

*This is a free translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

## **Eutelsat S.A.**

Year ended June 30, 2019

**Statutory auditors' report on the consolidated financial statements**

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

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

**ERNST & YOUNG Audit**  
½ place des Saisons  
92400 Courbevoie - Paris-La Défense  
S.A.S à capital variable

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

## **Eutelsat S.A.**

Year ended June 30, 2019

### **Statutory auditors' report on the consolidated financial statements**

To the Annual General Meeting of S.A.,

#### **Opinion**

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Eutelsat S.A. for the year ended June 30, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 30 June 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### **Basis for Opinion**

##### **■ Audit Framework**

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

#### ■ Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from July 1<sup>st</sup>, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

### Emphasis of Matter

We draw attention to Notes 4.1.1 and 4.1.2 to the consolidated financial statements relating to the impacts of the first application of IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases". Our opinion is not modified in respect of this matter.

### Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

#### ■ Valuation of fixed assets and useful lives of satellites

Risk identified	Our response
As at June 30, 2019, the Group's fixed assets amounted to € 5.2 billion, compared to a total balance sheet of € 7.2 billion. These fixed assets consist mainly of goodwill and customer contracts and associated relationships accounted for the context of business combinations, satellites in orbit or under construction, as well as ground equipment.	Notes 7.1.1, 7.1.2, 7.1.3 and 7.1.4 to the consolidated financial statements describe the depreciation methods of customer contracts and associated relationships and in-orbit satellites, as well as the methodology applied to perform impairment tests.  We considered the work performed by the Group to determine the useful life of the satellites and the consistency of the useful lives used with the available technical data.

We considered that the valuation of these assets and the determination of the depreciation period of satellites in orbit are key audit matters due to (i) their significant contribution in the Group's financial statements, (ii) the estimates necessary to determine the expected useful life of the satellites and the operating cash flow horizon based on technical assessments, (iii) the judgment required to determine the cash-generating units, and (iv) the estimates and assumptions used to determine their recoverable value, most often based on discounted cash flow forecasts whose achievement is inherently uncertain.

We also examined the procedures for implementing these impairment tests, in particular the determination of the cash-generating units and the methods of estimating recoverable values. Particular attention was paid to cash-generating units for which the carrying value is close to the estimated recoverable amount, to those with a limited performance history given the recent nature of satellite launches, and to those impacted by volatile economic environments.

We also assessed the main estimates used by Management to prepare cash flow forecasts based on available information, including market prospects, order books and past performances. Finally, we assessed the relevance of the discount rates used, with the assistance of our financial valuation experts, and carried out sensitivity tests.

■ **Revenue recognition and allowance for bad debt**

Risk identified	Our response
<p>As at June 30, 2019, the Group revenues amounted to € 1.3 billion and trade receivables recorded in the Group's balance sheet amounted to € 0.3 billion. The Group deals with multiple customers in France and abroad. Revenues consists mainly of contractual income linked to the allocation of satellite capacity on the basis of contractual conditions. The contracts generally cover periods ranging from several months to several years. Revenues for contracts are recognized according to the methods described in Note 6.1: the Group elected to adopt IFRS 15 "Revenue from Contracts with Customers" using the full retrospective method as from July 1<sup>st</sup>, 2018 as mentioned in Note 4.1.1 to the annual consolidated financial statements.</p>	<p>Our audit approach related to revenue recognition and allowance for trade receivables includes both internal control and substantive procedures on the accounts themselves.</p> <p>Our work on internal control focused mainly on the contracting, billing, collection and accounting for revenue. We examined the procedures implemented by the Group and tested the identified key controls. Our work also included the assessment by our IT specialists of certain application controls on the data integrated in the system and used to recognize revenues.</p> <p>Our substantive procedures, related to revenue and to allowance for bad debt, notably consisted in:</p>

We considered that revenue recognition and the determination of allowance for bad debt are key audit matters due to their significant contribution in the Group's financial statements, the diversity and volume of contracts between the Group and its clients, and the judgment required to assess the recoverability of trade receivables throughout the duration of the contracts.

- analyzing the contractual clauses on a sample of contracts, in particular the most significant new contracts of the period and the specific transactions, in order to analyze the accounting treatment applicable;
- assessing the assumptions used for the revenue recognition and the estimation of the recoverability of receivables;
- examining with Management the reasons for late payment of certain clients and the appropriateness of the associated provisions by considering, among other things, factors such as security deposits, negotiated payment plans, payment history and business relationships between these customers and the Group;
- checking the calculation of the allowance for bad debt and its compliance with the Group's methodology.

In the context of IFRS 15 first-time application, we examined the methods used for its implementation, for the main categories of customer contracts, as well as the appropriateness of the related disclosures presented in the Notes to the annual consolidated financial statements.

## ■ Current and deferred tax

Risk identified	Our response
<p>As of June 30, 2019, the income tax expense amounted to €97.2 million, and deferred tax assets and liabilities recorded in the balance sheet amounted respectively to €2.7 million and €147.5 million, as presented in Notes 6.6 and 7.7 to the annual consolidated financial statements.</p>	<p>With the help of our tax experts, we assessed the main assumptions used by management in determining current and deferred tax positions. We examined the accounting implications of changes in applicable tax legislation, particularly in France.</p>
<p>The recognition of current and deferred taxes is a key audit matter given the judgment required to their valuation and the material impact of recent changes in tax regulations, particularly in France, in the context of the French <i>Loi de Finance 2019</i>, as described in Note 2.3 to the consolidated financial statements.</p>	<p>We examined the current and deferred tax calculations for the most significant entities.</p> <p>We have also assessed the appropriateness of the financial information presented in the Notes to the annual consolidated financial statements.</p>

## Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information given in the Group's management report of the Board of Directors.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

## Report on Other Legal and Regulatory Requirements

### ■ Appointment of the Statutory Auditors

We were appointed as statutory auditors of Eutelsat S.A. by the Annual General Meetings held on March 22, 2001 for Ernst & Young Audit and on November 9, 2007 for Mazars.

As at June 30, 2019, Ernst & Young Audit was in the 19<sup>th</sup> year of total uninterrupted engagement and was in the 12<sup>th</sup> year of total uninterrupted engagement, which is the 10<sup>th</sup> year since securities of the Company were admitted to trading on a regulated market.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

## Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

### ■ Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- ▶ Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- ▶ Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- ▶ Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- ▶ Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Courbevoie and Paris-La Défense, August 2<sup>nd</sup>, 2019

The Statutory Auditors  
*French original signed by*

Mazars

Ernst & Young Audit

Achour Messas

Pierre-Henri Pagnon