Eutelsat Communications Group

“Société anonyme” with a capital of 232,774,635 euros
Registered office: 70, rue Balard 75015 Paris
481 043 040 R.C.S. Paris

CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS AS OF 31 DECEMBER 2017

CONSOLIDATED BALANCE SHEET

(in millions of euros)	Note	30 June 2017	31 December 2017
ASSETS			
Non-current assets			
Goodwill	4	1,150.8	1,182.9
Intangible assets	4	702.5	679.9
Satellites and other property and equipment	5	4,134.0	4,113.6
Construction in progress	5	759.9	563.7
Investments in associates	6	(0.4)	(1.4)
Non-current financial assets		22.0	12.2
Deferred tax assets		5.6	4.3
Total non-current assets		**6,774.4**	**6,555.2**
Current assets			
Inventories		3.0	2.5
Accounts receivable	8	345.4	339.3
Other current assets		46.4	39.5
Current tax receivable		4.5	5.8
Current financial assets		29.2	23.3
Cash and cash equivalents	9	408.0	359.8
Total current assets		**836.3**	**770.2**
Assets held for sale	7	300.7	300.7
Total assets		**7,911.3**	**7,626.0**

(in millions of euros)	Note	30 June 2017	31 December 2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	10.1	232.8	232.8
Additional paid-in capital		738.1	738.1
Reserves and retained earnings		1,792.1	1,581.5
Non-controlling interests		202.9	175.0
Total shareholders' equity		**2,966.0**	**2,727.4**
Non-current liabilities			
Non-current financial debt	11	3,252.9	3,243.9
Other non-current financial liabilities	13	798.1	743.0
Non-current asset payables		27.3	27.2
Non-current deferred revenues		119.3	101,7
Non-current provisions	12	97.3	112,4
Deferred tax liabilities		253.1	238,1
Total non-current liabilities		**4,547.9**	**4,466.2**
Current liabilities			
Current financial debt	11	60.9	91.5
Other current financial liabilities	13	67.6	89.4
Accounts payable		54.6	48.5
Current fixed assets payable		40.1	46.5
Taxes payable		2.2	1.7
Other current payables and deferred revenues [(1)]		136.6	122.2
Current provisions	12	35.6	32.6
Total current liabilities		**397.5**	**432.4**
Total liabilities and shareholders' equity		**7,911.3**	**7 626.0**

(1) The portion of deferred revenues in "Other current payables and deferred revenues" came out at 67.4 million euros as of 30 June 2017 and 80.4 million euros as of 31 December 2017.

CONSOLIDATED INCOME STATEMENT

(in millions of euros, except per share data)	Note	31 December 2016	31 December 2017
Revenues from operations	14	**755.1**	**696.6**
Operating costs		(47.4)	(46.0)
Selling, general and administrative expenses)		(119.8)	(106.0)
Depreciation and amortisation	4, 5	(274.3)	(254.2)
Other operating income (1)		30.2	-
Other operating expenses (1)		(6.9)	(10.4)
Operating income		**336.9**	**280.0**
Cost of debt	15	(66.2)	(48.3)
Financial income	15	0.9	0.4
Other financial items	15	5.7	(7.9)
Financial result		**(59.6)**	**(55.8)**
Income from associates		-	(1.0)
Net income before tax		**277.4**	**223.2**
Income tax expense	16	(78.2)	(60.6)
Net income		**199.2**	**162.6**
Attributable to the Group		192.2	156.5
Attributable to non-controlling interests		7.0	6.2
Earnings per share attributable to Eutelsat Communications' shareholders			
Basic and diluted earnings per share in euros (2)	17	0.827	0.673

(1) "Other operating income and expenses" mainly includes capital gains arising from the disposal of Wins Ltd. and its subsidiaries as of 31 December 2016, and expenses relating to the acquisition of Noorsat (see Note 3.6 - Changes in scope of consolidation) as of 31 December 2017.
(2) There are no dilutive instruments as of 31 December 2016 and 31 December 2017.

COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Note	31December 2016	31 December 2017
Net income		**199.2**	**162.6**
Other recyclable items of gain or loss on comprehensive income			
Translation adjustment	10.5	71.2	(54.6)
Tax effect		8.9	(12.3)
Changes in fair value of hedging instruments (1)	10.4	24.7	(10.1)
Tax effect		(8.5)	3.4
Other non-recyclable items of gain or loss on comprehensive income			
Changes in post-employment benefits	10.6	9.5	(10.8)
Tax effect		(7.0)	1.0
Total of other items of gain or loss on comprehensive income		**98.8**	**(83.3)**
Total comprehensive income		**298.0**	**79.3**
Attributable to the Group		287.4	76.2
Attributable to non-controlling interests (2)		10.6	3.1

(1) Covers only cash-flow hedges. Net foreign investment hegdes are recorded as translation adjustments.
(2) The portion attributable to non-controlling interests breaks down as follows:
- *Net result for 7.0 million euros as of 31 December 2016 and 6.2 million euros as of 31 December 2017;*
- *Other recyclable items of gain or loss on comprehensive income for 3.6 million euros as of 31 December 2016 and (2.7) million euros as of 31 December 2017;*
- *Other non-recyclable items of gain or loss on comprehensive income for 0.1 million euros as of 31 December 2016 and (0.4) million euros as of 31 December 2017.*

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	Note	31 December 2016	31 December 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		199.2	162.6
Income from equity investments	6	-	1.0
Tax and interest expense, other operating items		138.4	137.3
Depreciation, amortisation and provisions		292.0	265.4
Deferred taxes		(30.3)	(20.4)
Changes in accounts receivable		23.9	(24.6)
Changes in other assets		(7.6)	(2.3)
Changes in accounts payable		(14.6)	(6.7)
Changes in other debt		(49.1)	(20.5)
Taxes paid		(70.1)	(79.7)
Net cash flows from operating activities		**481.6**	**412.1**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of satellites, other property and equipment and intangible assets	4, 5	(100.7)	(26.7)
Acquisition of control	3.6	-	(61.0)
Sale of entities		36.7	-
Dividends received from associates and other items		2.6	1.6
Net cash flows from investing activities		**(61.4)**	**(86.1)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions		(266.3)	(295.5)
Increase in borrowings	11	-	-
Repayment of borrowings		(15.5)	(11.9)
Repayment of finance lease liabilities		(101.2)	(14.3)
Loan set-up fees		(1.0)	-
Interest and other fees paid		(26.8)	(20.5)
Interest received		0.1	-
Transactions relating to non-controlling interests (1)		18.5	(28.0)
Other changes		(0.6)	0.1
Net cash flows from financing activities		**(392.8)**	**(370.1)**
Impact of exchange rate on cash and cash equivalents		7.0	(4.0)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**34.4**	**(48.2)**
Cash and cash equivalents, beginning of period		**1,153.8**	**408.0**
Cash and cash equivalents, end of period	9	**1,188.2**	**359.8**
Cash reconciliation			
Cash		1,188.2	359.8
Overdraft included under debt	11	-	-
Cash and cash equivalents per cash flow statement		**1,188.2**	**359.8**

(1) Transactions related to non-controlling interests as of 31 December 2016 and 31 December 2017 relate to Inframed's equity investment in Broadband4Africa contributed in cash, and its subsequent buy-back.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros, except share data)	Common stock		Additional paid in capital	Reserves and re-tained earnings	Shareholders' equity Groupshare	Non-controlling interests	Total
	Number	Amount					
As of 30 June 2016	**232,774,635**	**232.8**	**738.0**	**1,682.8**	**2,653.6**	**81.2**	**2,734.8**
Net income for the period				192.2	192.2	7.0	199.2
Other items of gain or loss on comprehensive income (1)				95.2	95.2	3.6	98.8
Total comprehensive income				287.4	287.4	10.6	298.0
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
As of 31 December 2016	**232,774,635**	**232.8**	**738.0**	**1,715.9**	**2,686.8**	**80.2**	**2,766.9**
As of 30 June 2017	**232,774,635**	**232.8**	**738.0**	**1,792.1**	**2,763.0**	**202.9**	**2,966.0**
Net income for the period				156.5	156.5	6.2	162.6
Other items of gain or loss on comprehensive income (1)				(80.2)	(80.2)	(3.1)	(83.3)
Total comprehensive income				76.2	76.2	3.1	79.3
Treasury stock				0.8	0.8	-	0.8
Distributions				(281.4)	(281.4)	(14.1)	(295.4)
Benefits for employees upon exercising options and free shares granted				-	-	-	-
Transactions with non-controlling interests and others (2)				(6.4)	(6.4)	(17.0)	(23.4)
As of 31 December 2017	**232,774,635**	**232.8**	**738.0**	**1,581.5**	**2,552.3**	**175.0**	**2,727.4**

(1) Changes in other items of gain and loss on comprehensive income are detailed in Note 10.4 - Change in the revaluation surplus of financial instruments, Note 10.5 - Translation reserve and Note 10.6 - Actuarial gains and losses.
(2) Transactions with non-controlling interests are mainly explained by the buy-back of the minority stake held by Inframed in BroadBand4Africa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. KEY EVENTS DURING THE FINANCIAL PERIOD

- On 14 July 2017, Eutelsat bought back the minority stake held by Inframed in BroadBand4Africa for 28 million euros.
- On 12 October 2017, Eutelsat finalised the acquisition of Noorsat, one of the leading satellite service providers in the Middle East, from Bahrain's Orbit Holding Group for a consideration of 75 million US dollars (see Note 3.6 - *Changes in scope of consolidation*).
- Following its successful launch on 02 June 2017, the EUTELSAT 172B satellite went into operational service in November 2017.

NOTE 2. APPROVAL OF THE ACCOUNTS

The condensed consolidated half-year accounts of Eutelsat Communications as of 31 December 2017 have been prepared under the responsibility of the Board of Directors, which approved them at its meeting held on 15 February 2018.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Compliance with IFRSs

The financial statements at 31 December 2017 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:
https://ec.europa.eu/commission/index_fr

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 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 2017.

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 2017, 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 1 July 2017:

- Amendment to IAS 7 "Disclosure Initiative";
- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses";
- Improvements to IFRSs (2014-2016 cycle) with only the improvement to IFRS 12 "Disclosure of Interests in Other Entities".

Applying these standards, amendments and interpretations had no 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".

As part of the implementation of IFRS 15, contracts with Group customers were mapped and a representative portfolio of customers was analysed in order to determine both qualitative and quantitative impacts.

The expected effects are limited and they mainly include reclassifications to operating expenses and income (as well as some adjustments) for considerations payable to the costumer under sales contracts.

The Group will finalise these analyses before the full-year financial statements for the year ending 30 June 2018 in order to quantify the impacts on the financial statements, and meet the new disclosure requirements and select the transition method applied.

Eutelsat is currently assessing the potential impacts on the income statement, the balance sheet, the comprehensive income statement, the statement of cash flows and on the notes to the consolidated financial statements resulting from the application of IFRS 9 and IFRS 16.

3.3 Periods presented and comparatives

The six-month period extends from 1 July to 31 December 2017.

The reference currency and the presentation currency used to prepare the 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 2017, 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 16 - *Income tax*).

3.6 Changes in scope of consolidation

On 12 October 2017, Eutelsat finalised the 100% acquisition of Noorsat, one of the leading satellite service providers in the Middle East, from Bahrain’s Orbit Holding Group, for a consideration of 75 million US dollars settled in cash, in addition to possible earn-out payments. This acquisition is in line with the Group's strategy of rationalizing capacity distribution at selected flagship neighbourhoods where such an approach has strong potential for value creation.

Noorsat is the premier distributor of Eutelsat capacity in the Middle East, providing services from key positions at 7/8° West and 25.5° East.

The Group recorded a 9.2 million US$ expense in respect of pre-existing relationships with Noorsat under “Other operating expenses”. After recognition of a 2 million US$ debt for a possible additional earn-out payment, the consideration transferred for the acquisition of Noorsat came out at 67.8 million US$.

Noorsat’s provisional purchase price breaks down as follows:

-	(in millions of dollars)	(in millions of euros)
Intangible fixed assets (1)	31.1	26.1
Tangible fixed assets	3.0	2.5
Other non-current assets	0.2	0.2
Accounts receivable	21.1	17.7
Other current assets	1.5	1.3
Cash	1.5	1.3
Total Assets	**58.4**	**49.0**
Non-current debt	0.3	0.3
Current debt	3.7	3.1
Other current liabilities (2)	34.1	28.6
Deferred revenues	8.5	7.1
Total Liabilities	**46.6**	**39.1**
Provisional residual goodwill	56.0	47.0
Consideration transferred	**67.8**	**56.8**
Pre-existing relationships	9.2	7.7
Acquisition price	**77.0**	**64.6**

(1) Intangible assets include Customer Contracts and Relationships valued as part of the acquisition of Noorsat.
(2) The other current liabilities at acquisition date mainly include trade payables with Eutelsat SA.

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
GROSS ASSETS					
Gross value as of 30 June 2017	**1,150.8**	**1,095.0**	**40.8**	**283.5**	**2,570.0**
Acquisitions	-	-	-	3.6	3.6
Changes in scope of consolidation	47.4	26.4	-	-	73.8
Foreign-exchange variation	(15.2)	(10.5)	-	(3.3)	(29.0)
Scrapping of assets	-	-	-	(0.1)	(0.1)
Transfer	-	-	-	1.6	1.6
Gross value as of 31 December 2017	**1,182.9**	**1,110.9**	**40.8**	**285.2**	**2,619.9**
DEPRECIATION AND AMORTISATION					
Accumulated depreciation as of 30 June 2017	**-**	**(588.1)**	**-**	**(128.7)**	**(716.8)**
Depreciation and amortisation	-	(28.7)	-	(14.3)	(43.0)
Reversals (scrapping of assets)	-	-	-	0.1	0.1
Foreign-exchange variation	-	2.3	-	0.4	2.7
Accumulated depreciation as of 31 December 2017	**-**	**(614.5)**	**-**	**(142.5)**	**(757.0)**
Net value as of 30 June 2017	1,150.8	506.8	40.8	154.8	1,853.2
Net value as of 31 December 2017	**1,182.9**	**496.4**	**40.8**	**142.7**	**1,862.8**

The change over the period ended 31 December 2017 mainly relates to:

- the increase in goodwill and intangibles related to the acquisition of Noorsat (see Note 3.6 - *Changes in scope of consolidation*);
- the change in goodwill arising from the acquisition of Satmex (denominated in US dollars);
- the amortisation of customer contracts and relationships.

As of 31 December 2017, goodwill, which was monitored only at Eutelsat's operating 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 market value (fair value) 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 39% for the fair value to fall below the carrying amount. Should such an event occur, the value in use would be tested.

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, depreciations and amortisation

(in millions of euros)	Satellites	Other tangibles	Construction in progress	Total
GROSS ASSETS				
Gross value as of 30 June 2017	**6,276.5**	**405.5**	**759.9**	**7,441.9**
Acquisitions	2.4	3.5	53.3	59.1
Disposals	-	(0.5)	(0.4)	(0.9)
Changes in scope of consolidation	-	2.6	-	2.6
Scrapping of assets	-	(0.7)	(2.8)	(3.5)
Foreign-exchange variation	(-66.4)	(1.9)	(7.2)	(75.5)
Transfers	223.3	14.3	(239.1)	(1.5)
Gross value as of 31 December 2017	**6,435.7**	**422.8**	**563.7**	**7,422.2**
DEPRECIATION AND AMORTISATION				
Accumulated depreciation as of 30 June 2017	**(2,253.0)**	**(295.1)**	**-**	**(2,548.0)**
Depreciation and amortisation	(194.7)	(16.5)	-	(211.1)
Reversals (disposals)	-	0.4	-	0.4
Reversals (scrapping of assets)	-	0.7	-	0.7
Reclassification	(0.4)	(0.8)	-	(1.2)
Foreign-exchange variation	13.3	1.0	-	14.3
Accumulated depreciation as of 31 December 2017	**(2,434.8)**	**(310.2)**	**-**	**(2,744.9)**
Net value as of 30 June 2017	**4,023.5**	**110.4**	**759.9**	**4,893.9**
Net value as of 31 December 2017	**4,000.9**	**112.6**	**563.7**	**4,677.3**

Satellite-related transfers during the half-year period ended 31 December 2017 correspond to the entry into operational service of the EUTELSAT 172B satellite which was launched during the financial year ended 30 June 2017.

SATELLITES UNDER CONSTRUCTION

Satellites listed 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 7C, EUTELSAT 5WB	2018-2019
QUANTUM, BROADBAND4AFRICA	2019-2020

NOTE 6. INVESTMENTS IN ASSOCIATES

As of 31 December 2017, investments in associates consist in equity investments in Eurobroadband Retail, and income from equity investments in the consolidated income statement corresponds to the Group's share of income from Eurobroadband Retail.

NOTE 7. ASSETS HELD FOR SALE

As of 30 June 2017 and 31 December 2017, as a result of the sale of Eutelsat's interest in Hispasat initiated by Eutelsat in July 2016, the amount of the Hispasat portion was shown as assets held for sale. The closing of the transaction which is expected during the financial period ending 30 June 2018 is subject to approval by the Spanish Government and to certain usual prerequisites.

NOTE 8. TRADE DEBTORS AND RELATED ACCOUNTS

As of 30 June 2017, the net value of these receivables was 345.4 million euros. The corresponding impairment charge stood at 60.4 million euros.

As of 31 December 2017, the net value of these receivables was 339.3 million euros. The corresponding impairment charge stood at 70.5 million euros.

8.1 Analysis of accounts receivable (matured and non-matured)

(in millions of euros)	30 June 2017	31 December 2017
Non-matured receivables	196.6	185.7
Matured receivables	209.1	224.2
Between 0 and 30 days	36.5	41.5
Between 30 and 90 days	44.4	34.7
More than 90 days	128.3	147.9
Impairment	(60.4)	(70.5)
Total	**345.4**	**339.3**

8.2 Change in impairment of receivable:

(in millions of euros)	Total
Value as of 30 June 2017	**60.4**
Allowance	20.7
Reversals (used)	-
Reversals (unused)	(10.1)
Foreign-exchange variation	(0.4)
Value at 31 December 2017	**70.5**

NOTE 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are detailed as follows:

(in millions of euros)	30 June 2017	31 December 2017
Cash at bank and in hand	323.1	316.7
Cash equivalents	84.9	43.1
Total	**408.0**	**359.8**

Cash equivalents are mainly composed of mutual fund investments qualifying as “cash equivalents” (10.0 million euros as of 31 December 2017) and deposit certificates, which mature less than three months from the date of acquisition.

The Group’s cash and cash equivalents are mainly held by subsidiaries located in France, in the rest of Europe and in America.

NOTE 10. SHAREHOLDERS' EQUITY

10.1 Shareholders’ equity

As of 31 December 2017, 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 215,532 treasury shares amounting to 4.1 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.

10.2 Dividends

On 08 November 2017, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of 1.21 euro per share, i.e. a total of 281.4 million euros, taken from the Group reserves.

In 2016, the amount distributed as a dividend was 255.8 million euros, i.e. 1.10 euro per share, taken entirely from net income for the financial year ended 30 June 2016.

10.3 Share-based compensation

During the first half of the current financial year, the Group has managed three plans set up in February 2016, April 2017 and November 2017 respectively.

Under the three plans, the expense (excluding employer's contributions) recognised for the financial period ended 31 December 2017 was 2.3 million euros, compared to 0.6 million euros for the financial period ended 31 December 2016.

10.4 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
Balance at 30 June 2017	**14.8**
Changes in fair value within equity that can be reclassified to income	(6.7)
Transfer to income statement (1)	-
Balance at 31 December 2017	**8.1**

(1) This amount corresponds to coupons due and matured on the interest rate hedging instruments (see Note 15 – Financial result).

10.5 Translation reserve

(in millions of euros)	Total
Balance at 30 June 2017	**170.0**
Change over the period	(66.8)
Balance at 31 December 2017	**103.2**

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.

10.6 Actuarial gains and losses

These provisions were revised upwards as a result of the decrease by 0.25 base point recorded since 30 June 2017 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 10.8 million euro increase. Having recognised deferred tax assets for 1.0 million euros and discounted deferred tax liabilities resulting from the 2018 Finance Act (see Note 16 - *Income tax*), the net impact on actuarial gains and losses stood at 9.8 million euros.

NOTE 11. FINANCIAL DEBT

As of 30 June and 31 December 2017, all bank debt is denominated in euros.

11.1 Financial information as of 30 June and 31 December 2017

(in millions of euros)	Rate	30 June 2017	31 December 2017	Maturity
Term loan 2022	Variable	600.0	600.0	31 March 2022
Bond 2019 [1]	5.000%	800.0	800.0	14 January 2019
Bond 2020 [1]	2.625%	930.0	930.0	13 January 2020
Bond 2021 [1]	1.125%	500.0	500.0	23 June 2021
Bond 2022 [1]	3.125%	300.0	300.0	10 October 2022
ONDD-guaranteed export credit	Variable	142.3	130.5	17 May 2024
Sub-total of debt (non-current portion)		**3,272.3**	**3,260.5**	
Loan set-up fees and premiums		(19.5)	(16.6)	
Total of debt (non-current portion)		**3,252.9**	**3,243.9**	
ONDD-guaranteed export credit		23.7	23.7	
Bank overdrafts		-	-	
Accrued interest not yet due		37.2	67.8	
Total debt (current portion)		**60.9**	**91.5**	

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

(in millions of euros)	30 June 2017	31 December 2017
Bond 2019	859.2	841.3
Bond 2020	979.5	972.9
Bond 2021	508.9	514.0
Bond 2022	333.7	335.1

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 2017.

11.2 Debt maturity analysis

As of 31 December 2017, the debt maturity analysis is 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	-
ONDD-guaranteed export credit	154.2	23.7	130.5	-
Bond 2019	800.0	-	800.0	-
Bond 2020	930.0	-	930.0	-
Bond 2021	500.0	-	500.0	-
Bond 2022	300.0	-	300.0	-
Total	**3,284.2**	**23.7**	**3,260.5**	**-**

11.3 Compliance with banking covenants

The banking covenants on financing facilities as of 31 December 2017 have not changed since their inception. As of 31 December 2017, the Group was in compliance with all banking covenants under its credit facilities.

NOTE 12. PROVISIONS

As of 31 December 2017, the debt maturity analysis is as follows:

(in millions of euros)	30 June 2017	Allowance	Reversal		Recognised in equity	31 December 2017
			Used	Unused		
Financial guarantee granted to a pension fund	71.6	0.8	-	-	10.3	82.7
Retirement indemnities	14.8	0.6	(0.1)	-	0.5	15.8
Post-employment benefits [1]	14.3	0.2	(0.2)	-	-	14.2
Total post-employment benefits	**100.7**	**1.6**	**(0.3)**	**-**	**10.8**	**112.8**
Litigation [2]	25.7	2.6	(2.5)	(1.4)	-	24.4
Other	6.5	3.0	(1.7)	-	-	7.8
Total provisions	**132.9**	**7.2**	**(4.5)**	**(1.4)**	**10.8**	**145.0**
- incl. non-current portion	97.3					112.4
- incl. current portion	35.6					32.6

(1) The other post-employment benefits mainly relate to end-of-contract indemnity payments in various subsidiaries.

(2) Litigation recorded at end of period covers commercial, employee-related and tax litigation.

NOTE 13. OTHER FINANCIAL LIABILITIES

Other financial liabilities break down as follows:

(in millions of euros)	30 June 2017	31 December 2017
Derivative instruments [1]	105.1	85.7
Finance leases	652.6	639.9
Other liabilities	107.9	106.8
Total	**865.6**	**832.4**
Incl. non current portion	*798.1*	*743.0*
- incl. current portion	*67.6*	*89.4*

(1) See Note 18 - Financial instruments.

The financial instruments are measured at fair value (Level 2), and the other financial 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 2.0 million euros as of 30 June 2017 and 3.6 million euros as of 31 December 2017.

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

NOTE 14. SEGMENT INFORMATION

Over the period ended 31 December 2017, 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 2017, 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. These services include 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 twelve-month periods ended 31 December 2016 and 2017 are as follows:

(in millions of euros and as a percentage)	31 December 2016		31 December 2017	
Regions	**Amount**	**%**	**Amount**	**%**
France	61.3	8.1	51.2	7.3
Italy	88.4	11.7	77.6	11.1
United Kingdom	54.0	7.1	47.1	6.8
Europe (other)	198.1	26.2	185.1	26.6
Americas	164.3	21.8	151.4	21.7
Middle-East	118.9	15.8	115.5	16.6
Africa	52.3	6.9	48.6	7.0
Asia	17.6	2.3	18.0	2.6
Other	0.1	0.0	1.9	0.3
Total	**755.1**	**100.0**	**696.6**	**100.0**

Group EBITDA [1] stood at 588.0 million euros and 544.6 million euros for the six-month periods ended 31 December 2016 and 31 December 2017 respectively.

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

Net debt [1] breaks down as follows:

(in millions of euros)	30 June 2017	31 December 2017
Term loan	600.0	600.0
Bonds	2,530.0	2,530.0
Export credit	166.0	154.2
"Change" portion of the cross-currency swap	102.0	69.6
Finance leases [2]	650.5	636.3
Cash and cash equivalents	(408.0)	(359.8)
Total	**3,640.7**	**3,630.3**

(1) The components of EBITDA and net debt have not changed since 30 June 2017.
(2) The the change in finance lease liabilities correspond to repayments over the period.

NOTE 15. FINANCIAL RESULT

The financial result is made up as follows:

(in millions of euros)	Six-month period ended 31 December 2016	Six-month period ended 31 December 2017
Interest expense after hedging [1]	(70.1)	(51.7)
Loan set-up fees and commissions [2]	(4.7)	(3.4)
Capitalised interest [3]	8.6	6.8
Cost of gross debt	**(66.2)**	**(48.3)**
Financial income	0.9	0.4
Cost of net debt	**(65.3)**	**(47.9)**
Changes in financial instruments [4]	1.0	(0.5)
Foreign-exchange impact	8.2	(8.1)
Other	(3.4)	0.7
Financial result	**(59.6)**	**(55.8)**

(1) The interest expense was not impacted by instruments qualified as interest-rate hedges during the half-year periods ended 31 December 2016 and 31 December 2017.
(2) Issuing costs include amortisation of all loan issuing costs and premiums.
(3) 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 3.15% as of 31 December 2016 and 2.89% as of 31 December 2017.
(4) 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 16. INCOME TAX

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

As of 31 December 2017, the effective income tax rate came out at 27.0%. This rate includes the effects in France of (i) the 15% exceptional contribution to the corporate income tax, the standard income tax rate now standing at 39.43% for the financial year ended 30 June 2018, and (ii) the capping of deductible financial expenses at 75%. Furthermore, the effective income tax rate includes the effects of the 2018 Finance Act, which provides for a gradual decrease to 25.82% of the standard corporate income tax for financial years beginning on or after 1 January 2022. It should be noted that the tax expense recorded during the reporting period also includes a 20.9 million euro income related to the refund claimed of dividend tax paid in previous years and recognised as a current tax receivable.

NOTE 17. 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 2016 and 30 June 2017.

(in millions of euros)	31 December 2016	31 December 2017
Net income	**199.2**	**162.6**
Income from subsidiaries attributable to non-controlling interests	(7.0)	(6.1)
Net earnings used to compute earnings per share	**192.2**	**156.5**
Average number of shares	**232,505,425**	**232,471, 711**

NOTE 18. FINANCIAL INSTRUMENTS

The following tables analyse the contractual or notional amounts and fair values of derivatives as of 30 June and 31 December 2017, 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 values		Change in fair value over the period	Impact on income (excl. coupons)	Impact on equity (excl. coupons)
	30 June 2017	31Dec. 2017	30 June 2017	31 Dec. 2017			
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	66.5	169.7	2.5	4.0	1.5	(0.5)	2.0
Cross currency swap	500.0	500.0	(90.1)	(58.6)	31.5	-	31.5
Total forex derivatives	**566.5**	**669.7**	**(87.6)**	**(54.7)**	**33.0**	**(0.5)**	**33.5**
Pre-hedging swap	1,300.0	1,300.0	(15.0)	(27.1)	(12.1)	-	(12.1)
Total interest rate derivatives	**1,300.0**	1,300.0	**(15.0)**	**(27.1)**	**(12.1)**	**-**	**(12.1)**
Total derivatives			**(102.6)**	**(81.7)**	**20.9**	**(0.5)**	**21.4**

As of 31 December 2017, the cumulative fair value of financial instruments was negative at 85.7 million euros and positive at 4.0 million euros.

NOTE 19. PURCHASE COMMITMENTS

As of 31 December 2017, the Company has entered into commitments with suppliers for the acquisition of assets (satellites and other assets) and the provision of services for 394.3 million euros.

Future payments in respect of such acquisitions of assets and provision of services as of 31 December 2017 are scheduled as follows:

(in millions of euros)	As of 31 December 2017
2018	142.2
2019	102.1
2020	57.6
2021	18.3
2022 and beyond	74.0
Total	**394.3**

NOTE 20. RELATED-PARTY TRANSACTIONS

No related-party transaction of a different nature than those entered into during the financial year ended 30 June 2017 has been made during the reporting period.

NOTE 21. LITIGATION AND CONTINGENT LIABILITIES

In the course of its business activities, the Group has been involved in legal actions and commercial and tax-related 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 trade disputes are described as follows:

<u>Viasat Brasil</u>:

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, which declined jurisdiction in August 2016. The claimant filed an appeal against the court's decision, and the court of appeal confirmed the judgement delivered at first instance.

Viasat Brasil challenged the decision before the “Cour de cassation” (French Supreme Court).

<u>Tax dispute in France</u>:

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 30 June 2013 and 30 June 2014.

Eutelsat S.A. rebutted two out of the three adjustments, believing that it has strong defences. At balance sheet date, Eutelsat has not booked any provision for risks in respect of the tax reassessment, considering it as a contingent liability.

<u>HorizonSat</u>:

During the financial year ended 30 June 2015, Eutelsat SA was summoned by HorizonSat before the Commercial Court of Paris for unilateral termination without compensation of a commercial bid. In April 2017, Eutelsat was convicted by the Court but the plaintiff appealed against the court's decision.

<u>LC2 International:</u>

Eutelsat S.A. was summoned by LC2 International before the Commercial Court of Paris for suspension of satellite broadcasting services. As of 31 December 2017, the court has not issued any judgement.

<u>Frequency rights:</u>

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

NOTE 22. 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.