

# **Eutelsat Communications**

**A public limited company (French “société anonyme”) with a capital of 230,544,995 euros**

**Registered office: 70, rue Balard 75 015 Paris**

**481 043 040 R.C.S. Paris**

## **ANNUAL FINANCIAL STATEMENTS AS OF 30 JUNE 2020**

# INCOME STATEMENT

<i>(in millions of euros)</i>	Note	30/06/2019	30/06/2020
Revenue		4.1	3.3
<b>Total operating income</b>	<b>3.1.</b>	<b>4.1</b>	<b>3.3</b>
Staff costs		(3.4)	(3.2)
Other operating expenses		(8.2)	(8.9)
<b>Total operating expenses</b>	<b>3.2.</b>	<b>(11.6)</b>	<b>(12.1)</b>
<b>Operating income</b>		<b>(7.50)</b>	<b>(8.8)</b>
Financial income		313.1	547.5
Financial expenses		(7.2)	(7.5)
<b>Financial income</b>	<b>3.3.</b>	<b>305.9</b>	<b>540.0</b>
<b>Current income before taxes</b>		<b>298.4</b>	<b>531.2</b>
<b>Exceptional income</b>	<b>3.4.</b>	<b>(0.2)</b>	<b>(1.0)</b>
Company tax	3.5.	5.6	4.8
<b>INCOME FOR THE YEAR</b>	<b>3.5.2.</b>	<b>303.8</b>	<b>535.0</b>

# BALANCE SHEET

<i>(in millions of euros)</i>	Note	30/06/2019 Net Amounts	30/06/2020 Net Amounts
<b>Assets</b>			
<b>Financial assets</b>	<b>4.1.</b>	<b>2,949.1</b>	<b>2,947.0</b>
Equity investments		2,943.4	2,943.4
Other financial assets		5.7	3.6
<b>Fixed assets</b>		<b>280.2</b>	<b>512.3</b>
Other receivables	4.2.	12.6	25.1
Group current accounts	4.2.	264.4	483.1
Marketable securities	4.3.	2.7	1.0
Cash	4.3.	0.4	2.9
Prepaid expenses		0.1	0.1
<b>Current assets</b>		<b>1.3</b>	<b>0.8</b>
Debt issuance costs	4.4.	1.3	0.8
<b>TOTAL ASSETS</b>		<b>3,230.6</b>	<b>3,460.1</b>

<i>(in millions of euros)</i>	Note	30/06/2019	30/06/2020
<b>Liabilities</b>			
Share capital		232.8	230.5
Issue, merger and acquisition premiums		1,237.6	1,217.5
Statutory reserves		23.3	23.3
Retained earnings		816.2	824.8
Income for the year		303.8	535.0
Tax related provisions		0.5	0.5
<b>Equity Capital</b>	<b>4.5.</b>	<b>2,614.2</b>	<b>2,831.7</b>
<b>Provisions</b>		<b>0.1</b>	<b>0.0</b>
Bond issue	4.6.	601.1	600.4
Other Liabilities	4.7.	15.2	28.0
<b>Financial, operating and other liabilities</b>		<b>616.3</b>	<b>628.4</b>
<b>TOTAL LIABILITIES</b>		<b>3,230.6</b>	<b>3,460.1</b>

# NOTES TO THE FINANCIAL STATEMENTS

The information contained in these notes is an integral part of the annual financial statements. It is expressed in millions of euros, unless otherwise stated.

The Company's fiscal year runs for twelve months from 1 July to 30 June.

## NOTE 1. COMPANY'S ACTIVITY AND KEY EVENTS OF THE FINANCIAL YEAR

### 1.1. COMPANY'S ACTIVITY

Eutelsat Communications S.A. ("the Company" or "Eutelsat") is the parent company of the Eutelsat Communications Group ("the Group"). Its purpose is to hold shares and provide services for its equity interests.

The Company, whose registered office is located at 70, rue Balard, 75015 Paris, is registered with the Paris Register of Trade and Companies under number 481,043,040.

### 1.2. KEY EVENTS OF THE FINANCIAL YEAR

#### 1.2.1. Share capital transactions

On 18 June 2020, the Board of Directors of Eutelsat Communications voted to cancel 2,229,640 shares, representing 0.96% of the share capital.

To this end, 105,068 treasury shares amounting to 2.2 million euros were allocated to the acquisition of 2,124,572 shares for 20 million euros.

As of 30 June 2020, the share capital stood at 230,544,995 euros, made up of 230,544,995 shares, each with a nominal value of one euro.

#### 1.2.2. Repercussions of Covid

The revenues of the Company's subsidiaries have been adversely affected by the Covid-19 crisis since mid-March, notably in the Professional Video vertical, particularly in Occasional Use (circa 1% of Group revenues) which is impacted by the postponement or cancellation of sports and other events and Mobile Connectivity (6% of Group revenues) which is affected by the Covid-related shrinkage in airline and maritime traffic.

More generally, there has been a more global slowdown in the pace of new business.

As the Company is a holding company where revenues are made up of re-invoiced services, the Company's revenues were not impacted.

Furthermore, the crisis has had a two-fold impact on cash generated by the Company and its subsidiaries:

- On the one hand, delays in the collection of trade receivables resulting in a deterioration in the working capital requirement related to these receivables.
- On the other hand, the postponement of certain payments caused by the delays of satellite programmes, the Covid-19 crisis having affected the operations of satellite manufacturers and launchers and the deployment of ground gateways.

These two effects are more than offset by the net cash flow levels of the Company and its subsidiaries.

The assumptions used for the impairment tests performed on equity investments in Eutelsat SA (see Note 4.1) have been updated on the basis of the information available to date.

As of 30 June 2020, the Company and its subsidiaries had cash and cash equivalents and undrawn credit lines for a total amount of over 1.2 billion euros.

## **NOTE 2. ACCOUNTING PRINCIPLES**

### **2.1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

The annual financial statements are prepared in accordance with the provisions of Regulation 2018-01 of the French Accounting Standards Authority (ANC) as well as any subsequent opinions and recommendations of the French Accounting Standards Authority. The Company's reporting currency is the euro.

The following conventions have been applied in compliance with the principle of prudence and in accordance with the following basic rules:

- going concern,
- separation of financial periods,
- consistent accounting methods from one financial year to the next,

and in accordance with the general guidelines for preparing and presenting the annual financial statements.

The basic method used for evaluating the items recorded in the accounts is the historical cost method.

No changes were made to the accounting methods during the financial period.

### **2.2. SIGNIFICANT JUDGEMENTS AND ESTIMATES**

The preparation of annual financial statements requires the use of judgements and estimates likely to affect some of the items in the income statement, the balance sheet and the accompanying notes. The Management constantly updates these estimates and assessments by using past experience and other relevant factors related to the economic environment. The outcome of the transactions underlying these estimates and assumptions could result in significant adjustments to the amounts that are recognised in a subsequent financial period because of the uncertainty that surrounds them.

In preparing the financial statements as of 30 June 2020, the Management made judgements, particularly with regard to the value of equity investments and share-based compensation.

### **2.3. FINANCIAL ASSETS**

Financial assets consist of equity securities and other financial assets including treasury shares acquired under a liquidity contract.

Equity investments are recorded in the balance sheet at their acquisition value, including acquisition costs. They are subject to impairment when the acquisition value is greater than the value in use, assessed on the basis of various criteria such as the market value, expected growth and profitability and shareholders' equity.

Other financial assets are recorded in the balance sheet at their acquisition value excluding acquisition costs. They are subject to impairment when their acquisition cost is greater than their net asset value.

### **2.4. RECEIVABLES AND PAYABLES**

Receivables and payables are evaluated at their face value.

### **2.5. CASH AND MARKETABLE SECURITIES**

This item consists of treasury shares acquired under share buyback programmes, mutual fund investments, cash at bank and deposit warrants with original maturities of three months or less.

Treasury shares repurchased not allocated to share plans are impaired when the share price is lower than the purchase price.

Treasury shares repurchased for the purpose of serving share incentive plans are recorded at their initial cost until they are delivered to their recipients or reclassified if not attributed. They are not subject to any impairment.

## 2.6. DEBT ISSUANCE COSTS

Debt issuance costs are amortised over the duration of the loan.

## 2.7. SHAREHOLDERS' EQUITY

External costs directly related to capital increases or reductions are charged against the issue and acquisition premium, net of tax when tax savings are generated.

## 2.8. PROVISIONS

A provision is recorded when there is a company obligation towards an unrelated party that is probable or certain to lead to an outflow of resources to the benefit of such party, with nothing at least equivalent expected of the unrelated party in return and for which the term or the amount is not precisely determined.

## NOTE 3. NOTE ON THE INCOME STATEMENT

### 3.1. REVENUE

The Company's revenue includes the re-invoicing of services provided, for its holdings, particularly with regard to strategy development, implementation of the industrial and commercial policy and financial and institutional communications.

Revenue, which is generated exclusively in France, amounts to 3.3 million euros as of 30 June 2020 and 4.1 million euros as of 30 June 2019.

### 3.2. OPERATING EXPENSES

Operating expenses are broken down as follows:

<i>(in millions of euros)</i>	30 June 2019	30 June 2020
Staff costs	(3.4)	(3.2)
Other purchases and external expenses	(6.6)	(7.0)
Other operating expenses	(1.6)	(1.9)
<b>Total</b>	<b>(11.6)</b>	<b>(12.1)</b>

#### 3.2.1. Staff costs

The Company has no employees.

Staff costs correspond to compensation for board members, including share based compensation, and amount to 3.2 million euros (3.4 million euros as of 30 June 2019).

Compensation and benefits granted to members of administrative and management bodies are presented in Note 5.1. "Executive management compensation".

### 3.2.2. Other purchases and external expenses

Other purchases and external expenses consist mainly of sub-contracting and consultancy costs for 3.2 million euros (2.6 million euros as of 30 June 2019), fees for 1.8 million euros (1.4 million euros as of 30 June 2019) and commissions and bank fees for 0.8 million euros (0.9 million euros as of 30 June 2019).

### 3.2.3. Other operating expenses

Other operating expenses consist mainly of attendance fees for 0.9 million euros (0.9 million euros as of 30 June 2019), taxes and duties for 0.5 million euros (0.2 million euros as of 30 June 2019) and commissions and amortised loan costs for 0.5 million euros (0.5 million euros as of 30 June 2019).

## 3.3. FINANCIAL INCOME

Financial income breaks down as follows:

<i>(in millions of euros)</i>	30 June 2019	30 June 2020
Income from holdings	312.4	546.8
Interest expenses	(5.5)	(7.5)
Other	(1.0)	0.7
<b>Total</b>	<b>305.9</b>	<b>540.0</b>

Income from holdings comes exclusively from dividends received from the subsidiary Eutelsat S.A.

Interest charges correspond to interest on the loan set up in 2015.

## 3.4. EXCEPTIONAL INCOME

Exceptional income represents an expense of 1 million euros (a 0.2 million euro expense as of 30 June 2019). It consists mainly of treasury share buyback surpluses and losses related to the liquidity contract.

## 3.5. COMPANY TAX

### 3.5.1. Tax consolidation

The scope of the tax consolidation group includes the entities Eutelsat S.A., Eutelsat Broadband Services S.A.S, Fransat S.A and BB4A France.

The tax consolidation agreement provides that the subsidiaries bear a tax burden equal to the amount that they would have borne in the absence of the Group regime. Additional tax charges or savings resulting from the Group regime are borne by or granted to the Group's parent company in full.

As of 30 June 2020, the income tax expense payable by the tax consolidation group amounts to 70.2 million euros (105.5 million euros as of 30 June 2019). whereas the amount due by the sub-subsidiaries under the tax consolidation agreement amounts to 75 million euros (111 million euros as of 30 June 2019, releasing a profit of 4.8 million euros (5.5 million euros as of 30 June 2019).

Eutelsat Communications' losses prior to tax consolidation amount to 43.3 million euros.

### 3.5.2. Common law provisions

As of 30 June 2020, the Company's tax liability breaks down between current income and exceptional income as follows:

<i>(In millions of euros)</i>	Income before tax	Tax due	Net income
Current	531.3	(4.80)	536.0
Exceptional	(1.0)	0	(1.0)
<b>Total</b>	<b>530.3</b>	<b>(4.80)</b>	<b>535.0</b>

The Company's tax is calculated on the basis of the corporate income tax rate estimated at 28.9% up to 0.5 million euros and 34.43% for amounts exceeding this amount, in accordance with the provisions of the French general tax law.

### 3.5.3. Increases and reductions in future tax liability

<i>(in millions of euros)</i>	30 June 2019	30 June 2020
<b>Reductions in future tax liability:</b>		
Losses carried forward	11.2	11.2
<b>Total</b>	<b>11.2</b>	<b>11.2</b>

## NOTE 4. NOTES ON THE BALANCE SHEET

### 4.1. FINANCIAL ASSETS

The changes to financial assets over the year are as follows:

<i>(in millions of euros)</i>	30 June 2019	Acquisition / subscription	Assignment/ reduction	30 June 2020
Equity investments (including merger losses)	2,943.4		0.0	2,943.4
Other financial assets	5.7		(1.6)	4.1
<b>Total of the gross values</b>	<b>2,949.1</b>	<b>0.0</b>	<b>(1.6)</b>	<b>2,947.5</b>
Provision for depreciation	0.0	0.0	(0.5)	(0.5)
<b>Total net values</b>	<b>2,949.1</b>	<b>0.0</b>	<b>(2.1)</b>	<b>2,947.0</b>

Equity investments consist of:

- shares in Eutelsat S.A. numbering 976,473,166 for an amount of 2,558.5 million euros as of 30 June 2020 and numbering 976,469,366 for an amount of 2,558.5 million euros as of 30 June 2019, i.e. an increase of 3,800 shares linked to the share buyback offers under the cashback offer of 21 October 2019;
- a merger loss allocated to Eutelsat S.A. shares for an amount of 384.9 million euros.

The value in use of the Eutelsat S.A. shares was determined on the basis of a valuation of the Eutelsat Group based on future cash flows. These cash flows were updated as of 30 June 2020 to incorporate recent available information. The resulting value in use is higher than the net book value of the assets held. Consequently, no impairment loss was recognised as of 30 June 2020.

Other financial assets consist of items relating to the liquidity contract, including:

- treasury shares for an amount of 3.7 million euros corresponding to 394,290 shares as of 30 June 2020 and for an amount of 3.6 million euros corresponding to 223,296 shares as of 30 June 2019.
- SICAV money market funds for an amount of 0.5 million euros as of 30 June 2020 and for an amount of 2.1 million euros as of 30 June 2019.



## 4.2. RECEIVABLES

Receivables amount to 508.2 million euros (277 million euros as of 30 June 2019). They mainly consist of loans granted by the Company to its subsidiary Eutelsat S.A. for 483.1 million euros (264 million euros as of 30 June 2019).

Other receivables include 21.94 million euros for corporate tax receivables as of 30 June 2020.

All receivables are due within one year.

## 4.3. CASH AND MARKETABLE SECURITIES

Cash and marketable securities break down as follows:

<i>(in millions of euros)</i>	30 June 2019	30 June 2020
Treasury shares	1.7	0.0
Cash	0.4	2.9
Deposit warrants	1.0	1.0
<b>Total</b>	<b>3.1</b>	<b>3.9</b>

As of 30 June 2019, the Company held 105,068 of its own shares. These shares were fully allocated to the share capital reduction performed during the financial year ended 30 June 2020 (see Note 1.2 "Key events of the financial year").

## 4.4. DEBT ISSUANCE COSTS

Debt issuance costs, relating to the loan taken out in March 2015, for an initial amount of 3.1 million euros, are spread over the income for 6 years for an amount of 0.5 million euros per year. Debt issuance costs remaining depreciable amount to 0.8 million euros as of 30 June 2020 (1.3 million euros as of 30 June 2019).

## 4.5. SHAREHOLDERS' EQUITY

On 18 June 2020, the company Eutelsat Communications cancelled 2,229,640 shares for a total of 22.3 million euros, breaking down into a reduction in share capital of 2.2 million and a reduction in the share premium of 20.1 million.

During the financial period, 2,124,572 shares were repurchased for 20 million euros.

As of 30 June 2020, the share capital comprised 230,544,995 ordinary shares with a face value of 1 euro per share.

On 7 November 2019, the Ordinary and Extraordinary Annual General Meeting of Shareholders was called upon to approve the annual financial statements for the period ended 30 June 2019. Having recognised a 303.8 million euro profit, the AGM decided to distribute a 1.27 euro dividend per share for a total amount of 295.3 million euros, taken from net income, the remaining balance of 8.2 million euros being allocated to retained earnings.

<i>(in millions of euros)</i>	30 June 2019	Profit allocation	Distribution of dividends	Other movements	30 June 2020
Share capital	232.8			(2.2)	230.6
Issue, merger and acquisition premiums	1,237.6			(20.1)	1,217.5
Statutory reserve	23.3				23.3
Retained earnings (+)	816.2		8.6		824.8
Income as of 30/06/2019	303.8		(303.8)		0.0
Tax related provisions	0.5				0.5
<b>Total</b>	<b>2,614.1</b>		<b>(295.3)</b>	<b>(22.3)</b>	<b>2,296.7</b>
					Shareholders' equity before result
					2,296.7
					Income for the year
					535.0
					<b>Total shareholders' equity</b>
					<b>2,831.7</b>

Tax related-provisions correspond to the accelerated depreciation of share acquisition costs.

#### 4.6. FINANCIAL DEBT

Bank loans, denominated in euros, were granted in 2015 with a five-year maturity period and two one-year extension options, subject to the lenders' approval. In March 2016 and March 2017, the Company obtained the approval of all the lenders on both one-year extensions until March 2022.

Bank loans are as follows:

<i>(in thousands of euros)</i>	30 June 2019	30 June 2020
Bank borrowings	600.0	600.0
Accrued interest	1.1	0.4
<b>Total</b>	<b>601.1</b>	<b>600.4</b>

Eutelsat Communications also has a 200 million euro revolving credit line (undrawn as of 30 June 2020) entered into in March 2015 for a five-year maturity, with two one-year extension options subject to the lenders' approval. In March 2016 and March 2017, the Company obtained the agreement of all the lenders for each of the two one-year extensions until March 2022.

The credit agreements do not carry any guarantee from the Group nor pledging of assets in favour of the lenders but contain restrictive clauses (subject to the usual exceptions provided for in this type of loan agreement) limiting the ability of Eutelsat Communications and its subsidiaries, in particular to grant security interests, incur additional indebtedness, dispose of assets, engage in mergers and acquisitions, sales of assets and leasing operations (with the exception of those carried out within the Group and expressly provided for in the loan agreement) and change the nature of the activity of the Company and its subsidiaries.

The credit agreements allow each lender to request early repayment of all sums due if there is a change of control of the Company and of its subsidiary Eutelsat S.A. or in the event of concerted action. Furthermore, the Company must hold, directly or indirectly, 95% of the capital and voting rights of Eutelsat S.A. for the entire duration of the loan.

The credit agreements provide for 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 not covered by a launch insurance policy.

In addition, these credit agreements are backed by a financial covenant which provides for a total net debt to annualised EBITDA ratio less than or equal to 4.0 to 1, determined on the basis of the Group's consolidated financial statements. As of 30 June 2020, the Company complied with this banking covenant.

## 4.7. OTHER DEBTS

Operating debts break down as follows:

<i>(in thousands of euros)</i>	30 June 2019	30 June 2020
Accounts payable	3.2	3.5
State liabilities	0.0	0.6
Staff liabilities	3.1	2.8
Tax consolidation current accounts	8.8	21.2
<b>Total</b>	<b>15.2</b>	<b>28.0</b>

All debts are due within one year.

## NOTE 5. OTHER INFORMATION

### 5.1. RELATED PARTY TRANSACTIONS

#### 5.1.1. Executive Management compensation

Gross compensation (including employer's contributions) paid by the Company to members of the administrative and management bodies is as follows;

<i>(in millions of euros)</i>	30/06/2019	30/06/2020
Short-term benefits	3.1	3.2
Attendance fees paid	0.8	1.0

91% of these expenses are charged back to Eutelsat S.A. for the activities described in Note 1.1 "Company's activity".

#### Share based compensation

The expense (excluding social security contributions) recorded for the three other plans whose features are presented below amounts to 0.4 million euros (0.3 million euros as of 30 June 2019).

The free share allocation plan of April 2017 matured in June 2019. In respect of this plan, the Company granted 0.5 million euros.

Under the plans listed below, phantom shares were granted to directors and corporate officers in November 2017, November 2018 and November 2019. Their allocation is contingent on an attendance requirement and the achievement of performance conditions.

Features of the plans	November 2017 plan	November 2018 plan	November 2019 plan
Vesting period	July 2017 - June 2020	July 2018 - June 2021	July 2019 - June 2022
Maximum number of shares attributable to directors and corporate officers at inception	64,176	73,485	84,660
Number of recipients	3	3	3
<b>Number of shares and performance requirements for phantom share plans</b>			
Number of outstanding shares	63,570	65,704	84,046
Performance objectives	Revenue, Discretionary Free-Cash-Flow LEAP cost-savings plan	Revenue, Discretionary Free-Cash-Flow Relative TSR <sup>(1)</sup>	Revenue, Discretionary Free-Cash-Flow Relative CSR
<b>Expense for the financial year (in millions of euros)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>

(1) Relative TSR (total shareholder return) measures the shareholder return for Eutelsat shares compared to that of other benchmarks or indices. This performance condition is only applicable to directors and corporate officers for the plans granted in 2018 and 2019.

## Non-compete clauses

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

### 5.1.2. Related parties other than executive managers

Related parties are those direct or indirect shareholders who exercise significant influence, which is presumed when the investor holds more than 20% or when the investor holds a position on the Board of Directors of a subsidiary of the Company, or of companies other than subsidiaries in which Eutelsat has an interest and "key managers".

During the 2020 financial year, Eutelsat S.A. and its related parties did not enter into any material transactions under unusual market conditions.

## 5.2. 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 an accounting 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 years 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 adjustments, for which Eutelsat believes that it has solid defences.

An accounting audit was also performed on the Company's accounts in respect of the financial years ended 30 June 2016 and 2017 and, in December 2019, the Company received a tax adjustment notification relating to these two financial years. The Company replied to this tax adjustment notification, contesting nearly all of the reassessment charges. The Tax Audit Department has yet to respond to the comments submitted by the Company.

## 5.2. OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet purchase commitments amount to 0.6 million euros as of 30 June 2020.

## 5.3. INFORMATION ABOUT SUBSIDIARIES AND EQUITY INTERESTS

The table below contains the list of investments held by Eutelsat Communications in subsidiaries and other companies as of 30 June 2020:

	Capital	Shareholders' equity other than capital as of 30 June (local accounts)	Share of capital held (in %)	Last financial year		Gross book value of investments held	Provision for impairment of investments	Loans and advances granted	Pledges and guarantees granted	Dividends received
				revenue (local accounts)	Net income (local accounts)					
<i>(in millions of euros)</i>										
Eutelsat SA RCS no. 422,551,176 Paris Registered office located in Paris (financial year ended 30/06/2020)	658.6	-	96.38%	990.3	435	2,558.0	-	483.1	-	546.8

## 5.4. SUBSEQUENT EVENTS

None.