

*This is a free translation into English of the statutory auditors' review report on the interim consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.*

## **Eutelsat S.A.**

Period from July 1 to December 31, 2016

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

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Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

## **Eutelsat S.A.**

Period from July 1 to December 31, 2016

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

To the Chief Executive Officer,

In our capacity as statutory auditors of Eutelsat S.A. and in accordance with your request, we have performed a review of the accompanying interim consolidated financial statements, the "Financial Information", for the period from July 1 to December 31, 2016.

Management is responsible for the preparation and fair presentation of this Financial Information. Our role is to express a conclusion on this Financial Information based on our review.

We conducted our review in accordance with professional standards applicable in France and the professional guidance issued by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Financial Information is not prepared, in all material respects, in accordance with IAS 34 - IFRS as adopted by the European Union applicable to interim financial information.

This report is governed by French law. The courts of France shall have exclusive jurisdiction over any claim, dispute or difference resulting from our engagement letter or the present report, or any related matters. Each party irrevocably waives its right to oppose any action brought before French courts, to claim that the action is being brought before an illegitimate court or that the courts have no jurisdiction.

Courbevoie and Paris-La Défense, February 8, 2017

The statutory auditors  
*French original signed by*

MAZARS  
  
Isabelle Sapet

ERNST & YOUNG Audit  
  
Pierre-Henri Pagnon

# **EUTELSAT S.A. GROUP**

“Société anonyme” with a capital of 658,555,372.80 euros

Registered office: 70, rue Balard 75015 Paris

422 551 176 R.C.S. Paris

## **CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS AS OF 31 DECEMBER 2016**

# CONSOLIDATED BALANCE SHEET

(in millions of euros)	Note	30 June 2016	31 December 2016
<b>ASSETS</b>			
Non-current assets			
Goodwill	4	358.5	368.5
Intangible assets	4	322.2	326.5
Satellites and other property and equipment	5	4,305.4	4,203.7
Construction in progress	5	694.2	708.9
Financial assets and other non-current assets		9.0	27.6
Deferred tax assets		8.5	6.2
<b>Total non-current assets</b>		<b>5,697.8</b>	<b>5,641.3</b>
Current assets			
Inventories		2.8	3.0
Accounts receivable		406.6	379.5
Other current assets		37.7	43.6
Current tax receivable		3.5	1.8
Current financial assets		36.4	22.7
Cash and cash equivalents	7	1,151.2	1,185.0
Assets held for sale	6	301.9	301.9
<b>Total current assets</b>		<b>1,940.0</b>	<b>1,937.4</b>
<b>Total assets</b>		<b>7,637.7</b>	<b>7,578.7</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Shareholders' equity			
Share capital	8.1	658.6	658.6
Additional paid-in capital		8.0	8.0
Reserves and retained earnings		1,325.2	1,392.9
Non-controlling interests		1.6	(1.7)
<b>Total shareholders' equity</b>		<b>1,993.4</b>	<b>2,057.8</b>
Non-current liabilities			
Non-current financial debt	9	2,953.9	2,919.8
Other non-current financial liabilities	10	1,053.9	902.6
Non-current fixed asset payables		15.5	28.5
Non-current deferred revenues		140.6	134.0
Non-current provisions		128.4	115.4
Deferred tax liabilities		122.4	113.2
<b>Total non-current liabilities</b>		<b>4,414.5</b>	<b>4,213.5</b>
Current liabilities			
Current financial debt	9	927.0	975.8
Other current financial liabilities	10	43.6	94.7
Accounts payable		65.5	41.8
Fixed assets payable		35.8	34.1
Taxes payable		9.0	30.5
Other current payables and deferred revenues		131.2	101.6
Current provisions	19	17.8	29.1
<b>Total current liabilities</b>		<b>1,229.9</b>	<b>1,307.4</b>
<b>Total liabilities and shareholders' equity</b>		<b>7,637.7</b>	<b>7,578.7</b>

## CONSOLIDATED INCOME STATEMENT

(in millions of euros, except per share data)	Note	31 December 2015	31 December 2016
<b>Revenues from operations</b>		<b>775.8</b>	<b>756.9</b>
Operating costs		(52.9)	(47.4)
Selling, general and administrative expenses		(122.3)	(116.9)
Depreciation and amortisation	4, 5	(215.7)	(252.1)
Other operating income	12	-	30.2
Other operating expenses	12	(1.5)	(6.9)
<b>Operating income</b>		<b>383.4</b>	<b>363.8</b>
Cost of debt	13	(51.0)	(63.4)
Financial income	13	2.8	0.9
Other financial items	13	(10.5)	6.0
<b>Financial result</b>		<b>(58.7)</b>	<b>(56.5)</b>
Income from associates		10.0	-
<b>Net income before tax</b>		<b>334.6</b>	<b>307.3</b>
Income tax expense	14	(122.5)	(87.4)
<b>Net income</b>		<b>212.1</b>	<b>219.8</b>
Attributable to the Group		212.0	220.8
Attributable to non-controlling interests		0.1	(1.0)
<b>Earnings per share attributable to Eutelsat S.A. shareholders</b>			
Basic and diluted earnings per share in euro (*)	15	0.209	0.217

(\*) There are no dilutive instruments as of 31 December 2015 and 31 December 2016.

## COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Note	31 December 2015	31 December 2016
<b>Net income</b>		<b>212.1</b>	<b>219.8</b>
<i>Other recyclable items of gain or loss on comprehensive income</i>			
Translation adjustment	8.5	18.3	71.2
Tax effect		6.1	8.9
Changes in fair value of hedging instruments <sup>(1)</sup>	8.4	(1.2)	24.7
Tax effect		0.5	(8.5)
<i>Other non-recyclable items of gain or loss on comprehensive income</i>			
Changes in post-employment benefits	8.6	4.5	9.5
Tax effect		(1.5)	(7.0)
<b>Total of other items of gain or loss on comprehensive income</b>		<b>26.7</b>	<b>98.8</b>
<b>Total comprehensive income</b>		<b>238.7</b>	<b>318.6</b>
Attributable to the Group		238.6	319.6
Attributable to non-controlling interests		0.1	(1.1)

(1) Covers only cash-flow hedges. Net foreign investment hedges are recorded as translation adjustments.



## CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	Note	31 December 2015	31 December 2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income		212.1	219.8
Income from equity investments	6	(10.0)	-
Tax and interest expense, other operating items		192.2	129.0
Depreciation, amortisation and provisions		208.6	269.8
Deferred taxes		(11.5)	(14.8)
Changes in accounts receivable		(42.6)	23.6
Changes in other assets		(2.8)	(2.5)
Changes in accounts payable		(7.2)	(15.6)
Changes in other debt		172.8	(64.3)
Taxes paid		(94.3)	(78.5)
<b>Net cash flows from operating activities</b>		<b>617.4</b>	<b>466.5</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of satellites, other property and equipment and intangible assets	4, 5	(161.2)	(100.7)
Acquisition of control		-	-
Disposal of entities		-	36.7
Dividends received from associates and other items	6	2.7	2.6
<b>Net cash flows from investing activities</b>		<b>(158.4)</b>	<b>(61.4)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distributions		(294.7)	(254.5)
Increase in debt	9	0.6	-
Repayment of debt	9	(3.7)	(15.5)
Repayment in respect of performance incentives and long-term leases		(6.2)	(101.2)
Loan set-up fees		-	(1.0)
Interest and other fees paid		(17.8)	(24.3)
Interest received		3.9	0.4
Transactions relating to non-controlling interests		-	18.5
Other changes		(0.4)	(0.6)
<b>Net cash flows from financing activities</b>		<b>(318.3)</b>	<b>(378.2)</b>
Impact of exchange rate on cash and cash equivalents		(6.5)	7.0
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>134.2</b>	<b>33.8</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>416.1</b>	<b>1,151.1</b>
<b>Cash and cash equivalents, end of period</b>	7	<b>550.2</b>	<b>1,185.0</b>
Cash reconciliation			
Cash		550.2	1,185.0
Overdraft included under debt <sup>(1)</sup>	9	-	-
<b>Cash and cash equivalents per cash flow statement</b>		<b>550.2</b>	<b>1,185.0</b>

(1) Overdrafts are included in determining "Cash and cash equivalents" in the cash-flow statement as they are repayable on demand and form an integral part of the Group's cash-flow management. They are shown as "Current financial debt" under "Current liabilities" on the balance sheet.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros, except share data)	Common stock			Reserves and retained earnings	Shareholders' equity Group share	Non-controlling interests	Total
	Number	Amount	Additional paid in capital				
<b>As of 30 June 2015</b>	<b>1,013,162,112</b>	<b>658.6</b>	<b>8.0</b>	<b>1,293.0</b>	<b>1,959.6</b>	<b>(19.1)</b>	<b>1,940.4</b>
Net income for the period				212.0	212.0	0.1	212.1
Other items of gain or loss on comprehensive income				26.6	26.6	-	26.6
Total comprehensive income				238.6	238.6	0.1	238.7
Transaction affecting the capital				-	-	-	-
Treasury stock				-	-	-	-
Distributions				(295.3)	(295.3)	-	(295.3)
Benefits for employees upon exercising options and free shares granted				-	-	-	-
Liquidity offer and others				(4.8)	(4.8)	-	(4.8)
<b>As of 31 December 2015</b>	<b>1,013,162,112</b>	<b>658.6</b>	<b>8.0</b>	<b>1,231.3</b>	<b>1,897.9</b>	<b>(19.0)</b>	<b>1,879.0</b>
<b>As of 30 June 2016</b>	<b>1,013,162,112</b>	<b>658.6</b>	<b>8.0</b>	<b>1,325.2</b>	<b>1,991.7</b>	<b>1.6</b>	<b>1,993.4</b>
Net income for the period				220.8	220.8	(1.0)	219.8
Other items of gain or loss on comprehensive income <sup>(1)</sup>				98.8	98.8	-	98.8
Total comprehensive income				319.6	319.6	(1.0)	318.6
Transaction affecting the capital				-	-	-	-
Distributions				(253.3)	(253.3)	(1.2)	(254.5)
Benefits for employees upon exercising options and free shares granted				0.2	0.2	-	0.2
Transactions with non-controlling interests and others				1.4	1.4	(1.0)	0.4
<b>As of 31 December 2016</b>	<b>1,013,162,112</b>	<b>658.6</b>	<b>8.0</b>	<b>1,393.0</b>	<b>2,059.6</b>	<b>(1.7)</b>	<b>2,057.9</b>

(1) Changes in other items of gain and loss on comprehensive income are detailed in Notes 8.4 "Change in the revaluation surplus of financial instruments", Note 8.5 "Translation reserve" and Note 8.6 "Actuarial gains and losses".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 1. KEY EVENTS DURING THE FINANCIAL PERIOD

- The Group sold Wins Ltd and its subsidiaries in August 2016 and DSAT Cinema in October 2016. These entities were excluded from the Group's scope of consolidation at the date of loss of control
- On 12 July 2016, Eutelsat initiated the process of selling its equity interest in Hispasat by exercising the put option granted in 2008 by Abertis Group, Hispasat's majority shareholder.
- The Ka spot beams embarked on the E36C satellite have entered commercial service on 1st July 2016.

## NOTE 2. APPROVAL OF THE ACCOUNTS

The condensed consolidated half-year accounts of Eutelsat S.A. as of 31 December 2016 have been prepared by the Board of Directors on 08 February 2017.

## NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 COMPLIANCE WITH IFRSs

The financial statements at 31 December 2016 have been prepared in accordance with the IFRSs as adopted by the European Union and effective as of that date. The relevant texts are available for consultation on the following website:

[http://ec.europa.eu/internal\\_market/accounting/ias/index\\_fr.htm](http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm)

The financial statements have been prepared on a historical cost basis except for certain items for which the standards require measurement at fair value.

The financial information disclosed in these financial statements is prepared in accordance with the option contained in IAS 34 "*Interim Financial Reporting*" in a condensed format. The accounts as presented do not therefore contain all the information and Notes required under IFRSs 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 2016.

### 3.2 PUBLISHED STANDARDS AND INTERPRETATIONS

The accounting methods and rules used in preparing these condensed interim accounts are identical to those used for the consolidated full-year financial statements for the year ended 30 June 2016, with the exception of the new standards and interpretations as described below, which are adopted by the European Union and are to be applied after 1st July 2016:

- Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations;
- Amendment to IAS 1: Disclosure Initiative;
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation;
- Improvements to IFRSs (2012-2014 cycle).

Applying these standards, amendments and interpretations had no significant impact on the Group's financial statements.

Furthermore, no standard, interpretation or amendment has been applied in advance by the Group. The Group is currently analysing the practical impact of these new texts and the effects of applying them in the financial statements. This concerns:

- IFRS 9 "Financial Instruments";
- IFRS 15 "Revenue from Contracts with Customers";
- IFRS 16 "Leases".

### 3.3 PERIODS PRESENTED AND COMPARATIVES

The six-month period extends from 1st July to 31 December 2016.

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

### 3.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

## Judgements

In preparing the financial statements for the period ended 31 December 2016, Management has exercised judgement, particularly with regard to the recoverable amounts of assets, contingent liabilities, provisions, customer risk assessment and the functional currency used by the consolidated entities.

### 3.5 TAXES

In accordance with IAS 34, the interim income tax expense is calculated by applying the average effective rate estimated for the financial year to earnings before taxes for the period (see Note 14 - *Income tax*).

## NOTE 4. GOODWILL AND OTHER INTANGIBLES

"Goodwill and Other Intangibles" breaks down as follows:

### Changes in gross assets, depreciation and amortisation

(in millions of euros)	Goodwill	Other intangibles	Total
<b>GROSS ASSETS</b>			
30 June 2016	358.5	477.5	836.0
31 December 2016	368.5	499.3	867.8
<b>DEPRECIATION AND AMORTISATION</b>			
Accumulated depreciation as of 30 June 2016	-	(155.3)	(155.3)
Accumulated depreciation as of 31 December 2016	-	(172.8)	(172.8)
Net value as of 30 June 2016	358.5	322.2	680.7
Net value as of 31 December 2016	368.5	326.5	695.0

The change over the period ended 31 December 2016 mainly relates to:

- the change in goodwill arising from the acquisition of Satmex (denominated in US dollars) and the effects of the disposal of Wins Ltd. and its subsidiaries;
- the amortisation of customer contracts and relationships.

## NOTE 5. SATELLITES, OTHER PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

"Satellites and other property and equipment" is broken down as follows (including assets acquired under finance leases):

### Changes in gross values, depreciation and amortisation

(in millions of euros)	Satellites	Other tangibles	Construction in progress	Total
<b>GROSS ASSETS</b>				
Gross value as of 30 June 2016	6,998.1	440.8	694.2	8,133.1
Acquisitions	0.8	4.8	123.7	129.3
Disposals	-	(0.3)	-	(0.3)
Change in scope of consolidation	-	(13.2)	-	(13.2)
Scrapping of assets	(210.1)	(3.9)	-	(214.0)
Foreign-exchange variation	58.5	0.8	21.2	80.5
Transfers and others	76.5	8.4	(130.1)	(45.2)
Gross value as of 31 December 2016	6,923.8	437.4	708.9	8,070.1

### DEPRECIATION AND AMORTISATION

Accumulated depreciation as of 30 June 2016	(2,815.2)	(318.5)	-	(3,133.7)
Depreciation and amortisation	(215.9)	(18.3)	-	(234.2)
Reversals (disposals)	-	0.1	-	0.1
Reversals (changes in scope)	-	9.2	-	9.2
Reversals (scrapping of assets)	210.9	0.2	-	211.1
Reclassification	-	0.9	-	0.9
Foreign-exchange variation	(10.8)	(0.4)	-	(11.2)
Accumulated depreciation as of 31 December 2016	(2,831.0)	(326.8)	-	(3,157.8)

Net value as of 30 June 2016	4,183.0	122.4	694.2	4,999.6
Net value as of 31 December 2016	4,093.0	110.6	708.9	4,912.5

During the half year ended 31 December 2016, the Group deorbited the Eutelsat 70D satellite.

Satellite-related transfers as of 31 December 2016 correspond to the entry into operational service of the Ka spot beams onboard the EUTELSAT 36C satellite which was launched during the financial year ended 30 June 2016.

### SATELLITES UNDER CONSTRUCTION

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

Projects	Expected year of commissioning
EUTELSAT 172B	2017-2018
QUANTUM, EUTELSAT 7C, EUTELSAT 5WB	2018-2019
BROADBAND4AFRICA	2019-2020

## NOTE 6. ASSETS HELD FOR SALE

As of 30 June 2016 and 31 December 2016, as a result of the sale of Eutelsat's interest in Hispasat initiated by the company in July 2016, the amount of the Hispasat portion was shown as assets held for sale.

## NOTE 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are detailed as follows:

(in millions of euros)	30 June 2016	31 December 2016
Cash	314.9	446.4
Cash equivalents	836.3	738.6
<b>Total</b>	<b>1,151.2</b>	<b>1,185.0</b>

Cash equivalents are mainly composed of mutual fund investments qualifying as "cash equivalents" (505.7 million euros as of 31 December 2016) and deposit certificates, which mature less than three months from the date of acquisition.

## NOTE 8. SHAREHOLDERS' EQUITY

### 8.1 SHAREHOLDERS' EQUITY

As of 31 December 2016, the share capital of Eutelsat S.A. comprised 1,013,162,112 ordinary shares with a par value of 0.65 euro per share.

### 8.2 DIVIDENDS

On 04 October 2016, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of 0.25 euro per share, i.e. a total of 253.3 million euros, taken from net income for the financial year 2015-2016.

In 2015, the amount distributed as a dividend was 293.8 million euros, i.e. 0.29 euro per share.

### 8.3 SHARE-BASED COMPENSATION

During the first half of the financial year ending 30 June 2017, the Group has managed three plans set up in November 2012, February 2015 and February 2016 respectively.

Under the three plans, the expense (excluding employer's contributions) recognised for the six-month period ended 31 December 2016 was 0.6 million euros, compared to 2.6 million euros for the six-month period ended 31 December 2015.

### 8.4 CHANGE IN THE REVALUATION SURPLUS OF FINANCIAL INSTRUMENTS

All financial instruments that have an impact on the revaluation reserve are hedges for their effective portion.

(in millions of euros)	Total
<b>Balance at 30 June 2016</b>	<b>(32.3)</b>
Changes in fair value within equity that can be reclassified to income	16.2
Transfer to income statement <sup>(1)</sup>	-
<b>Balance at 31 December 2016</b>	<b>(16.1)</b>

(1) This amount corresponds to coupons due and matured on the interest rate hedging instruments (see Note 13 – Financial result).

## 8.5 TRANSLATION RESERVE

(in millions of euros)	Total
Balance at 30 June 2016	212.4
Change over the period	80.1
Balance at 31 December 2016	292.5

The revaluation reserve includes the value of the Cross Currency Swap used to hedge currency exposure of a net investment in a foreign operation. The main currency generating translation differences is the US dollar.

## 8.6 ACTUARIAL GAINS AND LOSSES

These provisions were revised downwards as a result of the rise by approximately 0.2 base point recorded since 30 June 2016 in reference interest rates used to determine the discounted value of the guarantee granted to a pension fund and retirement benefits.

The net impact on provisions represented a 9.5 million euro decline. Having recognised deferred tax assets for 2.8 million euros and discounted deferred tax liabilities using the applicable discount rate as from 2020 (see Note 14 - *Income tax*), the net impact on actuarial gains and losses stood at 1.5 million euros.



## NOTE 9. FINANCIAL DEBT

As of 30 June and 31 December 2016, the aggregate amount of bank debt is denominated in euros, with the exception of the export credit facility which is denominated in US dollars.

### 9.1 FINANCIAL INFORMATION AS OF 30 JUNE AND 31 DECEMBER 2016

(in millions of euros)	Rate	30 June 2016	31 December 2016	Maturity
Loan from Eutelsat Communications Finance S.A.	Variable	249.0	227.3	-
Bond 2019 <sup>(1)</sup>	5.000%	800.0	800.0	14 January 2019
Bond 2020 <sup>(1)</sup>	2.625%	930.0	930.0	13 January 2020
Bond 2021 <sup>(1)</sup>	1.125%	500.0	500.0	23 June 2021
Bond 2022 <sup>(1)</sup>	3.125%	300.0	300.0	10 October 2022
US EXIM export credit	1.710%	31.8	29.8	15 November 2021
ONDD-guaranteed export credit	Variable	166.0	154.2	17 May 2024
Other	Variable	0.9	-	
<b>Sub-total of debt (non-current portion)</b>		<b>2,977.8</b>	<b>2,941.3</b>	
Loan set-up fees and premiums		(24.0)	(21.4)	
<b>Total of debt (non-current portion)</b>		<b>2,953.8</b>	<b>2,919.8</b>	
Bond 2017 <sup>(1)</sup>	4.125%	850.0	850.0	27 March 2017
US EXIM export credit & ONDD		30.8	31.2	
Bank overdrafts		-	-	
Accrued interest not yet due		46.2	94.5	
<b>Total debt (current portion)</b>		<b>927.0</b>	<b>975.8</b>	

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

(in millions of euros)	30 June 2016	31 December 2016
Bond 2017	875.1	858.7
Bond 2019	891.7	879.7
Bond 2020	989.0	988.8
Bond 2021	499.5	511.4
Bond 2022	337.8	337.3

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

The Group also has 450 million euros available under its various active lines of undrawn revolving credit as of 31 December 2016.

## 9.2 DEBT MATURITY ANALYSIS

As of 31 December 2016, the debt maturity analysis is as follows:

(in millions of euros)	Amount	Maturity within 1 year	Maturity between 1 and 5 years	Maturity exceeding 5 years
Loan from Eutelsat Communications Finance S.A.	227.3	-	227.3	-
US EXIM export credit	37.2	7.4	29.8	-
ONDD-guaranteed export credit	177.9	23.7	94.9	59.3
Bond 2017	850.0	850.0	-	-
Bond 2019	800.0	-	800.0	-
Bond 2020	930.0	-	930.0	-
Bond 2021	500.0	-	500.0	-
Bond 2022	300.0	-	-	300.0
<b>Total</b>	<b>3,822.4</b>	<b>881.1</b>	<b>2,582.0</b>	<b>359.3</b>

## 9.3 COMPLIANCE WITH BANKING COVENANTS

The banking covenants on financing facilities as of 31 December 2016 have not changed since their inception. As of 31 December 2016, the Group was in compliance with all banking covenants under its credit facilities.

## NOTE 10. OTHER FINANCIAL LIABILITIES

Other financial liabilities break down as follows:

(in millions of euros)	30 June 2016	31 December 2016
Derivative instruments <sup>(1)</sup>	174.3	174.5
Finance leases	831.1	725.6
Other liabilities	92.1	97.3
<b>Total</b>	<b>1,097.5</b>	<b>997.4</b>
<i>Incl. current portion</i>	<i>43.6</i>	<i>94.7</i>
<i>Incl. non-current portion</i>	<i>1,053.9</i>	<i>902.6</i>

(1) See Note 16 – Financial instruments.

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

Amounts shown for finance leases include accrued interest totalling 8.1 million euros as of 30 June 2016 and 4.2 million euros as of 31 December 2016.

“Other liabilities” mainly comprise advance payments and deposits from clients, and debts over non-controlling interests.

## NOTE 11. SEGMENT INFORMATION

Over the period ended 31 December 2016, there was no change in the Group's organisation which could affect the nature of and method used for reporting financial information and business performance data to the Group's chief operating decision maker.

Having performed an analysis and with respect to IFRS 8, and in a similar way to the financial year ended 30 June 2016, 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.

Group revenues by geographical zone, based on invoice addresses, for the six-month periods ended 31 December 2015 and 2016 are as follows:

(in millions of euros and as a percentage)	31 December 2015		31 December 2016	
	Amount	%	Amount	%
France	74.9	9.6	63.1	8.3
Italy	104.4	13.5	88.4	11.7
United Kingdom	56.0	7.2	54.0	7.1
Europe (other)	200.8	25.9	198.1	26.2
Americas	174.5	22.5	164.3	21.7
Middle-East	98.1	12.7	118.9	15.7
Africa	45.7	5.9	52.3	6.9
Asia	21.2	2.7	17.6	2.3
Other	0.3	0.0	0.1	0.0
<b>Total</b>	<b>775.9</b>	<b>100.0</b>	<b>756.9</b>	<b>100.0</b>

Group EBITDA stood at 600.7 million euros and 592.6 million euros for the six-month periods ended 31 December 2015 and 31 December 2016 respectively.

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

## NOTE 12. OTHER OPERATING INCOME AND EXPENSES

As of 31 December 2016, "Other operating income and expenses" mainly include capital gains arising from the disposal of Wins Ltd. and its subsidiaries.

## NOTE 13. FINANCIAL RESULT

The financial result is made up as follows:

(in millions of euros)	6-month period ended 31 December 2015	6-month period ended 31 December 2016
Interest expense after hedging <sup>(1)</sup>	(62.7)	(67.8)
Loan set-up fees and commissions <sup>(2)</sup>	(4.0)	(4.2)
Capitalised interest <sup>(3)</sup>	15.7	8.6
<b>Cost of gross debt</b>	<b>(51.0)</b>	<b>(63.4)</b>
Financial income	2.8	0.9
<b>Cost of net debt</b>	<b>(48.2)</b>	<b>(62.5)</b>
Changes in financial instruments <sup>(4)</sup>	(0.6)	1.0
Foreign-exchange impact	(9.8)	8.2
Other	(0.1)	(3.2)
<b>Financial result</b>	<b>(58.7)</b>	<b>(56.5)</b>

<sup>(1)</sup> The interest expense was not impacted by instruments qualified as interest-rate hedges during the half-year period ended 31 December 2015 as well as during the half-year period ended 31 December 2016.

<sup>(2)</sup> Issuing costs include amortisation of all loan issuing costs and premiums.

<sup>(3)</sup> The amount of capitalised interest depends on the state of progress and number of satellite construction programmes recorded during the financial year concerned.

The capitalisation rates used for determining the amount of interest expense eligible for capitalisation were 3.88% as of 31 December 2015 and 3.51% as of 31 December 2016.

<sup>(4)</sup> Changes in fair value of financial instruments mainly include:

- changes in fair value of derivatives not qualified as hedges;
- the ineffective portion of qualifying derivatives in a hedging relationship.

## NOTE 14. INCOME TAX

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

As of 31 December 2016, the Group's effective income tax rate was 28.4%. This rate includes (i) the effects in France of the 3.3% social contribution to the corporate income tax, the standard income tax rate now standing at 34.43% for the financial year ended 30 June 2017, (ii) an additional 3% contribution on cash-settled dividends, and (iii) capping of deductible financial expenses at 75%. Furthermore, the effective income tax rate includes the effects of the 2017 Finance Act, which provides for a decrease to 28% of the standard corporate income tax for financial years beginning on or after 1<sup>st</sup> January 2020. It should be noted that the capital gains earned from the disposal of Wins Ltd and DSAT Cinema are almost entirely exempt from taxation.

## NOTE 15. EARNINGS PER SHARE

The following table shows the reconciliation between net income and net earnings attributable to shareholders (basic and diluted) used to compute earnings per share (basic and diluted). There were no dilutive instruments as of 31 December 2015 and 2016.

(in millions of euros)	31 December 2015	31 December 2016
<b>Net income</b>	<b>212.1</b>	<b>219.8</b>
Income from subsidiaries attributable to non-controlling interests	(0.1)	1.0
<b>Net earnings used to compute earnings per share</b>	<b>212.0</b>	<b>220.8</b>
<b>Average number of shares</b>	<b>1,013,162,112</b>	<b>1,013,162,112</b>

## NOTE 16. FINANCIAL INSTRUMENTS

The following tables analyse the contractual or notional amounts and fair values of derivatives as of 30 June and 31 December 2016, per contract type. The financial instruments are valued by an independent expert and this valuation is verified/validated by the Group's banking counterparts.

(in millions of euros)	Notional		Fair value		Change in fair value over the period	Impact on income (excl. coupons)	Impact on equity (excl. coupons)	Termination indemnity
	30 June 2016	31 December 2016	30 June 2016	31 December 2016				
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	-	83.0	-	(0.1)	(0.1)	-	(0.1)	-
Cross currency swap	500.0	500.0	(115.2)	(141.0)	(25.8)	-	(25.8)	-
NDF	8.9	-	(1.0)	-	1.0	1.0	-	-
<b>Total foreign exchange derivatives</b>	<b>508.9</b>	<b>583.0</b>	<b>(116.2)</b>	<b>(141.1)</b>	<b>(24.9)</b>	<b>1.0</b>	<b>(25.9)</b>	<b>-</b>
Pre-hedging swap	800.0	800.0	(58.1)	(33.4)	24.8	-	24.8	-
<b>Total interest rate derivatives</b>	<b>800.0</b>	<b>800.0</b>	<b>(58.1)</b>	<b>(33.4)</b>	<b>24.8</b>	<b>-</b>	<b>24.8</b>	<b>-</b>
<b>Total derivatives</b>			<b>(174.3)</b>	<b>(174.5)</b>	<b>(0.1)</b>	<b>1.0</b>	<b>(1.1)</b>	<b>-</b>

As of 31 December 2016, the cumulative fair value of derivative instruments was negative at 174.5 million euros.

## NOTE 17. PURCHASE COMMITMENTS

As of 31 December 2016, future payments under satellite construction, launch and financing contracts amounted to 513 million euros. These future payments are spread over four years.

The Group has also made commitments with other suppliers for service provisions and acquisitions of fixed assets relating to the monitoring and control of satellites.

Future payments in respect of such acquisitions of assets and provision of services as of 31 December 2016 are scheduled as follows:

(in millions of euros)	As of 31 December 2016
2017	72
2018	79
2019	34
2020	30
2021 and beyond	63
<b>Total</b>	<b>278</b>

## NOTE 18. RELATED PARTY TRANSACTIONS

No related party transaction of a different nature than those entered into during the six-month period ended 31 December 2016 has been made during the reporting period.

## NOTE 19. LITIGATION AND CONTINGENT LIABILITIES

In the course of its business activities, the Group has been involved in legal actions and commercial disputes. Consequently, the Group has exercised its judgement to assess the risks incurred on a case-by-case basis and a provision was recorded to cover an expected outflow of resources. In cases viewed as unsubstantiated or insufficiently argued, no provision was recognised. The main ongoing legal actions and business disputes are described as follows:

### Viasat Brasil:

Following a significant breach by ViaSat Brasil of its legal obligations, the Group cancelled the agreement signed with this company for the use of the Ka-band payload on the EUTELSAT 3B satellite.

ViaSat Brasil claimed compensation from Eutelsat before the Rio de Janeiro commercial court. Eutelsat has strongly challenged the claim. In August 2016, the court declined jurisdiction. At this stage, no appeal has been filed by the claimant.

### Tax dispute in France:

Eutelsat S.A. which is included in the tax consolidation group headed by Eutelsat Communications S.A. underwent an accounting audit in respect of the financial years ended 30 June 2012, 2013 and 2014.

In addition to the tax adjustment notified in December 2015, the French tax authorities issued new tax reassessments on 27 December 2016 in respect of the financial years ended 2013 and 2014.

Eutelsat S.A. believes that it has a strong case to defend itself and intends to challenge the validity of the latest tax adjustment. In the light of information held at balance sheet date, the company did not book any provision for risk, considering it as a contingent liability.

### Horizonsat:

During the financial year ended 30 June 2015, Eutelsat S.A. was summoned by Horizonsat before the Commercial Court of Paris for unilateral termination without compensation of a commercial bid. As of 31 December 2016, the court has not issued any judgement.

### Frequency right:

Discussions are under way between Eutelsat and the Italian Ministry of Telecommunications on the use of landing rights.

## NOTE 20. SUBSEQUENT EVENTS

No significant event occurred between the balance sheet date and the date on which the consolidated financial statements were approved by the Board of Directors.