# 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**

# CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019

# CONSOLIDATED INCOME STATEMENT

| (in millions of euros, except per-share data) | Note | 30 June 2018 [1] | 30 June 2019 |
|---|---|---|---|
| **Revenues from operations** | 6.1 | **1,390.5** | **1,321.1** |
| Operating costs | 6.2 | (97.4) | (90.6) |
| Selling, general and administrative expenses | 6.2 | (214.8) | (198.0) |
| Depreciation expense | 7.1.1, 7.1.2, 7.1.3 | (506.0) | (518.8) |
| Other operating income and expenses | 6.3 | (18.5) | 12.5 |
| **Operating income** | | **554.0** | **526.1** |
| Cost of net debt | | (95.2) | (86.5) |
| Other financial items | | (10.1) | (4.9) |
| **Financial result** | **6.4** | **(105.2)** | **(91.5)** |
| Income from associates | 6.5 | (2.2) | (1.3) |
| **Net income before tax** | | **446.6** | **433.4** |
| Income tax | 6.6 | (142.9) | (76.3) |
| **Net income** | | **303.7** | **357.0** |
| Attributable to the Group | | 291.6 | 340.4 |
| Attributable to non-controlling interests | | 12.1 | 16.6 |
| **Basic and diluted earnings per share attributable to Eutelsat Communications shareholders** [2] | **6.7** | 1.254 | 1.463 |

*(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 had 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 4.1. "Basis of preparation of financial information".*

*(2) There are no dilutive instruments as of 30 June 2018 and 2019.*

# COMPREHENSIVE INCOME STATEMENT

| (in millions of euros) | Note | 30 June 2018 [1] | 30 June 2019 |
|---|---|---|---|
| **Net income** | | **303.7** | **357.0** |
| ***Other recyclable items of gain or loss on comprehensive income*** | | | |
| Translation adjustment | 7.5.4 | (26.5) | 6.5 |
| Tax effect | | (4.9) | 11.2 |
| Changes in fair value of hedging instruments [2] | 7.5.3 | (33.6) | (14.4) |
| Tax effect | | 11.4 | (17.8) |
| ***Other non-recyclable items of gain or loss on comprehensive income*** | | | |
| Changes in post-employment benefits | | (2.0) | (22.4) |
| Tax effect | | (1.2) | 5.8 |
| **Total of other items of gain or loss on comprehensive income** | | **(56.8)** | **(31.2)** |
| **Total comprehensive income** | | **246.9** | **325.9** |
| Attributable to the Group | | 236.9 | 310.4 |
| Attributable to non-controlling interests [3] | | 10.0 | 15.5 |

*(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 4.1. "Basis of preparation of financial information".*

*(2) Changes in the fair value of hedging insturments concern only cash-flow hedges. Net foreign investment hedges are recorded as translation adjustments.*

*(3) The portion attributable to non-controlling interests breaks down as follows:*
*- Net result for 12.1 million euros ats of 30 June 2018 and 16.6 million euros as of 30 June 2019*
*- Other recyclable items of gain or loss on comprehensive income for (1.9) million euros as of 30 June 2018 and (0.5) million euros as of 30 June 2019; and*
*- Other non-recyclable items of gain or loss on comprehensive income for (0.1) million euros as of 30 June 2018 and (0.6) million euros as of 30 June 2019.*

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (in millions of euros) | Note | 30 June 2018 (1) | 30 June 2019 |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | 7.1.1 | 1,197.5 | 1,206.1 |
| Intangible assets | 7.1.1 | 653.6 | 575.5 |
| Tangible assets and construction in progress | 7.1.2 | 4,761.7 | 3,881.4 |
| Right of use in respect of leases | 7.1.3 | - | 657.9 |
| Investments in associates | 6.5 | 4.3 | - |
| Non-current financial assets | 7.3.3 | 17.4 | 13.6 |
| Non-current assets associated with customer contracts | 7.2 | 24.7 | 30.2 |
| Deferred tax assets | 7.7 | 4.6 | 2.7 |
| **Total non-current assets** | | **6,663.8** | **6,367.4** |
| Inventories | | 2.1 | 3.9 |
| Accounts receivable | 7.2.1 | 296.8 | 284.7 |
| Current assets associated with customer contracts | 7.2 | 46.9 | 49.0 |
| Other current assets | | 29.9 | 25.5 |
| Current tax receivable | | 4.5 | 22.4 |
| Current financial assets | 7.3.3 | 16.9 | 83.4 |
| Cash and cash equivalents | 7.3.1 | 733.5 | 1,455.4 |
| **Total current assets** | | **1,130.6** | **1,924.2** |
| **Total assets** | | **7,794.4** | **8,291.6** |

*(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 4.1. "Basis of preparation of financial information".*

| (in millions of euros) | Note | 30 June 2018 [1] | 30 June 2019 |
|---|---|---|---|
| **Liabilities** | | | |
| Share capital | 7.5.1 | 232.8 | 232.8 |
| Additional paid-in capital | | 738.1 | 738.1 |
| Reserves and retained earnings | | 1,695.5 | 1,710.1 |
| Non-controlling interests | | 181.2 | 186.4 |
| **Total shareholders' equity** | | **2,847.4** | **2,867.4** |
| Non-current financial debt | 7.3.2 | 2,434.8 | 2,873.1 |
| Non-current lease liabilities | 7.2.3 | - | 507.2 |
| Other non-current financial liabilities | 7.3.2 | 695.8 | 60.8 |
| Non-current payables to fixed asset suppliers | | 17.9 | 7.7 |
| Non-current liabilities associated with customer contracts | 7.2.2 | 125.0 | 129.0 |
| Non-current provisions | 7.5 | 107.1 | 130.8 |
| Deferred tax liabilities | 7.6 | 264.8 | 229.1 |
| **Total non-current liabilities** | | **3,645.4** | **3,937.7** |
| Current financial debt | 7.3.2 | 860.9 | 986.0 |
| Current lease liabilities | 7.2.3 | - | 75.1 |
| Other current payables and financial liabilities | 7.3.3 | 216.9 | 230.8 |
| Accounts payable | | 56.3 | 61.7 |
| Current payables to fixed asset suppliers | | 44.7 | 55.0 |
| Tax payable | | 10.6 | 2.5 |
| Current liabilities associated with customer contracts | 7.2.2 | 81.6 | 59.5 |
| Current provisions | 7.6 | 30.6 | 16.0 |
| **Total current liabilities** | | **1,301.7** | **1,486.6** |
| **Total liabilities and shareholders' equity** | | **7,794.4** | **8,291.6** |

*(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 4.1 "Basis of preparation of financial information".*

# CONSOLIDATED STATEMENT OF CASH FLOWS

| (in millions of euros) | Note | 30 June 2018 (1) | 30 June 2019 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net income | | 303.7 | 357.0 |
| Income from equity investments | 6.5 | 2.2 | 1.3 |
| Tax and interest expenses, other operating items | | 282.2 | 145.9 |
| Depreciation, amortisation and provisions | | 530.3 | 552.3 |
| Deferred taxes | 7.7 | (36.3) | (36.6) |
| Changes in accounts receivable | | (36.0) | (1.1) |
| Changes in expenses on assets held under customer contracts and other assets | | 2.7 | (9.9) |
| Changes in accounts payable | | 5.5 | 3.3 |
| Changes in liabilities associated with customer contracts and other liabilities | | (11.9) | (27.9) |
| Taxes paid | | (161.6) | (136.2) |
| **Net cash flows from operating activities** | | **880.8** | **848.2** |
| **Cash flow from investing activities** | | | |
| Acquisitions of satellites, other property and equipment, and intangible assets | 7.1.1, 7.1.2 | (298.8) | (210.8) |
| Acquisition of subsidiaries | 3.2.2 | (61.4) | - |
| Sales (2) | | 302.0 | 67.8 |
| Dividends received from associates and other items | 6.5 | (5.2) | (0.3) |
| **Net cash flows from investing activities** | | **(63.3)** | **(143.3)** |
| **Cash flow from financing activities** | | | |
| Distributions | | (295.4) | (310.5) |
| Increase in borrowings | 7.3.2 | - | 1,400.0 |
| Repayment of borrowings | 7.3.2 | (23.7) | (823.7) |
| Repayment of lease liabilities | | (35.7) | (88.7) |
| Loan set-up fees | | - | (12.6) |
| Interest and other fees paid | | (107.9) | (117.2) |
| Transactions relating to non-controlling interests (3) | | (28.0) | - |
| Premiums and termination indemnities on derivatives settled | | - | (32.9) |
| Other changes | | (0.7) | (0.4) |
| **Net cash flow from financing activities** | | **(491.4)** | **14.0** |
| Impact of exchange rate on cash and cash equivalents | | **(0.6)** | 3.0 |
| **Increase/(Decrease) in cash and cash equivalents** | | **325.5** | **721.9** |
| **Cash and cash equivalents, beginning of period** | | **408.0** | **733.5** |
| **Cash and cash equivalents, end of period** | | **733.5** | **1,455.4** |
| *Including Cash and cash equivalents, end of period* | *7.3.1* | *733.5* | *1,455.4* |
| *Including Overdrafts included under debt, end of period* | | - | - |

*(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 4.1 "Basis of preparation of financial information".*

*(2) As of 30 June 2019, disposals included the disposal of the EUTELSAT 25B satellite; see Note 2.1 "Disposal of the stake in the EUTELSAT 25B satellite". As of 30 June 2018, disposals included the sale of the Group's stake in the Spanish satellite operator Hispasat for a consideration of 302 million euros (paid in cash). The divestment had no impact on the income statement for the financial period ended 30 June 2018.*

*(3) Les opérations relatives aux participations ne donnant pas le contrôle au 30 juin 2018 correspondent au rachat de la participation minoritaire détenue dans la société Broadband4Africa pour 28 millions d'euros.*

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| (in millions of euros, except share data) | Share capital | | | Reserves and retained earnings | Shareholders' equity Groupshare | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| | Number | Amount | Additional paid in capital | | | | |
| **As of 30 June 2017** (2) | **232,774,635** | **232.8** | **738.1** | **1,740.3** | **2,711.1** | **202.4** | **2,913.5** |
| Net income for the period | - | - | - | 291.6 | 291.6 | 12.1 | 303.7 |
| Other items of gain or loss In comprehensive income | - | - | - | (54.8) | (54.8) | (2.1) | (56.8) |
| **Total comprehensive income** | **-** | **-** | **-** | **236.8** | **236.8** | **10.0** | **246.9** |
| Treasury stock | - | - | - | 1.2 | 1.2 | - | 1.2 |
| Dividend distributions | - | - | - | (281.4) | (281.4) | (14.1) | (295.4) |
| Benefits for employees upon exercising options and free shares granted | - | - | - | 0.1 | 0.1 | 0.1 | 0.2 |
| Transactions with non-controlling interests and others(1) | - | - | - | (1.9) | (1.9) | (17.0) | (18.9) |
| **As of 30 June 2018** (2) | **232,774,635** | **232.8** | **738.1** | **1,695.1** | **2,665.9** | **181.4** | **2,847.5** |
| Net income for the period | - | - | - | 340.4 | 340.4 | 16.6 | 357.0 |
| Other items of gain or loss In comprehensive income(3) | - | - | - | (30.0) | (30.0) | (1.1) | (31.2) |
| **Total comprehensive income** | **-** | **-** | **-** | **310.4** | **310.4** | **15.5** | **325.8** |
| Treasury stock | - | - | - | (0.1) | (0.1) | - | (0.1) |
| Dividend distributions | - | - | - | (295.3) | (295.3) | (15.3) | (310.6) |
| Benefits for employees upon exercising options and free shares granted | - | - | - | 0.4 | 0.4 | - | 0.4 |
| Transactions with non-controlling interests and others | - | - | - | (0.6) | (0.6) | 5.1 | 4.4 |
| **As of 30 June 2019** | **232,774,635** | **232.8** | **738.1** | **1,709.9** | **2,680.7** | **186.7** | **2,867.4** |

*(1) Transactions with non-controlling interests are mainly related to the acquisition of InfraMed's minority stake in Broadband4Africa.*

*(2) 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 4.1 "Basis of preparation of financial information".*

*(3) Changes in other items of gain or loss on comprehensive income are detailed in Note 7.5.3 "Change in the revaluation surplus of derivative instruments", and Note 7.5.4 "Translation reserve".*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS


**Note 1. GENERAL OVERVIEW ........ 9**

1.1 Business ........ 9
1.2 Financial year ........ 9
1.3 Approval of the financial statements ........ 9

**Note 2. KEY EVENTS DURING THE FINANCIAL PERIOD ........ 9**

2.1 Disposal of the stake in the eutelsat 25b satellite ........ 9
2.2 Bond issuances ........ 9
2.3 French Finance Bill 2019 ........ 9
2.4 EUTELSAT 7C SATELLITE LAUNCH ........ 9

**Note 3. SCOPE OF CONSOLIDATION ........ 10**

3.1 Scope of consolidation ........ 10
3.2 Key changes in the scope of consolidation ........ 12

**Note 4. ACCOUNTING PRINCIPLES AND VALUATION METHODS ........ 12**

4.1 Basis of preparation of financial information ........ 12
4.2 Financial reporting rules ........ 15

**Note 5. SEGMENT INFORMATION ........ 15**

**Note 6. NOTES TO THE INCOME STATEMENT ........ 16**

6.1 Revenues ........ 16
6.2 Operating expenses ........ 17
6.3 Other operating income and expenses ........ 19
6.4 Financial result ........ 20
6.5 Investments in associates ........ 20
6.6 Income tax ........ 20
6.7 Earnings per share ........ 21

**Note 7. NOTES TO THE BALANCE SHEET ........ 22**

7.1 Fixed assets ........ 22
7.2 Receivables, assets and liabilities from customer contracts ........ 28
7.3 Financial assets and liabilities ........ 31
7.4 Fair value of financial assets ........ 39
7.5 Shareholders' equity ........ 41
7.6 Provisions ........ 42
7.7 Deferred tax assets and liabilities ........ 46

**Note 8. RELATED-PARTY TRANSACTIONS ........ 47**

**Note 9. SUBSEQUENT EVENTS ........ 48**

**Note 10. STATUTORY AUDITORS' FEES ........ 48**

# Note 1. GENERAL OVERVIEW

## 1.1 BUSINESS

With capacity operated on 37 satellites, the Group is one of the leaders in fixed satellite services. It mainly operates and provides capacity for Video Services, Fixed Data and Government Services and as well as capacity in Connectivity applications (Fixed Broadband and Mobile Connectivity), which have strong growth potential. Through its satellite fleet, the Group is able to serve the entire European continent, the Middle East and North Africa, as well as sub-Saharan Africa, a significant part of the Asian continents as well as the American continent.

## 1.2 FINANCIAL YEAR

The financial year lasts for 12 months from 1 July to 30 June.

## 1.3 APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements as of 30 June 2019 have been prepared under the responsibility of the Board of Directors, which adopted them at its meeting of 30 July 2019. They will be submitted for approval to the Ordinary General Meeting of Shareholders to be held on 07 November 2019.

# Note 2. KEY EVENTS DURING THE FINANCIAL PERIOD

## 2.1 DISPOSAL OF THE STAKE IN THE EUTELSAT 25B 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 before tax. The transaction was settled for 67.5 million euros as of 30 June 2019, with the balance expected to be paid during the next financial year.

## 2.2 BOND ISSUANCES

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.

In June 2019, the Group issued an eight-year-600-million-euro bond on the Luxembourg Stock Exchange regulated market, due 2027. The bond was issued by the Eutelsat S.A. subsidiary. The bond carries a coupon of 2.25% per annum. This bond issuance enables Eutelsat to refinance the bonds issued on 13 December 2013 for a face value of 930 million euros with a 2.625% coupon, due January 2020.

## 2.3 FRENCH FINANCE BILL 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. For Eutelsat S.A., application of this new article results in an annual exemption from taxation on the share of profits attributable to Company-owned satellites operated in countries other than France. The impact on the corporate tax expense for the financial year ended 30 June 2019 was 73.7 million euros.

## 2.4 EUTELSAT 7C SATELLITE LAUNCH

The EUTELSAT 7C satellite was successfully launched on 20 June 2019. It shall be positioned 7° East with the EUTELSAT 7B satellite. Its entry into commercial service is scheduled for end of 2019.

# Note 3. SCOPE OF CONSOLIDATION

The consolidated financial statements cover Eutelsat Communications SA, its subsidiaries and entities over which it directly or indirectly exercises joint control or a significant influence (considered together as the "Group").

## ACCOUNTING PRINCIPLES

Subsidiaries are entities over which the Group has direct or indirect control. Control is defined by the power to direct the financial and operational policies generally, but not systematically, combined with a shareholding of more than 50% of voting rights. The existence and effects of potential voting rights that are currently exercisable or convertible, the power to appoint the majority of members of the governing bodies and the existence of veto rights are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated under the full consolidation method from the date the Group gains control. They are de-consolidated until the date the Group loses control. The portion of equity ownership that is not directly or indirectly attributable to the Group is recorded as non-controlling interests.

Financial statements of entities under joint control are consolidated on an equity basis where these are considered as joint ventures, and based on the equity percentage of each item on the balance sheet and income statement where they are considered as joint activities.

Financial statements of associates over which the Group exerts significant influence are consolidated using the equity method. Significant influence is presumed where more than 20% of the shares are held by the Group.

## 3.1 SCOPE OF CONSOLIDATION

As of 30 June 2019, the list of companies in the scope of consolidation is as follows:

| Company | Country | Consolidation method | % control as of 30 June 2019 | % interest as of 30 June 2019 |
|---|---|---|---|---|
| Eutelsat Communications S.A (parent company). | France | FC | 100.00% | 100.00% |
| Eutelsat S.A. | France | FC | 100.00% | 96.38% |
| **Eutelsat S.A. Sub-Group** | | | | |
| Eutelsat Broadband Services | France | FC | 100.00% | 96.38% |
| Fransat SAS | France | FC | 100.00% | 96.38% |
| Eutelsat do Brasil SA (1) | Brazil | FC | 100.00% | 96.38% |
| Eutelsat Participatoes (1) | Brazil | FC | 100.00% | 96.38% |
| Satmex Holding BV | Netherlands | FC | 100.00% | 96.38% |
| Satelites Mexicanos SMVS (1) | Mexico | FC | 100.00% | 96.38% |
| EAS Delaware Corp. | USA | FC | 100.00% | 96.38% |
| Satelites Mexicanos Administracion SMVS (1) | Mexico | FC | 100.00% | 96.38% |
| Satelites Mexicanos Tecnicos SMVS (1) | Mexico | FC | 100.00% | 96.38% |
| Satmex US LLC (1) | USA | FC | 100.00% | 96.38% |
| Eutelsat Servicos de Telecom. do Brasil Ltd (1) | Brazil | FC | 100.00% | 96.38% |
| Eutelsat Latam Corp. | Italy | FC | 100.00% | 96.38% |
| Skylogic S.p.A | Italy | FC | 100.00% | 96.38% |
| Eutelsat Latin America | Panama | FC | 100.00% | 96.38% |
| Eutelsat Russia (1) | Russia | FC | 100.00% | 96.38% |
| Eutelsat Services und Beteiligungen GmbH | Germany | FC | 100.00% | 96.38% |
| Eutelsat Inc. | USA | FC | 100.00% | 96.38% |

| Company | Country | Consolidation method | % control as of 30 June 2019 | % interest as of 30 June 2019 |
|---|---|---|---|---|
| Eutelsat America Corp. | USA | FC | 100.00% | 96.38% |
| Eutelsat UK Ltd | United Kingdom | FC | 100.00% | 96.38% |
| Eutelsat Polska spZoo | Poland | FC | 100.00% | 96.38% |
| Skylogic Finland Oy | Finland | FC | 51.00% | 49.15% |
| Skylogic France SAS | France | FC | 51.00% | 49.15% |
| Skylogic Germany GmbH | Germany | FC | 51.00% | 49.15% |
| Skylogic Mediterraneo S.r.l. | Italy | FC | 100.00% | 96.38% |
| Irish Space Gateways | Ireland | FC | 51.00% | 49.15% |
| CSG Cyprus Space Gateways | Cyprus | FC | 51.00% | 49.15% |
| Skylogic Eurasia | Turkey | FC | 51.00% | 49.15% |
| Skylogic Greece | Greece | FC | 51.00% | 49.15% |
| Skylogic España S.A.U. | Spain | FC | 51.00% | 49.15% |
| Skylogic Croatia d.o.o. | Croatia | FC | 51.00% | 49.15% |
| Eutelsat Madeira Unipessoal Lda | Madeira | FC | 100.00% | 96.38% |
| Eutelsat Asia | Singapore | FC | 100.00% | 96.38% |
| ES182 LLC | USA | FC | 100.00% | 96.38% |
| EA182 UK | United Kingdom | FC | 100.00% | 96.38% |
| ES 184E LTD(1) | Cyprus | FC | 100.00% | 96.38% |
| Eutelsat Australia PTY Ltd | Australia | FC | 100.00% | 96.38% |
| Eutelsat Middle East | Dubai | FC | 100.00% | 96.38% |
| Eutelsat International | Cyprus | FC | 51.00% | 49.15% |
| Eutelsat Network (1) | Russia | FC | 51.00% | 49.15% |
| Taurus Satellite Holding | United Kingdom | FC | 100.00% | 96.38% |
| Broadband4Africa Limited | United Kingdom | FC | 100.00% | 96.38% |
| Broadband4Africa France SAS | France | FC | 100.00% | 96.38% |
| Broadband4Africa Italy S.r.l. | Italy | FC | 100.00% | 96.38% |
| Broadband4Africa Israel Ltd | Israel | FC | 100.00% | 96.38% |
| Konnect Africa Côte d'Ivoire | Côte d'Ivoire | FC | 100.00% | 96.38% |
| Konnect South Africa Ltd | South Africa | FC | 100.00% | 96.38% |
| Eurobroadband Infrastructure SARL | Switzerland | FC | 51.00% | 49.15% |
| Eurobroadband Services | Italy | FC | 51.00% | 49.15% |
| Eutelsat MENA FZ-LLC | Dubai | FC | 100.0% | 96.38% |
| Noorsat Media City | Cyprus | FC | 100.00% | 96.38% |
| Noor Al Sharq | Jordan | FC | 100.00% | 96.38% |
| Eutelsat Cyprus Ltd(1) | Cyprus | FC | 100.00% | 96.38% |

*FC: Full consolidation method*

*(1) Companies with financial years ending on 31 December for legal or historical reasons. The other companies' financial year ends on 30 June.*

## 3.2 KEY CHANGES IN THE SCOPE OF CONSOLIDATION

### 3.2.1 Financial year ended 30 June 2019

On 23 November 2018, Eutelsat transferred its 49% stake in Eurobroadband Retail to an entity of the Viasat Group, an existing shareholder with a 51% interest (see. Note 6.5 "Investments in Associates"). The divestment had no material impact on the Group's financial statements.

### 3.2.2 Financial year ended 30 June 2018

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. ACCOUNTING PRINCIPLES AND VALUATION METHODS

## 4.1 BASIS OF PREPARATION OF FINANCIAL INFORMATION

The consolidated financial statements as of 30 June 2019 have been prepared in accordance with the IFRSs as adopted by the European Union and effective as of that date. The relevant texts are available for consultation on the following website: *http://ec.europa.eu/commission/index_fr*

Since 01 July 2018, the Group has applied the following standards and interpretations which have been adopted by the European Union:

- 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.

The Group has not elected to early apply:

- Uncertainty over Income Tax Treatments", whose impact on the Group's consolidated financial statements is currently being analyzed,

- The Annual Improvements to IFRS Standards 2015–2017 Cycle;

### 4.1.1 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 consolidated financial statements for year ended 30 June 2018 (12 months) are as follows:

| (in millions of euros, except per-share data) | Financial year ended 30 June 2018 | | |
|---|---|---|---|
| | Reported data | Restated | Restated data |
| **Revenues from operations** | **1,407.9** | **(17.3)** | **1,390.6** |
| Operating costs | (97.4) | - | (97.4) |
| Selling, general and administrative expenses | (233.6) | 18.8 | (214.8) |
| Depreciation expense | (506.0) | - | (506.0) |
| Other operating expenses | (18.5) | - | (18.5) |
| **Operating income** | **552.4** | **1.5** | **553.9** |
| **Financial result** | **(105.2)** | **-** | **(105.2)** |
| Income from associates | (2.2) | - | (2.2) |
| **Net income before tax** | **445.0** | **1.5** | **446.5** |
| Income tax | (142.9) | - | (142.9) |
| **Net income** | **302.1** | **1.5** | **303.6** |
| Attributable to the Group | 290.1 | 1.5 | 291.6 |
| Attributable to non-controlling interests | 12.0 | - | 12.0 |
| **Basic and diluted earnings per share attributable to Eutelsat Communications' shareholders** | **1.248** | **0.006** | **1.254** |

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 | Reclassifications | Restated | 30 June 2018 restated |
|---|---|---|---|---|
| Deferred tax assets | 4.5 | - | 0.1 | 4.6 |
| Non-current assets on customer contracts | - | - | 24.7 | 24.7 |
| Other non-current assets | 6,634.5 | - | - | 6,634.5 |
| **Total non-current assets** | **6,639.0** | **-** | **24.8** | **6,663.8** |
| Accounts receivable | 330.3 | (34.1) | 0.6 | 296.8 |
| Current assets | 35.7 | (5.8) | - | 29.9 |
| Current assets on customer contracts | - | 39.9 | 7.0 | 46.8 |
| 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 | 293.4 | (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 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 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.

### 4.1.2 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 |
| 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.*

IFRS 16 requires that leases be accounted for using a single accounting model, whereby a right of use asset representing the right to use the leased assets is recorded in the balance sheet in exchange for a liability representing the associated lease obligations.. 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. Rights of use are generally amortized over the term of the lease during which the contract is non-cancellable, 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 estimated marginal debt rate at the date of transition. The costs associated with 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. Moreover, the Group has elected not to apply retroactively the new definition of a lease provided by IFRS 16.

Assets with a low unit value and leases with a term of up to 12 months continue to be recognised as an expense.

### 4.1.3 IFRS 9

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". The main changes introduced by this new standard and the impacts on the Group's financial statements are as follows:

- - Classification of financial assets: IFRS 9 provides a new approach to the classification and measurement of financial assets. The standard identifies three classes of financial assets: those measured at amortised cost, those measured at fair value on the basis of Other Comprehensive Income and those measured at fair value on the basis of Net Income. These new classification provisions do not have a material impact on the accounting treatment of trade receivables, loans and cash and cash equivalents.

- Impairment of trade receivables: IFRS 9 introduces a new prospective impairment model based on expected credit losses that replaces the impairment model based on credit losses incurred under IAS 39. As expected credit losses are already factored into the Group's calculation of impairment of trade receivables, this new provision has no impact on the Group's financial statements.

- Hedge accounting: the Group has elected to apply the new provisions of IFRS 9. The Group uses derivative instruments to hedge transactions and investments in foreign currencies and changes in interest rates. The Group qualifies some of these instruments as cash flow hedges and net foreign investment hedges.The change in the "time" value was previously recognised directly in profit or loss. It is now shown under other comprehensive income, and accumulated in a separate component of shareholders' equity in the hedging cost reserve before being subsequently recognised in income when the hedged transaction affects the latter. This change in hedge accounting method has no material impact on the Group's financial statements.

## 4.2 FINANCIAL REPORTING RULES

### 4.2.1 Conversion of financial statements and transactions in foreign currencies

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

Each subsidiary located outside the euro zone maintains its accounting records in the currency that is most representative of its economic environment. Balance sheet items are translated into euros using the closing-rate method. Income statement items are converted at the average exchange rate for the period. Balance sheet and income statement translation adjustments arising from exchange rate fluctuations are recorded as translation adjustments under shareholders' equity. The Group does not consolidate any entity engaged in business in a hyperinflationary economy.

Transactions denominated in foreign currencies are translated into the functional currency of the entity at the rate prevailing on the date of the transaction. Foreign exchange gains and losses arising from these transactions and from the translation of monetary assets and liabilities at the closing date exchange rate are shown under foreign exchange result.

Foreign exchange gains and losses arising from the translation of capitalisable advances made to foreign subsidiaries and forming part of the net investment in the consolidated subsidiary are recognised directly as a translation adjustment within shareholders' equity.

The main foreign currency used is the US dollar. The closing exchange rate used is 1,138 US dollars for 1 euro and the average exchange rate for the period is 1,144 US dollars for 1 euro.

### 4.2.2 Reporting of current and non-current assets and liabilities

Current assets and liabilities are those that the Group is looking to realise, use or settle during its normal operating cycle, which is less than 12 months. All others are non-current assets and liabilities.

## 4.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Preparation of the Group's consolidated financial statements requires the use of estimates and judgements that are likely to affect the amounts of certain assets, liabilities, income and expenses appearing in these financial statements and their accompanying Notes. The Group's management 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.

In preparing the financial statements for the period ended 30 June 2019, Management has exercised judgement, particularly with regard to the recoverable amounts of assets, the recognition of revenues, the estimation of provisions and contingent liabilities, the recognition of tax assets and liabilities and the assessment of customer risk.

# Note 5. SEGMENT INFORMATION

The Group considers that it only operates in a single operational segment, basing that view on an assessment of services rendered and the nature of the associated risks, rather than on their purpose. This is the provision of satellite-based video, business and broadband networks, and mobile services mainly to international telecommunications operators and broadcasters, corporate network integrators and companies for their own needs.

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

- Revenues;

- EBITDA is defined as the the operating result before amortisation and depreciation, impairment of assets and other operating income and expense, and the EBITDA profit margin on turnover;

- Cash CAPEX therefore covers the acquisition of satellites and other tangible or intangible assets, as well as payments in respect of export credit facilities and related to lease liabilities.

- Discretionary cash flow is defined as cash flow from operating activities less cash CAPEX, as well as interest and other financial costs, net of interest income.

- Net debt to EBITDA ratio (see Note 7.3.4 "Net Debt").

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

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

# Note 6. NOTES TO THE INCOME STATEMENT

## 6.1 REVENUES

### ACCOUNTING PRINCIPLES

Most of the contracts involve satellite capacity services delivered to distributor-customers (who retail the capacity to end users) and end users (who use the capacity for their own needs). These contracts usually cover periods ranging from several months to several years. Some contracts concern the provision of short-term satellite capacity for occasional use. For all of these contracts, revenues are recognised as control is transferred over the contract period.

Some contracts include variable consideration, such as variable prices or free periods. For such contracts, the Group estimates the value of the consideration to which it shall be entitled in return for providing the promised services to the customer, and includes this in recognising the revenues as it is highly likely that the subsequent ascertainment of the variable consideration will not entail a substantial downward adjustment of recorded revenues.

At times, the Group bears marketing expenses (promotion advertising, etc.) or technical expenses (especially antenna purchase and installation) on behalf of some customers. When these costs are not distinct 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 duration of the contract. Where the consideration payable to the customer is paid in return for a separate service from the customer, it is recognised as operating expenses.

Some contracts provide for early termination. 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 duration of the re-negotiated contract.

As part of its Fixed Broadband business, the Group sells terminals to its customers in addition to the provision of satellite capacity. If a terminal is specific and capacity can only be used via this equipment, the capacity service and the sale of the terminal form a single performance obligation that is being gradually fulfilled. Revenue from capacity service is recognised over the average duration of the customer relationship and revenue from terminal services over the average duration of equipment use. The costs of purchasing the terminal are spread over the same period as the sale, as part of the cost of performing the contract. The assets and liabilities relating to the deferred purchase and sale of the terminal are presented separately under other assets and liabilities associated with customer contracts. If a terminal is not specific to satellite capacity provided by the Group, it forms a performance obligation that is distinct from the capacity service for which control is transferred to the customer at a given time. The revenue and purchase cost of the equipment are fully recognized at the time of the transfer of control.

### 6.1.1 Revenues by application

Revenues by application are as follows:

| (in millions of euros) | 30 June 2018[(1)] | 30 June 2019 |
|---|---|---|
| Video applications | 884.4 | 864.2 |
| Government Services | 157.8 | 161.5 |
| Fixed Data | 143.0 | 126.7 |
| Fixed Broadband | 84.3 | 80.4 |
| Mobile Connectivity | 74.4 | 80.3 |
| **Total operating activities** | **1,343.9** | **1,313.1** |
| Other Revenues | 46.7 | 8.0 |
| **Total** | **1,390.5** | **1,321.1** |
| *EUR/USD exchange rate* | *1.192* | *1.144* |

*(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15 as presented in Note 4.1. "Basis of preparation of financial information".*

Other revenues include 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.

### 6.1.2 Revenues by geographical region

Revenues by geographical region based on customer billing address are as follows:

| (in millions of euros and as a percentage) | 30 June 2018[(1)] | | 30 June 2019 | |
|---|---|---|---|---|
| Region | Amount | % | Amount | % |
| France | 101.5 | 7.3 | 89.7 | 6.8 |
| Italy | 149.3 | 10.7 | 146.9 | 11.1 |
| United Kingdom | 86.2 | 6.2 | 75.8 | 5.7 |
| Europe (others) | 363.2 | 26.1 | 377.5 | 28.6 |
| Americas | 296.9 | 21.3 | 295.3 | 22.4 |
| Middle East | 257.9 | 18.5 | 225.4 | 17.1 |
| Africa | 98.4 | 7.1 | 93.9 | 7.1 |
| Asia | 34.2 | 2.5 | 35.2 | 2.7 |
| Others[(2)] | 2.9 | 0.2 | (18.6) | (1.4) |
| Total | **1,390.5** | **100.0** | **1,321.1** | **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 4.1. «Basis of preparation of financial information».*
*(2) Other revenues include mainly the impact of EUR/USD currency hedging for (19.6) million euros as of June 2019 and 2.8 million euros as of June 2018.*

### 6.1.3 Backlog

The backlog represents future revenues from capacity allocation or service delivery contracts (including contracts for satellites currently under construction). As of 30 June 2019, it stood at 4.4 billion euros. The secured backlog, excluding revenues subject to early termination clauses, stood at 3.9 billion euros.

## 6.2 OPERATING EXPENSES

Operating costs essentially comprise staff costs and other costs associated with controlling and operating the satellites in addition to satellite in-orbit insurance premiums.

Selling, general and administrative expenses are mainly made up of costs for administrative and commercial staff, all marketing and advertising expenses and related overheads.

### 6.2.1 Staff costs

Staff costs (including mandatory employee profit-sharing) are as follows:

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Operating costs | 57.0 | 54.8 |
| Selling, general and administrative expenses | 86.2 | 85.2 |
| **Total** | **143.2** | **140.0** |

Eutelsat SA employees have a Group Savings Plan (PEE) funded by voluntary contributions by employees, a Leave Bank (CEP) and a three-year profit-sharing agreement based on targets revisable on a yearly basis.

### 6.2.2 Employee headcount

The Group has 1,001 full time equivalent employees at the balance sheet date of 30 June 2019 compared to 998 at the balance sheet date of 30 June 2018.

The average number of full time equivalent employees during the reporting period is as follows:

| | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Operations | 484 | 497 |
| Selling, general and administrative | 523 | 510 |
| **Total** | **1,007** | **1,007** |

### 6.2.3 Share-based and similar compensation

**ACCOUNTING PRINCIPLES**

Share-based payments are measured at fair value at grant date and are recognised under staff costs over the vesting period of the rights representing the benefit granted, with a corresponding increase in shareholders' equity for equity settled plans, or in company debts for cash settled plans. They are revalued at each balance sheet date to take into account changes in vesting assumptions (employee turnover rate, likelihood of meeting performance criteria) and, for cash-settled plans, changes in market conditions (share price).

The Group granted free shares to its employees and directors in February 2016, as well as phantom shares to some employees and directors in April 2017, November 2017 and November 2018. Generally, the allocation of these free and phantom shares is contingent on an attendance requirement and the achievement of performance requirements.

The recognised expense for these plans (excluding employer's contributions) stood at 1.4 million euros during the year ended 30 June 2019 versus 2.5 million euros for the year ended 30 June 2018.

The key features of the plan are as follows:

| Key features of the plans | February 2016 plan | April 2017 plan | November 2017 plan | November 2018 plan |
|---|---|---|---|---|
| Vesting period | February 2016 – February 2019 (1) | July 2016 - June 2019 | July 2017 - June 2020 | July 2018 - June 2021 |
| Payment method | Shares and cash | Cash | Cash | Cash |
| Lock-up period | February 2019 - February 2021(1) | - | - | - |
| Total number of attributable shares at inception | 482,211 | 323,454 | 319,444 | 323,221 |
| Number of recipients | 805 | 259 | 287 | 254 |
| **Number of shares and performance requirements for free share plan** | | | | |
| Number of shares per recipient | 300 | - | - | _ |
| Performance requirements | EBITDA and ROCE | | | _ |
| | | - | - | _ |
| **Number of shares and performance requirements for phantom share plan** | | | | |
| Total number of outstanding shares | 406,012 | 282,710 | 296,474 | 323,104 |
| Performance targets | EBITDA, ROCE and Relative TSR(3) | Revenue, Discretionary Free-Cash-Flow LEAP cost-savings plan Relative TSR(3) | | Revenue, Discretionary Free-Cash-Flow Relative TSR(2) |
| **Fair value of shares** | | | | |
| Fair value excluding TSR(2) | €20.01 - €22.13 | €15.97 | €14.62 | €13.50 |
| Fair value after TSR(2) | €17.28 - €19.02 | €0.0 | €2.53 | €5.36 |
| Aggregate valuation of plan as of 30 June 2019 (in millions of euros)(3) | 1.1 | 2.8 | 2.9 | 3.1 |
| **Expenditure for financial year** | | | | |
| **Expense for the financial year (in million euros) (3)** | **0.2** | **(0.2)** | **0.4** | **1.0** |

*(1) For foreign subsidiaries, the grant period runs from February 2016 to February 2020 without any lock-up period.*
*(2) The relative TSR (Total Shareholder Return) measures the Eutelsat share rate of return compared with that of other benchmarks or indexes. This performance requirement only applies to company directors for plans granted in 2017 and 2018.*
*(3) Excluding employer's contributions*

## 6.3 OTHER OPERATING INCOME AND EXPENSES

### ACCOUNTING PRINCIPLES

Other operating income and expenses comprise Unusual, abnormal and infrequent income and expense items. They mostly include asset depreciations, launch failures and the related insurance repayments, non-commercial disputes net of costs incurred, restructuring costs, income from asset disposals and the implications of scope changes (acquisition costs and disposal gains/losses).

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Other operating income | - | 53.6 |
| Other operating expenses | (18.5) | (41.1) |
| **Total** | **(18.5)** | **12.5** |

As at 30 June 2019, "Other operating income" mainly includes the capital gain on the sale of the Group's share in the EUTELSAT 25B satellite (see Note 2.1 "Key events during the year"). Other operating expenses mainly include asset impairment charges of 31.6 million euros (see Note 7.1 "Fixed assets") and the capital loss from the disposal of the Group's stake in Eurobroadband Retail (see Note 6.5 "Investments in associates)".

As of 30 June 2018, "Other operating expenses" mainly included a 7.7 million euro expense for pre-existing relationships with Noorsat and scrapped assets.

## 6.4 FINANCIAL RESULT

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Interest expense after hedging | (102.8) | (84.7) |
| Interest on lease liabilities | - | (16.4) |
| Loan set-up fees and commissions | (6.8) | (7.3) |
| Capitalised interest | 13.3 | 19.8 |
| **Cost of gross debt** | **(96.4)** | **(88.7)** |
| Financial income | 1.2 | 1.2 |
| **Cost of net debt** | **(95.2)** | **(87.5)** |
| Changes in derivative financial instruments | (6.1) | (1.6) |
| Foreign-exchange impact | (3.0) | 3.3 |
| Others | (1.0) | (5.7) |
| **Financial result** | **(105.2)** | **(91.5)** |

*(1) Comparative financial statements have not been restated for the purposes of IFRS 16.*

The interest expense as of 30 June 2019 includes 4.8 million expenses related to the execution and termination of pre-hedging instruments used to secure the interest rate on the October 2018 and June 2019 bond issues.The interest expense as of 30 June 2018 was not affected by the instruments qualified as hedges.

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 2.57% as of 30 June 2019 versus 2.89% as of 30 June 2018.

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

## 6.5 INVESTMENTS IN ASSOCIATES

As of 30 June 2018, investments in associates were composed of equity investments in Eurobroadband Retail, and income from equity investments in the consolidated income statement comprised the Group's share of income from Eurobroadband Retail. Having disposed of this investment on 23 November 2018 (see Note 3.2 "Key changes in the scope of consolidation"), the Group no longer owns any investments in associates. This disposal resulted in a 3 million euros loss recorded in the Group's income statement under other operating expenses.

## 6.6 INCOME TAX

The Group's income tax expense breaks down as follows:

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Current tax expense | (179.3) | (112.9) |
| Deferred tax income (expense) | 36.3 | 36.6 |
| **Total income tax expense** | **(142.9)** | **(76.3)** |

The change in income tax expense between the two financial years is mainly due to a 73.7 million euro decrease following the application of the new Article 247 of the French General Tax Code, partially offset by a 18.0 million euro increase related to the capital gain on the sale of the Group's share in the EUTELSAT 25B satellite (see Note 2.1 "Key events during the year").

The theoretical income tax expense, based on application to the pre-tax result (excluding the share of net income from equity investments) of the standard French corporate tax rate, can be reconciled to the actual expense as follows:

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Net income before tax | 447.3 | 434.6 |
| **Standard French corporate tax rate** | **34.4%** | **34.4%** |
| **Theoretical income-tax expense** | **(154.0)** | **(149.6)** |
| Non-taxable profit | - | 73.7 |
| Differences in corporate tax rates | 10.6 | 8.6 |
| Use of tax losses | 0.6 | 0.6 |
| Deferred tax generated during the previous period and recognised for the period | 1.9 | - |
| Other permanent differences | (2.0) | (9.5) |
| **Tax expense** | **(142.9)** | **(76.3)** |
| **Effective tax rate** | **32.0%** | **17.6%** |

As of 30 June 2019, other permanent differences mainly include the impact of the limitation applied to the deduction of financial expenses for 7.6 million euros and the impact of exchange rate differences and inflation effects recorded by Satellites Mexicanos on the subsidiary's deferred tax positions for (8.6) million euros.

As of 30 June 2018, other permanent differences primarily included the repayment of the additional dividend contribution for 20.8 million euros, the effect of capping the deduction of financial expenses for 8.4 million euros and the impact of exchange rate differences and inflation effects on the deferred tax positions of the Mexicanos Satellites subsidiary for 5.8 million euros.

## 6.7 EARNINGS PER SHARE

### ACCOUNTING PRINCIPLES

EPS (earnings per share) are calculated by dividing the net income for the period attributable to shareholders of Eutelsat Communications by the weighted average number of common shares outstanding during the period. Own shares are not considered in determining earnings per share. There are no dilutive instruments that are likely to affect the earnings per share.

The following table shows the reconciliation between net income and net earnings attributable to shareholders (basic and diluted) used to compute earnings per share (basic and diluted):

| (in millions of euros) | 30 June 2018(1) | 30 June 2019 |
|---|---|---|
| **Net income** | **303.7** | **357.0** |
| Income from subsidiaries attributable to non-controlling interests | (12.1) | (16.6) |
| **Net earnings used to compute earnings per share** | **291.6** | **340.4** |
| **Average number of shares** | **232,452,446** | **232,480,660** |

*(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15 as presented in Note 4.1. "Basis of preparation of financial information".*

# Note 7. NOTES TO THE BALANCE SHEET

## 7.1 FIXED ASSETS

### 7.1.1 Goodwill and other intangibles

**ACCOUNTING PRINCIPLES**

**Goodwill**

Business combinations are recognised using the purchase accounting method. The consideration transferred in return for control of the acquired entity is measured at fair value and includes contingent consideration, taking into account probability of occurrence. The identifiable assets, liabilities and contingent liabilities of the entity are recognised at their fair values The costs directly attributable to the acquisition are excluded from the transferred consideration and recognised under "Other operating income and expenses" once they are incurred.

At the acquisition date, non-controlling interests may be computed at their fair value or as a portion of identifiable assets and liabilities of the acquired entity. The option for applying either of these two methods can be exercised on a transaction-by-transaction basis.

At the first consolidation, all assets, liabilities and contingent liabilities of the acquired entity are measured at their fair value. In a takeover by successive acquisitions, the investment previously held is restated at its fair value at the acquisition date, while the ensuing gains or losses are recognised under income.

Goodwill is measured in the functional currency of the acquired entity at the date of the combination at an amount equal to the difference between the aggregate fair value of the consideration paid and the fair value of the identifiable assets acquired and the liabilities assumed. They are tested for impairment at least once a year solely for the Group's operating segment.

**Customer contracts and relationships**

Customer contracts and relationships acquired in a business combination are recorded at fair value on the acquisition date. The fair value is set by referring to the generally accepted methods such as those based on revenues or market value. These assets are amortised on a straight-line basis over their economic life, which is estimated on the basis of the average duration of the contractual relationships existing at the date of acquisition of Eutelsat and the expected contract renewal rates.

**Other intangibles**

Other intangibles are composed of development, licence and orbital rights costs.

Development costs are capitalized and amortized over a period of 3 to 7 years if the Group can demonstrate:

- It has the technical capacity to realise the intangible asset for use or sale;
- It has the intention and capacity to complete the software and use or sell it;
- It has the capacity to use or sell the intangible;
- There is likelihood that the intangible will yield future economic benefits for the Group;
- There are sufficient technical, financial or other resources to realise the intangible;
- It has the capacity to accurately assess the expenses attributable to the intangible during its development phase.

Expenses incurred for research (or during the research phase of an in-house project) are recognised as expenses in Selling, general and administrative expenses once they are incurred.

Orbital rights and licenses are amortized over their useful lives for periods of 13 to 23 years and between 1 to 7 years respectively.

Goodwill and intangible assets have changed over the past two financial years as follows:

| (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 | - | - | - | 10.5 | 10.5 |
| Transfers | - | - | - | 6.9 | 6.9 |
| Changes in scope of consolidation | 51.7 | 26.1 | - | - | 77.8 |
| Foreign-exchange variation | (5.1) | (3.9) | - | (1.5) | (10.5) |
| Disposals and scrapping of assets | - | - | - | (1.0) | (1.0) |
| **Gross value as of 30 June 2018** | **1,197.5** | **1,117.2** | **40.8** | **298.5** | **2,654.0** |
| Acquisitions | - | - | - | 13.5 | 13.5 |
| Transfers | - | - | - | 8.2 | 8.2 |
| Foreign-exchange variation | 8.7 | 5.5 | - | 1.6 | 15.8 |
| Disposals and scrapping of assets | - | - | - | (9.9) | (9.9) |
| **Gross value as of 30 June 2019** | **1,260.1** | **1,122.7** | **40.8** | **311.9** | **2,681.6** |
| **Depreciation and impairment** | | | | | |
| **Accumulated amortization as of 30 June 2017** | **-** | **(588.1)** | **-** | **(128.7)** | **(716.8)** |
| Depreciation expense | - | (58.0) | - | (29.5) | (87.5) |
| Reversals (disposals) | - | - | - | 0.7 | 0.7 |
| Foreign-exchange variation | - | - | - | - | - |
| Transfers | - | 0.6 | - | 0.1 | 0.7 |
| **Accumulated amortization as of 30 June 2018** | **-** | **(645.5)** | **-** | **(157.4)** | **(802.9)** |
| Depreciation expense | - | (62.0) | - | (30.6) | (92.6) |
| Reversals (disposals) | - | - | - | 9.7 | 9.7 |
| Depreciation | - | - | - | (12.4) | (12.4) |
| Foreign-exchange variation | - | (1.5) | - | (0.2) | (1.7) |
| **Accumulated amortization as of 30 June 2019** | **-** | **(708.9)** | **-** | **(191.0)** | **(899.9)** |
| Net value as of 30 June 2017 | 1,150.8 | 506.8 | 40.8 | 154.8 | 1,853.2 |
| Net value as of 30 June 2018 | **1,197.5** | **471.7** | **40.8** | **141.1** | **1,851.1** |
| **Net value as of 30 June 2019** | **1,206.1** | **413.8** | **40.8** | **120.8** | **1,781.7** |

The Eutelsat brand was recognised when Eutelsat S.A. was acquired by Eutelsat Communications in 2005.

During the second half of the financial year ended 30 June 2019, the Group revised the amortization period for customer contracts and the associated relationship from 19 to 14 years as reported at the time of the acquisition of the Satellites Mexicanos subsidiary in 2014. The annual depreciation charge increases from US$10.2 million to US$15.6 million (9.0 million to 13.8 million euros) as of 1 January 2019.

During the financial year ended 30 June 2019, the Group recognised an impairment loss of 12.4 million euros, primarily on unused orbital rights.

The Group spent 3.0 million euros on research and development during the financial year ended 30 June 2019 (4.8 million euros during the financial year ended 30 June 2018), of which 3.0 million euros of development costs were recorded as intangible assets (3.0 million euros during the financial year ended 30 June 2018).

### 7.1.2 Tangible assets and construction in progress

**ACCOUNTING PRINCIPLES**

Satellites and other tangible assets are recognised at their acquisition cost, which includes all costs directly attributable to making the asset ready for use, less accumulated depreciation and any impairment.

Satellite costs include all expenses incurred in bringing individual satellites into operational use, in particular manufacturing, launch and launch insurance costs, capitalised interest, satellite performance incentives, and costs directly associated with the monitoring of the satellite programme (studies, staff and consultancy costs).

Borrowing costs incurred for the financing of tangible assets are capitalised with respect to the portion incurred during the period of construction. In the absence of a loan specifically related to the asset under construction, the capitalised interest is calculated on the basis of a capitalisation rate, which is equal to the weighted average of the Group's borrowing costs.

The useful lives adopted by the Group are as follows:

- 12 to 22 years for satellites;
- 5 to 10 years for traffic monitoring equipment;
- 2 to 5 years for computer equipment;
- 3 to 10 years for leasehold arrangements and improvements.

The Group conducts an annual review of the remaining useful lives of its in-orbit satellites on the basis of both their forecast utilisation and the technical assessment of their useful lives. In case the useful life is reduced or extended, the amortisation schedule is revised prospectively.

Construction in progress" primarily consists of milestone completion payments for the construction of future satellites and advances paid in respect of launch vehicles and related launch insurance costs.

Tangible assets have changed over the past two financial years as follows:

| (in millions of euros) | Satellites | Other tangibles | Constructions in progress | Total |
|---|---|---|---|---|
| **Gross assets** | | | | |
| **Gross value as of 30 June 2017** | **6,682.5** | **405.5** | **759.9** | **7,847.9** |
| Acquisitions | 3.4 | 10.2 | 312.2 | 325.8 |
| Disposals | - | (3.4) | (0.4) | (3.8) |
| Changes in scope of consolidation | - | 2.6 | - | 2.6 |
| Scrapping of assets | (173.8) | (5.2) | - | (178.9) |
| Foreign-exchange variation | (25.1) | - | (7.1) | (32.2) |
| Transfers and others | 223.3 | 13.6 | (245.3) | (8.4) |
| **Gross value as of 30 June 2018** | **6,710.4** | **423.4** | **819.4** | **7,953.2** |
| Acquisitions | - | 9.2 | 231.2 | 240.4 |
| Disposals | (120.3) | (11.7) | - | (132.0) |
| Scrapping of assets | (51.1) | (5.6) | (0.4) | (57.1) |
| Foreign-exchange variation | 36.2 | 0.8 | 0.1 | 37.1 |
| Transfers and others(1) | (871.4) | 10.6 | (21.7) | (882.5) |
| **Gross value as of 30 June 2019** | **5,703.7** | **426.7** | **1,028.6** | **7,159.1** |
| **Depreciation and impairment** | | | | |
| **Accumulated amortization as of 30 June 2017** | **(2,659.0)** | **(295.1)** | **-** | **(2,954.0)** |
| Depreciation expense | (387.8) | (32.1) | - | (419.9) |
| Reversals (disposals) | - | 4.9 | - | 4.9 |
| Reversals (scrapping of assets) | 173.7 | 3.8 | - | 177.5 |
| Foreign-exchange variation | 3.0 | (0.4) | - | 2.6 |
| Transfers and others | (0.4) | (2.3) | - | (2.7) |
| **Accumulated amortization as of 30 June 2018** | **(2,870.4)** | **(321.1)** | **-** | **(3,191.5)** |
| Depreciation expense | (329.3) | (27.7) | - | (357.0) |
| Depreciation | - | - | (1.2) | (1.2) |
| Reversals (disposals) | 31.9 | 12.0 | - | 43.9 |
| Reversals (scrapping of assets) | 51.1 | 5.6 | - | 56.7 |
| Foreign-exchange variation | (9.0) | (0.4) | - | (9.4) |
| Transfers and others | 178.7 | 1.9 | - | 180.6 |
| **Accumulated amortization as of 30 June 2019** | **(2,947.0)** | **(329.6)** | **(1.2)** | **(3,277.9)** |
| Net value as of 30 June 2017 | 4,023.5 | 110.4 | 759.9 | 4,893.9 |
| Net value as of 30 June 2018 | **3,840.0** | **102.3** | **819.4** | **4,761.7** |
| **Net value as of 30 June 2019** | **2,756.7** | **95.3** | **1,029.3** | **3,881.4** |

*(1) Transfers mainly relate to finance leases recorded under "Lease rights" since the adoption of IFRS 16 on 1 July 2018 (see Note 4.1 “Basis of preparation of financial information”).*

The expected launch dates for satellites under construction at balance sheet date are as follows:

| Projects | Years |
|---|---|
| Eutelsat 5WB and Konnect | 2nd half of 2019 |
| Quantum | Calendar year 2020 |
| Konnect VHTS, Hotbird 13F and Hotbird 13G | Calendar year 2021 |

### 7.1.3 Rights of use in respect of leases

**ACCOUNTING PRINCIPLES**

Contracts under which the Group uses a specific asset are recognised as assets on the balance sheet in the form of a right of use, and a liability on the liabilities side, where the contractual terms are such that they qualify as leases, i.e. they transfer control of the asset over the entire lease term.

Rights of use are generally amortised over the term of the lease covering the non-cancellable period, supplemented, where applicable, by renewal options, which the Group is reasonably certain to exercise.

The discount rate used to calculate the value of the right of use and the lease liability is determined, for each contract, on the basis of the associated estimated marginal debt rate.

Assets with a low unit value and leases with a term of less than 12 months are recognised as expenses.

Changes in rights of use during the financial year ended 30 June 2019 were as follows:

| (in millions of euros) | Satellites | Others tangible assets | Total |
|---|---|---|---|
| **Gross assets** | | | |
| **Gross value as of 30 June 2018** | **-** | **-** | **-** |
| IFRS 16 restatements | - | 43.8 | 43.8 |
| **Gross value as of 1 July 2018** | | **43.8** | **43.8** |
| Acquisitions | 9.3 | 1.4 | 10.7 |
| Foreign-exchange variation | - | 0.2 | - |
| Transfers and others(1) | 869.3 | (1.2) | 868.1 |
| **Gross value as of 30 June 2019** | **878.6** | **44.2** | **922.8** |
| **Depreciation and impairment** | | | |
| **Accumulated depreciation and impairment as of 30 June 2018** | **-** | **-** | **-** |
| Depreciation expense | (60.0) | (9.1) | (69.1) |
| Impairment | (17.1) | - | (17.1) |
| Transfers and others(1) | (178.7) | - | (178.7) |
| **Accumulated depreciation and impairment as of 30 June 2019** | **(255.8)** | **(9.1)** | **(264.9)** |
| Net value as of 30 June 2018 | - | - | - |
| **Net value as of 30 June 2019** | **622.8** | **35.1** | **657.9** |

*(1) Transfers mainly relate to finance leases posted to "Rights of use in respect of leases" since the adoption of IFRS 16 on 1 July 2018 (see Note 4.1 "Basis of preparation of financial information").*

Satellite rights of use mainly relate to Express AT1, Express AT2, Express AM6, Express 36C and Astra 2G leases. None of these contracts includes any purchase options upon termination of the contract.

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

During the financial year ended 30 June 2019, the Group recognised an impairment loss of 17.1 million euros on its right to use the AM6 Express transponders operated under the name EUTELSAT 53 A.

### 7.1.4 Fixed asset value tests

**ACCOUNTING PRINCIPLES**

Goodwill and other intangible assets with an indefinite useful life, such as the brand, are tested annually for impairment or more frequently when an event occurs indicating a potential loss in value.

For tangible fixed assets and intangible assets with finite useful lives, an impairment test is performed when there is an external or internal indication that their recoverable values may be lower than their carrying amounts (for example, the loss of a major customer or a technical incident affecting a satellite).

An impairment test consists of appraising the recoverable amount of an asset, which is the higher of its fair value net of disposal costs and its value in use. If it is not possible to estimate the recoverable value of a particular asset, the Group determines the recoverable amount of the cash generating unit (CGU) with which it is associated. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or groups of assets. In order to define its CGUs, the Group takes into account the conditions of use of its fleet, and in particular the capacity of certain satellites to be used as back-up for other satellites.

CGUs correspond to orbital positions, carrying one or more satellites, as well as customer contracts and relationships (after taking into account the technical or economic interdependence of their cash flows).

The Group estimates value in use on the basis of estimated future cash flows. These are generated by the asset or the CGU during its useful life and are discounted using the Group's WACC defined for the impairment testing, based on the medium-term plan approved by Management and reviewed by the Board of Directors. Revenues in the medium-term plan are based upon the order backlog for each satellite, market studies, and the deployment plan for existing and future satellites. Costs given in the plan that are used for the impairment test consist mainly of in-orbit insurance costs, technical and commercial costs directly attributable to the satellites tested, as well as tax expenses. Beyond a maximum five-year period, cash flows are estimated on the basis of constant rates of growth or decline.

The fair value net of selling costs is equal to the amount that could be received from the sale of the asset (or of one CGU) in the course of an arm’s length transaction between knowledgeable, willing parties, less the costs relating to the transaction.

Impairment losses and their reversals are recognised in the income statement on other operating income expenses.

Goodwill, which was monitored only at Eutelsat’s operating segment level, was tested for impairment. The test did not challenge the amount shown on the balance sheet as of 30 June 2019. 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 the company's indebtedness. A drop in the share price on the stock-exchange of at least 25% would result in the fair value falling below the carrying amount. Should such an event occur, the value in use would be tested.

The impairment tests carried out in respect of the CGUs as of 30 June 2019 resulted in an impairment loss of 17.1 million euros (see Note 7.1.3 "Rights of use in respect of leases").

### 7.1.5 Purchase commitments

In addition to the items recognised on the balance sheet, the Company has entered into commitments with suppliers for the acquisition of assets (satellites and other assets) and the provision of services for 539 million euros as of 30 June 2018 and 689 million euros as of 30 June 2019. The following table lists future payments for these commitments as of 30 June 2018 and 30 June 2019:

| (in millions of euros) | As of 30 June 2018 | As of 30 June 2019 |
|---|---|---|
| Maturity within 1 year | 239 | 370 |
| From 1 to 2 years | 146 | 102 |
| From 2 to 3 years | 66 | 55 |
| From 3 to 4 years | 27 | 56 |
| Maturity exceeding 4 years | 61 | 106 |
| **Total** | **539** | **689** |

## 7.2 RECEIVABLES, ASSETS AND LIABILITIES FROM CUSTOMER CONTRACTS

### ACCOUNTING PRINCIPLES

Accounts receivable are recorded at their nominal value. They are subject to impairment, recognised as Selling and Administrative Expenses, in order to cover the risk of expected future losses. These depreciations are determined on the basis of a statistical approach of expected credit losses by market and region, after taking into account deposits and guarantees received, and supplemented, where applicable, by a specific depreciation in the event of failure to make contractual payments or significant financial difficulties on the part of a customer.

Assets held under customer contracts include assets relating to revenue recognised in respect of variable prices or free periods not yet invoiced to the customer, the deferred costs of sales of terminals in the Broadband business and the consideration paid to the customer.

Liabilities related to customer contracts consist of prepayments received from customers prior to the delivery of services.

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

| (en millions d'euros) | 30 June 2018(1) | 30 June 2019 |
|---|---|---|
| **Actifs** | | |
| Accounts receivable | 296.8 | 284.7 |
| Assets associated with customer contracts | 71.6 | 79.2 |
| **Total current and non-current assets** | 368.4 | 363.9 |
| *Including current portion* | *24.7* | *30.2* |
| *Including non-current portion* | *343.7* | *333.7* |
| **Liabilities** | | |
| Financial liabilities - Guarantees and commitments received | 61.6 | 51.7 |
| Liabilities associated with customer contracts | 206.6 | 188.5 |
| **Total current and non-current liabilities** | **268.2** | **240.2** |
| *Including current portion* | *163.4* | *159.4* |
| *Including non-current portion* | *104.8* | *80.8* |

*(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15 as presented in Note 4.1 “Basis of preparation of financial information”.*

### 7.2.1 Accounts receivable

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

| (in millions of euros) | 30 June 2018(1) | 30 June 2019 |
|---|---|---|
| Non-matured receivables | 175.5 | 149.1 |
| Matured receivables between 0 and 90 days | 71.8 | 61.8 |
| Matured receivables for more than 90 days | 135.9 | 178.2 |
| Depreciation | (86.4) | (104.4) |
| **Total** | **296.8** | **284.7** |

*(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15 as presented in Note 4.1 "Basis of preparation of financial information".*

The Group is not subject to concentration risk, owing to the diversity of its customer portfolio and the fact that no legal entity billed accounts individually for more than 10% of its revenues.

Due to their short-term maturity, non-matured accounts receivable do not bear interest.

Credit risk arising from a customer's failure to pay its debt at the due date is followed up for each entity under the supervision of the financial personnel responsible. In the most important cases, the relevant financial personnel are assisted by a credit manager, acting in accordance with the instructions of the Group’s debt recovery service. This follow-up activity is based mainly on an analysis of the amounts due and can be accompanied by a more detailed study of the creditworthiness of a number of debtors. Based on the assessment of financial managers, entities may be required to hedge their credit risk by obtaining bank guarantees from first-tier financial institutions and insurance companies and guarantee deposits from customers. In addition, the Group has taken out a credit insurance policy.

Credit risk is mitigated by the following guarantees and commitments received:

| (in millions of euros) | 30 June 2018 | | 30 June 2019 | |
|---|---|---|---|---|
| | Value of accounts receivable | Value of guarantee | Value of accounts receivable | Value of guarantee |
| Guarantee deposits | 93.0 | 26.1 | 94.1 | 21.5 |
| Bank or insurance guarantees | 16.0 | 17.4 | 37.0 | 31.2 |
| Guarantees from the parent company | 5.7 | 5.7 | 4.8 | 4.8 |
| **Total** | **114.8** | **49.3** | **135.8** | **57.5** |

Guarantee deposits are recognised as financial liabilities. Bank guarantees and guarantees from parent companies are not shown on the balance sheet.

Changes in impairment of trade receivables over the two financial years were as follows:

| (in millions of euros | Total |
|---|---|
| **Value as of 30 June 2017 [1]** | **62.5** |
| Net Allowance (reversal) | 25.0 |
| Reversals (used) | (0.9) |
| Foreign-exchange variation | (0.2) |
| **Value as of 30 June 2018 [1]** | **86.4** |
| Net Allowance (reversal) | 18.8 |
| Reversals (used) | (0.7) |
| Foreign-exchange variation | (0.1) |
| **Value as of 30 June 2019** | **104.4** |

[1] *Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15 as presented in Note 4.1 "Basis of preparation of financial information".*

### 7.2.2 Assets associated with customer contracts

| (in millions of euros) | Total |
|---|---|
| **Assets associated with customer contracts as of 30 June 2018[1]** | **71.7** |
| Use of assets associated with customer contracts during the period | (12.1) |
| New assets associated with customer contracts recorded during the period | 24.6 |
| Depreciations | (5.4) |
| Translation adjustment | 0.4 |
| **Assets associated with customer contracts as of 30 June 2019** | **79.2** |

*(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15 as presented in Note 4.1 “Basis of preparation of financial information”.*

### 7.2.3 Liabilities associated with customer contracts

Liabilities associated with customer contracts break down as follows:

| (in millions of euros) | Total |
|---|---|
| **Liabilities associated with customer contracts as of 30 June 2018** | **206.6** |
| Use of liabilities associated with customer contracts during the period | (70.9) |
| New liabilities associated with customer contracts recorded during the period | 50.5 |
| Translation adjustment | 2.2 |
| **Liabilities associated with customer contracts as of 30 June 2019** | **188.5** |

(1) *Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15 as presented in Note 4.1 "Basis of preparation of financial information".*

## 7.3 FINANCIAL ASSETS AND LIABILITIES

### ACCOUNTING PRINCIPLES

**Cash and cash equivalents**

Cash mainly comprise cash on hand and demand deposits with banks. Cash equivalents mainly consist of short term deposits with original maturities of three months or less, term accounts, as well as mutual fund investments that are easily convertible into a known amount of cash, the liquid value of which is determined and published daily and for which the risk of a change in value is insignificant. Mutual fund investments with fair value option through profit or loss are carried at fair value, with the resulting realised or unrealised gains or losses arising from the change in fair value recognised under the "Financial result".

**Financial debt**

Financial debts comprise bank loans, bond loans and export credits. They are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. These costs are recognised as "Loan set-up fees and premiums" and spread out over the period of the loan.

**Financial assets**

With the exception of derivative financial instruments and non-consolidated investments, financial assets are recorded at amortised cost. An impairment loss is recognised in the income statement when there is evidence of an impairment loss. Non-consolidated financial assets are measured at fair value.

**Financial liabilities**

Lease liabilities recognised in exchange for rights of use correspond to the aggregate of discounted future payments under the lease contracts. The discount rate used to measure these payables is determined by contract based on the estimated marginal debt rate of the entity that holds the contract.

When the Group grants firm or conditional purchase commitments to non-controlling shareholders, the corresponding amount of non-controlling interests is reclassified as a financial liability to reflect the fair value of the commitment. The financial liability is revalued at each balance sheet date with a corresponding entry in shareholders' equity, if no further details are provided by IFRS standards.

**Derivative financial instruments**

Derivatives that do not qualify as hedging instruments are recognised at fair value, with subsequent changes in fair value recognised in financial result. Derivatives qualifying as hedging instruments are measured and recognised on the basis of hedge accounting criteria.

Hedging transactions are carried out using derivative financial instruments, the fair value changes of which are intended to offset the exposure of the hedged items to these same changes. Changes in fair value are recognised in shareholders' equity, within other recyclable gains and losses in comprehensive income, for the effective portion of the hedging relationship, while changes in fair value for the ineffective portion are recognised in financial result. The Group uses derivative financial instruments to hedge cash flows (forwards and forwards KI) and the net investment of its Mexican subsidiary (cross currency swap). Forwards, forwards KI, and the interest rate component of the cross currency swap are recorded as financial assets or liabilities depending on the position and the exchange component is included in the Group's net debt.

Cumulative changes in the fair value of the hedging instrument previously recognised in equity are reclassified to the income statement when the hedged transaction affects the income statement. The gains and losses thus transferred are recognised in net income in respect of the hedged item.

### 7.3.1 Cash and cash equivalent

Cash and cash equivalents are detailed as follows:

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Cash at bank and in hand | 307.3 | 541.5 |
| Cash equivalents | 426.2 | 913.8 |
| **Total** | **733.5** | **1,455.4** |

### 7.3.2 Financial debt

Financial debt breaks down as follows:

| (in millions of euros) | Rate | 30 June 2018 | 30 June 2019 | Maturity |
|---|---|---|---|---|
| Term loan 2022 | Variable | 600.0 | 600.0 | 31-Mar-22 |
| Bond 2020 | 2.625 % | 930.0 | - | 13-Jan-20 |
| Bond 2021 | 1.125 % | 500.0 | 500.0 | 23-Jun-21 |
| Bond 2022 | 3.125 % | 300.0 | 300.0 | 10-Oct-22 |
| Bond 2025 | 2.000 % | - | 800.0 | 02-Oct-25 |
| Bond 2027 | 2.250 % | - | 600.0 | 13-Jul-27 |
| ONDD-guaranteed export credit | Variable | 118.6 | 94.9 | 17-May-24 |
| **Sub-total of debt (non-current portion)** | | **2,448.6** | **2,894.9** | |
| Loan set-up fees and premiums | | (13.8) | (21.8) | |
| **Total of debt (non-current portion)** | | **2,434.8** | **2,873.1** | |
| Bond 2019 | 5.000 % | 800.0 | - | 14 January 2019 |
| Bond 2020 | 2.625 % | | 930.0 | 14 January 2020 |
| ONDD-guaranteed export credit | | 23.7 | 23.7 | |
| Accrued interest not yet due | | 37.1 | 32.3 | |
| **Total debt (current portion)** | | **860.9** | **986.0** | |
| **Total** | | **3,295.7** | **3,859.1** | |

All debts are denominated in euros.

Term loans and ONDD-guaranteed export credits are subject to a financial covenant that provides for a net total debt to EBITDA ratio equal to or less than 4.0/1. Under the term loan covenants, each lender may equally request early repayment of all sums due in case of a change of control of Eutelsat SA or Eutelsat Communications. The obligations are also backed by a banking covenants which provides for each lender to request early repayment of all amounts due in the event of a change of control of Eutelsat S.A. or Eutelsat Communications and a rating downgrade on Eutelsat S.A. As of 30 June 2019, the Group was in compliance with all banking covenants under its credit facilities.

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

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

In addition, as of 30 June 2019, the Group had active credit lines for an aggregate undrawn amount of 850 million euros (650 million as of 30 June 2018). These lines are backed by banking covenants similar to those in place for the term loan and ONDD-guaranteed export facilities.

The schedule of debt maturities, excluding issue costs and premiums and accrued interest not yet due, as at 30 June 2019 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 | 118.6 | 23.7 | 94.9 | - |
| Bond 2020 | 930.0 | 930.0 | - | - |
| Bond 2021 | 500.0 | - | 500.0 | - |
| Bond 2022 | 300.0 | - | 300.0 | - |
| Bond 2025 | 800.0 | - | - | 800.0 |
| Bond 2027 | 600.0 | - | - | 600.0 |
| **Total** | **3,848.6** | **953.7** | **1,494.9** | **1,400.0** |

### 7.3.3 Financial assets and liabilities

Below is a detailed breakdown of financial assets:

| (in millions of euros) | 30 June 2018(1) | 30 June 2019 |
|---|---|---|
| Non-consolidated equity investments | 2.2 | 2.2 |
| Financial instruments | 1.2 | 4.0 |
| Other financial assets | 30.9 | 90.8 |
| **Total** | **34.3** | **97.0** |
| *Including current portion* | *16.9* | *83.4* |
| *Including non-current portion* | *17.4* | *13.6* |

*(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15 as presented in Note 4.1."Basis of preparation of financial information".*

As of 30 June 2019, other financial assets include a receivable of 67.5 million euros in respect of the deferred payment of a portion of the Group' divestment of its interest in the EUTELSAT 25B satellite.

Other financial liabilities break down as follows:

| (in millions of euros) | 30 June 2018(1) | 30 June 2019 |
|---|---|---|
| Finance leases | 620.1 | - |
| Lease liabilities | - | 582.2 |
| Other liabilities | 101.0 | 89.6 |
| Derivative financial instruments(2) | 125.6 | 140.2 |
| Liabilities for social contributions | 55.2 | 56.0 |
| Tax liabilities | 10.9 | 5.7 |
| **Total** | **912.8** | **873.7** |
| *incl. current portion* | *216.9* | *305.9* |
| *Incl. non current portion* | *695.8* | *567.9* |

*(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15 as presented in Note 4.1."Basis of preparation of financial information".*

*(2) See Note 7.3.5 "Derivative financial instruments".*

Changes in lease liabilities during the period break down as follows:

| (in millions of euros) | 30 June 2018 | IFRS 16 restatements | New contracts | Cash flow | Change in goodwill | Fair value change and others | 30 June 2019 |
|---|---|---|---|---|---|---|---|
| Satellites | - | 620.1 | 9.3 | (82.8) | - | (2.0) | 544.6 |
| Real estate | - | 32.7 | 1.4 | (6.0) | 0.2 | (1.1) | 27.2 |
| Others | - | 11.1 | - | (0.7) | - | - | 10.4 |
| **Total** | **-** | **663.9** | **10.7** | **(89.5)** | **0.2** | **(3.1)** | **582.2** |

Amounts shown for lease liabilities include accrued interest totalling 3.2 million euros as of 30 June 2018 and 2.5 million euros as of 30 June 2019.

### 7.3.4 Net debt

Net debt breaks down as follows:

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Term loan | 600.0 | 600.0 |
| Bonds | 2,530.0 | 3,130.0 |
| ONDD-guaranteed export credit | 142.3 | 118.6 |
| "Change" portion of cross-currency swap | 85.9 | 99.8 |
| Finance leases | 616.8 | - |
| Lease liabilities | - | 579.8 |
| **Debt** | **3,975.0** | **4,528.1** |
| Cash and cash equivalents | (733.5) | (1,455.4) |
| **Net debt** | **3,241.6** | **3,072.8** |

Changes in the debt position between 30 June 2017 and 30 June 2018 are presented below:

| (in millions of euros) | 30 June 2017 | Cash flow | Non-cash flow | Change in goodwill | Fair value change and others | 30 June 2018 |
|---|---|---|---|---|---|---|
| Term loan | 600.0 | - | - | - | - | 600.0 |
| Bonds | 2,530.0 | - | - | - | - | 2,530.0 |
| ONDD-guaranteed export credit | 166.0 | (23.7) | - | - | - | 142.3 |
| "Change" portion of cross-currency swap | 102.0 | - | - | - | (16.1) | 85.9 |
| Finance leases | 650.5 | (35.7) | 2.0 | - | - | 616.8 |
| **Total** | **4,048.5** | **(59.4)** | **2.0** | **-** | **10.8** | **3,975.0** |

Changes in the debt position between 30 June 2018 and 30 June 2019 are presented below:

| (in millions of euros) | 30 June 2018 | Cash flow | Non-cash flow | Restated for IFRS16 | Change in goodwill | Fair value change and others | 30 June 2019 |
|---|---|---|---|---|---|---|---|
| Term loan | 600.0 | - | - | - | - | - | 600.0 |
| Bonds | 2,530.0 | 600.0 | - | - | - | - | 3,130.0 |
| ONDD-guaranteed export credit | 142.3 | (23.7) | - | - | - | - | 118.6 |
| "Change" portion of cross-currency swap | 85.9 | - | - | - | - | 13.9 | 99.8 |
| Finance leases | 616.8 | - | - | (616.8) | - | - | - |
| Lease liabilities | - | (88.7) | 10.7 | 660.6 | 0.2 | (3.1) | 579.8 |
| **Total** | **3,975.0** | **487.6** | **10.7** | **43.8** | **0.2** | **10.8** | **4,528.1** |

Net cash flows of 600 million euros from bond issues correspond to the two bond issues in October 2018 and June 2019 for a total amount of 1,400 million euros and the repayment of the bond issue maturing in 2019 for 800 million euros.

### 7.3.5 Derivative financial instruments

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

| (in millions of euros) | Notional | | Fair value | | Change in fair value over the period | Impact on income (excl. coupons) | Impact on equity (excl. coupons) |
|---|---|---|---|---|---|---|---|
| | 30 June 2018 | 30 June 2019 | 30 June 2018 | 30 June 2019 | | | |
| Synthetic forward transaction with knock-in option (Eutelsat S.A.) | 255.4 | 237.3 | (8.0) | 0.1 | 8.1 | - | 8.1 |
| Cross currency swap | 500.0 | 500.0 | (72.1) | (97.6) | (25.4) | - | (25.4) |
| **Total forex derivatives** | **755.4** | **737.3** | **(80.1)** | **(97.5)** | **(17.4)** | **-** | **(17.4)** |
| Pre-hedging swap | 1,300.0 | 500.0 | (44.2) | (42.1) | 2.1 | (4.8) | 6.9 |
| Interest rate swaps | - | 500.0 | - | 3.3 | 3.3 | 3.3 | - |
| **Total interest rate derivatives** | **1,300.0** | **1,000.0** | **(44.2)** | **(38.7)** | **5.4** | **(1.5)** | **6.9** |
| **Total derivative instruments** | | | **(124.3)** | **(136.2)** | **(12.0)** | **(1.5)** | **(10.5)** |

As of 30 June 2019, the cumulative fair value of the derivative financial instruments was positive at 4.0 million euros and negative at 140.2 million euros (see Note 7.3.3 "Financial assets and liabilities").

Coupons on interest rate instruments qualifying as future cash flow hedges are posted directly to income. The change recognised in equity in respect of these instruments corresponds to the change in fair value net of coupons. Coupons on the cross currency swap qualifying as a hedge of a net investment in a foreign operation, as well as changes in fair value net of coupons, are booked directly to shareholders' equity.

The fair value and maturities of derivatives qualifying as hedges are as follows

| (in millions of euros) | Fair value recognised in equity and to be reclassified to income as of 30 June 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | 1 year at most | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years |
| Foreign exchange risk hedges | (97.5) | (97.5) | - | - | - | - | - |
| Interest rate risk hedges | - | - | - | - | - | - | - |
| **Net total at 30 June 2019** | **(97.5)** | **(97.5)** | **-** | **-** | **-** | **-** | **-** |

| (in millions of euros) | Fair value recognised in equity and to be reclassified to income as of 30 June 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | 1 year at most | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years |
| Foreign exchange risk hedges | (80.1) | (8.0) | (72.1) | - | - | - | - |
| Interest rate risk hedges | (44.2) | (36.4) | (7.7) | - | - | - | - |
| **Net total at 30 June 2018** | **(124.3)** | **(44.4)** | **(79.8)** | - | - | - | - |

### 7.3.6 Risk management

The Group is exposed to market risks, principally in terms of currency and interest rates. To address this, the Group uses a number of financial derivatives. The Group does not engage in financial transactions whose associated risk cannot be quantified at maturity, i.e. the Group never sells assets it does not hold, or about which it is uncertain whether it will subsequently hold them. The objective is to limit, where appropriate, the fluctuation of revenues and cash-flows due to variations in interest rates and foreign-exchange rates.

#### Foreign exchange risk

Through the sale of its satellite capacity, the Group is a net receiver of currencies, mainly the US dollar. Consequently, the Group is primarily exposed to the US dollar/euro foreign exchange risk.

In order to hedge foreign exchange risks, the Group may be compelled to use forward sales or synthetic forward transactions with knock-in option of US dollars against the euro, which can be exercised or not depending on the exchange rate at their expiry date. However, the Group cannot guarantee that it will be able to systematically hedge all of its US dollar-denominated contracts. Additionally, to hedge the translation risk, the Group may equally create liabilities denominated in the currency of the cash flows generated by these assets. Hedging instruments used by the Group may also include currency derivatives (cross-currency swaps) documented as net foreign investment hedges. The Group has thus developed a euro-US dollar currency swap for a notional amount of 500 million euros to hedge its net investment in its Mexican subsidiary.

Given its exposure to foreign currency risk, the Group believes that a 15% increase in the US dollar/euro exchange rate (excluding foreign exchange derivatives) would generate a 68 million euro decline in Group income and a decrease in operating expenses of 10 million euros. It would also result in a 215 million euro negative change in the Group's translation reserve and a 77 million euro increase in the foreign exchange portion of the cross currency swap recorded under financial liabilities.

#### Interest rate risk

The Group manages its interest rate fluctuation exposure by keeping part of its fixed rate debt (Eutelsat SA bonds) and, where necessary, by applying a hedging or pre-hedging policy.

Considering the full range of financial instruments available to the Group as of 30 June 2019, an increase of ten base points (+ 0.1%) over the EURIBOR interest rate would have an immaterial effect on the interest expense and the revaluation of financial instruments in the income statement. It would involve a positive change of 0.1 million euros in equity related to the effective portion of the change in the fair value of hedging instruments qualified as cash flow hedges.

#### Financial counterparty risk

Financial counterparty risk includes issuer risk, execution risk in connection with derivatives or monetary instruments, and credit risk related to liquidity and forward investments. The Group minimises its exposure to issuer, execution and credit risk by acquiring financial products from first-rate financial institutions and banks. Exposure to these risks is closely monitored.

The Group does not foresee any loss resulting from a failure by its counterparts to respect their commitments under the agreements it has concluded.

As of 30 June 2019, counterpart risk associated with these operations is not considered as significant.

#### Liquidity risk

The Group manages liquidity risk by taking into account the maturity of financial investments, financial assets and estimated future cash flows from operating activities.

The Group's objective is to maintain a balance between continuity of its funding needs and their flexibility through the use of overdraft facilities, term loans, revolving lines of credit from banks, bond loans and satellite lease agreements.

The Group's debt maturity is shown as below.

| As of 30 June 2018 (in millions of euros) | Balance-sheet value | Total contractual cash flows | Timelines as of 30 June 2018 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | *Jun-19* | *Jun-20* | *Jun-21* | *Jun-22* | *Jun-23* | *More than 5 years* |
| *Term loan* | (598.3) | (620.3) | (5.4) | (5.4) | (5.4) | (604.1) | - | - |
| Bonds | (2,522.7) | (2,682.6) | (879.4) | (969.4) | (515.0) | (9.4) | (309.4) | - |
| ONDD-guaranteed export credit | (137.5) | (148.7) | (25.9) | (25.2) | (24.9) | (24.6) | (24.3) | (24.0) |
| Finance leases | (616.8) | (748.0) | (88.2) | (82.6) | (67.4) | (85.2) | (53.8) | (370.8) |
| Qualified derivatives(1) | (125.5) | (125.5) | (45.7) | (79.8) | - | - | - | - |
| **Total financial debt** | **(4,000.8)** | **(4,325.1)** | **(1,044.6)** | **(1,162.4)** | **(612.7)** | **(723.3)** | **(387.4)** | **(394.8)** |
| Other financial liabilities | (104.3) | (104.3) | (16.9) | (87.4) | - | - | - | - |
| **Total financial liabilities** | **(4,105.1)** | **(4,429.4)** | **(1,061.5)** | **(1,249.8)** | **(612.7)** | **(723.3)** | **(387.4)** | **(394.8)** |
| Foreign exchange derivatives (1) | 1.2 | 1.2 | 1.2 | - | - | - | - | - |
| Financial assets(2) | 33.2 | 33.2 | 15.7 | 17.5 | - | - | - | - |
| Cash | 307.3 | 307.3 | 307.3 | - | - | - | - | - |
| Cash equivalents | 426.2 | 426.2 | 426.2 | - | - | - | - | - |
| **Total financial assets** | **767.9** | **767.9** | **750.4** | **17.5** | **-** | **-** | **-** | **-** |
| **Net position** | **(3,337.2)** | **(3,661.5)** | **(311.1)** | **(1,232.5)** | **(612.7)** | **(723.3)** | **(387.4)** | **(394.8)** |

*(1) The amounts broken down under derivative instruments are recognised at fair value (not as contractual cash flows).*
*(2) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15 as presented in Note 4.1."Basis of preparation of financial information".*

| As of 30 June 2019 (in millions of euros) | Balance-sheet value | Total contractual cash flows | Timelines as of 30 June 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | *Jun-19* | *Jun-20* | *Jun-21* | *Jun-22* | *Jun-23* | *More than 5 years* |
| *Term loan* | (598.3) | (620.7) | (6.9) | (6.9) | (606.9) | - | - | - |
| Bonds | (3,113.5) | (3,423.2) | (985.4) | (544.5) | (38.9) | (338.9) | (29.5) | (1,486.0) |
| ONDD-guaranteed export credit | (114.6) | (122.8) | (25.2) | (24.9) | (24.6) | (24.3) | (24.0) | - |
| Lease liabilities | (579.7) | (579.7) | (74.4) | (64.1) | (51.7) | (50.2) | (46.0) | (293.3) |
| Qualified derivatives(1) | (98.2) | (98.2) | (98.2) | - | - | - | - | - |
| Non-qualified derivatives(1)(2) | (42.1) | (42.1) | (42.1) | - | - | - | - | - |
| **Total financial debt** | **(4,546.4)** | **(4,886.7)** | **(1,232.2)** | **(640.4)** | **(722.1)** | **(413.4)** | **(99.5)** | **(1,779.3)** |
| Other financial liabilities | (151.3) | (151.3) | (90.5) | (60.8) | - | - | - | - |
| **Total financial liabilities** | **(4,697.7)** | **(5,038.0)** | **(1,322.7)** | **(701.2)** | **(722.1)** | **(413.4)** | **(99.5)** | **(1,779.3)** |
| Qualified derivatives(1) | 0.7 | 0.7 | 0.7 | - | - | - | - | - |
| Non-qualified derivatives(1) | 3.3 | 3.3 | 3.3 | - | - | - | - | - |
| Financial assets(2) | 93.0 | 93.0 | 79.4 | 13.6 | - | - | - | - |
| Cash | 541.5 | 541.5 | 541.5 | - | - | - | - | - |
| Cash equivalents | 913.8 | 913.8 | 913.8 | - | - | - | - | - |
| **Total financial assets** | **1,552.3** | **1,552.3** | **1,538.7** | **13.6** | - | - | - | - |
| **Net position** | **(3,145.4)** | **(3,485.7)** | **216.0** | **(687.6)** | **(722.1)** | **(413.4)** | **(99.5)** | **(1,779.3)** |

*(1) The amounts broken down under derivative instruments are recognised at fair value (not as contractual cash flows).*
*(2) Including 37.7 million euros spread over 8 years as interest expenses*

## 7.4 FAIR VALUE OF FINANCIAL ASSETS

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

### 7.4.1 Fair value of financial assets

The following tables break down each asset comprising financial instruments and show its fair value, whether or not the instrument is recorded on the balance sheet at fair value:

| (in millions of euros) | Total | Net carrying amount as of 30 June 2018[1] | | | |
|---|---|---|---|---|---|
| | | Instruments measured at amortised cost | Derivative instruments qualified as cash-flow hedges | Instruments measured at fair value through the income statement | Fair value as of 30 June 2018 |
| **Non-current financial assets** | | | | | |
| Long-term loans and advances | 42.1 | 42.1 | - | - | 42.1 |
| Non-current assets on customer contracts | 24.7 | 24.7 | - | - | 24.7 |
| **Current financial assets** | | | | | |
| Accounts receivable | 296.8 | 296.8 | - | - | 296.8 |
| Current assets on customer contracts | 46.9 | 46.9 | - | - | 46.9 |
| Other receivables | 29.9 | 29.9 | - | - | 29.9 |
| **Derivative financial instruments** [2] | | | | | |
| Qualified as hedges | 1.2 | - | 1.2 | - | 1.2 |
| **Cash and cash equivalents** | | | | | |
| Cash | 307.2 | 307.2 | - | - | 307.2 |
| Cash equivalent [3] | 426.2 | - | - | 426.2 | 426.2 |

*(1) Comparative financial statements have been restated to take into account the effect of retrospective application of IFRS 15 as presented in Note 4.1 "Basis of preparation of financial information".*
*(2) Fair value hierarchy: level 2 (observable inputs other than quoted prices in active markets).*
*(3) Fair value hierarchy: level 1 (reflecting quoted prices).*

| (in millions of euros) | Total | Net carrying amount as of 30 June 2019 | | | |
|---|---|---|---|---|---|
| | | Instruments measured at amortised cost | Derivative instruments qualified as cash-flow hedges | Instruments measured at fair value through the income statement | Fair value as of 30 June 2019 |
| **Non-current financial assets** | | | | | |
| Long-term loans and advances | 43.8 | 43.8 | - | - | 43.8 |
| Non-current assets on customer contracts | 30.2 | 30.2 | - | - | 30.2 |
| **Current financial assets** | | | | | |
| Accounts receivable | 284.7 | 284.7 | - | - | 284.7 |
| Current assets on customer contracts | 49.0 | 49.0 | - | - | 49.0 |
| Other receivables | 25.5 | 25.5 | - | - | 25.5 |
| **Derivative financial instruments (1)** | | | | | |
| Qualified as hedges | 0.7 | - | 0.7 | - | 0.7 |
| Not qualified as hedges | 3.3 | - | - | 3.3 | 3.3 |
| **Cash and cash equivalents** | | | | | |
| Cash | 541.5 | 541.5 | - | - | 541.5 |
| Cash equivalent (2) | 913.8 | - | - | 913.8 | 913.8 |

*(1) Fair value hierarchy: level 2 (observable inputs other than quoted prices in active markets).*
*(2) Fair value hierarchy: level 1 (reflecting quoted prices).*

With the exception of financial instruments, the book value of financial assets represents a reasonable approximation of their fair value.

### 7.4.2 Fair value of financial liabilities

The following tables break down each liability comprising financial instruments and show its fair value, whether or not the instrument is recorded on the balance sheet at fair value:

| (in millions of euros) | Total | Net carrying amount as of 30 June 2018 | | | Fair value as of 30 June 2018 |
|---|---|---|---|---|---|
| | | Instruments measured at amortised cost | Derivative instruments qualified as hedges | Instruments measured at fair value through the income statement | |
| **Financial debt** | | | | | |
| Floating rate loans | 735.8 | 735.8 | - | - | 735.8 |
| Bond (1) | 2,522.7 | 2,522.7 | - | - | 2,620.3 |
| Fixed rate loans | - | - | - | - | - |
| Bank overdrafts | - | - | - | - | - |
| **Other financial liabilities** | | | | | |
| Non-current | 615.9 | 615.9 | - | - | 615.9 |
| Current | 105.1 | 105.1 | - | - | 105.1 |
| **Derivative financial instruments (2)** | | | | | |
| Qualified as hedges | 125.6 | - | 125.6 | - | 125.6 |
| Accounts payable | 56.3 | 56.3 | - | - | 56.3 |
| Fixed assets payable | 62.7 | 62.7 | - | - | 62.7 |

*(1) Fair value hierarchy: level 1 (reflecting quoted prices).*
*(2) Fair value hierarchy: level 2 (observable inputs other than quoted prices in active markets).*

| (in millions of euros) | Net carrying amount as of 30 June 2019 | | | | |
|---|---|---|---|---|---|
| | Total | Instruments measured at amortised cost | Derivative instruments qualified as hedges | Instruments measured at fair value through the income statement | Fair value as of 30 June 2019 |
| **Financial debt** | | | | | |
| Floating rate loans | 712.9 | 712.9 | - | - | 712.9 |
| Bond (1) | 3,113.5 | 3,113.5 | - | - | 3,213.7 |
| Fixed rate loans | - | - | - | - | - |
| Bank overdrafts | - | - | - | - | - |
| **Other financial liabilities** | | | | | |
| Non-current | 567.9 | 567.9 | - | - | 567.9 |
| Current | 103.9 | 103.9 | - | - | 103.9 |
| **Derivative financial instruments (2)** | | | | | |
| Qualified as hedges | 98.2 | - | 98.2 | - | 98.2 |
| Not qualified as hedges | 42.1 | - | - | 42.1 | 42.1 |
| Current payables to fixed asset suppliers | 61.7 | 61.7 | - | - | 61.7 |
| Fixed assets payable | 62.8 | 62.8 | - | - | 62.8 |

*(1) Fair value hierarchy: level 1 (reflecting quoted prices).*
*(2) Fair value hierarchy: level 2 (observable inputs other than quoted prices in active markets).*

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

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

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Bond 2019 | 821.1 | - |
| Bond 2020 | 959.6 | 937.0 |
| Bond 2021 | 508.8 | 510.0 |
| Bond 2022 | 330.8 | 329.6 |
| Bond 2025 | - | 824.0 |
| Bond 2027 | - | 613.1 |
| **Total** | **2,620.3** | **3,213.7** |

## 7.5 SHAREHOLDERS' EQUITY

### ACCOUNTING PRINCIPLES

**Costs for capital increases**

External costs directly related to increases in capital and reduction of capital are allocated to additional paid-in capital, net of taxes when an income tax saving is generated.

**Treasury stock**

Treasury stock is recognised by reducing shareholders’ equity on the basis of the acquisition cost. When the shares are sold, any gains and losses are recognised directly in consolidated reserves net of tax and are not included under income for the year.

### 7.5.1 Share capital

As of 30 June 2019, the share capital of Eutelsat Communications S.A. comprised 232,774,635 ordinary shares with a par value of 1 euro per share.

At this date, the Group holds 223,296 equity shares amounting to 3.6 million euros acquired under a liquidity contract (201,000 share amounting to 3.4 million euros as of 30 June 2018) and 105,068equity shares amounting to 1.7million euros acquired under a free share allocation plan (105,068 equity shares amounting to 2.2 million euros as of 30 June 2018). The aggregate amount of treasury stock is deducted from shareholders' equity.

### 7.5.2 Dividends

On 08 November 2018, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of 1.27 euros per share, i.e. a total of 295.3 million euros, taken from income for the year ended 30 June 2018.

The amount of the distribution for the financial year ended 30 June 2019, which is being proposed to the General Meeting of 07 November 2019, is 295.3 million euros, i.e. 1.27 euro per share.

### 7.5.3 Change in the revaluation surplus of derivative instruments

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

| (in millions of euros) | Total |
|---|---|
| **Balance as of 30 June 2018** | **(29.6)** |
| Changes in fair value within equity that can be reclassified to income | (32.3) |
| **Balance as of 30 June 2019** | **(61.9)** |

### 7.5.4 Translation reserves

The translation reserve has changed as follows over the year:

| (in millions of euros) | Total |
|---|---|
| **Balance as of 30 June 2018** | **140.2** |
| Net change over the period | 17.7 |
| **Balance as of 30 June 2019** | **157.9** |

The main currency generating translation differences is the US dollar.

As of 30 June 2019, the revaluation reserve includes (97.6) million euros for the Cross Currency Swap used to hedge currency exposure of a net investment in a foreign operation (see Note 7.3.5 "Derivative financial instruments").

## 7.6 PROVISIONS

**ACCOUNTING PRINCIPLES**

A provision is made when, at the balance sheet date, (i) the Group has a present legal or constructive obligation as a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) a reliable estimate of the amount involved can be made. The amount recognised as a provision represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

If the effect of the time value of money is material, the amount of the provision will be equal to the discounted value of anticipated expenditure needed to settle the obligation. Increases in provisions recorded to reflect the passage of time and the effect of discounting are recognised as financial expenses in the income statement.

Changes in provisions between 30 June 2018 and 30 June 2019 are as follows:

| (in millions of euros) | 30 June 2018 | Allowance | Reversal | | Reclassified | Recognised in equity | 30 June 2019 |
|---|---|---|---|---|---|---|---|
| | | | Used | Unused | | | |
| Financial guarantee granted to a pension fund | 75.5 | 1.4 | - | - | - | 23.2 | 100.1 |
| Retirement benefits | 15.3 | 1.3 | (0.4) | - | - | (0.8) | 15.4 |
| Post-employment benefits [1] | 7.2 | - | (0.2) | (0.5) | 0.1 | 0.0 | 6.6 |
| **Total post-employment benefits** | **98.0** | 2.7 | (0.7) | (0.5) | 0.1 | 22.4 | **122.1** |
| Commercial, employee-related and tax litigation | 29.8 | 4.7 | (5.2) | (12.6) | 0.2 | 0.1 | 17.0 |
| Others | 9.9 | - | 0.0 | (2.1) | 0.0 | 0.0 | 7.8 |
| **Total provisions** | **137.6** | 7.4 | (5.8) | (15.2) | 0.3 | 22.5 | **146.9** |
| *Incl. non current portion* | *107.1* | | | | | | *130.8* |
| *incl. current portion* | *30.5* | | | | | | *16.1* |

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

### 7.6.1 Financial guarantee granted to a pension fund

Eutelsat SA provided a financial guarantee to the pension fund administering the pension scheme established by the Inter-Governmental Organisation (IGO) when the latter transferred its operations to Eutelsat SA in 2001. This defined-benefit pension scheme was closed and the vested pension rights were frozen prior to the transfer. The financial guarantee provided by Eutelsat SA is valued and recorded in the same manner as a define-benefit pension commitment, although the Group did not directly takeover the statutory commitments contracted with the IGO. This guarantee can be called under certain conditions to compensate for future under-funding of the plan.

In 2017, the financial guarantee was called for the sum of 35.9 million euros based on projected deficits of the scheme and an agreement was reached with the pension fund for nine payments of 4 million euros spread out from 30 June 2017 to 30 June 2025. These payments may be adjusted according to possible changes in the future financial position which will be assessed on an annual basis.

Changes in the plan's obligations and assets between 30 June 2018 and 30 June 2019 are as follows:

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| **Present value of the obligations at beginning of period** | **216.5** | **215.8** |
| Service cost for the period | - | - |
| Financial cost | 4.0 | 3.7 |
| Actuarial differences related to financial assumptions: (gains)/losses | 1.7 | 25.3 |
| Benefits paid | (6.3) | (6.2) |
| **Present value of the obligations at end of period** | **215.8** | **238.7** |

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| **Fair value of plan assets at beginning of period** | **136.9** | **136.4** |
| Expected return on plan assets | 2.5 | 2.4 |
| Actuarial differences: gains/(losses) | (0.7) | 2.1 |
| Contributions paid | 4.0 | - |
| Benefits paid | (6.3) | (6.2) |
| **Fair value of plan assets at end of period** | **136.4** | **134.6** |

The weighted average period of the obligation is 18 years.

The amounts included in the fair value of plan assets do not include any financial instruments issued by Eutelsat S.A. or any property or movable assets held or used by Eutelsat S.A. The actual return on the plan's assets was 1.8 million euros and 4.4 million euros as of 30 June 2018 and 30 June 2019 respectively.

The actuarial valuations performed as of 30 June 2018 and 30 June 2019 were based on the following assumptions:

| | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Discount rate | 1.75% | 1.05% |
| Rate for pension increases | 1.75% | 1.75% |

A 50 base point decrease in discount rates would result in an increase in the provision totalling 21.7 million euros.

Changes in provisions over the two financial years were as follows:

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| **Provision at beginning of period** | **71.6** | **75.5** |
| Net expense on income statement | 1.4 | 1.4 |
| Actuarial (Gains) / losses | 2.4 | 23.2 |
| Contributions paid | (4.0) | - |
| Current and non-current debt | 4.0 | - |
| **Provisions at end of period** | **75.5** | **100.1** |

### 7.6.2 Retirement benefits and related benefits

**ACCOUNTING PRINCIPLES**

The Group’s retirement schemes consist of defined contribution plans and defined benefit plans.

Expenses for defined-benefit pension schemes are recognised as "Staff costs" based on the contributions made or outstanding for the financial year for which services are delivered by recipients of the scheme.

Defined-benefit plans are plans for which the Group has contractually agreed to provide a specific amount or level of benefits. These benefits are assessed using the Projected Unit Credit actuarial method, which involves forecasting amounts for future payments expected on the basis of demographic assumptions (staff turnover, mortality and age at retirement) and financial assumptions (salary growth and discounting). The pension cost for the period consisting of service cost is posted "Staff costs" and the discounted effects recognised in the financial result. The actuarial differences arising from changes in actuarial assumptions or experience differences are recognised as "Otheritems of comprehensive income".

**Defined-benefit pension schemes**

The Group's defined-benefit pension scheme commitments mainly include the retirement benefits plan for Eutelsat SA staff.

As of 30 June 2018 and 2019, the position was as follows:

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| **Present value of the obligations at beginning of period** | **14.8** | **15.3** |
| Service cost for the period | 1.0 | 1.0 |
| Financial cost | 0.2 | 0.2 |
| Actuarial differences | (0.7) | (0.8) |
| Termination indemnities paid | (0.4) | (0.4) |
| **Present value of the obligations at end of period** | **14.9** | **15.3** |

The weighted average period of the obligation is 12 years.

The actuarial valuations performed were based on the following assumptions:

| | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Discount rate | 1.45% | 1.05 |
| Rate for salary growth | 2.0% | 2.0% |

The discount rate is determined based on high-grade corporate bonds (AA and AAA) with a maturity that is consistent with that of the valued scheme.

**Defined-contribution pension schemes**

The employer's contributions paid under the mandatory pension scheme in France during the financial year amounted to 8.2 million euros and 8.0 million euros as of 30 June 2018 and 30 June 2019 respectively.

Furthermore, the Group also has a supplementary defined-contribution funded plan for its employees (excluding directors and corporate officers who are employees), which is financed by employees' and employer's contributions representing 6% of gross annual salary, limited to eight times the French Social Security threshold. The employer's contributions paid under these schemes came at 2.3 million euros and 1.9 million euros as of 30 June 2018 and 30 June 2019 respectively.

### 7.6.3 Litigation and contingent liabilities

**ACCOUNTING PRINCIPLES**

In the course of its business activities, the Group is 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 is 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 over certain tax enhancements, on which Eutelsat believes that it has solid defences. As a result, as of 30 June 2019, no provision had been recorded for these two tax reassessments.

An audit of Eutelsat SA accounts for the financial years ended 30 June 2016 and 30 June 2017 is currently ongoing.

## 7.7 DEFERRED TAX ASSETS AND LIABILITIES

### ACCOUNTING PRINCIPLES

Deferred taxes are the result of temporary differences arising between the tax base of an asset or liability and its book value. Deferred taxes are recognised for each fiscal entity in respect of all temporary differences, with some exceptions, using the balance sheet liability method.

Accordingly, deferred tax liabilities are recognised for all taxable temporary differences except:

- Where the deferred tax liability arises from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit, or the tax loss; and
- When the deferred tax liability arises from investments in subsidiaries, and the Group is able to control the reversal of the difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be charged. However, a deferred tax asset is not recognised if it arises from a deductible temporary difference generated by the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit, or the tax loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance sheet date.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow the benefit of all or part of these deferred tax assets to be utilised.

Deferred taxes are not discounted and are recorded as non-current assets and liabilities.

Changes in the deferred tax balances between 30 June 2018 and 30 June 2019 were as follows:

| (in millions of euros) | 30 June 2018 (1) | Foreign exchange impact and reclassification | Net income for the period | Recognised in equity | 30 June 2019 |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Derivative instruments | 39.7 | (0.1) | (2.9) | (6.7) | 29.9 |
| Loss carry-forwards | 30.7 | (3.7) | (8.9) | - | 18.1 |
| Bad-debt provisions | 25.2 | (0.1) | 0.9 | - | 26.0 |
| Financial guarantee granted to the pension fund | 13 | - | 0.5 | 6.0 | 19.5 |
| Provisions for risks and expenses | 6.9 | - | (2.5) | - | 4.4 |
| Others | 7.4 | 1.6 | 4.1 | - | 13.1 |
| **Sub-total (a)** | **122.9** | **(2.3)** | **(8.8)** | **(0.7)** | **111.1** |
| **Deferred tax liabilities** | | | | | |
| Intangible assets | (87.9) | 24.3 | 9.9 | - | (53.7) |
| Tangible assets | (295.5) | 25.4 | 31.5 | - | (238.6) |
| Others | 0.2 | (49.5) | 4.0 | (0.1) | (45.4) |
| **Sub-total (b)** | **(383.2)** | **0.2** | **45.4** | **(0.1)** | **(337.6)** |
| **Total = (a) + (b)** | **(260.3)** | **(2.1)** | **36.6** | **(0.8)** | **(226.5)** |
| **Reflected as follows in the financial statements:** | | | | | |
| Deferred tax assets | 4.5 | | | | 2.7 |
| Deferred tax liabilities | 264.8 | | | | (229.1) |
| **Total** | **(260.3)** | | | | **(226.4)** |

*(1) Comparative financial statements have been restated for the items shown in Note 4.1."Basis of preparation of financial statements".*

The deferred tax asset or liability corresponds to the aggregate of the consolidated entities' net positions.

Deferred tax liabilities relate mainly to the taxable temporary differences generated by:

- the accounting treatment at fair value of Customer contracts and relationships and other intangible assets in the context of the acquisitions of Eutelsat S.A. and Satmex.
- the accelerated depreciation of satellites for tax purposes.

The timeline for recovery of deferred tax assets on carry-forward losses is presented in the table below:

| (in millions of euros) | Amount | Maturity within 1 year | Maturity between 1 and 5 years | Maturity exceeding 5 years | Undefined |
|---|---|---|---|---|---|
| Timelines of activated tax loss carryforwards | 104.8 | 33.9 | - | 63.2 | 7.7 |
| **Total** | **104.8** | **33.9** | **-** | **63.2** | **7.7** |

Furthermore, the Group has a stock of unrecognised tax loss carryforwards amounting to 114.0 million euros as of 30 June 2019 (81.8 million euros as of 30 June 2018) with the following maturity dates:

| (in millions of euros) | Amount | Maturity within 1 year | Maturity between 1 and 5 years | Maturity exceeding 5 years | Undefined |
|---|---|---|---|---|---|
| Maturities of unrecognised tax loss carryforwards | 114.0 | - | 0.3 | 4.4 | 109.3 |
| **Total** | **114.0** | **-** | **0.3** | **4.4** | **109.3** |

# Note 8. RELATED-PARTY TRANSACTIONS

Related parties consist of:

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

## *8.1. Key management personnel*

The Group considers that, in the context of Eutelsat's governance, the notion of “Key management personnel” includes members of Executive Committee headed by the Chief Executive Officer, as well as members of the Board of Directors.

Compensation allocated to the members of the Executive Board breaks down as follows:

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Compensation (1) | 6.2 | 8.1 |
| **Total short-term benefits** | **6.2** | **8.1** |
| Post-employment benefits (2) | 0.03 | 0.03 |
| Share-based payments (3) | 0.7 | 0.8 |
| **Total long-term benefits** | **0.73** | **0.83** |

(1) They include gross salaries inclusive of the variable portion, bonuses, benefits in kind, incentive payments, profit sharing and social security contributions paid.

(2) They correspond to the past service costs of defined benefit pension plans.

(3) They correspond to the expense recorded in the income statement for share-based compensation.

In case of termination of office of the CEO and of one of the Deputy-CEOs, a non-compete clause provides for payment of 50% of the CEO’s fixed compensation over an 18-month period. Under this clause, the CEO and the Deputy-CEO are required to refrain from working directly or indirectly for any satellite operator.

Fees paid to members of the Board of Directors for the financial year ended 30 June 2019 amounted to 1.0 million euros (0.8 million euros for the financial year ended 30 June 2018).

### *8.1. Other related parties*

Transactions with related parties othe than key management personnel are summed up as follows:

| (in millions of euros) | 30 June 2018 | 30 June 2019 |
|---|---|---|
| Revenues | 13.8 | 27.2 |
| Financial result | 14.5 | 14.0 |
| Gross receivables (including unbilled revenues) | 0.6 | 11.0 |
| Debt (including deferred payments) | 540.6 | 585.9 |

Revenues relate to the provision of services related to satellite monitoring and control.

Debts include the leases for the Express AT1, Express AT2, Express AM6 and Eutelsat 36C satellites.

# Note 9. SUBSEQUENT EVENTS

On 2 July 2019, Eutelsat acquired a circa 20% stake in Broadpeak, a leading provider of video content distribution solutions. This transaction will enable the two groups to pool their technological resources to expand their respective service portfolios for telecom operators, media groups and content owners and to develop new solutions aimed at integrating satellite technology into the 5G generation of mobile networks. Eutelsat's investment, in the form of shares and convertible bonds, represents a consideration of circa 10 million euros.

# Note 10. STATUTORY AUDITORS' FEES

| (in thousands of euros) | EY | | | | Mazars | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount N | % | Amount N-1 | % | Amount N | % | Amount N-1 | % |
| **Statutory audit, certification, review of separate and consolidated financial statements** | | | | | | | | |
| Eutelsat Communications | 165 | 24% | 163 | 25% | 165 | 25% | 168 | 28% |
| Subsidiaries | 453 | 65% | 492 | 73% | 425 | 65% | 430 | 70% |
| **Sub-total** | **618** | **89%** | **655** | **98%** | **590** | **91%** | **598** | **98%** |
| **Services other than certification of financial statements** | | | | | | | | |
| Eutelsat Communications | - | - | - | - | - | - | - | - |
| Subsidiaries | 79 | 11% | 12 | 2% | 61 | 9% | 13 | 2% |
| **Sub-total** | **79** | **11%** | **12** | **2%** | **61** | **9%** | **13** | **2%** |
| **Total** | **697** | **100%** | **667** | **100%** | **651** | **100%** | **610** | **100%** |

The services other than certification of financial statements mainly relate to comfort letters in the context of the issuance of the bonds.