EUTELSAT Communications

2018-2019 HALF YEAR FINANCIAL REPORT

(July-December 2018)

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 document 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 13 February 2019 and approved by the Board of Directors on 14 February 2019. 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. Figures as of 31 December 2017 have been restated throughout this document to reflect the retrospective adoption of IFRS 15 on 1 July 2018. The impact of the application of IFRS 15 is presented in the note 3 to the consolidated financial statements. The Group adopted IFRS16 and IFRS 9 on 1 July 2018.

1 KEY EVENTS AND BUSINESS OVERVIEW

1.1. HIGHLIGHTS

Since the beginning of FY 2018-19, Eutelsat has taken further measures to maximise cash generation, leveraging all components of cash-flow:

- The successful issue of an €800 million 2.0 percent Eurobond with a 7-year maturity, enabling the full redemption of the outstanding bonds bearing a 5.0 per cent coupon maturing in January 2019. This transaction will reduce pre-tax cash interest by some €24 million on an annualized basis from FY 2019-20;
- The disposal of the interest in EUTELSAT 25B for a cash consideration of €135 million;
- Further progress on the implementation of the capex optimization strategy with:
  - The replacement of the HOTBIRD constellation negotiated at highly compelling terms thanks to the application of design-to-cost;
  - A long-term service agreement with Arianespace covering five launches until 2027, providing cost-effective, assured access to space with schedule flexibility;
- The LEAP cost-saving program, comfortably on track to deliver €30m in opex savings this year;
- The French Finance Law for 2019 contains a provision specifying the rules relating to the territoriality of corporate tax applicable to telecommunications satellite operators. This will likely have a significant beneficial impact on Eutelsat's tax bill, although it cannot be reliably measured at this stage.

At the same time Eutelsat has continued to build the foundations for its return to growth:

- Extracting greater value from its core Video business with the launch in September 2018 of Eutelsat CIRRUS, a hybrid satellite-OTT turnkey delivery solution enabling broadcast customers to offer a flexible, seamless content experience across multiple screens, and representing a further step in the integration of satellite into the IP ecosystem;
- Capturing the connectivity opportunity with:
  - The commercial launch of the Konnect Africa broadband service in several countries;
  - The completion of the overhaul of the distribution strategy in Europe focused on selected specialist distribution partners and major telecom operators.

1.2. KEY FIGURES

Key Financial Data	6M to Dec. 2017 Restated	**6M to Dec. 2018**	**Change**
P&L			
Revenues - €m	688.1	**658.1**	**-4.4%**
"Operating Verticals" revenues	675.9	**660.4**	**-2.3%**
"Operating Verticals" revenues at constant currency and perimeter	669.9	**653.8**	**-2.4%**
EBITDA[1] - €m	546.2	**518.4**	**-5.1%**
EBITDA margin - %	79.4	**78.8**	**-0.6 pts**
EBITDA margin at constant currency - %	79.4	**79.0**	**-0.4 pts**
Group share of net income - €m	158.0	**150.4**	**-4.8%**
Financial structure			
Discretionary Free-Cash-Flow at constant currency and perimeter[2]	337.1	**235.2**	**-30.2%**
Net debt - €m	3,630.3	**3,304.3**	**-€326m**
Net debt/EBITDA - X	3.3x	**3.1x**	**-0.2 pts**
Backlog – €bn	4.7	**4.6**	**-2.9%**

[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 2017 IFRS 15 restated	6 months to Dec 2017 proforma[4]	6 months to Dec 2018 reported	Actual change	Like-for-like change[5]
Video Applications	443.0	437.0	**432.1**	-2.5%	-2.0%
Government Services	79.6	79.6	**81.8**	+2.9%	+1.7%
Fixed Data	73.4	73.4	**66.0**	-10.2%	-11.9%
Fixed Broadband	42.8	42.8	**40.5**	-5.5%	-5.8%
Mobile Connectivity	37.1	37.1	**40.0**	+7.9%	+6.7%
Total Operating Verticals	675.9	**669.9**	**660.4**	**-2.3%**	**-2.4%**
Other Revenues[6]	12.2	12.2	**(2.3)**	n/a	n/a
Total revenues	688.1	**682.0**	**658.1**	**-4.4%**	**-4.5%**
EUR/USD exchange rate	*1.17*	*1.17*	*1.16*		

Total revenues for the **First Half** of FY 2018-19 stood at €658 million down by 4.4% at constant accounting standards.

Revenues of the five Operating Verticals (ie, excluding 'Other Revenues') were down by 2.4% on a like-for-like basis excluding a negative perimeter effect of c.0.5 points (net effect of the disposal of the stake in EUTELSAT 25B and the acquisition of Noorsat) and a positive currency effect of c.0.5 points.

Second Quarter revenues stood at €323 million, down 5.7% at constant accounting standards. Revenues of the five Operating Verticals stood at €326 million, down 3.0% year-on-year and by 2.2% quarter-on-quarter on a like-for-like basis.

Unless otherwise stated, all variations indicated below are on a like-for-like basis, ie, at constant currency and perimeter.

Core businesses

Video Applications (66% of revenues)

First Half Video Applications revenues were down 2.0% like-for-like to €432 million, reflecting lower Professional Video revenues in a context of continued price pressure as well as the impact of a lower contribution from FRANSAT. Excluding these two factors, pure Broadcast revenues were broadly stable.

Second Quarter revenues stood at €215 million, down by 2.4% year-on-year but broadly stable on a quarter-on-quarter basis.

At 31 December 2018, the total number of channels broadcast by Eutelsat satellites stood at 7,067, up 3.8% year-on-year. HD penetration continued to increase, standing at 1,500 channels versus 1,275 a year earlier (+17.6%), implying a penetration rate of 21.2% compared to 18.7% a year earlier.

On the commercial front, contracts were signed with the Ethiopian Broadcasting Corporation and the Association of Ethiopian Broadcasters for capacity on EUTELSAT 8 West B, representing multi-transponder capacity including incremental resources. A new multi-year, multi-transponder contract has also been signed with Afghanistan Broadcasting System for capacity on the EUTELSAT 53A satellite. Elsewhere, Eutelsat will now sell capacity directly to beIN Media, reflecting the direct approach implemented in the MENA region. Finally, the first contracts have been signed for the CIRRUS platform.

Thanks to these contracts and other business opportunities in the pipeline close to materialization, trends in Broadcast are set to further improve in the coming quarters.

---

[3] The share of each application as a percentage of total revenues is calculated excluding "other revenues".
[4] Pro-forma revenues reflecting the disposal of EUTELSAT 25B. Please refer to the appendix for more detail.
[5] At constant currency, perimeter and accounting standards. The variation is calculated as follows: i) H1 2018-19 USD revenues are converted at H1 2017-18 rates; ii) H1 2017-18 revenues are restated from the disposal of Eutelsat's interest in EUTELSAT 25B and from the impact of IFRS 15 standards; iii) H1 2018-19 revenues are restated from the net contribution of Noorsat.
[6] Other revenues include mainly compensation paid on the settlement of business-related litigations, the impact of EUR/USD currency hedging, the provision of various services or consulting/engineering fees and termination fees. Hedging effect amounted to (€7.1) million in the first half of FY 2018-19 and +€1.9m a year earlier.

Government Services (12% of revenues)

First Half Government Services revenues stood at €82 million, up 1.7% on a like-for-like basis. This reflected on one hand the incremental business secured last year over Asia-Pacific at the 174°East orbital position, and on the other the lower than expected level of renewals with the US Government in the Fall 2018 campaign.

Second Quarter revenues stood at €39 million, stable on a year-on-year basis, and down by 8.0% quarter-on-quarter.

Fixed Data (10% of revenues)

First Half Fixed Data revenues stood at €66 million, down 11.9% like-for-like. The performance of this vertical continues to reflect ongoing pricing pressure and a highly competitive environment, with Latin America the main contributor to the decline.

Second Quarter revenues amounted to €33 million, down 11.7% on a year-on-year basis, and by 3.1% quarter-on-quarter.

On the commercial front, a framework agreement was signed with Orange incorporating a material multi-transponder renewal which secures business on a multi-year basis, as well as setting the stage for potential incremental business in Fixed Data, Government Services and Mobile Connectivity.

Connectivity

Fixed Broadband (6% of revenues)

First Half Fixed Broadband revenues stood at €40 million, down 5.8% like-for-like. This performance continued to reflect lower revenues for European Broadband in a context of scarcity of available capacity in certain Western Europe countries and transition to a new, self-managed distribution strategy, as well as the expiry of a contract with a Middle-East customer for a spotbeam on EUTELSAT 3B, re-contracted to Taqnia in the Mobile Connectivity vertical.

Second Quarter revenues stood at €20 million, down 4.2% year-on-year and by 1.5% quarter-on-quarter.

Revenue trends stand to improve in the Second Half, notably thanks to the launch and progressive ramp-up of the Konnect Africa broadband service in several countries. The commercial service was launched in November 2018 in DRC with a large network of local partners ranging from telecom and television services distributors to financial services operators.

In Europe, an overhaul of the standalone distribution strategy, focused on selected specialist distribution partners and telecom operators has been completed. In this context, an agreement has been signed with the Spanish telco operator, Masmovil, for the distribution of broadband services via the KA-SAT satellite, while a Preferred Partner Programme (PPP) has been launched to reinforce relations with key partners and revitalize the distribution of KA-SAT capacity.

Mobile Connectivity (6% of revenues)

First Half Mobile Connectivity revenues stood at €40 million, up 6.7% like-for-like. They reflected the positive impact of the new contract with Taqnia at 3°East and 70°East, the carry-over effect of the entry into service of EUTELSAT 172B at end-November 2017 and the ongoing ramp-up of capacity contracts on KA-SAT.

Second Quarter revenues stood at €19.4 million, up 2.6% on a year-on-year basis, and down by 6.9% quarter-on-quarter.

[On the commercial front, a multi-transponder contract was signed with a leading service provider on multiple satellites for capacity dedicated to maritime connectivity. This new contract as well as] the start of the UnicomAirNet contract for in-flight connectivity on EUTELSAT 172B will support revenue growth in the Second Half.

Other Revenues

In the **First Half**, Other revenues amounted to (€2.3) million versus €12.2 million a year earlier. They included a negative (€7.1) million impact from hedging operations. The lumpiness of this line means the half yearly performance cannot be extrapolated for the full year.

1.4. Order Backlog

The order backlog[7] stood at €4.6 billion at 31 December 2018 versus 4.7 billion a year earlier and 4.6 billion at end June 2018. The stability versus end-June reflects notably the inclusion of future revenues related to commitments from Orange and Thales on KONNECT VHTS as well as the new contracts in maritime and with the Ethiopian broadcasters in Video which offset the negative effects of the disposal of EUTELSAT 25B, the adoption of IFRS 15 and natural backlog consumption.

The backlog was equivalent to 3.3 times 2017-18 revenues. Video Applications represented 77% of the backlog.

	31 Dec 2017	30 Jun 2018	**31 Dec 2018**
Value of contracts (in billions of euros)	4.7	4.6	**4.6**
In years of annual revenues based on previous fiscal year	*3.2*	*3.2*	***3.3***
Share of Video Applications	85%	83%	**77%**

1.5. Operational and utilized transponders

The number of operational transponders at 31 December 2018 stood at 1,419, up by three units year-on-year and down by eight versus end-June, principally reflecting the disposal of EUTELSAT 25B.

The number of utilized transponders stood at 970, up 21 units year-on-year and stable versus end-June. The evolution versus end-June principally reflects the disposal of EUTELSAT 25B as well as the outcome of the Fall renewals in Government Services, offset by new contracts with Orange Slovensko and Ethiopian broadcasters as well as the ramp-up at 174° East.

As a result, the fill rate stood at 68.3% compared to 67.0% a year earlier and 68.1% at end-June.

	31 Dec 2017	30 Jun 2018	**31 Dec 2018**
Operational transponders[8]	1,416	1,427	**1,419**
Utilized transponders[9]	949	971	**970**
Fill rate	67.0%	68.1%	**68.3%**

Note: Based on 36 MHz-equivalent transponders excluding high throughput capacity.

[7] The backlog represents future revenues from capacity or service agreements and can include contracts for satellites under procurement.
[8] Number of transponders on satellites in stable orbit, back-up capacity excluded.
[9] Number of transponders utilised on satellites in stable orbit.

2 PROFITABILITY

2.1. Profitability

EBITDA stood at €518 million at 31 December 2018 compared with €546 million a year earlier, down by 5%. The **EBITDA margin** stood at 78.8% (79.0% at constant currency) versus 79.4% a year earlier, reflecting lower high-margin 'Other Revenues', the dilutive effect of changes in perimeter as well as costs related to the Konnect Africa project. The LEAP program is progressing in line with expectations and is well on track to deliver on its €30m target for the full year.

Group share of net income stood at €150 million versus €158 million a year earlier, down 5% and representing a margin of 23%. This reflected:

- Broadly unchanged **depreciation and amortisation** ((€258) million at 31 December 2018 compared with (€254) million a year earlier);
- **'Other operating income'** of €36 million reflecting principally the capital gain on the disposal of the interest in EUTELSAT 25B in August 2018;
- A **net financial result** of (€53) million (versus (€56) million a year earlier), mainly reflecting the balance sheet evolution of foreign exchange gains and losses;
- A **tax rate** of 35% (versus 27% last year) which does not reflect the potential impact of the above-mentioned new provisions included in the French Finance Law for 2019. As a reminder, the previous year's tax rate included a positive non-cash one-off related to deferred tax liabilities to reflect future changes in the French corporate tax rate, as well as the full impact of the refund relating to the 3% dividend tax for previous years.

2.2. Cash flow

In H1 2018-19 **Net cash flow from operating activities** amounted to €379 million, €33 million lower than a year earlier. This reflected principally the decrease in EBITDA partly as a result of negative currency and perimeter impacts.

Cash Capex amounted to €130 million, fully consistent with expectations. As a reminder, last year's cash capex in the first half stood at just €53 million, a level which was not representative of the full year figure.

Interest and other fees paid net of interest received amounted to €24 million versus €21 million last year.

As a result, **Discretionary Free Cash-Flow** amounted to €225 million (€235 million at constant currency and perimeter), down 34% on a reported basis and by 30% at constant currency and perimeter, reflecting predominantly the phasing of investments. This evolution should not be extrapolated for the year as a whole.

2.3. Financial structure

At 31 December 2018 **net debt** stood at €3,304 million, up €63 million versus end-June. It reflected on one hand €225 million in discretionary free cash-flow generated in the first semester and half of the consideration for EUTELSAT 25B (€68 million), and on the other, the dividend payment of €310 million and the impact of IFRS 16 for €44 million. Other items, mainly repayments of export credit financing and financial leases, changes in the foreign exchange portion of the cross-currency swap and premia for derivatives settled represented a net amount of €1 million.

The **net debt to EBITDA** ratio stood at 3.1 times, an improvement on end-December 2017 (3.3 times). As a reminder, December usually represents a peak in the annual net debt profile reflecting the timing of the dividend payment.

The weighted average maturity of the Group's debt stood at 2.7 years, compared to 2.5 years at end-December 2017. The average cost of debt after hedging stood at 2.8% (2.9% in H1 2017-18). When restated from the repayment of the January 2019 €800m maturity, these metrics stood at 3.4 years and 2.2% respectively.

Liquidity remained strong, with undrawn credit lines of €650 million and cash of €677 million on top of the €800 million earmarked for the redemption at maturity of the January 2019 bond.

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 16 October 2018 under number D. 18-0876.

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 2018 or on its activities during the First Half of the financial year ending 30 June 2019.

4 CHANGES WITHIN THE GROUP

4.1. Governance

The Ordinary and Extraordinary Shareholders' Meeting of 8 November 2018 renewed the mandates of Ross McInnes and Bpifrance Participations.

The Board is composed of twelve members, 42% of whom are women (five out of twelve) and 58% of whom are independent directors (seven out of twelve).

The Combined General Meeting also approved all the other resolutions, including the approval of the accounts, the dividend for the 2017-18 financial year, compensation of corporate officers and compensation policy.

Elsewhere, Esther Gaide has been appointed chairwoman of the Audit, Risks and Compliance Committee replacing Ross McInnes who will remain a member of this Committee. Ross McInnes has been appointed chairman of the Nomination and Governance Committee replacing Carole Piwnica who will remain a member of this Committee.

4.2. Dividend

The Annual General Meeting of Shareholders held on 8 November 2018 approved the payment of a dividend of €1.27 per share in respect of the financial year ended 30 June 2018, up from €1.21 the previous year.

The dividend, totaling €295 million, was fully paid in cash on 22 November 2018.

4.3. Change in the scope of Group consolidation

On 9 August 2018, Eutelsat sold its interest in the Eutelsat 25B satellite to Es'hailSat for a consideration of €135 million.

On 23 November 2018, Eutelsat SA sold its 49% stake in Eurobroadband Retail to a company of the Viasat Group, already a 51% shareholder.

4.4. Bond Issuance

In October 2018, Eutelsat issued 7-year senior unsecured bonds for a total of €800 million maturing in 2025 on the regulated market of the Luxembourg Stock Exchange. The bond issue was carried out by the subsidiary Eutelsat S.A. The bond issue carries an annual coupon of 2.000%, issued at 99.400% and will be redeemed at 100% of the principal amount at maturity. This bond issue enables Eutelsat to refinance the bonds issued on 14 December 2011 for a total principal amount of €800 million, bearing interest on its principal amount at a fixed rate of 5.000% and due January 2019.

5 RECENT EVENTS AND SATELLITE FLEET EVOLUTION

5.1. Satellite fleet evolution

Nominal deployment programme

Satellite[1]	Orbital position	Estimated launch (calendar year)	Main applications	Main geographic coverage	Physical Transponders/ Spot beams	36 MHz-equivalent transponders / Spot beams	Of which expansion
EUTELSAT 7C	7° East	Q2 2019	Video	Turkey, Middle-East, Africa	44 Ku	49 Ku	19 Ku
EUTELSAT 5 WEST B	5° West	Q2 2019	Video	Europe, MENA	35 Ku	35 Ku	None
EUTELSAT QUANTUM	To be confirmed	H2 2019	Government Services	Flexible	8 "QUANTUM" beams	Not applicable	Not applicable
KONNECT	To be confirmed	H2 2019	Connectivity	Africa Europe	65 spot beams	75 Gbps	75 Gbps
KONNECT VHTS	To be confirmed	2021	Connectivity Government Services	Europe	~230 spot beams	500 Gbps	500 Gbps
EUTELSAT HOTBIRD 13F	13° East	2021	Video	Europe MENA	80 Ku[2]	73 Ku[2]	None
EUTELSAT HOTBIRD 13G	13° East	2021	Video	Europe MENA	80 Ku[2]	73 Ku[2]	None

[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, KONNECT, KONNECT VHTS, EUTELSAT HOTBIRD 13F and EUTELSAT HOTBIRD 13G) between 4 and 6 months.
[2] Nominal capacity corresponding to the specifications of the satellites. Total operational capacity at the HOTBIRD orbital position will remain unchanged with 102 physical transponders (95 36 Mhz equivalent transponders) operated, once regulatory, technical and operational constraints are taken into account.

The launches of EUTELSAT 7C and EUTELSAT 5 WEST B are now expected in Q2 2019, versus Q1 2019 previously, with no material impact on the revenue profile.

Changes in the fleet in the First Half

- Eutelsat sold its interest in the EUTELSAT 25B satellite to the co-owner of the satellite, Es'hailSat.
- The Al Yah 3 satellite started operations.
- EUTELSAT 33C was relocated to 133°West and renamed EUTELSAT 133 WEST A.
- EUTELSAT 59A reached the end of its operational life and was de-orbited.

As of 30 December 2018, the Group operated capacity on 37 satellites.

6 CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS AS OF 31 DECEMBER 2018

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 2018

CONSOLIDATED BALANCE SHEET

(in millions of euros)	Note	30 June 2018 (1)	31 December 2018
ASSETS			
Non-current assets			
Goodwill	4	1,197.5	1,203.8
Intangible assets	4	653.6	610.7
Tangible assets and construction in progress	5	4,761.7	3,916.1
Rights of use in respect of leases	6	-	700.0
Investments in associates	7	4.3	-
Non-current financial assets		42.1	43.6
Deferred tax assets		4.6	3.9
Total non-current assets		**6,663.8**	**6,477.9**
Current assets			
Inventories		2.1	2.2
Accounts receivable	8	330.9	320.5
Other current assets		42.7	44.7
Current tax receivable		4.5	7.4
Current financial assets		16.9	82.9
Cash and cash equivalents	9	733.5	1,476.9
Total current assets		**1,130.6**	**1,934.5**
Total assets		**7,794.4**	**8,412.4**

(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15. They have not been restated under IFRS 16, as the Group has opted for a modified retrospective application. The impact of the adoption of the two new standards on the Group's financial statements is presented in Note 3.1 "Accounting rules and methods".

(in millions of euros)	Note	30 June 2018 (1)	31 December 2018
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		1,695.5	1,556.3
Non-controlling interests		181.2	178.0
Total shareholders' equity		**2,847.4**	**2,705.1**
Non-current liabilities			
Non-current financial debt	11	2,434.8	3,217.7
Non-current lease liabilities	13	-	541.5
Other non-current financial liabilities	13	695.8	175.7
Non-current payables to fixed assets' suppliers		17.9	16.9
Non-current liabilities associated with customer contracts		125.0	120.4
Non-current provisions	12	107.1	105.2
Deferred tax liabilities		264.8	249.1
Total non-current liabilities		**3,645.4**	**4,426.5**
Current liabilities			
Current financial debt	11	860.9	895.6
Current lease liabilities	13	-	84.9
Other current payables and financial liabilities	13	216.9	83.3
Accounts payable		56.3	50.6
Current payables to fixed assets' suppliers		44.7	40.2
Taxes payable		10.6	29.9
Current liabilities associated with customer contracts		81.6	70.9
Current provisions	12	30.6	25.5
Total current liabilities		**1,301.7**	**1,280.8**
Total liabilities and shareholders' equity		**7,794.4**	**8,412.4**

(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15. They have not been restated under IFRS 16, as the Group has opted for a modified retrospective application. The impact of the adoption of the two new standards on the Group's financial statements is presented in Note 3.1 "Accounting rules and methods".

CONSOLIDATED INCOME STATEMENT

(in millions of euros, except per share data)	Note	31 December 2017 [1]	31 December 2018
Revenues from operations	14	**688.1**	**658.1**
Operating costs		(46.0)	(42.9)
Selling, general and administrative expenses		(95.9)	(96.8)
Depreciation and amortisation	4, 5, 6	(254.2)	(257.6)
Other operating income [2]		-	48.9
Other operating expenses [3]		(10.4)	(13.2)
Operating income		**281.7**	**296.6**
Cost of debt	15	(48.3)	(49.3)
Financial income	15	0.4	0.6
Other financial items	15	(7.9)	(4.4)
Financial result		**(55.8)**	**(53.2)**
Income from associates		(1.0)	(1.3)
Net income before tax		**224.9**	**242.1**
Income tax expense	16	(60.6)	(85.0)
Net income		**164.3**	**157.2**
Attributable to the Group		158.0	150.4
Attributable to non-controlling interests		6.3	6.8
Basic and diluted earnings per share attributable to Eutelsat Communications shareholders [4]	**17**	**0.680**	**0.647**

(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15. They have not been restated under IFRS 16, as the Group has opted for a modified retrospective application. The impact of the adoption of the two new standards on the Group's financial statements is presented in Note 3.1 "Accounting rules and methods".

(2) "Other operating income" as of 31 December 2018 mainly comprises the capital gain on the disposal of the E25B satellite as of 31 December 2018, as presented in Note 1 "Key events during the financial period ".

(3) Other operating expenses mainly include scrapped assets and disposals, as well as a 7.7 million euro expense as of 31 December 2017 for pre-existing relationships with Noorsat.

(4) There are no dilutive instruments as of 31 December 2017 and 31 December 2018.

COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Note	31 December 2017 (1)	31 December 2018
Net income		**164.3**	**157.2**
Other recyclable items of gain or loss on comprehensive income			
Translation adjustment	10.5	(53.2)	9.2
Tax effect		(12.3)	6.4
Changes in fair value of hedging instruments (2)	10.4	(10.1)	(2.0)
Tax effect		3.4	(10.4)
Other non-recyclable items of gain or loss on comprehensive income			
Changes in post-employment benefits	10.6	(10.8)	3.2
Tax effect		1.0	(0.8)
Total of other items of gain or loss on comprehensive income		**(81.9)**	**5.6**
Total comprehensive income		**82.3**	**162.9**
Attributable to the Group		79.1	155.9
Attributable to non-controlling interests (3)		3.2	7.0

(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15. They have not been restated under IFRS 16, as the Group has opted for a modified retrospective application. The impact of the adoption of the two new standards on the Group's financial statements is presented in Note 3.1 "Accounting rules and methods".

(2) Changes in fair value of hedging instruments cover only cash-flow hedges.Net foreign investment hegdes are recorded as translation adjustments.

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

- *Net result for 6.3 million euros as of 31 December 2017 and 6.8 million euros as of 31 December 2018;*
- *Other recyclable items of gain or loss on comprehensive income for (2.8) million euros as of 31 December 2017 and 0.1 million euros as of 31 December 2018;*
- *Other non-recyclable items of gain or loss on comprehensive income for (0.4) million euros as of 31 December 2017 and 0.1 million euros as of 31 December 2018.*

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	Note	31 December 2017 (1)	31 December 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		164.3	157.2
Income from equity investments	7	1.0	1.3
Tax and interest expense, other operating items		137.2	110.2
Depreciation, amortisation and provisions		266.3	275.3
Deferred taxes		(20.4)	(21.1)
Changes in accounts receivable		(25.1)	(1.1)
Changes in other assets		(4.2)	(4.5)
Changes in accounts payable		(6.7)	(12.3)
Changes in other liabilities		(20.6)	(34.2)
Taxes paid		(79.7)	(92.1)
Net cash flows from operating activities		**412.1**	**378.7**
CASH FLOWS FROM INVESTING ACTIVITIES		-	-
Acquisitions of satellites, other property and equipment and intangibles	4, 5, 6	(26.7)	(82.2)
Acquisition of subsidiaries	3.4	(61.0)	-
Sales	1.1	-	67.5
Dividends received from associates and other items		1.6	0.2
Net cash flows from investing activities		**(86.1)**	**(14.5)**
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**
Distributions		(295.5)	(310.5)
Increase in borrowings	11	-	800.0
Repayment of borrowings		(11.9)	(11.9)
Repayment of lease liabilities	13	(14.3)	(35.9)
Loan set-up fees		-	(7.6)
Interest and other fees paid		(20.5)	(23.5)
Transactions relating to non-controlling interests (2)		(28.0)	-
Premium and termination indemnities on derivatives settled	18	-	(32.9)
Other changes		0.1	(0.4)
Net cash flows from financing activities		**(370.1)**	**377.4**
Impact of exchange rate on cash and cash equivalents		(4.0)	1.9
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(48.2)**	**743.4**
Cash and cash equivalents, beginning of period		**408.0**	**733.5**
Cash and cash equivalents, end of period	9	**359.8**	**1,476.9**
CASH RECONCILIATION			
Cash		359.8	1,476.9
Overdraft included under debt	11	-	-
Cash and cash equivalents per cash flow statement		**359.8**	**1,476.9**

(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15. They have not been restated under IFRS 16, as the Group has opted for a modified retrospective application. The impact of the adoption of the two new standards on the Group's financial statements is presented in Note 3.1 "Accounting rules and methods".

(2) Transactions related to non-controlling interests as of 31 December 2017 relate to the purchase by Eutelsat of Inframed's equity investment in Broadband4Africa.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros, except share data)	Common stock		Additional paid in capital	Reserves and retained earnings	Shareholders' equity Groupshare	Non-controlling interests	Total
	Number	Amount					
As of 30 June 2017 (1)	**232,774,635**	**232.8**	**738.1**	**1,740.3**	**2,711.1**	**202.4**	**2,913.5**
Net income for the period				157.9	157.9	6.3	164.3
Other items of gain or loss on comprehensive income (2)				(78.9)	(78.9)	(3.0)	(81.9)
Total comprehensive income				79.1	79.1	3.2	82.3
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				(6.4)	(6.4)	(17.0)	(23.4)
As of 31 December 2017 (1)	**232,774,635**	**232.8**	**738.1**	**1,532.4**	**2,503.3**	**174.5**	**2,677.8**
As of 30 June 2018 (1)	**232,774,635**	**232.8**	**738.1**	**1,695.5**	**2,666.3**	**181.2**	**2,847.4**
Net income for the period				150.4	150.4	6.8	157.2
Other items of gain or loss on comprehensive income (2)				5.4	5.4	0.2	5.6
Total comprehensive income				155.9	155.9	7.0	162.9
Treasury stock				0.2	0.2	-	0.2
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**

(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15. They have not been restated under IFRS 16, as the Group has opted for a modified retrospective application. The impact of the adoption of the two new standards on the Group's financial statements is presented in Note 3.1 "Accounting rules and methods".

(2) 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.

.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. KEY EVENTS DURING THE PERIOD

1.1 DISPOSAL OF THE STAKE IN THE E25B SATELLITE

In August 2018, the Group sold its interest in the EUTELSAT 25B satellite operated at 25.5 degrees East to the co-owner of the satellite, Es'hailSat, for a consideration of 135 million euros. The divestment of this non-core asset is in line with the strategy of optimising the Group's portfolio of businesses in the context of its overall policy of maximizing cash generation. The corresponding gain or loss recognised in the Group's accounts amounted to 46.6 million euros (28.3 million euros after tax).

1.2 SEVEN-YEAR BOND ISSUANCE

In October 2018, the Group issued a seven-year 800-million euro bond on the Luxembourg Stock Exchange regulated market, due 2025. The bond was issued by the Eutelsat S.A. subsidiary. The bond carries a coupon of 2.0% per annum. It will enable Eutelsat to redeem at maturity the outstanding bonds issued on 14 December 2011 for a total principal amount of 800 million euros, bearing interest on its principal amount at a fixed rate of 5.0% per annum and due January 2019.

1.3 FRENCH FINANCE BILL FOR 2019

Under the French Finance Bill for 2019 dated 30 December 2018, a new article 247 of the French General Tax Code (FTC) was enacted to specify the methods for determining the taxable income in France of companies operating geostationary telecommunications satellites. Given the current uncertainties regarding the terms and conditions for implementing this new regulation, the tax expense for the half-year ended 31 December 2018 was determined by applying to pre-tax income for the period the estimated effective tax rate for the period, without taking into account the possible impact of the new FTC provision, which cannot be reliably estimated at the time the interim accounts are closed. However Eutelsat considers that the application of Article 247 of the FTC is likely to have a significant positive impact on the Group's tax expense and current and deferred tax positions for the financial year ended 30 June 2019.

NOTE 2. APPROVAL OF THE ACCOUNTS

The condensed consolidated half-year accounts as of 31 December 2018 have been prepared under the responsibility of the Board of Directors, which approved them at its meeting held on 14 February 2019.

NOTE 3. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS

3.1 ACCOUNTING RULES AND METHODS

The condensed consolidated half-year financial statements as of 31 December 2018 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 2018.

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 2018, with the exception of the new standards and interpretations which are adopted by the European Union and are to be applied after 1 July 2018.

- IFRS 15 "Revenue from Contracts with Customers";
- IFRS 9 "Financial Instruments";
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions";
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration";
- Improvements to IFRSs (2014-2016 cycle).

In addition, the Group has decided to early adopt IFRS 16 "Leases" as from 1 July 2018.

Applying these new standards, amendments and interpretations had no significant impact on the Group's financial statements, except for IFRS 15 and IFRS 16 whose impacts are presented below.

- **IFRS 15**

IFRS 15 introduces a new five-step model for recognizing revenue from customer contracts. Revenue is recognized for the amount reflecting the consideration received in exchange for the transfer of control of goods and services to a customer.

The Group has elected to adopt this standard retrospectively by restating the disclosed comparative period. The impacts on the statement of financial position as of 30 June 2018 are as follows:

(in millions of euros)	30 June 2018 as reported	Reclassification	Restated	30 June 2018 restated
Deferred tax assets	4.5	-	0.1	4.6
Other non-current assets	6,634.5	-	24.7	6,659.2
Total non-current assets	**6,639.0**	**-**	**24.8**	**6,663.8**
Trade debtors and related accounts	330.3	-	0.6	330.9
Prepaid expenses and other current assets	35.7	-	7.0	42.7
Other current assets	757.0	-	-	757.0
Total current assets	**1,123.0**	**-**	**7.6**	**1,130.6**
Total assets	**7,762.0**	**-**	**32.4**	**7,794.4**
Total shareholders' equity	**2,843.7**	**-**	**3.7**	**2,847.4**
Non-current deferred revenues	101.3	(101.3)	-	-
Non-current liabilities associated with customer contracts	-	101.3	23.7	125.0
Other non-current liabilities	3,520.4	-	-	3,520.4
Total non-current liabilities	**3,621.7**	**-**	**23.7**	**3,645.4**
Other current payables and financial liabilities	293.5	(76.5)	-	216.9
Current liabilities associated with customer contracts	-	76.5	5.1	81.6
Other current liabilities	1,003.1	-	-	1,003.1
Total current liabilities	**1,296.5**	**-**	**5.1**	**1,301.7**
Total liabilities and shareholders' equity	**7,762.0**	**-**	**32.4**	**7,794.4**

The impacts on the consolidated income statement for the half-year period ended 31 December 2017 (six months) are as follows:

(in millions of euros, excl. data per share)	Half-year ended 31 December 2017		
	Reported data	Restated for IFRS 15	Restated data
Revenues from operations	**696.6**	**(8.5)**	**688.1**
Operating costs	(46.0)	-	(46.0)
Selling, general and administrative expenses	(106.0)	10.1	(95.9)
Depreciation and amortisation	(254.2)	-	(254.2)
Other operating expenses	(10.4)	-	(10.4)
Operating income	**280.0**	**1.6**	**281.7**
Financial result	**(55.8)**	**-**	**(55.8)**
Income from associates	(1.0)	-	(1.0)
Net income before tax	**223.2**	**1.6**	**224.8**
Income tax	(60.6)	-	(60.6)
Net income	**162.6**	**1.6**	**164.3**
Group share of income	156.5	1.5	157.9
Attributable to non-controlling interests	6.2	0.1	6.3
Basic and diluted earnings per share attributable to Eutelsat Communications shareholders	**0.673**	**0.006**	**0.679**

The main changes resulting from the adoption of IFRS 15 compared to the principles previously adopted by the Group are as follows:

- Considerations payable to customers: the Group sometimes bears marketing (promotion, advertising, etc.) or technical expenses (mainly in connection with the purchase and installation of antennas) on behalf of certain customers. When these costs are not separate from the service transferred to the customer, they represent the same performance obligation with the service and the consideration payable to the customer is recognized as a reduction in revenue over the term of the contract. When the consideration payable to the customer is granted in consideration for a separate service from the customer, it is recognized as an operating expense. Counterparties payable to customers were previously fully recognized as operating expenses.
- Early termination penalties: Some customer contracts provide for early termination penalties. When these penalties are paid as part of an amendment to a contract that does not concern services not covered by the existing contract and which therefore forms a single performance obligation with the services partially performed at the date of amendment, these penalties are spread over the term of the re-negotiated contract. These penalties were previously fully recognised as revenue at the date of amendment of the contract.
- Terminal sales and activation fees: the Group sells terminals to its customers in addition to the provision of satellite capacity as part of its Fixed Broadband business in Europe. As these terminals are specific and capacity can only be accessed through these terminals, capacity services and the sale of terminals form a single performance obligation. As control of the service is gradually transferred to the customer, revenue from capacity service is recognised over the average duration of the customer relationship and revenue from the sale of terminals is recognised over the average duration of use of these terminals. The costs of purchasing these terminals are spread over the same period, as part of the cost of executing a contract. Terminal sales and purchases were previously fully recognized when they were made available to the customer. Assets and liabilities relating to the deferred purchase and sale of terminals are presented separately in the statement of financial position under "Other assets and liabilities associated with customer contracts".

Furthermore, the majority of the Group's contracts with customers cover the provision of capacity services for which revenue continues to be recognised as control is transferred over the contractual period in accordance with IFRS 15.

- **IFRS 16**

The Group early adopted IFRS 16 "Leases" with an initial application date of 1 July 2018. It applied the simplified retrospective method, without restatement of comparative periods.

The impacts of the adoption of this standard on the Group's consolidated financial statements as of 1 July 2018 are as follows:

(in millions of euros)	30 June 2018	Finance leases reclassified	Restated	1 July 2018 as restated
Tangible assets and construction in progress	4,761.7	(692.6)	-	4,069.1
Rights of use in respect of leases	-	692.6	43.8	736.4
Other non-current financial liabilities	695.8	(543.9)	-	151.9
Non-current lease liabilities	-	543.9	34.9	578.8
Other current payables and financial liabilities (1)	216.9	(72.9)	-	144.0
Current lease liabilities	-	72.9	8.9	81.8

(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15.

Under IFRS 16, leases are now recognised as right-of-use assets. Restatements resulting from the application of this new standard mainly concern the recognition of property leases at the Group's headquarters in Paris and the offices of certain subsidiaries. The Group now recognizes a right of use for these assets with a corresponding liability for the lease obligation (sum of discounted future payments). This right of use is amortized over the term of the contracts. The lease term corresponds to the non-cancellable period, supplemented, where applicable, by renewal options, which the Group is reasonably certain to exercise. As this condition was not met for the contracts concerned, no renewal option was considered to determine the term of the contracts. The discount rate used to calculate the rent liability was determined for each individual contract by reference to the marginal debt rate at the date of transition. These contracts were previously recorded under operating expenses. In accordance with the standard's transitional simplification provisions, leases with a residual term to maturity of less than 12 months at the date of transition have not been recognised in the balance sheet.
Recognition of contracts previously classified as finance leases has not been modified under IFRS 16. The rights of use associated with these contracts were previously recorded under "Property, plant and equipment".
Assets with a low unit value and leases with a term of up to 12 months continue to be recognised as an expense.

3.2 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 condensed consolidated half-year financial statements and their accompanying Notes. Management is required to review its estimates and assessments on an ongoing basis, taking into account past experience and other factors deemed relevant in the light of economic conditions. 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 interim financial statements as of 31 December 2018, Management exercised its judgment, particularly with respect to the assessment of the recoverable amount of assets, contingent liabilities, tax positions, customer risk and provisions and contingent liabilities.

3.3 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* and Note 1.3 – *French Finance Bill for 2019*).

3.4 CHANGES IN SCOPE OF CONSOLIDATION

- **As of 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 (see Note 6 - Investments in associates). The divestment had no material impact on the Group's financial statements.

- **As of 31 December 2017**

On 12 October 2017, the Group acquired 100% of Noorsat, one of the leading satellite service providers in the Middle East, from Bahrain's Orbit Holding Group for 75 million US dollars.

As of 31 December 2018, the Group finalised the purchase price allocation, with no change from 30 June 2018. Final goodwill amounted to 61.7 million US dollars (51.7 million euros based on the exchange rate at the date of acquisition).

NOTE 4. GOODWILL AND OTHER INTANGIBLES

"Goodwill and Other Intangibles" breaks down as follows:

Changes in gross assets and amortisation

(in millions of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
GROSS ASSETS					
Gross value as of 30 June 2018	**1,197.5**	**1,117.2**	**40.8**	**298.5**	**2,654.0**
Acquisitions	-	-	-	2.3	2.3
Foreign-exchange variations	6.3	4.0	-	1.2	11.5
Scrapping of assets	-	-	-	(0.8)	(0.8)
Transfers and reclassifications	-	-	-	3.1	3.1
Gross value as of 31 December 2018	**1,203.8**	**1,121.2**	**40.8**	**304.3**	**2,670.1**
AMORTISATION AND IMPAIRMENT					
Accumulated amortisation and impairment as of 30 June 2018		**(645.5)**	**-**	**(157.4)**	**(802.9)**
Amortisation expense	-	(29.7)	-	(14.4)	(44.1)
Impairment	-	-	-	(8.2)	(8.2)
Reversals (scrapping of assets)	-	-	-	0.8	0.8
Foreign-exchange variations	-	(1.1)	-	(0.1)	(1.2)
Accumulated amortisation and impairment as of 31 December 2018	**-**	**(676.2)**	**-**	**(179.4)**	**(855.6)**
Net value as of 30 June 2018	1,197.5	471.7	40.8	141.1	1,851.1
Net value as of 31 December 2018	**1,203.8**	**445.0**	**40.8**	**124.9**	**1,814.5**

In view of the economic conditions prevailing at 31 December 2018, Management did not implement the annual impairment test performed on goodwill as of 30 June 2018. At that date, the recoverable amount measured by analysing the market value (fair value) obtained from the stock-exchange value of Eutelsat Communications S.A. (and taking into account the company's debt) did not call into question the amount shown on the balance sheet. The share price would have to drop by at least 32% for the fair value to fall below the carrying amount. if this were to occur, the value in use would be tested.

NOTE 5. TANGIBLE ASSETS AND CONSTRUCTION IN PROGRESS

"Tangible assets and construction in progress" breaks down as follows:

Changes in gross assets, depreciation and impairment

(in millions of euros)	Satellites	Other tangibles	Construction in progress	Total
GROSS ASSETS				
Gross value as of 30 June 2018	**6,241.8**	**423.4**	**819.4**	**7,484.6**
Acquisitions	-	4.1	94.9	99.0
Disposals	(120.3)	(6.5)	-	(126.8)
Scrapping of assets	-	(1.2)	-	(1.2)
Foreign-exchange variations	26.4	0.6	0.1	27.1
Transfers and others (1)	(871.3)	4.9	(10.1)	(876.5)
Gross value as of 31 December 2018	**5,276.6**	**425.4**	**904.4**	**6,606.4**
DEPRECIATION AND IMPAIRMENT				
Accumulated depreciation and impairment as of 30 June 2018	**(2,401.8)**	**(321.1)**	**-**	**(2,722.9)**
Depreciation expense	(165.6)	(13.2)	-	(178.8)
Reversals (disposals)	31.9	6.3	-	38.2
Reversals (scrapping of assets)	-	1.2	-	1.2
Foreign-exchange variations	(6.7)	(0.3)	-	(7.0)
Transfers and others (1)	178.7	0.2	-	178.9
Accumulated depreciation and impairment as of 31 December 2018	**(2,363.5)**	**(326.8)**	**-**	**(2,690.3)**
Net value as of 30 June 2018	3,840.0	102.3	819.4	4,761.7
Net value as of 31 December 2018	**2,913.1**	**98.5**	**904.4**	**3,916.1**

(1) Transfers mainly relate to finance leases posted to "Rights of Use since the adoption of IFRS 16 on 1 July 2018 (see Note 3.1 - Accounting rules and methods).

SATELLITES UNDER CONSTRUCTION

The satellites listed below are under construction and are expected to be brought into service during the calendar years as follows:

Satellites under construction	Expected year of commissioning
Eutelsat 7C and Eutelsat 5WB	Calendar year 2019
Quantum and Konnect	Calendar year 2020
Konnect VHTS, Hot Bird 13F and Hot Bird 13G	Calendar year 2022

NOTE 6. RIGHTS OF USE IN RESPECT OF LEASES

"Rights of use in respect of leases" breaks down as follows:

Changes in gross assets, depreciation and impairment

(in millions of euros)	Satellites	Other tangibles	Total
GROSS ASSETS			
Gross value as of 30 June 2018	**-**	**-**	**-**
Restated for IFRS 16	-	43.8	43.8
Gross value as of 1 July 2018		**43.8**	**43.8**
Foreign-exchange variations	-	0.1	0.1
Transfers and others [(1)]	869.3	-	869.3
Gross value as of 31 December 2018	**869.3**	**43.9**	**913.2**
DEPRECIATION AND IMPAIRMENT			
Accumulated depreciation and impairment as of 30 June 2018	**-**	**-**	**-**
Depreciation expense	(30.0)	(4.6)	(34.6)
Transfers and others [(1)]	(178.7)	-	(178.7)
Accumulated depreciation and impairment as of 31 December 2018	**(208.6)**	**(4.6)**	**(213.2)**
Net value as of 30 June 2018	-	-	-
Net value as of 31 December 2018	**660.7**	**39.3**	**700.0**

(1) Transfers mainly relate to finance leases posted to "Rights of Use in repsect of leases" since the adoption of IFRS 16 on 1 July 2018 (see Note 3.1 - Accounting rules and methods).

NOTE 7. INVESTMENTS IN ASSOCIATES

As of 31 December 2017, investments in associates consisted in equity investments in Eurobroadband Retail. Following the sale of this stake on 23 November 2018 (see Note 3.4 - *Changes in scope of consolidation*), the Group no longer holds any investments in associates. Income from equity investments as of 31 December 2017 and 31 December 2018 corresponded to the Group's share in the income of Eurobroadband Retail until the date of disposal of the stake.

NOTE 8. TRADE DEBTORS AND RELATED ACCOUNTS

8.1 ANALYSIS OF ACCOUNTS RECEIVABLE (MATURED AND NON-MATURED)

(in millions of euros)	30 June 2018[(1)]	31 December 2018
Non-matured receivables	209.7	145.1
Matured receivables between 0 and 90 days	71.8	106.9
Matured receivables for more than 90 days	135.9	169.5
Provision for bad debt	(86.4)	(101.0)
Total	**330.9**	**320.5**

(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15, as presented in Note 3.1 "Accounting rules and methods".

8.2 CHANGE IN PROVISION FOR BAD DEBT

(in millions of euros)	Total
Value as of 30 June 2018 (1)	**86.4**
Net allowance (reversals)	14.4
Reversals (used)	-
Foreign-exchange variation	0.1
Value at 31 December 2018	**101.0**

(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15, as presented in Note 3.1 "Accounting rules and methods".

NOTE 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are detailed as follows:

(in millions of euros)	30 June 2018	31 December 2018
Cash at bank and in hand	307.3	338.4
Cash equivalents	426.2	1,138.5
Total	**733.5**	**1,476.9**

Cash equivalents are mainly composed of mutual fund investments qualifying as "cash equivalents" (920.6 million euros as of 31 December 2018) 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 SHAREHOLDER'S EQUITY

As of 31 December 2018, 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 194,142 treasury shares amounting to 3.6 million euros under a liquidity agreement (201,000 shares for an aggregate amount of 3.4 million euros as of 30 June 2018). Furthermore, under the free share allocation plans, the Group held 105,068 equity shares amounting to 2.2 million euros (105,068 shares for an aggregate amount of 2.2 million euros as of 30 June 2018). The aggregate amount of treasury stock is deducted from shareholders' equity.

10.2 DIVIDENDS

On 08 November 2018, 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 2018. In 2017, the dividend payout amounted to 281.4 million euros, i.e. 1.21 euro per share.

10.3 SHARE-BASED COMPENSATION

In addition to the plans in force within the Group as of 30 June 2018, the Group has granted a new phantom share plan in November 2018. The expense relating to share-based compensation (excluding social contributions) amounted to 3.1 million euros for the half-year ended 31 December 2018 (2.3 million euros for the half-year ended 31 December 2017).

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 as of 30 June 2018	**(29.6)**
Changes in fair value within equity that can be reclassified to income	(13.2)
Transfer to income statement [1]	0.8
Balance as of 31 December 2018	**(42.0)**

(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 as of 30 June 2018	**140.2**
Change over the period	15.6
Balance as of 31 December 2018	**155.8**

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

The increase by approximately 0.1 base point since 30 June 2018 in the reference interest rates used to determine the discounted value of the guarantee given to a pension fund and retirement benefits led to a decrease in these commitments of 3.2 million euros (2.4 million euros after after tax) as of 31 December 2018.

NOTE 11. FINANCIAL DEBT

As of 30 June and 31 December 2018, all bank debt is denominated in euros.

11.1 FINANCIAL INFORMATION AS OF 30 JUNE AND 31 DECEMBER 2018

(in millions of euros)	Rate	30 June 2018	31 December 2018	Maturity
Term loan 2022	Variable	600.0	600.0	31 March 2022
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
Bond 2025 (1)	2.000%	-	800.0	02 October 2025
ONDD-guaranteed export credit	Variable	118.6	106.8	17 May 2024
Sub-total of debt (non-current portion)		**2,448.6**	**3,236.7**	
Loan set-up fees and premiums		(13.8)	(19.0)	
Total debt (non-current portion)		**2,434.8**	**3,217.7**	
Bond 2019 (1)	5.000%	800.0	800.0	14 January 2019
ONDD-guaranteed export credit		23.7	23.7	
Accrued interest not yet due		37.1	71.8	
Total debt (current portion)		**860.9**	**895.6**	

The Group also has 650 million euros available under its various active lines of undrawn revolving credit as of 31 December 2018.

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

(in millions of euros)	30 June 2018	31 December 2018
Bond 2019	821.1	802.0
Bond 2020	959.6	947.3
Bond 2021	508.8	503.6
Bond 2022	330.8	321.9
Bond 2025	-	766.1

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

11.2 CHANGE IN STRUCTURE

See Note 1.2 - *Seven-year bond issuance*

11.3 DEBT MATURITY ANALYSIS

As of 31 December 2018, 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	130.5	23.7	94.9	11.9
Bond 2019	800.0	800.0	-	-
Bond 2020	930.0	-	930.0	-
Bond 2021	500.0	-	500.0	-
Bond 2022	300.0	-	300.0	-
Bond 2025	800.0	-	-	800.0
Total	**4,060.5**	**823.7**	**2,424.9**	**811.9**

11.4 COMPLIANCE WITH BANKING COVENANTS

The covenants on financing facilities as of 31 December 2018 have not changed since their inception. As of 31 December 2018, the Group was in compliance with all banking covenants under its credit facilities.

NOTE 12. PROVISIONS

As of 31 December 2018, the debt maturity analysis is as follows:

(in millions of euros)	30 June 2018	Allowance	Reversal		Recognised in equity	31 December 2018
			Used	Unused		
Financial guarantee granted to a pension fund	75.5	0.7	-	-	(3.0)	73.1
Retirement indemnities	15.3	0.6	(0.1)	-	(0.2)	15.5
Post-employment benefits (1)	7.2	0.1	(0.2)	(0.3)	-	6.9
Total post-employment benefits	**98.0**	**1.4**	**(0.3)**	**(0.3)**	**(3.2)**	**95.6**
Commercial, employee-related and tax litigation	29.8	2.1	(2.5)	(2.4)	0.1	27.2
Other	9.9	-	-	(2.1)	-	7.8
Total provisions	**137.6**	**3.5**	**(2.8)**	**(4.8)**	**(3.1)**	**130.6**
Incl. non-current portion	107.1					105.2
Incl. current portion	30.6					25.5

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

NOTE 13. OTHER FINANCIAL LIABILITIES AND LEASE LIABILITIES

Other financial liabilities and lease liabilities break down as follows:

(in millions of euros)	30 June 2018	31 December 2018
Derivative financial instruments (1)	125.6	116.5
Lease liabilities	-	626.4
Finance leases	620.1	
Other liabilities	167.1	142.5
Total	**912.8**	**885.4**
Incl. non-current portion	*695.8*	*717.2*
Incl. current portion	*216.9*	*168.3*

(1) See Note 18 – Derivative financial instruments.

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

Amounts shown for finance leases and lease liabilities include accrued interest for 3.2 million euros as of 30 June 2018 and 3.5 million euros as of 31 December 2018.

“Other liabilities” mainly comprise advance payments and deposits from clients, debts on non-controlling interests and social and tax payables.

NOTE 14. SEGMENT INFORMATION

Over the period ended 31 December 2018, 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.

Therefore, as with the period ended 30 June 2018, 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 finality. This is the provision of satellite-based video, business and broadband networks, and mobile services mainly to international telecommunications operators and broadcasters, corporate network integrators and companies for their own needs.

Group revenues by geographical zone, based on invoice addresses, for the twelve-month periods ended 31 December 2017 and 2018 are as follows:

(in millions of euros and as a percentage)	31 December 2017 (1)		31 December 2018	
Regions	Amount	%	Amount	%
France	50.6	7.4	45.6	6.9
Italy	75.4	11.0	73.7	11.2
United Kingdom	46.2	6.7	39.8	6.0
Europe (other)	181.8	26.4	182.2	27.7
Americas	150.2	21.8	150.4	22.9
Middle-East	115.3	16.8	112.1	17.0
Africa	48.8	7.1	46.2	7.0
Asia	18.0	2.6	15.3	2.3
Other	1.8	0.3	(7.1)	(1.1)
Total	**688.1**	**100.0**	**658.1**	**100.0**

(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15, as presented in Note 3.1 "Accounting rules and methods”.

Group EBITDA [1] stood at 546.2 million euros and 518.4 million euros for the six-month periods ended 31 December 2017 and 31 December 2018 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 2018	31 December 2018
Term loan	600.0	600.0
Bonds	2,530.0	3,330.0
Export credit	142.3	130.5
"Change" portion of the cross-currency swap	85.9	97.8
Finance leases	616.8	-
Lease liabilities	-	622.9
Cash and cash equivalents	(733.5)	(1,476.9)
Total	**3,241.6**	**3,304.3**

(1) The components of EBITDA and net debt have not changed since 30 June 2018.

Changes in the debt position between 30 June 2018 and 31 December 2018 are presented below:

(in millions of euros)	30 June 2018	Cash flow	Changes in fair value and others	Bond issue	Reclassified	Restated for IFRS 16	31 December 2018
Term loan	600.0	-	-	-	-	-	600.0
Bonds	2,530.0	-	-	800.0	-	-	3,330.0
Export credit	142.3	(11.9)	-	-	-	-	130.5
"Change" portion of the cross-currency swap	85.9	-	11.9	-	-	-	97.8
Finance leases	616.8		-	-	(616.8)	-	-
Lease liabilities	-	(35.9)	(1,8)	-	616.8	43.8	622.9
Total	**3,975.0**	**(47.8)**	**10,1**	**800.0**	**-**	**43.8**	**4,781.2**

NOTE 15. FINANCIAL RESULT

The financial result is made up as follows:

(in millions of euros)	Six-month period ended 31 December 2017	Six-month period ended 31 December 2018
Interest expense after hedging	(51.7)	(56.1)
Loan set-up fees and commissions	(3.4)	(3.7)
Capitalised interest	6.8	10.5
Cost of gross debt	**(48.3)**	**(49.3)**
Financial income	0.4	0.6
Cost of net debt	**(47.9)**	**(48.8)**
Changes in financial instruments	(0.5)	(1.8)
Foreign-exchange impact	(8.1)	1.2
Other	0.7	(3.8)
Financial result	**(55.8)**	**(53.2)**

The interest expense was not impacted by instruments qualified as interest-rate hedges during the half-year periods ended 31 December 2017 and 31 December 2018.

The amount of capitalised interest depends on the state of progress and number of satellite construction programmes recorded during the financial year concerned. The interest rates used to determine the amount of interest expense eligible for capitalisation were 2.89% as of 31 December 2017 and 2.82% as of 31 December 2018.

NOTE 16. INCOME TAX

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

As of 31 December 2018, the effective income tax rate stood at 34.9%. This rate includes the impact of the 75% limit on the deductibility of financial expenses in France, which is offset by lower tax rates for foreign subsidiaries compared to France, as well as translation differences and the effects of inflation on the deferred tax positions of the Satellites Mexicanos subsidiary. This rate does not take into account the possible impact of the new Article 247 of the French General Tax Code (FTC) which was introduced by the 2018 French Finance Bill (see Note 1.3 - *French Finance Bill for 2019*).

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 2017 and 2018.

(in millions of euros)	31 December 2017 (1)	31 December 2018
Net income	**164.3**	**157.2**
Income from subsidiaries attributable to non-controlling interests	(6.3)	(6.8)
Net earnings used to compute earnings per share	**158.0**	**150.4**
Average number of shares	**232,471,711**	**232,416,067**

(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15, as presented in Note 3.1 "Accounting rules and methods”.

NOTE 18. DERIVATIVE FINANCIAL INSTRUMENTS

The following tables analyse the contractual or notional amounts and fair values of the Group's derivatives as of 30 June 2008 and 31 December 2018 by type of contract. The financial instruments are valued by an independent expert and this valuation is verified/validated by the Group's banking counterparts.

(in millions of euros)	Notional		Fair value		Change in fair value over the period	Impact on income (excl. coupons)	Impact on equity (excl. coupons)	Termination indemnity
	30 June 2018	31 December 2018	30 June 2018	31 December 2018				
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	255.4	220.7	(8.0)	(8.6)	(0.6)	(1.6)	1.0	
Cross currency swap	500.0	500.0	(72.1)	(92.2)	(20.0)	-	(20.0)	
Total forex derivatives	**755.4**	**720.7**	**(80.1)**	**(100.8)**	**(20.6)**	**(1.6)**	**(19.0)**	
Pre-hedging swap	1,300.0	500.0	(44.2)	(15.3)	28.9	-	(3.8)	32.7
Total interest rate derivatives	**1,300.0**	**500.0**	**(44.2)**	**(15.3)**	**28.9**	**-**	**(3.8)**	**32.7**
Total derivatives			**(124.3)**	**(116.0)**	**8.3**	**(1.6)**	**(22.8)**	**32.7**

As of 31 December 2018, the cumulative fair value of financial instruments was negative at 116.5 million euros and positive at 0.5 million euros.

NOTE 19. PURCHASE COMMITMENTS

As of 31 December 2018, the Company has entered into commitments with suppliers for the acquisition of assets (satellites and other assets) and the provision of services for 630.9 million euros.

Future payments in respect of such acquisitions of assets and provision of services as of 31 December 2018 are scheduled as follows:

(in millions of euros)	As of 31 December 2018
2019	303.9
2020	172.9
2021	73.5
2022	28.9
2023 and beyond	51.6
Total	**630.9**

NOTE 20. RELATED-PARTY TRANSACTIONS

No related-party transaction of a different nature than those entered into during the financial year ended 30 June 2018 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 disputes. The Group exercises its judgement to assess the risks incurred on a case-by-case basis and a provision is recorded to cover an expected outflow of resources. In cases viewed as unsubstantiated or insufficiently argued, no provision was recognised.

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. As a result, as of 31 December 2018, no provision had been recorded for these tax reassessments.

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.

7 OUTLOOK

The underlying trend of the five Operating Verticals is broadly in line with our expectations at this stage of the year. The second half will benefit from the ramp-up of Konnect Africa (Fixed Broadband), the contracts with China Unicom on EUTELSAT 172B and in maritime at several orbital positions (Mobile Connectivity) as well as an expected improvement in Video on the back of an easing comparison basis for Fransat and new business signed (Ethiopian broadcasters, Orange Slovensko, Afghanistan Broadcasting System) and in the pipeline. The Group therefore confirms its expectation of 'broadly stable' **revenues**[10] for the current fiscal year with a return to slight growth from FY 2019-20.

All other elements of the financial outlook are also confirmed:

- The **EBITDA margin** (at constant currency) is expected above 78% from FY 2018-19, taking into account the impact of IFRS 15 and IFRS 16 accounting standards.
- The estimated **Cash Capex**[11] spend is expected at an average of €400 million[12] per annum for the period July 2017 to June 2020.
- **Discretionary Free Cash Flow** is expected to grow at a mid-single digit CAGR in the period July 2017[13] to June 2020 (at constant currency and excluding the impact of the disposal of interest the in EUTELSAT 25B).
- The Group is committed to maintaining a sound financial structure to support its investment grade credit rating with a **net debt / EBITDA** ratio below 3.0x.
- It also reiterates its commitment to serving a **stable to progressive dividend**.

This outlook is based on the nominal deployment plan outlined in section 5.2.

[10] Revenues for the Operating Verticals (excluding Other revenues) at constant currency, perimeter and accounting standards. Proforma revenues for the five operating verticals stood at €1,330 million in FY 2017-18, excluding the contribution of EUTELSAT 25B from August 2017 and restated from the impact of IFRS 15 standards.

[11] Including capital expenditure and payments under existing export credit facilities and long-term lease agreements on third party capacity.

[12] Including impact of new IFRS 16 accounting standard.

[13] Net cash-flow from operating activities - Cash Capex - Interest and Other fees paid net of interest received.

APPENDIX

Appendix 1: Additional financial data

Extract from the consolidated income statement (in € millions)

Six months ended December 31	2017[14]	2018	Change (%)
Revenues	688.1	**658.1**	**(4.4%)**
Operating expenses	(141.9)	**(139.7)**	**(1.6%)**
EBITDA	546.2	**518.4**	**(5.1%)**
Depreciation and amortisation	(254.2)	**(257.6)**	**+1.3%**
Other operating income (expenses)	(10.4)	**35.7**	**n.a.**
Operating income	281.7	**296.6**	**+5.3%**
Financial result	(55.8)	**(53.2)**	**-4.7%**
Income tax expense	(60.6)	**(85)**	**+40.3%**
Income from associates	(1.0)	**(1.3)**	**+30.0%**
Portion of net income attributable to non-controlling interests	(6.3)	**(6.8)**	**+7.9%**
Group share of net income	158.0	**150.4**	**-4.8%**

Net debt to EBITDA ratio

		31 Dec. 2017	31 Dec. 2018
Net debt at the beginning of the period	€m	3,641	**3,242**
Net debt at the end of the period	€m	3,630	**3,304**
Net debt / EBITDA (Last twelve months)	X	3.3	**3.1**

Change in net debt (€ millions)

Half-year ending	31/12/2017	31/12/2018
Net cash flows from operating activities	**412.1**	**378.7**
Cash Capex	(52.8)	(130.0)
Interest and Other fees paid net of interests received	(20.5)	(23.5)
Discretionary Free Cash Flow	**338.8**	**225.3**
(Acquisition) / disposal of equity investments and subsidiaries	(89.0)	67.5
Distributions to shareholders (including non-controlling interests)	(295.5)	(310.5)
Change in foreign exchange portion of the cross-currency swap	32.4	(11.9)
IFRS 16 Impact as of 1 July 2018	-	(43.8)
Other	23.7	10.7
Decrease (increase) in net debt	**10.4**	**(62.7)**

[14] Figures as of 31 December 2017 have been restated to reflect the adoption of IFRS 15 from 1 July 2018. The impact of the application of IFRS 15 standards is presented in the note 3 to the consolidated financial statements.

Appendix 2: Quarterly revenues by application

Reported revenues

The table below shows quarterly reported revenues. As a reminder, IFRS 15 was adopted from July 1st 2018.

In € millions	Q1 2017-18	Q2 2017-18	Q3 2017-18	Q4 2017-18	FY 2017-18	Q1 2018-19	Q2 2018-19
Video	223.3	225.9	225.0	223.1	897.3	217.2	214.9
Government Services	41.1	39.6	38.0	40.2	158.9	42.4	39.4
Fixed Data	37.1	36.3	34.9	34.2	142.5	33.3	32.6
Fixed Broadband	22.3	21.8	21.5	21.1	86.7	20.4	20.1
Mobile Connectivity	18.6	18.5	17.9	19.5	74.4	20.6	19.4
Total operating verticals	**342.4**	**342.1**	**337.3**	**338.1**	**1,359.8**	**334.0**	**326.4**
Other Revenues	6.8	5.4	0.1	35.8	48.1	1.2	(3.5)
Total	**349.1**	**347.4**	**337.4**	**373.9**	**1,407.9**	**335.1**	**322.9**

Proforma revenues

The table below shows quarterly proforma revenues for FY 2017-18. For comparability purposes with FY 2018-19 figures, they are restated from the following items:

- The contribution of Eutelsat 25B as of August 2017. As a reminder, Eutelsat sold its interest in the Eutelsat 25B satellite in August 2018.
- The impact of IFRS 15.

In € millions	Q1 2017-18	Q2 2017-18	Q3 2017-18	Q4 2017-18	FY 2017-18
Video	217.9	219.0	217.9	215.6	870.5
Government Services	41.1	38.5	38.0	40.2	157.8
Fixed Data	37.2	36.2	35.3	34.2	143.0
Fixed Broadband	22.0	20.9	20.8	20.7	84.3
Mobile Connectivity	18.6	18.5	17.9	19.5	74.4
Total operating verticals	**336.8**	**333.0**	**329.9**	**330.2**	**1,330.0**
Other Revenues	6.6	5.5	0.6	33.9	46.7
Total	**343.5**	**338.6**	**330.4**	**364.1**	**1,376.6**

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 2017-18 and H1 2018-19:

Six months ended December 31 (€ millions)	**2017**	**2018**
Operating result	281.7	296.6
+Depreciation and Amortization	254.2	257.6
- Other operating income and expenses	10.4	(35.7)
EBITDA	**546.2**	**518.4**

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

Six months ended December 31 (€ millions)	**2017**	**2018**
EBITDA	546.2	518.4
Revenues	688.1	658.1
EBITDA margin (as a % of revenues)	**79.4**	**78.8**

At constant currency, the EBITDA margin stood at 79.0% as of 31 December 2018.

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)	**2017**	**2018**
Last twelve months EBITDA[15]	1,090.2	1,050.7
Closing net debt[16]	3,630.3	3,304.3
Net debt / EBITDA	**3.3**	**3.1**

[15] Based on reported figures for fiscal year 2017-18.
[16] Net debt includes all bank debt, bonds and all liabilities from 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

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.

The table below shows the calculation of Cash Capex for H1 2017-18 and 2018-19:

Six months ended December 31 (€ millions)	2017	2018
Acquisitions of satellites, other property and equipment and intangible assets	26.7	82.2
Repayments of ECA loans and lease liabilities[17]	26.2	47.8
Cash Capex	**52.8**	**130.0**

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 2017-18 and 2018-19 and its reconciliation with the cash flow statement:

Six months ended December 31 (€ millions)	2017	2018
Net cash flows from operating activities	412.1	378.7
Acquisitions of satellites, other property and equipment and intangible assets	(26.7)	(82.2)
Repayment of Export credit facilities[18]	(11.9)	(11.9)
Repayment in respect of lease liabilities	(14.3)	(35.9)
Interest and other fees paid net of interest received	(20.5)	(23.5)
Accounting discretionary Free-Cash Flow	**338.8**	**225.3**
Perimeter impact[19]	**(1.8)**	5.5
Currency impact[20]	-	4.4
Discretionary Free-Cash Flow at constant currency and perimeter	**337.1**	**235.2**

[17] Included in lines "Repayment of borrowings" and of "Repayment lease liabilities" of cash-flow statement

[18] Included in the line "Repayment of borrowings" of cash-flow statement

[19] Impact of the disposal of EUTELSAT 25B satellite. For comparability purposes: i) H1 2017-18 is restated from the contribution of the EUTELSAT 25B to Free-Cash-Flow from August 2017; ii) H1 2018-19 is restated from the advanced payment made by Es'hailSat for capacity on EUTELSAT 25B (€5.5 million) which had to be reimbursed by Eutelsat to Es'hailSat when the asset was sold in August 2018.

[20] H1 2018-19 discretionary Free-Cash Flow has been converted at H1 2017-18 €/$ rate and hedging revenue have been excluded.

MAZARS

ERNST & YOUNG et Autres

Eutelsat Communications

Période du 1er juillet au 31 décembre 2018

Rapport des commissaires aux comptes sur l'information financière semestrielle

MAZARS
Tour Exaltis
61, rue Henri Regnault
92400 Courbevoie
S.A. à directoire et conseil de surveillance au capital de €
8.320.000

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Eutelsat Communications

Période du 1er juillet au 31 décembre 2018

Rapport des commissaires aux comptes sur l'information financière semestrielle

Aux Actionnaires,

En exécution de la mission qui nous a été confiée par vos assemblées générales et en application de l'article L. 451-1-2 III du Code monétaire et financier, nous avons procédé à :

- l'examen limité des comptes semestriels consolidés condensés de la société Eutelsat Communications, relatifs à la période du 1er juillet au 31 décembre 2018, tels qu'ils sont joints au présent rapport ;
- la vérification des informations données dans le rapport semestriel d'activité.

Ces comptes semestriels consolidés condensés ont été établis sous la responsabilité de votre conseil d'administration. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

1. Conclusion sur les comptes

Nous avons effectué notre examen limité selon les normes d'exercice professionnel applicables en France. Un examen limité consiste essentiellement à s'entretenir avec les membres de la direction en charge des aspects comptables et financiers et à mettre en œuvre des procédures analytiques. Ces travaux sont moins étendus que ceux requis pour un audit effectué selon les normes d'exercice professionnel applicables en France. En conséquence, l'assurance que les comptes, pris dans leur ensemble, ne comportent pas d'anomalies significatives obtenue dans le cadre d'un examen limité est une assurance modérée, moins élevée que celle obtenue dans le cadre d'un audit.

Sur la base de notre examen limité, nous n'avons pas relevé d'anomalies significatives de nature à remettre en cause la conformité des comptes semestriels consolidés condensés avec la norme IAS 34 – norme du référentiel IFRS tel qu'adopté dans l'Union européenne relative à l'information financière intermédiaire.

Sans remettre en cause la conclusion exprimée ci-dessus, nous attirons votre attention sur :

- la note 1.3 relative à l'introduction, par la Loi de Finances pour 2019, d'un nouvel article dans le Code Général des Impôts (CGI) précisant les modalités de détermination du résultat imposable en France des sociétés exploitant des satellites géostationnaires de télécommunication. Cette note expose que, compte-tenu des incertitudes existantes quant aux modalités de mise en œuvre de cette nouvelle réglementation, la charge d'impôt du semestre clos le 31 décembre 2018 a été déterminée sans prendre en compte les conséquences éventuelles du nouvel article du CGI qui ne peuvent être estimées de manière fiable à la date d'arrêté des comptes semestriels.

- la note 3.1 qui présente les impacts liés à (i) l'application obligatoire à compter du 1er juillet 2018 de la norme IFRS 15 « *Produits des activités ordinaires tirés des contrats conclus avec des clients* » et (ii) l'application par anticipation à compter du 1er juillet 2018 de la norme IFRS 16 « *Contrats de location* ».

2. Vérification spécifique

Nous avons également procédé à la vérification des informations données dans le rapport semestriel d'activité commentant les comptes semestriels consolidés condensés sur lesquels a porté notre examen limité.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes semestriels consolidés condensés.

Courbevoie et Paris-La Défense, le 15 février 2019

Les Commissaires aux Comptes

MAZARS	ERNST & YOUNG et Autres
Achour Messas	Pierre-Henri Pagnon

HOW TO CONTACT US

- Website: www.eutelsat.com
- Email: investors@eutelsat-communications.com
- Phone: +33 1 53 98 35 30

Number of registered shareholding subscriptions: +33 (0)1 55 77 40 57

eutelsat COMMUNICATIONS
70 rue Balard
75502 Paris Cedex 15 - France
T : +33 1 53 98 47 47
F : +33 1 53 98 37 00