were significantly reduced. There is still disagreement on certain tax enhancements, on which Eutelsat believes that it has solid defences.

Eutelsat S.A. underwent a tax audit in respect of the financial years ended 30 June 2016 and 2017. In December 2019, the company received a tax adjustment notification in respect of these two financial periods. The company has two months to respond to this proposal.

NOTE 7: RELATED-PARTY TRANSACTIONS

Related parties consist of:

- direct and indirect shareholders, and their subsidiaries, who have exclusive control or significant influence, which is presumed where more than 20% of the shares are held or where the investor is a member of the Board of Directors of an entity of the Group;
- minority shareholders of entities which the Group consolidates under the full consolidation method;
- companies in which the Group has an equity interest that it consolidates under the equity method, and
- members of the key management personnel.

No related-party transaction of a different nature than those entered into during the financial year ended 30 June 2019 has been made during the reporting period.

NOTE 8: SUBSEQUENT EVENTS

ACQUISITION OF MINORITY INTERESTS IN EUTELSAT NETWORKS AND EUTELSAT INTERNATIONAL

On 30 January 2020, Eutelsat S.A. acquired 49% of the minority interests in its subsidiaries Eutelsat International and Eutelsat Networks for a consideration of 34.1 million euros. The transaction carries an earn-out feature to be settled between September 2020 and September 2023. The impact of this transaction has been accounted for in the valuation of the debt on minority interests in the consolidated financial statements as of 31 December 2019.