



## **EUTELSAT Communications**

### **2021-2022 HALF-YEAR FINANCIAL REPORT**

(July-December 2021)

# 2021-22 HALF-YEAR FINANCIAL REPORT

(July-December 2021)

## SUMMARY

THIS INTERIM FINANCIAL REPORT INCLUDES A STATEMENT OF INDIVIDUALS RESPONSIBLE FOR THIS DOCUMENT, AN INTERIM MANAGEMENT REPORT, INTERIM CONSOLIDATED ACCOUNTS AND THEIR APPENDIX FOR THE PAST SIX MONTHS AND THE REPORT OF THE AUDITORS ON THE REVIEW OF THE ABOVE.

Person responsible for the Interim Financial Report.....	3
1 Key events and business overview.....	4
2 Profitability.....	9
3 Risk factors.....	11
4 Changes within the Group.....	12
5 Recent events and satellite fleet evolution.....	13
6 Condensed Consolidated half-year accounts as of 31 December 2021.....	14
7 Outlook.....	15
Appendix.....	16
Statutory auditor's review report on the first half-yearly financial information (French version).....	20
How to contact us.....	21

## PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

I certify that, to my knowledge, the consolidated financial statements for the half year are prepared in accordance with applicable accounting standards and present fairly the assets, financial condition and results of the company and the entities included in consolidation, and that the interim management report includes a fair review of significant events occurring during the first six months of the year, their impact on the accounts, the main transactions between related parties and a description of major risks and uncertainties for the remaining six months of the year.

**Eva Berneke**

Chief Executive Officer

Notes: This document contains figures from the consolidated half-year accounts prepared under IFRS and subject to a limited review by the Auditors. They were reviewed by the Audit Committee on 15 February 2022 and approved by the Board of Directors on 16 February 2022. EBITDA, EBITDA margin, Net debt / EBITDA ratio, Cash Capex, Discretionary Free Cash-Flow and Adjusted Discretionary Free Cash-Flow are considered Alternative Performance Indicators. Their definition and calculation are in Appendix 3 of this document. The comparative financial statements as of 31 December 2020 have been restated with respect to the CVAE, which has been reclassified from "Selling, general and administrative expenses" to "Corporate income tax" for an amount of 2.1 million euros in order to align the presentation with the consolidated financial statements as of 31 December 2021.

# 1 KEY EVENTS AND BUSINESS OVERVIEW

## 1.1. HIGHLIGHTS

- New Chief Executive Officer, Eva Berneke, took office on 1<sup>st</sup> January 2022.
- First Half Operating Vertical revenues down 4.2% on a like-for-like basis, broadly in line with expectations and within the range of objectives for the Full Year.
- Industry-leading profitability with a 76.4% EBITDA margin in the First Half at constant currency, despite revenue decline.
- Adjusted Discretionary Free Cash-Flow of €203m, well on track to reach full year objective.
- \$125m proceeds related to Phase I of C-Band transition received in December.
- Sustained progress in our Fixed Broadband strategy
  - Following recent contracts with Hispasat (Spain) and Deutsche Telekom (Germany), four of the five most populous European markets are now covered by wholesale or distribution deals with major operators, including France (Orange) and Italy (TIM);
  - Growing momentum in Africa, evidenced by agreements with Telecom operators Globacom in Nigeria and Vodacom in Tanzania, and with the service provider Intersat for Gambia and Guinea Bissau.
- Successful entry into service of EUTELSAT QUANTUM bringing unprecedented flexibility to address government and mobility markets with four beams out of eight at a well-advanced stage of commercialization after a few months of operations
  - Two beams already secured
    - One beam with a customer in the Middle East for maritime Mobility;
    - One beam in government services with a USG service provider.
  - Well-advanced discussions for the commercialization of two additional beams;
  - Strong pipeline of opportunities with both USG and non-USG customers.
- Investment in OneWeb closed making Eutelsat the number two shareholder in one of the few global LEO constellations, a critical infrastructure to serve long-term Telecom needs.
- Updated revenues objectives
  - For FY 2021-22, revenues expected in our predicted range, albeit in the lower half;
  - For the medium-term, revenue objectives mechanically revised to reflect delayed availability of KONNECT VHTS and EUTELSAT 10B;
  - Return to topline growth expected in FY 2023-24 on the back of incremental capacity.
- Adjusted DFCF objectives confirmed.
- Dividend policy (stable to progressive dividend) confirmed.

## 1.2. KEY FIGURES

Key Financial Data	6M to Dec. 2020	6M to Dec. 2021	Change
<b>P&amp;L</b>			
Revenues - €m	628.5	572.2	-9.0%
"Operating Verticals" revenues reported - €m	613.1	568.7	-7.2%
"Operating Verticals" revenues at constant currency and perimeter - €m	588.1	563.3	-4.2%
EBITDA <sup>1</sup> - €m	484.1	435.7	-10.0%
EBITDA margin - % <sup>1</sup>	77.0	76.1	-0.9 pts
EBITDA margin at constant currency - %	77.0	76.4	-0.6 pts
Group share of net income - €m	137.4	166.0	+20.8%
<b>Financial structure</b>			
Reported Discretionary Free Cash-Flow - €m <sup>1</sup>	256.9	195.0	-24.1%
Adjusted Discretionary Free Cash-Flow - €m <sup>1</sup>	265.9	203.4	-23.5%
Net debt - €m	2,994.4	3,081.0	+€86.6m
Net debt/EBITDA <sup>1</sup>	3.09x	3.53x	+0.44 pts
Backlog - €bn	4.4	4.2	-4.9%

<sup>1</sup> Please refer to Appendix 3 for definition and calculation.

## 1.3. Revenues<sup>2</sup>

In € millions	6 months to Dec. 2020	6 months to Dec. 2021	Change	
			Reported	Like-for-like <sup>3</sup>
Broadcast	378.9	350.5	-7.5%	-7.5%
Data & Professional Video	81.4	77.8	-4.4%	-4.1%
Government Services	76.9	73.9	-3.9%	-3.8%
Fixed Broadband	42.1	30.1	-28.5%	+37.3%
Mobile Connectivity	33.9	36.5	+7.7%	+9.8%
<b>Total Operating Verticals</b>	<b>613.1</b>	<b>568.7</b>	<b>-7.2%</b>	<b>-4.2%</b>
Other Revenues <sup>4</sup>	15.4	3.5	-77.3%	NR
<b>Total</b>	<b>628.5</b>	<b>572.2</b>	<b>-9.0%</b>	<b>-4.7%</b>
EUR/USD exchange rate	1.17	1.17		

Total revenues in the **First Half** stood at €572 million, down 9.0% on a reported basis and by 4.7% like-for-like.

Revenues of the five Operating Verticals (ie, excluding 'Other Revenues') stood at €569 million. They were down by 4.2% on a like-for-like basis excluding a negative perimeter effect of circa 3 points from the disposal of Euro Broadband Infrastructure (EBI) on 30 April 2021, only partly offset by the consolidation of Bigblu Broadband Europe since 1<sup>st</sup> October 2020.

**Second Quarter** revenues stood at €285 million down 5.0% like-for-like. Revenues of the five Operating Verticals stood at €284 million, down 5.1% year-on-year and by 1.0% quarter-on-quarter on a like-for-like basis.

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

### Broadcast (62% of revenues)

**First Half** Broadcast revenues were down 7.5% to €351 million, reflecting mostly three items: lower revenues in Europe due largely to the carry-forward effect of a slowdown in the pace of new business last year, the temporary headwind of the partial renewal of capacity with Nilesat at 7/8°West, and a negative impact of circa one point reflecting a positive one-off booked in the First Quarter of 2020-21 as well as lower revenues from Fransat.

**Second Quarter** revenues stood at €173 million down by 8.6% year-on-year and 3.1% quarter-on-quarter.

The trend is expected to progressively improve as the comparison basis becomes easier from the Second Half and the available capacity at 7/8°West is gradually resold.

### Data & Professional Video (14% of revenues)

**First Half** revenues stood at €78 million, down by 4.1% year-on-year.

In Fixed Data (two thirds of this application), improved volume trends are now offsetting most of the negative impact of competitive pressure.

Professional Video (one third of revenues), recorded a high-single digit decline on the back of the unfavourable phasing of a specific contract as well as the ongoing structural headwinds in this application.

**Second Quarter** revenues stood at €39 million, down 6.7% year-on-year, but up by 1.4% quarter-on-quarter.

We expect the full year decline for this application to remain broadly consistent with the trend of the First Half.

<sup>2</sup> The share of each application as a percentage of total revenues is calculated excluding "other revenues".

<sup>3</sup> Change at constant currency and perimeter. The variation is calculated as follows: i) H1 2021-22 USD revenues are converted at H1 2020-21 rates; ii) the contribution of BigBlu Broadband Europe (BBB) is excluded from H1 2021-22 revenues; iii) the contribution of Eurobroadband Infrastructure (EBI) is excluded from H1 2020-21 revenues; iv) Hedging impact is excluded.

<sup>4</sup> Other Revenues include mainly the impact of EUR/USD revenue currency hedging, the provision of various services or consulting/engineering fees and termination fees.

## Government Services (13% of revenues)

**First Half** Government Services revenues stood at €74 million, down by 3.8%, reflecting the negative carry-forward effect of USG renewals with, in particular, a 75% renewal rate in Fall 2021 as a result of the geopolitical context in MENA, partly offset by new business.

**Second Quarter** revenues stood at €37 million, down by 5.9% year-on-year and by 2.0% quarter-on-quarter.

The Second Half will reflect the full effect of the above-mentioned headwinds.

## Fixed Broadband (5% of revenues)

**First Half** revenues stood at €30 million, up 37.3% on a like-for-like basis. This reflected the contribution from the wholesale agreements with Orange, TIM and, from November 2021, Hispasat as well as, to a lesser extent the growth of our African operations.

**Second Quarter** revenues stood at €16 million. On a like-for-like basis, they were up 24.7% year-on-year, and 5.9% quarter-on-quarter.

The First Half saw material progress in the roll-out of our Fixed Broadband strategy with four of the five most populated countries in Europe now covered by distribution or wholesale agreements with major operators. A distribution agreement was signed with Deutsche Telekom on the EUTELSAT KONNECT satellite for the German coverage as well as a multi-year wholesale commitment from Hispasat for the Iberian capacity on EUTELSAT KONNECT. Both agreements could be extended to KONNECT VHTS in the future.

In Africa a multi-year, multi-Gbps wholesale capacity contract was secured with Globacom, Nigeria's second largest telecom operator as well as a service agreement with Vodacom Tanzania, the country's leading telecommunications company. A contract was also signed with Intersat for the entire capacity covering Gambia and Guinea Bissau. In addition, several spotbeams on the HTS payload of the EUTELSAT 65 West A satellite were selected by Mexican service providers to address Internet connectivity needs under a government-sponsored rural schools connectivity project.

These tailwinds will benefit the Second Half which will see a continuation of significant double-digit organic growth.

## Mobile Connectivity (6% of revenues)

**First Half** revenues stood at €37 million, up 9.8% like-for-like, reflecting in particular the contribution of the contract with Anuvu. Maritime mobility also continued to record a sound performance driven by the ramp-up of contracts with service providers signed in previous years and the above-mentioned agreement on EUTELSAT QUANTUM.

**Second Quarter** revenues stood at €19 million, up 19.6% year-on-year and by 11.0% quarter-on-quarter.

On the commercial front, the global partnership with Marlink has been extended to Asia-Pacific and the Americas, including incremental capacity commitments on multiple satellites across our fleet. This comes on top of the agreement with a customer in the Middle-East on EUTELSAT QUANTUM for maritime mobility.

This positive dynamic is expected to translate into double-digit growth for the Full Year.

## Other Revenues

In the **First Half**, Other Revenues amounted to €4 million versus €15 million a year earlier. They included a €2 million negative impact from hedging operations versus a positive effect of €6 million a year earlier.

## 1.4. Order Backlog

The backlog<sup>5</sup> stood at €4.2 billion at 31 December 2021 versus 4.4 billion a year earlier and at end June 2021. The natural erosion of the backlog in the First Half more than offset the contribution of the partial renewal with Nilesat and the wholesale contract with Hispasat.

The backlog was equivalent to 3.4 times 2020-21 revenues, and Broadcast represented 64% of the total.

	31 Dec. 2020	30 June 2021	31 Dec. 2021
Value of contracts (in billions of euros)	4.4	4.4	<b>4.2</b>
<i>In years of annual revenues based on previous fiscal year</i>	3.4	3.5	<b>3.4</b>
Share of Broadcast application	67%	64%	<b>64%</b>

## 1.5. Operational and utilized transponders

The number of operational transponders at 31 December 2021 stood at 1,380, broadly stable year-on-year and compared to end-June 2021, with no entry into service of any new regular capacity or end of stable-orbit life of any satellite over the last 12 months.

The number of utilized transponders stood at 974, up by seven units year-on-year and down by seven units compared to end June, the latter reflecting notably the return of capacity by Nilesat.

As a result, the fill rate stood at 70.6% compared to 70.1% a year earlier and 71.2% at end-June.

	31 Dec. 2020	30 June 2021	31 Dec. 2021
Operational transponders <sup>6</sup>	1,380	1,377	<b>1,380</b>
Utilized transponders <sup>7</sup>	967	981	<b>974</b>
Fill rate	70.1%	71.2%	<b>70.6%</b>

**Note:** Based on 36 MHz-equivalent transponders excluding high throughput capacity, EUTELSAT QUANTUM and satellites in inclined orbit.

<sup>5</sup> The backlog represents future revenues from capacity or service agreements and can include contracts for satellites under procurement.

<sup>6</sup> Number of transponders on satellites in stable orbit, back-up capacity excluded.

<sup>7</sup> Number of transponders utilised on satellites in stable orbit.



## 2 PROFITABILITY

### 2.1. Profitability

**EBITDA** stood at €436 million at 31 December 2021 compared with €484 million a year earlier, down by 10.0%. The **EBITDA margin** stood at 76.4% at constant currency (76.1% reported) versus 77.0% a year earlier, reflecting lower revenues. Opex were €8m lower than last fiscal year reflecting the favourable effect of changes in perimeter, lower Bad Debt and continued strict cost discipline in the legacy businesses. In the context of the LEAP 2 cost-saving program, €24 million savings have been fully secured for current fiscal year, in the high end of the 20-25 million annual savings target range.

**Group share of net income** stood at €166 million versus €137 million a year earlier, up by 20.8% and representing a margin of 29%. This reflected:

- Lower **depreciation and amortisation** ((€243) million at 31 December 2021 compared with (€260) million a year earlier) as a result in particular of the disposal of the KA-SAT satellite and of the end of the amortization period of certain in-orbit assets.
- **Other operating income** of €84m (compared to expenses of €8 million last year) including the \$125m payment related to Phase I of C-Band proceeds, partly offset by some asset impairments.
- A **net financial result** of (€35) million (versus (€47) million a year earlier), reflecting a favourable evolution of foreign exchange gains and losses.
- A **tax rate** of 24% (versus 15% last year) reflecting the 30% tax rate applied to the C-Band proceeds.
- **Negative income from associates** ((€13) million) reflecting the contribution of the stake in OneWeb since September.

### 2.2. Cash flow

In H1 2021-22, **net cash flow from operating activities** amounted to €363 million, €72 million lower than a year earlier due principally to the decline in EBITDA.

**Cash Capex** amounted to €98 million (versus €117 million last year); it reflects the phasing of satellite program milestones and is not representative of the expected Full Year figure.

**Interest and other fees paid net of interest received** amounted to €70 million versus €61 million last year. All the coupon payments related to our bond issuances now fall due in the First Half (four maturities representing a nominal amount of €2.3bn) whereas in FY 21, a coupon on a €500 million issue fell due in the Second Half.

**Discretionary Free Cash-Flow** amounted to €195 million on a reported basis, down €62 million. Adjusted Discretionary Free Cash-Flow as per the financial outlook definition<sup>8</sup> stood at €203 million, down €62 million or 23.5%.

### 2.3. Financial structure

At 31 December 2021, **net debt** stood at €3,081 million, up €426 million versus end-June. It mainly reflected, on one hand, €195 million in Discretionary Free Cash-Flow generated in the First Half and C-Band proceeds of \$125 million, and on the other, the dividend payment of €222 million (including minority interests) and the outflow in respect of inorganic investments of €495m, mostly OneWeb. Other items (mostly variations related to leases, structured debt and the foreign exchange portion of the cross-currency swap) contributed to the increase in net debt for a net impact of €14 million.

The **net debt to EBITDA ratio** stood at 3.53 times, compared to 3.09 times at end-December 2020 and 2.88 times at end-June 2021. As a reminder, December represents a peak in the annual leverage profile reflecting the timing of the dividend payment. The picture is exacerbated this year by the timing of the investment in OneWeb whereas only a quarter of C-Band proceeds have been received.

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<sup>8</sup> Please refer to Appendix 3.

The average cost of debt after hedging stood at 2.5% (2.3% in H1 2020-21). The weighted average maturity of the Group's debt stood at 4.5 years, compared to 4.3 years at end-December 2020.

Liquidity remained strong, with undrawn credit lines and cash around €1.5 billion.

### 3 RISK FACTORS

Information contained in this report expresses the objectives set on the basis of the Group's current estimates or assessments. However, the said information is subject to risks and uncertainties as set out below.

The main risks which the Group is likely to face during the second half of the financial year are similar by nature to those described in Chapter 4 – Risk Factors – of the Company's Universal Registration Document as registered with the "Autorité des marchés financiers" (French securities regulator) and filed on 15 October 2021 under number D.21-0859.

The nature of these risks has not changed substantially during the First Half of the financial year.

However, it is worth noting that the Group's activity, in particular its development and ability to meet the objectives described in this half-year report, is likely to be impacted by a number of identified or unknown risks. A significant example of the risks pertaining to the Group's activity is the technical risk associated with the total or partial loss of all or part of an operational satellite or with a launch or launch-related operations.

## 4 CHANGES WITHIN THE GROUP

### 4.1. Governance

#### Appointment of Eva Berneke as Chief Executive Officer

The Board of Directors appointed Eva Berneke as Chief Executive Officer, with effect from 1<sup>st</sup> January 2022. Eva Berneke was also co-opted as a member of the Board. She replaced Rodolphe Belmer whose office terminated on 31 December 2021.

#### Annual General Meeting

The Ordinary and Extraordinary Shareholders' Meeting of 4 November 2021 renewed the mandates of Esther Gaide, Dominique D'Hinnin and Didier Leroy. BPIFrance Investissement was appointed as a Board Member and is represented by Paul François Fournier.

The Board is composed of 10 members, 50% of whom are women and 70% of whom are independent.

The Combined General Meeting also approved all the other resolutions, including the accounts, the dividend in respect of FY 2020-21, compensation of corporate officers and compensation policy.

### 4.2. Dividend

The Annual General Meeting of Shareholders of 4 November 2021 approved the payment of a dividend of €0.93 per share in respect of the Financial Year ended 30 June 2021. The dividend was paid on November 18, 2021.

### 4.3. Investment in OneWeb

On 8 September 2021, Eutelsat completed its initial investment in OneWeb of 550 million U.S. dollars announced in April. On 6 October, a call option on a portion of the latest OneWeb funding round subscribed by Bharti was exercised for a consideration of 165 million<sup>9</sup> U.S. dollars.

As a result, Eutelsat now owns 22.9% of OneWeb<sup>10</sup>.

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<sup>9</sup> Of which \$30m called at end-December 2021.

<sup>10</sup> Subject to the completion of the investment announced by Hanwha in August 2021. As of 31/12/2021, Eutelsat held a 25.13% stake.

## 5 RECENT EVENTS AND SATELLITE FLEET EVOLUTION

### 5.1. Satellite fleet evolution

#### Nominal deployment programme

Compared to the last quarterly update in October 2021, the entry into service of KONNECT VHTS has been delayed from the first half to the second half of calendar 2023. Furthermore, while still expected within the H1 2023 window, the entry into service of the EUTELSAT 10B satellite has been delayed versus our previous expectations. This reflects the impact of both manufacturing delays and their knock-on effects, including pairing difficulties, related to launch rescheduling, in the context of global Covid crisis.

All other data remains unchanged.

Satellite	Orbital position	Estimated entry into service (calendar year)	Main applications	Main geographic coverage	Physical Transponders/ Spot beams	Of which expansion
EUTELSAT 10B	10° East	H1 2023	Mobile Connectivity	EMEA Atlantic & Indian Ocean	12 Ku 10 C >100 Ku spot beams	-48 Ku c. 35 Gbps
EUTELSAT HOTBIRD 13G	13° East	H1 2023	Broadcast	Europe MENA	80 Ku <sup>2</sup> EGNOS payload	EGNOS payload
KONNECT VHTS	To be confirmed	H2 2023	Connectivity	Europe	~230 Ka spot beams	500 Gbps
EUTELSAT HOTBIRD 13F	13° East	Q2/Q3 2023	Broadcast	Europe MENA	80 Ku <sup>2</sup>	None
EUTELSAT 36D	36° East	H2 2024	Broadcast Government	Africa, Russia, Europe	70 Ku UHF payload	UHF payload

<sup>1</sup> Nominal capacity corresponding to the specifications of the satellites. Total operational capacity at the HOTBIRD orbital position will remain unchanged with 102 physical transponders operated, once regulatory, technical and operational constraints are taken into account.

#### Changes in the fleet since 30 June 2021

- EUTELSAT QUANTUM was launched on 30 July 2021 and entered service in November 2021.
- The lease agreement for capacity on the YAHSAT 1B and Al Yah 3 satellites was terminated in the first quarter of fiscal year 2021-22.
- EUTELSAT 48E, which was in inclined orbit, terminated its life in October 2021.
- EUTELSAT 174A is operating in inclined orbit since January 2022.

## **6 CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS AS OF 31 DECEMBER 2021**

# **Eutelsat Communications Group**

“Société anonyme” with a capital of 230,544,995 euros

Registered office: 32, boulevard Gallieni, 92130 Issy Les Moulineaux

481,043,040 R.C.S. Nanterre

## **CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS AS OF 31 DECEMBER 2021**

# CONSOLIDATED INCOME STATEMENT

(in millions of euros, except per-share data)	Note	31 December 2020	31 December 2021
<b>Revenues from operations</b>	5.1	<b>628.5</b>	<b>572.2</b>
Operating costs		(44.6)	(43.6)
Selling, general and administrative expenses <sup>(1)</sup>		(99.8)	(92.9)
Depreciation expense	6.1	(260.2)	(243.0)
Other operating income and expenses	5.3	(7.7)	83.7
<b>Operating income</b>		<b>216.3</b>	<b>276.4</b>
Cost of net debt		(35.3)	(32.5)
Other financial items		(12.1)	(2.0)
<b>Financial result</b>	<b>5.4</b>	<b>(47.4)</b>	<b>(34.6)</b>
<b>Net income before tax</b>		<b>168.9</b>	<b>241.9</b>
Income tax <sup>(1)</sup>	5.5	(24.9)	(56.9)
Share of result of associates	6.2	-	(12.5)
<b>Net income</b>		<b>144.0</b>	<b>172.4</b>
Attributable to the Group		137.4	166.0
Attributable to non-controlling interests		6.6	6.4
<b>Basic and diluted earnings per share attributable to Eutelsat Communications shareholders</b>	<b>5.6</b>	<b>0.597</b>	0.721

<sup>(1)</sup>The comparable financial statements as of 30 December 2020 have been the subject of a restatement concerning the CAVE (Contribution on Added Value of Enterprises/Cotisation sur la Valeur Ajoutée des Entreprises – CVAE), which has been reclassified from the line Selling, general and administrative expenses to the line Income tax, in the amount of 2.1 million euros, so as to align the presentation on the consolidated financial statements as of 31 December 2021 (see Note 5.5 "Income tax").



# COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Note	31 December 2020	31 December 2021
<b>Net income</b>		<b>144.0</b>	<b>172.4</b>
<b>Other recyclable items of gain or loss on comprehensive income</b>			
Translation adjustment	6.6.4	(44.8)	41.8
Tax effect	6.6.4	(14.5)	7.9
Changes in fair value of hedging instruments <sup>(1)</sup>	6.6.3	8.8	(13.3)
Tax effect	6.6.3	12.7	3.8
<b>Other non-recyclable items of gain or loss on comprehensive income</b>			
Changes in post-employment benefits		(17.3)	(12.5)
Tax effect		4.5	3.2
<b>Total of other items of gain or loss on comprehensive income</b>		<b>(50.6)</b>	<b>30.9</b>
<b>Total comprehensive income</b>		<b>93.4</b>	<b>203.4</b>
Attributable to the Group		88.6	195.8
Attributable to non-controlling interests <sup>(2)</sup>		4.8	7.5

<sup>(1)</sup> The changes in the fair value of hedging instruments concern only the cash-flow hedges. Net foreign investment hedges are recorded as translation adjustments.

<sup>(2)</sup> The portion attributable to non-controlling interests breaks down as follows:

- Net result for 6.4 million euros as of 31 December 2021 and 6.6 million euros as of 31 December 2020

- 1.1 million euros of other recyclable items of gain or loss on comprehensive income as of 31 December 2021 and (1.8) million as of 31 December 2020.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of euros)	Note	30 June 2021	31 December 2021
<b>Assets</b>			
Goodwill	6.1.1	1,246.5	1,268.6
Intangible assets	6.1.1	440.3	406.1
Tangible assets and construction in progress	6.1.2	3,730.4	3,750.1
Rights of use in respect of leases	6.1.3	517.5	485.9
Investments in associates	6.2	-	619.7
Non-current financial assets	6.4.4	71.5	41.7
Non-current assets associated with customer contracts and costs to obtain or fulfil a contract	6.3	37.7	36.3
Deferred tax assets		7.6	2.8
<b>Total non-current assets</b>		<b>6,051.5</b>	<b>6,611.2</b>
Inventories		8.1	12.4
Accounts receivable	6.3	244.5	244.5
Current assets associated with customer contracts and costs to obtain or fulfil a contract	6.3	17.4	17.1
Other current assets		42.8	42.9
Current tax receivable		26.6	28.5
Current financial assets	6.4.4	27.0	20.2
Cash and cash equivalents	6.4.1	861.1	448.6
<b>Total current assets</b>		<b>1,227.5</b>	<b>814.2</b>
<b>Total assets</b>		<b>7,279.0</b>	<b>7,425.4</b>

(in millions of euros)	Note	30 June 2021	31 December 2021
<b>Liabilities</b>			
Share capital	6.6.1	230.5	230.5
Additional paid-in capital		718.0	718.0
Reserves and retained earnings		1,666.0	1,650.2
Non-controlling interests		76.2	76.4
<b>Total shareholders' equity</b>		<b>2,690.7</b>	<b>2,675.1</b>
Non-current financial debt	6.4.2	3,097.4	2,723.7
Non-current lease liabilities	6.4.4	411.6	403.3
Other non-current financial liabilities	6.4.4	89.0	63.2
Non-current payables to fixed asset suppliers	6.4.4	188.7	141.8
Non-current liabilities associated with customer contracts	6.3	117.5	112.8
Non-current provisions	6.7	83.0	93.4
Deferred tax liabilities		197.9	209.3
<b>Total non-current liabilities</b>		<b>4,185.0</b>	<b>3,747.6</b>
Current financial debt	6.4.2	45.5	387.4
Current lease liabilities	6.4.4	24.1	25.2
Other current payables and financial liabilities	6.4.4	121.4	243.7
Accounts payable		84.9	72.5
Current payables to fixed asset suppliers	6.4.4	25.0	147.1
Tax payable		20.8	50.2
Current liabilities associated with customer contracts	6.3	69.0	66.2
Current provisions	6.7	12.6	10.3
<b>Total current liabilities</b>		<b>403.3</b>	<b>1,002.7</b>
<b>Total liabilities and shareholders' equity</b>		<b>7,279.0</b>	<b>7,425.4</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	Note	31 December 2020	31 December 2021
<b>Cash flow from operating activities</b>			
Net income		144.0	172.4
Result from associates		-	12.5
Tax and interest expenses, other operating items		64.1	(61.1)
Depreciation, amortisation and provisions		235.5	257.8
Deferred taxes		(1.9)	26.9
Changes in accounts receivable		47.1	(6.8)
Changes in assets held under customer contracts and other assets		0.2	8.6
Changes in accounts payable		(22.4)	(11.1)
Changes in liabilities associated with customer contracts and other liabilities <sup>(1)</sup>		(20.7)	(33.1)
Taxes paid <sup>(1)</sup>		(10.7)	(3.2)
<b>Net cash flows from operating activities</b>		<b>435.1</b>	<b>363.0</b>
<b>Cash flow from investing activities</b>			
Acquisitions of satellites, other property and equipment, and intangible assets	6.1.1. 6.1.2	(67.5)	(83.1)
Insurance repayments		6.6	-
Income on the release of spectrum in the C-band	2.2	-	109.4
Acquisition of equity investments and other movements <sup>(2)</sup>		(47.3)	(495.7)
<b>Net cash flows from investing activities</b>		<b>(108.2)</b>	<b>(469.4)</b>
<b>Cash flow from financing activities</b>			
Distributions		(204.9)	(221.5)
Increase in borrowings	6.4.2	800.0	-
Repayment of borrowings	6.4.2	(511.9)	(7.1)
Repayment of lease liabilities		(44.1)	(8.1)
Loan set-up fees		(4.5)	(3.4)
Interest and other fees paid		(61.4)	(69.7)
Transactions with non-controlling interests <sup>(3)</sup>		(8.8)	-
Premiums and termination indemnities on derivatives settled		(6.0)	-
<b>Net cash flow from financing activities</b>		<b>(41.6)</b>	<b>(309.9)</b>
Impact of exchange rate on cash and cash equivalents		(9.4)	3.9
<b>Increase/(Decrease) in cash and cash equivalents</b>		<b>276.0</b>	<b>(412.4)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>832.0</b>	<b>861.1</b>
Assets held for sale		20.4	-
<b>Cash and cash equivalents, end of period</b>		<b>1,087.6</b>	<b>448.6</b>
<i>Including Cash and cash equivalents, end of period</i>	6.4.1	1,087.6	448.6
<i>Including Overdrafts included under debt, end of period</i>		-	-

(1) The comparable financial statements as of 31 December 2020 have been the subject of a restatement concerning the CAVE (Contribution on Added Value of Enterprises/Cotisation sur la Valeur Ajoutée des Entreprises – CVAE), which has been reclassified from the line Selling, general and administrative expenses to the line Income tax, in the amount of 3.9 million euros, so as to align the presentation on the consolidated financial statements as of 31 December 2021 (see Note 5.5 "Income tax").

(2) As of 31 December 2021, acquisitions of equity investments and other movements include the payment of 494.9 million euros related to the acquisition of equity interests in OneWeb Holdings Limited (see Note 3.4.2). As of 31 December 2020, they include the payment of €48.2 million in respect of the acquisition of Big Blu Europe, of which €6.8 million in an escrow account (see Note 3.4 "Main changes in the scope of consolidation").

(3) As of 31 December 2020, transactions with non-controlling interests include an additional payment linked to the acquisition of the minority interests in Eutelsat International taking place during the financial year ended 30 June 2020.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros, except share data)	Share capital			Reserves and retained earnings	Shareholders' equity Group share	Non-controlling interests	Total
	Number	Amount	Additional paid in capital				
<b>As of 30 June 2020</b>	<b>230,544,995</b>	<b>230.5</b>	<b>718.0</b>	<b>1,711.1</b>	<b>2,659.8</b>	<b>144.8</b>	<b>2,804.6</b>
Net income for the period	-	-	-	137.4	137.4	6.6	144.0
Other items of gain or loss in comprehensive income <sup>(1)</sup>	-	-	-	(48.8)	(48.8)	(1.8)	(50.6)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88.6</b>	<b>88.6</b>	<b>4.8</b>	<b>93.4</b>
Treasury stocks	-	-	-	0.6	0.6	-	0.6
Dividend distributions	-	-	-	(204.9)	(204.9)	-	(204.9)
Benefits for employees upon exercising options and free shares granted	-	-	-	0.3	0.3	-	0.3
Transactions with non-controlling interests and others	-	-	-	(33.6)	(33.6)	24.3	(9.4)
<b>As of 31 December 2020</b>	<b>230,544,995</b>	<b>230.5</b>	<b>718.0</b>	<b>1,562.1</b>	<b>2,510.7</b>	<b>173.9</b>	<b>2,684.6</b>
<b>As of 30 June 2021</b>	<b>230,544,995</b>	<b>230.5</b>	<b>718.0</b>	<b>1,666.0</b>	<b>2,614.5</b>	<b>76.2</b>	<b>2,690.7</b>
Net income for the period	-	-	-	166.0	166.0	6.4	172.4
Other items of gain or loss in comprehensive income <sup>(1)</sup>	-	-	-	29.8	29.8	1.1	30.9
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195.8</b>	<b>195.8</b>	<b>7.5</b>	<b>203.4</b>
Treasury stocks	-	-	-	0.9	0.9	-	0.9
Dividend distributions	-	-	-	(214.2)	(214.2)	(7.3)	(221.5)
Benefits for employees upon exercising options and free shares granted	-	-	-	(0.3)	(0.3)	-	(0.3)
Others	-	-	-	1.9	1.9	0.1	2.0
<b>As of 31 December 2021</b>	<b>230,544,995</b>	<b>230.5</b>	<b>718.0</b>	<b>1,650.2</b>	<b>2,598.6</b>	<b>76.4</b>	<b>2,675.1</b>

<sup>1)</sup> The changes in other items of gain or loss in comprehensive income include actuarial gains and losses recognised on post-employment benefits, and changes in the revaluation surplus of derivative instruments (see Note 6.6.3) and the translation reserve (see Note 6.6.4), net of the associated tax effects.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>NOTE 1: GENERAL OVERVIEW</b> .....	<b>9</b>
1.1 Business .....	9
1.2 Approval of accounts.....	9
<b>NOTE 2: KEY EVENTS DURING THE PERIOD</b> .....	<b>9</b>
2.1 Acquisition of an equity interest in OneWeb Holdings LTD .....	9
2.2 C-Band transition plan.....	9
2.3 Launch and entry into service of the Eutelsat Quantum satellite.....	9
2.4 Repercussions of COVID .....	9
<b>NOTE 3: ACCOUNTING PRINCIPLES AND VALUATION METHODS</b> .....	<b>10</b>
3.1 Basis of preparation of financial information .....	10
3.2 Financial reporting rules.....	10
3.3 Significant accounting judgements and estimates .....	10
3.4 Main changes in the scope of consolidation .....	10
<b>NOTE 4: SEGMENT INFORMATION</b> .....	<b>12</b>
<b>NOTE 5: NOTES TO THE INCOME STATEMENT</b> .....	<b>13</b>
5.1 Revenues .....	13
5.2 Share-based compensation.....	13
5.3 Other operating income and expenses .....	14
5.4 Financial result .....	14
5.5 Income tax.....	14
5.6 Earnings per share.....	15
<b>NOTE 6: NOTES TO THE BALANCE SHEET</b> .....	<b>15</b>
6.1 Fixed assets.....	15
6.2 investments in associates.....	19
6.3 Receivables, assets and liabilities from customer contracts, costs to obtain or fulfil contract.....	19
6.4 Financial assets and liabilities .....	20
6.5 Fair value of financial instruments .....	23
6.6 Shareholders' equity .....	23
6.7 Provisions .....	24
<b>NOTE 7: RELATED-PARTY TRANSACTIONS</b> .....	<b>24</b>
<b>NOTE 8: SUBSEQUENT EVENTS</b> .....	<b>24</b>

## **NOTE 1: GENERAL OVERVIEW**

### **1.1 BUSINESS**

Operating capacity on 40 satellites, the Eutelsat Group is one of the world leaders in fixed satellite services. It mainly operates and provides capacity for Video Services, Fixed Data and Government Services as well as capacity for Connectivity applications (Fixed Broadband and Mobile Connectivity), which offer strong potential for growth. Via its fleet, the Group covers the entire European continent, the Middle East, North Africa and Sub-Saharan Africa, and large parts of the Asian and American continents.

### **1.2 APPROVAL OF ACCOUNTS**

The condensed consolidated half-year accounts as of 31 December 2021 have been prepared under the responsibility of the Board of Directors, which approved them at its meeting held on 16 February 2022.

## **NOTE 2: KEY EVENTS DURING THE PERIOD**

### **2.1 ACQUISITION OF AN EQUITY INTEREST IN ONEWEB HOLDINGS LTD**

On 27 April 2021, the Group announced the acquisition of an equity interest in OneWeb Holdings Ltd for 550 million dollars. The transaction was finalized on 8 September 2021. The OneWeb constellation enjoys significant priority spectrum rights, backed by the International Telecommunication Union, and will operate 648 satellites in low orbit (LEO) offering low latency. On 29 June 2021, Bharti Global also exercised a securities call option for an amount of 350 million dollars, bringing Eutelsat's equity interest to 20.52%

On 5 October 2021, Eutelsat announced its participation in a portion of Bharti Global's last call option in OneWeb Holdings Ltd for a total consideration of 165 million dollars. Once the regulatory approvals had been obtained on 22 December 2021, this transaction increased Eutelsat's equity interest to 25.13%.

This shareholding, financed in full from the Group's available cash, has been consolidated using the equity method as of 31 December 2021, the Group having a notable influence in the structure.

The impacts of this acquisition are outlined in Note 3.4 "Main changes in the scope of consolidation".

### **2.2 C-BAND TRANSITION PLAN**

Following the federal decision published by the Federal Communications Commission (FCC - US communications regulator) on 3 March 2020, within the framework of the release of spectrum in the 3.7-4 GHz range (C-band) across the US territory, the Group implemented a transition plan composed of two phases, each corresponding to the vacation of certain frequencies and resulting in the payment of financial incentives amounting to 125 million US dollars for the first phase and 382 million US dollars for the second phase.

In October 2021, the FCC approved the certification of the first phase of the Group's transition plan. Within this framework, income of 125 million US dollars has been booked in Other operating income. The related funds were received in December 2021. The work relating to the second phase of the transition plan has been finalised and should be submitted for approval to the FCC.

### **2.3 LAUNCH AND ENTRY INTO SERVICE OF THE EUTELSAT QUANTUM SATELLITE**

On Friday 30 July 2021, the Eutelsat Quantum satellite was successfully launched and entered into service on 10 November 2021. Positioned at 48° East, this satellite heralds a new era in commercial satellite services. Its in-orbit reprogrammable features set a new standard in flexibility that will enable users, particularly those operating in the governmental and mobility markets, to actively define and shape performance and reach thanks to its software-based design.

### **2.4 REPERCUSSIONS OF COVID**

Since mid-March 2020, although relatively resilient compared with other sectors, the Group's revenues have been negatively impacted by the Covid-19 crisis, and in particular:

- Mobile Connectivity (5.5% of Group revenues for the financial year ended 30 June 2021) which continues to be affected by the Covid-related impact on maritime and especially airline traffic.
- An overall slowdown in the pace of new business, particularly in Broadcast.

The assumptions used for the impairment tests performed on long-term assets, whose results are outlined in Note 6.1.1, as well as for the valuation of provisions for trade receivables (see Note 6.3.1) have been updated on the basis of the information available at the end of the accounting period.

As of 31 December 2021, the Group has cash and cash equivalents and undrawn credit lines totaling more than 1.5 billion euros. Finally, the net debt to EBITDA ratio as of 31 December 2021 - as defined in the covenants of the term loans and structured debt agreements - is respected (see Note 6.4.2).

## **NOTE 3: ACCOUNTING PRINCIPLES AND VALUATION METHODS**

### **3.1 BASIS OF PREPARATION OF FINANCIAL INFORMATION**

The condensed consolidated half-year financial statements as of 31 December 2021 have been prepared in accordance with IAS 34 "Interim Financial Reporting" in a condensed format. The accounts as presented do not contain all the information and Notes required under IFRS for the preparation of consolidated full-year financial statements and must be read in conjunction with the consolidated full-year financial statements for the financial year ended 30 June 2021.

The accounting methods and rules used in preparing these condensed interim accounts are identical to those used for the consolidated full-year financial statements for the financial year ended 30 June 2021, with the exception of the application, as of 1 July 2021, of the new standards and interpretations adopted by the European Union.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, linked to the Interest Rate Benchmark Reform – Phase II;
- Amendments to IFRS 16 Leases: Covid-19 – Rent concessions

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

### **3.2 FINANCIAL REPORTING RULES**

#### **3.2.1 Translation of financial statements and foreign currency transactions**

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

The rules for translating items in financial statements and foreign currency transactions remain unchanged relative to 30 June 2021.

The main foreign currency used is the U.S. dollar. The closing exchange rate used is 1.133 U.S. dollars for 1 euro and the average exchange rate for the period is 1.169 U.S. dollars for 1 euro.

#### **3.2.2 Presentation of current and non-current assets and liabilities**

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

### **3.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

Preparation of the Group's consolidated financial statements requires the use of estimates and judgements that are likely to affect the amounts of certain assets, liabilities, income and expenses reported in these financial statements and their accompanying Notes. Management constantly updates its estimates and assessments using past experience in addition to other relevant factors related to the economic environment. The close down of the transactions underpinning these estimates and assumptions could result in significant adjustments to the amounts that are recognised in a subsequent financial period because of the uncertainty that surrounds them.

In preparing the condensed consolidated half-year financial statements for the period ended 31 December 2021, the Management has exercised judgement, particularly with regard to the recoverable amounts of assets, the recognition of revenues and the assessment of customer risk, the estimation of provisions, contingent liabilities, and the recognition of tax assets and liabilities.

### **3.4 MAIN CHANGES IN THE SCOPE OF CONSOLIDATION**

#### **3.4.1 Half-year ended 31 December 2020**

On 1 October 2020, the Group finalized the acquisition of 100% of Bigblu Operations Ltd for a consideration of 40 million pounds sterling (44 million euros), settled in cash. The company and its subsidiaries operated the Bigblu Broadband Group's European satellite broadband activities. This acquisition is in line with the Group's strategy consisting of developing its business in European satellite broadband.

The assessment of the goodwill as of 31 December 2021 is definitive and includes, notably, the value of the customer relationships acquired with this transaction which has been assessed separately and constitutes an intangible asset.

As of 31 December 2021, the allocation of the acquisition consideration (based on the payment of 44 million pounds sterling to the benefit of the seller) was as follows:



	(in millions of pounds sterling)	(in millions of euros)
Customer relationships	4.7	5.2
Intangible assets	1.1	1.2
Tangible assets	4.0	4.4
Rights of use	0.8	0.8
Inventories	0.3	0.3
Accounts receivable	6.6	7.3
Assets associated with customer contracts	11.0	12.1
Cash and cash equivalents	0.2	0.2
Other assets	7.1	7.8
<b>Total assets</b>	<b>35.9</b>	<b>39.4</b>
Lease liabilities	0.8	0.8
Accounts payable	22.8	25.1
Liabilities associated with customer contracts	12.2	13.4
Other debt	10.4	12.2
Deferred tax liabilities	0.9	1.0
<b>Total liabilities</b>	<b>47.1</b>	<b>52.6</b>
Definitive residual goodwill	51.5	57.0
<b>Transferred counterparty</b>	<b>40.2</b>	<b>43.8</b>
<b>Acquisition price</b>	<b>40.2</b>	<b>43.8</b>

The values attributed to BigBlu Operations Ltd.'s identifiable assets and liabilities were not subject to material adjustments during the period ended 31 December 2021. The acquisition price was the subject of an adjustment amounting to 2.8 million pounds sterling.

### 3.4.2 Half-year ended 31 December 2021

On 8 September 2021, the Group finalized the acquisition of a 550 million dollar equity interest in the company OneWeb Holdings Ltd. The OneWeb constellation enjoys significant priority spectrum rights and will operate 648 satellites in low orbit offering low latency. At the same time, Bharti Global exercised a securities call option amounting to 350 million dollars, bringing Eutelsat's shareholding to 20.52%.

On 6 October 2021, Eutelsat announced its participation in a portion of Bharti Global's last call option in OneWeb Holdings Ltd for a total amount of 165 million dollars. Once the regulatory approvals had been obtained on 22 December 2021, this transaction increased Eutelsat's equity interest to 25.13%.

The Group exercises notable influence within OneWeb Holdings Ltd: the Group has seats within the company's Board of Directors, participates in decisions relating to the steering of the company and contributes vital technical expertise. As a result, this shareholding is consolidated using the equity method.

The evaluation of the goodwill as of 31 December 2021 is provisional. The allocation of the acquisition price as of 8 September 2021 is as follows:

Balance sheet at 100%	As of 8 September 2021	
	(in millions of euros)	(in millions of dollars)
Non-current assets	1,583.3	1,877.8
Current assets	951.8	1,128.8
<b>Total Assets</b>	<b>2,535.1</b>	<b>3,006.6</b>
Non-current liabilities	101.8	120.7
Current liabilities	199.1	236.1
<b>Total Liabilities</b>	<b>300.9</b>	<b>356.8</b>
Net asset value (100%)	2,234.2	2,649.8
Group share in net asset value	458.5	543.7
Provisional residual goodwill	6.1	7.2
<b>Transferred counterparty</b>	<b>464.5</b>	<b>550.9</b>
<b>Acquisition price</b>	<b>464.5</b>	<b>550.9</b>

On 22 December 2021, the second capital increase led to an additional preliminary goodwill of 6.7 million euros.

## NOTE 4: SEGMENT INFORMATION

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

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

- Revenues;
- EBITDA defined as the operating result before amortisation and depreciation, impairment of assets and other operating income and expense, and the EBITDA profit margin on turnover;
- Cash capex covering the acquisition of satellites and other tangible or intangible assets as well as payments in respect of export credit facilities and lease liabilities;
- Discretionary free cash flow defined as Net cash flow from operating activities less Cash Capex as well as interest and other financial costs, net of interest received;
- Net debt to EBITDA ratio (see Note 6.4.3 "Net Debt").

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

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

## NOTE 5: NOTES TO THE INCOME STATEMENT

### 5.1 REVENUES

#### 5.1.1 Revenues by application

Revenues by application are as follows:

(in millions of euros)	31 December 2020	31 December 2021
Broadcast	378.9	350.5
Data and Professional Video	81.4	77.8
Government Services	76.9	73.8
Fixed Broadband	42.1	30.1
Mobile Connectivity	33.9	36.5
<b>Total Operating Verticals</b>	<b>613.1</b>	<b>568.7</b>
Other Revenues	15.4	3.5
<b>Total</b>	<b>628.5</b>	<b>572.2</b>
<i>EUR/USD exchange rate</i>	<i>1.17</i>	<i>1.17</i>

#### 5.1.2 Revenues by geographical region

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

(in millions of euros and as a percentage)	31 December 2020		31 December 2021	
Regions	Amount	%	Amount	%
France	37.1	5.9	37.0	6.5
Italy	77.3	12.3	65.6	11.5
United Kingdom	32.2	5.1	33.5	5.9
Europe (other)	172.0	27.4	148.4	25.9
Americas	117.1	18.6	114.7	20.0
Middle East	121.4	19.3	109.9	19.2
Africa	47.9	7.6	47.7	8.3
Asia	17.2	2.7	17.6	3.1
Other	6.3	1.0	(2.1)	(0.4)
<b>Total</b>	<b>628.5</b>	<b>100.0</b>	<b>572.2</b>	<b>100.0</b>

Other revenues include the impact of EUR/USD currency hedging which stood at (2.3) million euros for the half-year ended 31 December 2021 versus 6.1 million euros for the half-year ended 31 December 2020.

### 5.2 SHARE-BASED COMPENSATION

In addition to the plans in force within the Group as of 30 June 2021, the Group granted two new share plans, one settled in cash and the other settled in shares, on 5 November 2021. Vesting of these shares is subject to the achievement of performance-related conditions and to the condition that the beneficiaries still be employed within the Group during a given period.

The expense relating to share-based compensation (excluding social contributions) amounted to 0.7 million euros for the half-year ended 31 December 2021 versus 0.7 million euros for the half-year ended 31 December 2020.

### 5.3 OTHER OPERATING INCOME AND EXPENSES

(in millions of euros)	31 December 2020	31 December 2021
Other operating income	0.7	107.2
Other operating expenses	(8.4)	(23.4)
<b>Total</b>	<b>(7.7)</b>	<b>83.7</b>

As of 31 December 2020, Other operating expenses mainly included restructuring costs and costs related to changes in the scope of consolidation.

As of 31 December 2021, Other operating income includes the proceeds on phase 1 of the release of C-band spectrum (see Note 2.2). Other operating expenses mainly include depreciation on satellites amounting to 13.0 million euros and business restructuring expenses of 3.5 million euros.

### 5.4 FINANCIAL RESULT

(in millions of euros)	31 December 2020	31 December 2021
Interest expense after hedging	(33.8)	(38.4)
<i>Of which interest on lease liabilities</i>	(7.3)	(5.9)
Loan set-up fees and commissions	(3.1)	(4.0)
Capitalised interest	8.8	9.7
<b>Cost of gross debt</b>	<b>(35.4)</b>	<b>(32.6)</b>
Financial income	0.1	0.1
<b>Cost of net debt</b>	<b>(35.3)</b>	<b>(32.5)</b>
Changes in derivative financial instruments	-	(0.9)
Foreign-exchange impact	(9.0)	9.6
Other	(3.1)	(10.8)
<b>Financial result</b>	<b>(47.4)</b>	<b>(34.6)</b>

The interest expense as of 31 December 2021 includes 4.8 million euros of expenses related to the execution and termination of pre-hedging instruments used to secure the interest rate on the October 2018, June 2019 and October 2020 bond issues. As of 31 December 2020, this amount stood at 4.6 million euros.

The amount of capitalised interest depends on the state of progress and number of satellite construction programmes recorded during the relevant financial period. The interest rate used to determine the amount of interest expense eligible for capitalisation stood at 2.55% as of 31 December 2021 versus 2.35% as of 31 December 2020.

### 5.5 INCOME TAX

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

As of 31 December 2021, the effective income tax rate stood at 24.0% (versus 13.7% as of 31 December 2020). This rate includes the effect of the exemption of the portion of Eutelsat S.A.'s profit attributable to the company's satellites operated outside France (article 247 of the French General Tax Code introduced by the 2019 Finance Bill), the effect of taxation rates for foreign subsidiaries, as well as exchange rate differences and inflation effects on the deferred tax positions of the Satellites Mexicanos subsidiary.

As of the financial year ended 30 June 2021, the Group opted to allocate the CAFE (Contribution on Added Value of Enterprises/*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE) to income taxes to reflect the fact that this tax meets the definition of the tax basis and territoriality rules linked to those for corporation tax. As a result, this tax is presented as a component of the tax expense. The figures for the comparable financial year ended 31 December 2020 have consequently been restated. The CAFE included in the tax expense in respect of the period ended 31 December 2021 amounts to 1.5 million euros (versus 2.2 million euros for the period ended 31 December 2020).

## 5.6 EARNINGS PER SHARE

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

(in millions of euros)	31 December 2020	31 December 2021
<b>Net income</b>	<b>144.0</b>	<b>172.4</b>
Income from subsidiaries attributable to non-controlling interests	(6.6)	(6.4)
<b>Net earnings used to compute earnings per share</b>	<b>137.4</b>	<b>166.0</b>
<b>Average number of basic and diluted shares</b>	<b>230,198,468</b>	<b>230,267,815</b>

## NOTE 6: NOTES TO THE BALANCE SHEET

### 6.1 FIXED ASSETS

#### 6.1.1 Goodwill and other intangibles

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

(in millions of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
<b>Gross assets</b>					
<b>Gross value as of 30 June 2021</b>	<b>1,246.5</b>	<b>1,118.3</b>	<b>40.8</b>	<b>370.3</b>	<b>2,775.9</b>
Acquisitions	-	-	-	3.9	3.9
Transfers	-	-	-	7.4	7.4
Foreign exchange variation	18.4	11.0	-	3.1	32.4
Disposals and scrapping of assets	-	-	-	(2.7)	(2.7)
Entry into the scope	<b>3.7</b>	-	-	-	4.0
<b>Gross value as of 31 December 2021</b>	<b>1,268.6</b>	<b>1,129.2</b>	<b>40.8</b>	<b>382.1</b>	<b>2,820.7</b>
<b>Amortisation and impairment</b>					
<b>Accumulated amortisation as of 30 June 2021</b>	-	<b>(833.9)</b>	-	<b>(255.1)</b>	<b>(1,089.0)</b>
Amortisation expense	-	(32.7)	-	(18.9)	(51.6)
Reversals (disposals and scrapping of assets)	-	-	-	1.5	1.5
Foreign exchange variation	-	(5.7)	-	(1.2)	(6.9)
Transfers and others	-	0.1	-	-	0.1
<b>Accumulated amortisation as of 31 December 2021</b>	-	<b>(872.1)</b>	-	<b>(273.7)</b>	<b>(1,145.9)</b>
Net value as of 30 June 2021	1,246.5	284.3	40.8	115.2	1 686.9
<b>Net value as of 31 December 2021</b>	<b>1,268.6</b>	<b>257.1</b>	<b>40.8</b>	<b>108.3</b>	<b>1,674.8</b>

#### Goodwill

The Group's goodwill is monitored only at Eutelsat's operating segment level.

As of 31 December 2021, the stock market valuation of Eutelsat Communications being below the book value of the Group's shareholders' equity, the recoverable value of the goodwill has been estimated on the basis of the value in use determined from a valuation of the Group based on future cash flows. This analysis incorporates a significant degree of judgement on the part of the Group's Management.

The cash flows used are based on an updated version of the Group's five-year business plan presented to the Board of Directors in January 2022 covering the periods though to the 2025-26 financial year, on the long-term plan defined on an ongoing basis over a horizon covering the periods though to the 2032-33 financial year, and on a terminal value. The Group considers it relevant to use projections beyond five years in view of the long-term visibility it has on a significant portion of its activity and on its expected growth profile that the long-term plan is able to capture more effectively.

In terms of financial metrics like the WACC (7.85% used in the scenarios) and the long-term growth rate used in the terminal value, the sensitivity analyses show that a 76bp increase in the WACC or a 172bp reduction in the long-term growth rate could derive a value in use below the book value of the assets tested as of 31 December 2021. A zero-growth rate to infinity does not lead to a value in use below the book value of the assets tested. Furthermore, the main operational assumptions potentially impacting the recoverable value of the assets are the level of EBITDA and the amount of investment. The operational assumptions in the long-term plan are based on internal market models on the trajectory of each of the Group's business segments and on external strategic studies. The sensitivity analyses show that a 4% reduction in EBITDA for each year of the plans used and on the terminal value would not result in the recognition of a goodwill impairment.

The impairment tests carried out as of 31 December 2021 based on discounted cash flow projections did not lead to the recognition of any impairment expenses. This result is further corroborated by the external information available with respect to the estimates published by the financial analysts who cover the Group.

To take into account the latest available information regarding the date of entry into service of the future satellites, the business plan presented to the Board of Directors on 20 January 2022 was updated and presented to the Board of Directors on 16 February 2022. This revised plan does not amend the conclusion that no goodwill impairment charge should be recognized as of 31 December 2021.

### Depreciable assets

Concerning the impairment tests carried out in respect of the satellites as of 31 December 2021, the cash flows used are based on the period of the updated five-year business plan presented to the Board of Directors in January 2022, then on the cash flows extended until the end of life of each satellite based on a normative growth rate. For the relevant satellites, it should be noted that the impairment tests as of 31 December 2021 are based on the cash flows including the remaining funds still to be received in respect of the second phase of the release of C-Band frequencies in the United States of America for a pre-tax amount of 382 million dollars. These tests resulted in the recognition of an impairment expense relating to a satellite under ownership amounting to 12 million euros as of 31 December 2021 (see Note 6.1.2 "Tangible assets and construction in progress").

### 6.1.2 Tangible assets and construction in progress

During the past two financial periods, the tangible assets have seen the following changes:

(in millions of euros)	Satellites	Other tangibles	Construction in progress	Total
<b>Gross assets</b>				
<b>Gross value as of 30 June 2021</b>	<b>5,732.8</b>	<b>455.4</b>	<b>1,214.4</b>	<b>7,402.5</b>
Acquisitions	7.1	13.0	153.0	173.1
Disposals	-	(0.1)	(0.1)	(0.2)
Scrapping of assets	(99.8)	(0.3)	(1.7)	(101.8)
Foreign exchange variation	58.1	2.0	0.1	60.3
Transfer and others	168.1	8.4	(185.4)	(8.9)
<b>Gross value as of 31 December 2021</b>	<b>5,866.3</b>	<b>478.2</b>	<b>1,180.4</b>	<b>7,525.0</b>
<b>Depreciation and impairment</b>				
<b>Accumulated depreciation as of 30 June 2021</b>	<b>(3,325.8)</b>	<b>(346.4)</b>	<b>-</b>	<b>(3,672.2)</b>
Depreciation expense	(145.7)	(14.2)	-	(160.0)
Impairment expense	(12.0)	-	-	(12.0)
Reversals (disposals)	-	0.1	-	0.1
Reversals (scrapping of assets)	99.7	0.2	-	99.9
Foreign exchange variation	(30.0)	(1.2)	-	(31.1)
Transfer and others	-	0.4	-	0.4
<b>Accumulated depreciation as of 31 December 2021</b>	<b>(3,413.8)</b>	<b>(361.1)</b>	<b>-</b>	<b>(3,774.9)</b>
<b>Net value as of 30 June 2021</b>	<b>2,407.0</b>	<b>109.0</b>	<b>1,214.4</b>	<b>3,730.4</b>
<b>Net value as of 31 December 2021</b>	<b>2,452.5</b>	<b>117.2</b>	<b>1,180.4</b>	<b>3,750.1</b>

The Group has recognized an impairment on a satellite in the amount of 12.0 million euros.

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

Projects	Years
Konnect VHTS, EUTELSAT 10B, Hotbird 13G and Hotbird 13F	Calendar year 2023
EUTELSAT 36D	Calendar year 2024

The transfers relating to satellites under construction for the period ended 31 December 2021 correspond to the entry into service of the Eutelsat Quantum satellite launched during the period.

Concerning the other depreciable assets, a launcher recognised in construction in progress for an amount of 53 million euros has not, as of the end of the accounting period, been assigned to an identified future satellite launch for reasons relating to the granting of launch licences by the US authorities. Since different resolution scenarios are currently being analysed by the Group, no depreciation expense has been recognised as of 31 December 2021.

### 6.1.3 Rights of use in respect of leases

During the financial period ended 31 December 2021, rights of use saw the following changes:

(in millions of euros)	Satellites	Other tangible assets	Total
<b>Gross assets</b>			
<b>Gross value as of 30 June 2021</b>	<b>847.7</b>	<b>61.9</b>	<b>909.6</b>
New contracts	-	0.2	0.2
Foreign exchange variation	-	0.4	0.4
Transfer	0.8	-	0.8
Scrapping of assets	(0.8)	-	(0.8)
<b>Gross value as of 31 December 2021</b>	<b>847.7</b>	<b>62.5</b>	<b>910.1</b>
<b>Depreciation and impairment</b>			
<b>Accumulated depreciation as of 30 June 2021</b>	<b>(375.9)</b>	<b>(16.1)</b>	<b>(392.1)</b>
Depreciation expense	(26.9)	(4.6)	(31.4)
Scrapping of assets	0.4	-	0.4
Foreign exchange variation	-	(0.1)	(0.1)
Impairment	(1.0)	-	(1.0)
<b>Accumulated depreciation and impairment as of 31 December 2021</b>	<b>(403.4)</b>	<b>(20.8)</b>	<b>(424.2)</b>
Net value as of 30 June 2021	<b>471.8</b>	<b>45.8</b>	<b>517.5</b>
<b>Net value as of 31 December 2021</b>	<b>444.3</b>	<b>41.7</b>	<b>485.9</b>

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

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

The Group has recognized an impairment expense amounting to one million euros on the rights of use of satellite transponders.

#### 6.1.4 Purchase commitments

In addition to the items posted to the balance sheet, the Group had commitments with suppliers for the acquisition of assets (satellites and other assets) and the provision of services for an aggregate amount of 658 million euros as of 31 December 2021 and 840 million euros as of 30 June 2021. As of 31 December 2021, future payments in respect of these commitments are scheduled as follows:

(in millions of euros)	At 31 December 2021
Maturity within 1 year	350.0
From 1 to 2 years	147.5
From 2 to 3 years	18.0
From 3 to 4 years	8.4
Maturity exceeding 4 years	134.0
<b>Total</b>	<b>658.0</b>

Furthermore, the Group has granted a guarantee covering the potential payments of the sums due under British space law. This guarantee is unlimited and applies to the entire term of the licence.



## 6.2 INVESTMENTS IN ASSOCIATES

As of 31 December 2021, investments in associates method represent the equity value of the company OneWeb Holdings Ltd, and the result from associates corresponds to the Group's share in the result of OneWeb Holdings Ltd.

(in millions of euros)	30 June 2021	31 December 2021
Equity interests at the opening date	-	-
Purchases of shares	-	613.3
Share of result of associates	-	(12.5)
Translation adjustment	-	18.9
<b>Equity interests at the closing date</b>	<b>-</b>	<b>619.7</b>

## 6.3 RECEIVABLES, ASSETS AND LIABILITIES FROM CUSTOMER CONTRACTS, COSTS TO OBTAIN OR FULFIL CONTRACT

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

(in millions of euros)	30 June 2021	31 December 2021
<b>Assets</b>		
Accounts receivable	244.5	244.5
Assets associated with customer contracts	40.3	40.2
Costs to fulfil contracts	5.4	4.3
Costs to obtain contracts	9.3	8.9
<b>Total current and non-current assets</b>	<b>299.5</b>	<b>297.9</b>
<i>Incl. non current portion</i>	<i>37.7</i>	<i>36.3</i>
<i>Incl. current portion</i>	<i>261.9</i>	<i>261.6</i>
<b>Liabilities</b>		
Financial liabilities - Guarantees and commitments received	53.5	39.0
Current contract liabilities	186.5	179.0
<b>Total current and non-current liabilities</b>	<b>240.0</b>	<b>218.0</b>
<i>Incl. non current portion</i>	<i>153.0</i>	<i>140.3</i>
<i>Incl. current portion</i>	<i>87.0</i>	<i>77.7</i>

### 6.3.1 Accounts receivable

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

(in millions of euros)	30 June 2021	31 December 2021
Non-matured receivables	111.7	97.0
Matured receivables between 0 and 90 days	42.6	33.6
Matured receivables for between 90 and 365 days	58.7	74.7
Matured receivables for more than 365 days	128.0	136.3
Provision for bad debt	(96.5)	(97.1)
<b>Total</b>	<b>244.5</b>	<b>244.5</b>

Changes in Impairment of trade receivables over the period were as follows:

(in millions of euros)	Total
<b>Value as of 30 June 2021</b>	<b>96.5</b>
Net allowance (reversals)	9.6
Reversals (used)	(9.5)
Foreign exchange variation	0.5
<b>Value at 31 December 2021</b>	<b>97.1</b>

## 6.4 FINANCIAL ASSETS AND LIABILITIES

### 6.4.1 Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

(in millions of euros)	30 June 2021	31 December 2021
Cash at bank and in hand	529.0	366.7
Cash equivalents	332.1	82.0
<b>Total</b>	<b>861.1</b>	<b>448.6</b>

### 6.4.2 Financial debt

Financial debt breaks down as follows:

(in millions of euros)	Rate	30 June 2021	31 December 2021	Maturity
EIB term loan	0.488 %	200.0	200.0	December 2028
Term loan 2026	Variable	400.0	400.0	June 2026
Bond 2022	3.125%	300.0	-	October 2022
Bond 2025	2.000%	800.0	800.0	October 2025
Bond 2027	2.250%	600.0	600.0	July 2027
Bond 2028	1.500%	600.0	600.0	October 2028
Structured debt				
	Variable	14.2	8.5	May 2024
	0.65%	67.0	-	June 2022
	0.75%	80.0	80.0	June 2023
	0.90%	53.0	53.0	June 2024
<b>Sub-total of debt (non-current portion)</b>		<b>3,114.1</b>	<b>2,741.5</b>	
Loan set-up fees and premiums		(16.7)	(17.8)	
<b>Total of debt (non-current portion)</b>		<b>3,097.4</b>	<b>2,723.7</b>	
Structured debt	Variable	7.1	5.6	
Bond 2022	3.125%	-	300.0	October 2022
Structured debt	0.65%	-	67.0	June 2022
Accrued interest not yet due		38.4	14.8	
<b>Total debt (current portion)</b>		<b>45.5</b>	<b>387.4</b>	
<b>Total</b>		<b>3,142.9</b>	<b>3,111.1</b>	

All the debt is denominated in euros.

The term loans and structured debt 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 also request early repayment of all sums due in the event of a change of control of Eutelsat S.A. or Eutelsat Communications. The bonds are also backed by a banking covenant which provides for each lender to request early repayment of all amounts due in the event of a change of control of Eutelsat S.A. or Eutelsat Communications, and a rating downgrade on Eutelsat S.A. As of 31 December 2021, the Group was in compliance with all the banking covenants.

The credit agreements do not include any guarantee by the Company or any pledge of assets to lenders, but do 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.

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

As of 31 December 2021, the Group had active credit lines for an aggregate undrawn amount of 1,050.0 million euros (1,050.0 million euros as of 30 June 2021). These lines of credit are backed by the same type of bank covenants as those in place for the term loan and other structured debt.

The schedule of debt maturities, excluding issue costs and premiums and accrued interest not yet due as at 31 December 2021, is as follows:

(in millions of euros)	Amount	Maturity within 1 year	Maturity between 1 and 5 years	Maturity exceeding 5 years
Term loan 2026	400.0	-	400.0	-
EIB term loan	200.0	-	-	200.0
Structured debt	214.2	72.6	141.6	-
Bond 2022	300.0	300.0	-	-
Bond 2025	800.0	-	800.0	-
Bond 2027	600.0	-	-	600.0
Bond 2028	600.0	-	-	600.0
<b>Total</b>	<b>3,114.2</b>	<b>372.6</b>	<b>1,341.6</b>	<b>1,400.0</b>

### 6.4.3 Net debt

Net debt breaks down as follows:

(in millions of euros)	30 June 2021	31 December 2021
Term loan	400.0	400.0
EIB term loan	200.0	200.0
Bonds	2,300.0	2,300.0
Structured debt	221.2	214.2
Currency portion of the cross-currency swap	(38.7)	(10.6)
Lease liabilities	434.0	426.0
<b>Gross debt</b>	<b>3,516.5</b>	<b>3,529.6</b>
Cash and cash equivalents	(861.1)	(448,6)
<b>Net debt</b>	<b>2,655.5</b>	<b>3,081,0</b>

The changes in the debt position between 30 June 2021 and 31 December 2021 are presented below:

(in millions of euros)	30 June 2021	Cash flow	Non-cash flow	Fair value change and other	31 December 2021
Term loan	400.0	-	-	-	400.0
EIB term loan	200.0	-	-	-	200.0
Bonds	2,300.0	-	-	-	2,300.0
Structured debt	221.2	(7.0)	-	-	214.2
Currency portion of the cross-currency swap	(38.7)	-	-	28.1	(10.6)
Lease liabilities	434.0	(8.0)	-	-	426.0
<b>Total</b>	<b>3,516.5</b>	<b>(15.0)</b>	<b>-</b>	<b>28.1</b>	<b>3,529.6</b>

#### 6.4.4 Other financial assets and liabilities

Other financial assets break down as follows:

(in millions of euros)	30 June 2021	31 December 2021
Non-consolidated equity investments	14.7	11.2
Financial Instruments	39.0	10.6
Other financial assets	44.8	40.1
<b>Total</b>	<b>98.5</b>	<b>61.9</b>
<i>Incl. current portion</i>	27.0	20.2
<i>Incl. non current portion</i>	71.5	41.7

Other financial liabilities break down as follows:

(in millions of euros)	30 June 2021	31 December 2021
Lease liabilities	435.6	428.5
Other liabilities	103.4	212.6
Payables to fixed asset suppliers	213.7	289.0
Derivative financial instruments	29.1	37.6
Social contributions and payroll liabilities	55.2	32.5
Tax liabilities	22.7	24.2
<b>Total</b>	<b>859.8</b>	<b>1,024.4</b>
<i>Incl. current portion</i>	170.5	416.1
<i>Incl. non current portion</i>	689.3	608.3

Lease liabilities include accrued interest of 2.5 million euros as of 31 December 2021 and 1.6 million euros as of 30 June 2021.

The other liabilities include the uncalled capital at OneWeb Holdings Ltd as of 31 December 2021 amounting to 119.1 million euros.

As the construction of certain satellites progresses, the acceptance of milestone payments leads to the recognition of an asset under construction and an account payable. The non-current payables to fixed asset suppliers represent an amount of 141.8 million euros as of 31 December 2021 and include acceptances of milestone payments and payments by means of commercial paper maturing on delivery of the satellites amounting, respectively, to 93.4 million euros and 44.6 million euros.

## 6.4.5 Derivative financial instruments

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

(in millions of euros)	Notional		Fair value		Change in fair value over the period	Impact on income (excl. coupons)	Impact on equity (excl. coupons)
	30 June 2021	31 Dec 2021	30 June 2021	31 Dec 2021			
Synthetic forward sale with knock-in option	235.5	489.9	(0.4)	(19.4)	(19.0)	(0.9)	(18.1)
Cross currency swap	572.0	600.4	10.3	(7.5)	(17.8)	-	(17.8)
<b>Total forex derivatives</b>	<b>807.5</b>	<b>1,090.3</b>	<b>9.9</b>	<b>(26.9)</b>	<b>(36.8)</b>	<b>(0.9)</b>	<b>(35.9)</b>

As of 31 December 2021, the cumulative fair values of the derivative financial instruments was positive at 0.2 million euros and negative at 27.1 million euros (see Note 6.4.4 "Other financial assets and liabilities").

## 6.5 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

(in millions of euros)	30 June 2021	31 December 2021
Bond 2022	312.1	307.1
Bond 2025	856.9	831.4
Bond 2027	657.1	627.8
Bond 2028	627.3	608.8
<b>Total</b>	<b>2,453.4</b>	<b>2,375.1</b>

## 6.6 SHAREHOLDERS' EQUITY

### 6.6.1 Share capital

As of 31 December 2021, the share capital of Eutelsat Communications S.A. comprised 230,544,995 ordinary shares with a par value of 1 euro per share.

As of the same date, the Group held 277,180 treasury shares amounting to 2.7 million euros acquired under a liquidity contract (348,359 shares amounting to 3.5 million euros as of 30 June 2021) with no treasury shares having been purchased within the framework of free share allocation plans (none also as of 30 June 2020). The aggregate amount of treasury shares is deducted from shareholders' equity.

### 6.6.2 Dividends

On 4 November 2021, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of 0.93 euros per share, i.e. a total of 214.2 million euros, taken from the net income for the financial year ended 30 June 2021. In 2020, the dividend payout amounted to 204.9 million euros, i.e. 0.89 euros per share.

### 6.6.3 Change in the revaluation surplus of financial instruments

The 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
<b>Balance at 30 June 2021</b>	<b>(35.8)</b>
Changes in fair value within equity that can be reclassified to income	(9.5)
<b>Balance at 31 December 2021</b>	<b>(45.3)</b>

#### 6.6.4 Translation reserve

The changes in the translation reserve during the financial period were as follows:

(in millions of euros)	Total
<b>Balance at 30 June 2021</b>	<b>102.6</b>
Net change over the period	49.7
<b>Balance at 31 December 2021</b>	<b>152.3</b>

The main currency generating translation adjustments is the US dollar.

As of 31 December 2021, the translation reserve includes (7.5) million euros for the Cross Currency Swap used to hedge currency exposure of a net investment in a foreign operation (see Note 6.4.5 "Derivative financial instruments") and (112.2) million euros relating to the Cross Currency Swap having matured during a previous financial year.

#### 6.6.5 Actuarial gains and losses

The reference interest rates used to determine the discounted value of the guarantee given to a pension fund and retirement benefits were reduced from 1.25% as of 30 June 2021 to 1.0% as of 31 December 2021. This reduction in the discount rate led to a 12.5 million euro increase in the commitments over the period.

### 6.7 PROVISIONS

The changes in provisions between 30 June 2021 and 31 December 2021 are presented below:

(in millions of euros)	30 June 2021	Reversal		Reclassification, currency impact and others	Recognised in equity	31 December 2021
		Allowance	Used			
Financial guarantee granted to a pension fund	59.8	0.5	-	-	12.0	72.3
Retirement indemnities	14.6	0.6	(0.1)	-	(3.4)	12.2
Other post-employment benefits	5.5	0.2	-	-	-	5.7
<b>Total post-employment benefits</b>	<b>80.0</b>	<b>1.3</b>	<b>(0.1)</b>	<b>-</b>	<b>(3.4)</b>	<b>90.2</b>
Commercial, employee-related and tax litigation	15.6	1.1	(1.6)	(2.3)	0.6	13.4
<b>Total provisions</b>	<b>95.6</b>	<b>2.4</b>	<b>(1.7)</b>	<b>(2.3)</b>	<b>12.5</b>	<b>103.7</b>
<i>Incl. non current portion</i>	83.0					93.4
<i>Incl. current portion</i>	12.6					10.3

#### 6.7.1 Litigation and contingent liabilities

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

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

A tax audit is also under way in respect of the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020. In December 2021, the company received a Notice of Deficiency which extends the statute of limitations, relating to the financial year ended 30 June 2018.

### NOTE 7: RELATED-PARTY TRANSACTIONS

No related-party transactions of a nature different to those entered into during the financial year ended 30 June 2021 were realised during the reporting period.

### NOTE 8: SUBSEQUENT EVENTS

None

## 7 OUTLOOK

First Half revenues were broadly in line with expectations, albeit at the lower end of our guidance range for FY 2021-22. The geopolitical situation in the Middle East has resulted in a headwind for Government Services which already partly materialized in the Fall 2021 renewal campaign with the US Department of Defence, and is also expected to impact the Spring 2022 campaign. Elsewhere, although the available resources are drawing strong commercial interest, the resale of capacity at 7/8°West is taking slightly longer than expected to materialize and will therefore contribute lower than expected to revenues in FY 2021-22. As a result, we now expect an outturn in the lower half of our Operating Verticals Revenue guidance range for the Full Year of €1,110 to €1,150 million<sup>11</sup> and are reducing the top end of this range to €1,130 million.

Elsewhere, the delay in the availability of both KONNECT VHTS and EUTELSAT 10B has a mechanical effect on our expectations for subsequent years.

As a result, return to topline growth in FY 2022-23 is no longer achievable, although the trend will materially improve relative to FY 2021-22.

Revenues are now expected to return to growth in FY 2023-24 on the back of incremental capacity.

All other objectives are confirmed as follows:

- Cash Capex<sup>12</sup> not exceeding €400 million per annum for each of the next three fiscal years (FY 2021-22 / FY 2022-23 / FY 2023-24).
- Adjusted Discretionary Free Cash Flow of between €400 million and €430 million in FY 2021-22 at a €/€ rate of 1.20. Adjusted Discretionary Free Cash Flow is expected to grow in FY 2022-23 and in FY 2023-24.
- The LEAP 2 plan aimed at generating €20-25 million in annual savings by FY 2021-22.
- Commitment to a sound financial structure to support our solicited investment grade credit ratings targeting a medium-term net debt / EBITDA ratio of around 3x.

The dividend policy of a stable to progressive dividend is also reiterated.

This outlook is based on the revised nominal deployment plan outlined above.

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<sup>11</sup> Based on a €/€ rate assumption of 1.20 and current perimeter.

<sup>12</sup> Including capital expenditure and payments under existing export credit facilities and other bank facilities financing investments as well as payments related to lease liabilities.

# APPENDIX

## Appendix 1: Additional financial data

### Extract from the consolidated income statement (€ millions)

Six months ended December 31	2020	2021	Change (%)
Revenues	628.5	572.2	-9.0%
Operating expenses	(144.4)	(136.5)	-5.5%
EBITDA	484.1	435.7	-10.0%
Depreciation and amortisation	(260.2)	(243.0)	-6.6%
Other operating income (expenses)	(7.7)	83.7	n/r
Operating income	216.3	276.4	+27.8%
Financial result	(47.4)	(34.6)	-27.0%
Income tax expense	(24.9)	(56.9)	+128.5%
Income from associates	-	(12.5)	n/r
Portion of net income attributable to non-controlling interests	(6.6)	(6.4)	-3.0%
Group share of net income	137.4	166.0	+20.8%

### Change in net debt (€ millions)

Half-year ending	31/12/2020	31/12/2021
<b>Net cash flows from operating activities</b>	<b>435.1</b>	<b>363.0</b>
Cash Capex	(116.9)	(98.2)
Interest and Other fees paid net of interests received	(61.4)	(69.7)
<b>Discretionary Free Cash-Flow</b>	<b>256.9</b>	<b>195.0</b>
(Acquisitions) / disposals	(56.1)	(494.9)
C-band proceeds	-	109.4
Distributions to shareholders	(204.9)	(221.5)
Other	9.1	(13.5)
<b>Decrease (increase) in net debt</b>	<b>5.0</b>	<b>(425.5)</b>



## Appendix 2: Quarterly revenues by application

### Quarterly Reported revenues FY 2020-21 and FY 2021-22

The table below shows quarterly reported revenues.

In € millions	Q1 2020-21	Q2 2020-21	Q3 2020-21	Q4 2020-21	FY 2020-21	Q1 2021-22	Q2 2021-22
Broadcast	190.6	188.3	182.0	180.1	741.0	177.6	172.8
Data & Professional Video	39.5	41.9	39.5	40.6	161.4	38.4	39.4
Government Services	38.4	38.5	36.7	37.7	151.4	37.0	36.8
Fixed Broadband	20.5	21.6	20.5	17.7	80.2	14.6	15.5
Mobile Connectivity	17.7	16.2	15.7	17.6	67.2	17.1	19.4
<b>Total Operating Verticals</b>	<b>306.7</b>	<b>306.4</b>	<b>294.4</b>	<b>293.7</b>	<b>1,201.2</b>	<b>284.8</b>	<b>283.9</b>
Other Revenues	8.6	6.8	6.9	10.4	32.7	2.6	1.0
<b>Total</b>	<b>315.3</b>	<b>313.2</b>	<b>301.3</b>	<b>304.1</b>	<b>1,233.9</b>	<b>287.3</b>	<b>284.9</b>

### Quarterly Proforma revenues FY 2020-21

For comparability purposes, the table below shows proforma quarterly revenues, which exclude the contribution of EBI from 1<sup>st</sup> July 2020.

In € millions	Q1 2020-21	Q2 2020-21	Q3 2020-21	Q4 2020-21	FY 2020-21
Broadcast	190.6	188.3	182.0	180.1	741.0
Data & Professional Video	39.4	41.8	39.4	40.5	161.1
Government Services	38.4	38.5	36.7	37.7	151.4
Fixed Broadband	5.6	12.3	12.6	14.9	45.4
Mobile Connectivity	17.3	15.9	15.5	17.5	66.3
<b>Total Operating Verticals</b>	<b>291.3</b>	<b>296.8</b>	<b>286.2</b>	<b>290.8</b>	<b>1,165.2</b>
Other Revenues	8.6	6.8	6.9	10.4	32.7
<b>Total</b>	<b>300.0</b>	<b>303.6</b>	<b>293.1</b>	<b>301.2</b>	<b>1,197.9</b>

### Appendix 3: Alternative performance indicators

In addition to the data published in its accounts, the Group communicates on three alternative performance indicators which it deems relevant for measuring its financial performance: EBITDA, Cash Capex and Discretionary free cash flow (DFCF). These indicators are the object of reconciliation with the consolidated accounts.

#### EBITDA, EBITDA margin and Net debt / EBITDA ratio

EBITDA reflects the profitability of the Group before Interest, Tax, Depreciation and Amortization. It is a frequently used indicator in the Fixed Satellite Services Sector and more generally the Telecom industry. The table below shows the calculation of EBITDA based on the consolidated P&L accounts for H1 2020-21 and H1 2021-22:

Six months ended December 31 (€ millions)	2020	2021
Operating result	216.3	276.4
+ Depreciation and Amortization	260.2	243.0
- Other operating income and expenses	7.7	(83.7)
<b>EBITDA</b>	<b>484.1</b>	<b>435.7</b>

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

Six months ended December 31 (€ millions)	2020	2021
EBITDA	484.1	435.7
Revenues	628.5	572.2
<b>EBITDA margin (as a % of revenues)</b>	<b>77.0</b>	<b>76.1</b>

At constant currency, the EBITDA margin stood at 76.4% as of 31 December 2021.

The Net debt / EBITDA ratio is the ratio of net debt to last-twelve months EBITDA. It is calculated as follows:

Six months ended December 31 (€ millions)	2020	2021
Last twelve months EBITDA	968.6	873.4
Closing net debt <sup>13</sup>	2,994.4	3,081.0
<b>Net debt / EBITDA</b>	<b>3.09x</b>	<b>3.53x</b>

#### Cash Capex

The Group on occasion operates capacity within the framework of leases, or finances all or part of certain satellite programs under export credit agreements or through other bank facilities, leading to outflows which are not reflected in the item "acquisition of satellites and other tangible or intangible assets". Cash Capex including the outflows related to these elements is published in order to reflect the totality of Capital Expenditures undertaken in any financial year.

In addition, in the event of a partial or total loss of satellite, as previously reported cash Capex included investment in assets which are inoperable or partially inoperable, the amount of insurance proceeds is deducted from Cash Capex.

<sup>13</sup> Net debt includes all bank debt, bonds and all liabilities from lease agreements and structured debt as well as Forex portion of the cross-currency swap, less cash and cash equivalents (net of bank overdraft). Net Debt calculation is available in the Note 6.4.3 of the appendices to the financial accounts.

Cash Capex therefore covers the acquisition of satellites and other tangible or intangible assets, payments in respect of export credit facilities or other bank facilities financing investments as well as payments related to lease liabilities. If applicable it is net from the amount of insurance proceeds.

The table below shows the calculation of Cash Capex for H1 2020-21 and H1 2021-22:

Six months ended December 31 (€ millions)	2020	2021
Acquisitions of satellites, other property and equipment and intangible assets	(67.5)	(83.1)
Insurance proceeds	6.6	-
Repayments of ECA loans, lease liabilities and other bank facilities <sup>14</sup>	(56.0)	(15.2)
<b>Cash Capex</b>	<b>(116.9)</b>	<b>(98.2)</b>

### Discretionary Free Cash-Flow (DFCF)

The Group communicates on Discretionary free cash flow which reflects its ability to generate cash after the payment of interest and taxes. DFCF generally and principally serves the shareholder remuneration and debt reduction.

Reported Discretionary free cash flow is defined as Net cash flow from operating activities less Cash Capex as well as Interest and other fees paid net of interest received.

Adjusted Discretionary free cash flow (as per financial objectives) is calculated at constant currency and excludes one-off impacts such as Hedging, effects of changes in perimeter when relevant, and one-off costs related to specific projects in particular to the LEAP 2 program and to the move to new headquarters.

The table below shows the calculation of Reported Discretionary Free Cash-Flow and Adjusted Discretionary Free Cash-Flow for H1 2020-21 and 2021-22 and its reconciliation with the Cash-Flow statement:

Six months ended December 31 (€ millions)	2020	2021
Net Cash-Flows from operating activities	435.1	363.0
Cash Capex (as defined above)	(116.9)	(98.2)
Interest and other fees paid net of interest received	(61.4)	(69.7)
<b>Reported Discretionary Free Cash-Flow</b>	<b>256.9</b>	<b>195.0</b>
Currency impact <sup>15</sup>	-	0.9
Hedging impact	(6.1)	2.3
One-off costs related to "LEAP 2" program and move to new headquarters	15.1	5.2
<b>Adjusted Discretionary Free Cash-Flow</b>	<b>265.9</b>	<b>203.4</b>

<sup>14</sup> Included in lines "Repayment of borrowings" and of "Repayment of lease liabilities" of cash-flow statement

<sup>15</sup> H1 2021-22 discretionary Free Cash-Flow has been converted at H1 2020-21 rates.

# STATUTORY AUDITOR'S REVIEW REPORT ON THE FIRST HALF-YEARLY FINANCIAL INFORMATION (FRENCH VERSION)

MAZARS

ERNST & YOUNG et Autres

## **Eutelsat Communications**

Période du 1<sup>er</sup> juillet au 31 décembre 2021

**Rapport des commissaires aux comptes  
sur l'information financière semestrielle**

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

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

## 2. Vérification spécifique

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

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

Courbevoie et Paris-La Défense, le 16 février 2022

Les Commissaires aux Comptes

MAZARS

ERNST & YOUNG et Autres

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Nicolas.Macé  
DN: cn=Nicolas Macé,  
o=Ernst & Young, c=FR  
Date: 2022.02.16 13:43:23  
+01'00'

Nicolas Macé

## HOW TO CONTACT US

- Website: [www.eutelsat.com](http://www.eutelsat.com)
- Email: [investors@eutelsat-communications.com](mailto:investors@eutelsat-communications.com)
- Phone: +33 1 53 98 35 30

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



32, boulevard Gallieni  
92130 Issy-les-Moulineaux - France  
T : +33 1 53 98 47 47  
F : +33 1 53 98 37 00