

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

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the group's management report.

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

Eutelsat Communications

Year ended June 30, 2016

Statutory auditors' report on the consolidated financial statements

MAZARS
Tour Exaltis
61, rue Henri Regnault
92400 Courbevoie
S.A. au capital de € 8.320.000

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Eutelsat Communications

Year ended June 30, 2016

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended June 30, 2016, on:

- the audit of the accompanying consolidated financial statements of Eutelsat Communications;
- the justification of our assessments;
- the specific verification required by French law.

These consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit consists in performing procedures, by audit sampling and other means of testing, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also consists in evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at June 30, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- As explained in note 4.7 to the consolidated financial statements, your group performs an annual review of the remaining useful lives of its in-orbit satellites on the basis of both their forecasted utilization and their technically assessed life time. We assessed the reasonableness of the assumptions underlying the forecasted utilization.
- As explained in note 4.8 to the consolidated financial statements, the carrying values of long-lived assets including goodwill, property plant and equipment and satellites are subject to impairment tests. Your group compares the carrying value of these assets to their recoverable value, which is the highest of the fair value less disposal costs and the value in use. We assessed the methods used to perform these impairment tests, the assumptions and estimates used, as well as the resulting valuations.
- As explained in notes 3.5 and 27.4 to the consolidated financial statements, your group has exercised its judgment to evaluate the risks related to legal actions and litigations in which it is involved. We assessed the data and assumptions underlying the provisions' estimates.

The assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

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

Courbevoie and Paris-La Défense, July 28, 2016

The statutory auditors
French original signed by

MAZARS

ERNST & YOUNG et Autres

Isabelle Sapet

Pierre-Henri Pagnon

Eutelsat Communications Group

“Société anonyme” with a capital of 232,774,635 euros

Registered office: 70, rue Balard 75015 Paris

481 043 040 R.C.S. Paris

CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 June 2016

CONSOLIDATED BALANCE SHEET

(in millions of euros)	Note	30 June 2015	30 June 2016
ASSETS			
<i>Non-current assets</i>			
Goodwill	5	1,165.0	1,166.3
Intangible assets	5	809.5	751.9
Satellites and other property and equipment	6	3,458.7	4,305.4
Construction in progress	6	1,104.0	694.2
Investments in associates	7	282.2	-
Non-current financial assets	8,14	11.9	10.1
Deferred tax assets	21	23.8	8.5
Total non-current assets		6,855.1	6,936.3
<i>Current assets</i>			
Inventories	9	0.9	2.8
Accounts receivable	10	309.3	406.4
Other current assets	11	40.0	37.8
Current tax receivable		3.7	11.8
Current financial assets	12,14	29.5	31.3
Cash and cash equivalents	13	420.3	1,153.8
Assets held for sale	7	-	301.9
Total current assets		803.8	1,945.8
Total assets		7,658.9	8,882.1

(in millions of euros)	Note	30 June 2015	30 June 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
<i>Shareholders' equity</i>			
Share capital	15	227.0	232.8
Additional paid-in capital		594.1	738.1
Reserves and retained earnings		1,651.8	1,682.7
Non-controlling interests		61.1	81.2
Total shareholders' equity		2,533.9	2,734.8
<i>Non-current liabilities</i>			
Non-current financial debt	16,18	3,663.3	3,302.4
Other non-current financial liabilities	17,18	597.6	1,053.9
Non-current asset payables		-	15.5
Other non-current payables and deferred revenues ⁽¹⁾	20.1	87.6	140.6
Non-current provisions	22	109.2	128.4
Deferred tax liabilities	21	297.4	270.6
Total non-current liabilities		4,755.1	4,911.3
<i>Current liabilities</i>			
Current financial debt	16,18	64.5	927.3
Other current financial liabilities	17,18	39.9	49.0
Accounts payable	18	69.0	66.7
Fixed assets payable		21.6	35.8
Taxes payable		11.9	3.5
Other current payables and deferred revenues ⁽¹⁾	20.2	141.0	135.7
Current provisions	22	22.0	18.0
Total current liabilities		369.9	1,236.0
Total liabilities and shareholders' equity		7,658.9	8,882.1

⁽¹⁾ Some reclassifications have been made to the consolidated accounts for the financial year ended 30 June 2015 with a view to aligning them in the presentation of the consolidated accounts for the financial year ended 30 June 2016.

CONSOLIDATED INCOME STATEMENT

(in millions of euros, except per share data)	Note	30 June 2015	30 June 2016
Revenues from operations	23.2	1,476.4	1,529.0
Operating costs		(104.7)	(106.3)
Selling, general and administrative expenses ¹		(240.0)	(258.1)
Depreciation and amortisation	5,6	(466.5)	(500.6)
Other operating income and expenses		(3.7)	(2.0)
Operating income		661.5	662.0
Cost of debt		(137.9)	(115.1)
Financial income		3.3	3.2
Other financial items		18.6	(11.2)
Financial result	24	(116.0)	(123.0)
Income from associates	7	18.8	23.5
Net income before tax		564.3	562.6
Income tax expense	21	(194.1)	(199.8)
Net income		370.2	362.8
Attributable to the Group		355.2	348.5
Attributable to non-controlling interests		15.0	14.3
Earnings per share attributable to Eutelsat Communications' shareholders	25		
Basic and diluted earnings per share in euro (*)		1,590	1,516

^(*) There are no dilutive instruments as of 30 June 2015 and 30 June 2016.

COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Note	30 June 2015	30 June 2016
Net income		370.2	362.8
<i>Other recyclable items of gain or loss on comprehensive income</i>			
Translation adjustment	15.5	179.1	(22.4)
Tax effect	15.5	41.2	7.1
Changes in fair value of hedging instruments ⁽¹⁾	15.4	9.1	(57.1)
Tax effect	21.2	(3.4)	19.7
<i>Other non-recyclable items of gain or loss on comprehensive income</i>			
Changes in post-employment benefits		(16.7)	(20.7)
Tax effect	21.2	7.6	7.1
Total of other items of gain or loss on comprehensive income		216.7	(66.2)
Total comprehensive income		587.0	296.5
Attributable to the Group		564.2	284.7
Attributable to non-controlling interests ⁽²⁾		22.8	11.8

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

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

- Net result for 15 million euros as of 30 June 2015 and 14.3 million euros as of 30 June 2016;
- Other recyclable items of gain or loss on comprehensive income for 8.1 million euros as of 30 June 2015 and (2.0) million euros as of 30 June 2016;
- Other non-recyclable items of gain or loss on comprehensive income for (0.3) million euros as of 30 June 2015 and (0.5) million euros as of 30 June 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	Note	30 June 2015	30 June 2016
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		370.2	362.8
Income from equity investments	7	(18.8)	(23.5)
Tax and interest expense, other operating items		297.3	283.0
Depreciation, amortisation and provisions		496.9	513.5
Deferred taxes	21.1	13.6	20.0
Changes in accounts receivable		14.6	(115.5)
Changes in other assets		(2.4)	(2.1)
Changes in accounts payable		(6.4)	(2.2)
Changes in other debt		2.3	52.1
Taxes paid		(132.7)	(192.4)
Net cash flows from operating activities		1,034.6	895.7
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of satellites, other property and equipment and intangible assets	5,6	(456.7)	(390.2)
Acquisition of control		-	-
Sale of entities		-	4.6
Dividends received from associates and other items	7	4.5	1.5
Net cash flows from investing activities		(452.2)	(384.1)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions		(87.4)	(109.6)
Movements in treasury shares		-	-
Increase in debt	16	600.1	501.3
Repayment of debt	16	(806.5)	(19.4)
Repayment in respect of performance incentives and long-term leases		(21.1)	(10.2)
Loan set-up fees		(3.6)	(2.1)
Interest and other fees paid		(159.7)	(139.3)
Interest received		3.9	5.3
Other changes		(0.4)	(1.4)
Net cash flows from financing activities		(474.7)	224.6
Impact of exchange rate on cash and cash equivalents		19.5	(2.6)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		127.2	733.6
Cash and cash equivalents, beginning of period		293.0	420.3
Cash and cash equivalents, end of period		420.3	1,153.8
Cash reconciliation			
Cash	13	420.3	1,153.8
Overdraft included under debt	16.1	-	
Cash and cash equivalents per cash flow statement		420.3	1,153.8

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros, except share data)	Common stock			Reserves and retained earnings	Share-holders' equity Group share	Non-controlling interests	Total
	Number	Amount	Additional paid in capital				
As of 30 June 2014	220,113,982	220.1	453.2	1,309.7	1,983.0	47.7	2,030.7
Net income for the period	-	-	-	355.2	355.2	15.0	370.2
Other items of gain or loss on comprehensive income	-	-	-	209.0	209.0	7.8	216.7
Total comprehensive income	-	-	-	564.2	564.2	22.8	587.0
Treasury stock	-	-	-	2.4	2.4	-	2.4
Distributions	6,858,356	6.9	140.8	(225.7)	(78.0)	(9.5)	(87.5)
Benefits for employees upon exercising options and free shares granted	-	-	-	1.1	1.1	0.1	1.2
Liquidity offer and others	-	-	-	0.1	0.1	0.1	0.2
As of 30 June 2015	226,972,338	227.0	594.0	1,651.8	2,472.8	61.1	2,533.9
Net income for the period	-	-	-	348.5	348.5	14.3	362.8
Other items of gain or loss on comprehensive income	-	-	-	(63.8)	(63.8)	(2.5)	(66.2)
Total comprehensive income	-	-	-	284.7	284.7	11.8	296.5
Treasury stock	-	-	-	(3.6)	(3.6)	-	(3.6)
Distributions	5,802,297	5.8	144.0	(247.2)	(97.4)	(12.5)	(109.9)
Benefits for employees upon exercising options and free shares granted	-	-	-	0.1	0.1	-	0.1
Transactions with non-controlling interests and others	-	-	-	(3.2)	(3.2)	20.8	17.6
As of 30 June 2016	232,774,635	232.8	738.0	1,682.7	2,653.5	81.2	2,734.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE.1 KEY EVENTS DURING THE FINANCIAL PERIOD

- Following their successful launches on 01 March 2015, 20 August 2015, 24 December 2015, 29 January 2016 and 09 March 2016 respectively, the EUTELSAT 115WB, EUTELSAT 8WB, EUTELSAT 36C, EUTELSAT 9B and EUTELSAT 65WA satellites entered operational service.
- The EUTELSAT 117WB satellite was successfully launched on 15 June 2016 by a Falcon 9 rocket. It is due to enter service during the financial year 2016-2017.
- AlternaTV was sold by the Group in April 2016.
- In June 2016, the Group raised 500 million euros through the issuance of a new 5-year bond (see Note 16 - *Financial debt*).

NOTE.2 GENERAL OVERVIEW

2.1 BUSINESS

- The Eutelsat Communications Group (Eutelsat S.A. and its subsidiaries) is a private telecommunications satellite operator involved in the design, establishment, operation and maintenance of satellite telecommunications systems
- As of 30 June 2016, the Group operates via Eutelsat S.A. and its subsidiaries 39 satellites in geostationary orbit (including five satellites belonging to third parties or to related parties on which the Group uses additional capacity) to provide capacity (assignment and availability) to major international telecommunications operators and international broadcasting companies for television and radio broadcasting services (analogue and digital), for business telecommunications services, multimedia applications and messaging and positioning services.

2.2 APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements at 30 June 2016 have been prepared under the responsibility of the Board of Directors, which adopted them at its meeting of 28 July 2016.

They will be submitted for approval to the Ordinary General Meeting of Shareholders to be held on 04 November 2016.

NOTE.3 BASIS OF PREPARATION OF FINANCIAL INFORMATION

3.1 COMPLIANCE WITH IFRSs

The financial statements at 30 June 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

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

3.2 ACCOUNTING PRINCIPLES

Since 01 July 2015, the Group has applied the following standards and interpretations which have been adopted by the European Union.

- 2010 amendments to IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint-Ventures";
- IFRS annual improvements:
 - ⇒ (2010-2012 cycle): IFRS 2 "Definition of Vesting Conditions", IFRS 13 "Short-term Receivables and Payables", IAS 24 "Key Management Personnel";
 - ⇒ (2011-2013 cycle): IFRS 13 "Scope of paragraph 52 (portfolio exception)".

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";
- Improvements to IFRSs (2012-2014 cycle).

3.3 ACCOUNTING PROCEDURES APPLIED BY THE GROUP IN THE ABSENCE OF SPECIFIC ACCOUNTING STANDARDS

The "Cotisation sur la Valeur Ajoutée des Entreprises" or CVAE (Business contribution on the added value) was considered by the Group as an operating expense that does not meet the criteria laid down in IAS 12 "Income taxes" and therefore does not give rise to deferred taxes.

3.4 PRESENTATION OF THE INCOME STATEMENT

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

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

3.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the Group's consolidated financial statements, Management is required 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 Communications 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 30 June 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.

3.6 PERIODS PRESENTED AND COMPARATIVES

The financial year of Eutelsat Communications runs for 12 months and ends on 30 June.

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

3.7 CHANGE IN GROUP STRUCTURE

Alterna TV

On 7 April 2016, the Group announced the sale of Alterna TV, a Eutelsat Americas subsidiary based in Miami and specialised in content distribution. The terms of the transaction are confidential.

NOTE.4 SIGNIFICANT ACCOUNTING POLICIES

4.1 CONSOLIDATION METHOD

As required under IFRS 10, companies in which the Group holds directly or indirectly more than 50% of voting rights at general meetings of shareholders, at meetings of boards of directors or in any equivalent governing bodies, giving it the power to direct their operational and financial policies, are generally deemed to be controlled and consolidated under the full consolidation method. To determine control, Eutelsat Communications carries out an in-depth analysis of the established governance arrangements and of the rights held by other shareholders. Where necessary, an analysis is performed in relation to instruments held by the Group or by third parties that, if exercised, could alter the type of influence exerted by each party.

An analysis is performed if a specific event takes place that may affect the level of control exerted by the Group, (e.g. change in an entity's ownership structure or governance, exercise of a dilutive financial instrument, etc.).

A subsidiary's income and expenses are included in the Group's consolidated financial statements from the date the Group gains control until the date when the Group loses control of the subsidiary. The portion of equity ownership that is directly or indirectly attributable to the Group is recorded as non-controlling interests.

Changes in the proportion of equity held in subsidiaries that do not result in change of control are accounted for as equity transactions, or transactions entered into with shareholders in their capacity as such.

Gains or losses arising from these transactions are recognised, net of tax, within equity. Consequently, they have no impact on the Group's consolidated income statement.

In accordance with IFRS 11, the Group's joint arrangements fall into two categories:

- joint ventures: these are joint arrangements whereby the parties (called "joint venturers") that have joint control of the arrangement have rights to the net assets of the arrangement. Each joint venturer is required to recognise its right to the net asset of the arrangement using the equity method in accordance with IAS 28;
- joint operations: these are joint arrangements in which the parties (called "joint operators") that have joint control of the arrangement have rights to the assets, and obligations to the liabilities, relating to the arrangement. Each joint operator records 100% of the assets/liabilities, expenses/revenues relating to its interest in the joint operation, as well as the portion of assets held jointly.

Associates are defined as entities over which the Group exerts significant influence. They are consolidated using the equity method, in accordance with IAS 28. Significant influence is presumed where more than 20% of the shares are held by the Group.

The equity method is a method of accounting by which an investment in an associate or a joint venture is initially recorded at acquisition cost and subsequently adjusted to reflect the Group's share of income and other items of comprehensive income of the associate or the joint venturer. Net income from equity investments is included in the Group's consolidated income statement.

4.2 ACCOUNTING TREATMENT FOR BUSINESS COMBINATIONS

Business combinations are recognised using the purchase accounting method, in accordance with the revised IFRS 3. Under this method, the various components of an acquisition are recognised at their fair values with some exceptions, Accordingly,

- The consideration transferred is measured at fair value. This includes contingent consideration that is also measured at fair value at the acquisition date, which takes into account probabilities of occurrence. Once classified as liabilities or as equity on the basis of their definition, obligations are entered as debts and subsequently remeasured at fair value, with their changes recorded under income.
- - Costs directly attributable to the acquisition are expensed in the year during which they are incurred.
- - In the event of partial disposal, minority interests (known henceforth as “non-controlling interests”) are measured on the option determined for each combination, either at fair value, or as their proportionate share of the assets acquired and liabilities assumed.
- - In a business combination achieved in stages (step acquisition), the previously held ownership interest is remeasured at its acquisition-date fair value. The difference between the fair value and the carrying amount of the ownership interest is recognised directly in income for the reporting period.
- The identifiable assets, liabilities and contingent liabilities of the entity are recognised at their fair values at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are measured at fair value less costs to sell, tax items and employee benefits which are recognised under IAS 12 and IAS 19 respectively.

Goodwill represents the excess of consideration transferred and the value of non-controlling interests, if any, over the fair value of the acquiree's identifiable net assets and liabilities. Depending on the option retained for the valuation of equity interest in an acquisition, the recognised goodwill represents either the only portion acquired by the Group (partial goodwill) or the aggregate of the Group's portion and the non-controlling interests' portion (full goodwill).

Provisional fair values assigned at the date of acquisition to identifiable assets and liabilities may require adjustment as additional evidence becomes available to assist with the estimation (expert assessments still in progress at the acquisition date or additional analyses). When such adjustments are made prior to the end of a twelve-month period commencing on the date of acquisition, goodwill or negative goodwill is adjusted to the amount that would have been determined if the adjusted fair values had been available at the date of acquisition. When the carrying amounts are adjusted after the end of the twelve-month period, income or expense is recognised rather than an adjustment to goodwill or negative goodwill, except where these adjustments correspond to corrections of errors.

4.3 ACQUISITION/DISPOSAL OF NON-CONTROLLING INTERESTS

Changes in ownership interests in subsidiaries without loss of control are accounted for as equity transactions and recognised directly within equity.

4.4 OPERATIONS IN FOREIGN CURRENCIES

• Transactions in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of the entity at the rate prevailing on the date of the transaction.

Monetary assets and liabilities (including payables and receivables) in foreign currency are translated into the reporting currency at end of period using the balance sheet rate. Resulting foreign-exchange gains and losses are recorded in the income statement for the period.

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

The main foreign currency used is the U.S. dollar. The closing exchange rate used is 1.109 U.S. dollar for 1 euro and the average exchange rate for the period is 1.108 U.S. dollar for 1 euro.

• Translation of foreign subsidiaries' financial statements

Each subsidiary outside the euro zone maintains its accounting records in the currency that is most representative of its economic environment. Their financial statements are translated into euros using the closing-rate method. All assets and liabilities, including goodwill, are translated into euros using the exchange rate prevailing at the balance sheet date. Income and expenses are translated using an average exchange rate for the period, unless the use of such rate becomes inappropriate due to major erratic changes over the period. The resulting translation difference is recorded as a separate item of shareholders' equity under “Translation adjustments”.

4.5 INTANGIBLE FIXED ASSETS

• Intangible assets purchased separately or acquired in the context of a business combination

Intangible assets purchased separately are recorded at their acquisition cost and those purchased in a business combination are recorded at fair value on the acquisition date when allocating the acquisition cost of the entity. The fair value is set by referring to the generally accepted methods such as those based on revenues or market value.

Intangible assets consist of certain licences, the “Eutelsat” brand and the “Customer Contracts and Relationships” assets. Because their lifetimes are indefinite, the “Eutelsat” brand and the licences are not amortised but are systematically tested for impairment on a yearly basis.

The “Customer Contracts and Relationships” assets are amortised on a straight-line basis over their economic life.

This useful life was estimated on the basis of the average length of the contractual relationships existing at the date of acquisition of Eutelsat and taking into account anticipated contract renewal rates (see Note 4.8 “Impairment of non-current assets”).

• Research and development costs

Development costs are recorded as intangible assets if the capitalisation criteria defined under IAS 38 “Intangible Assets” are met. Otherwise, they are expensed in the period in which they are incurred. Research costs are recorded as an item of expenditure.

The Group spent 13.3 million euros on research and development during the financial period ended 30 June 2016, including development costs amounting to 7.4 million euros recorded as intangible assets.

Research expenses were mainly incurred for multimedia activities. They are recorded in the income statement under “Selling, general and administrative expenses”.

4.6 GOODWILL

Goodwill is valued in the functional currency of the acquired entity at the date of the business combination as the difference between the aggregate of the fair value of consideration transferred and the amount of non-controlling interests, and the fair value of identifiable assets acquired and liabilities assumed.

Goodwill arising on the acquisition of a subsidiary is separately identified in the consolidated balance sheet, under “Goodwill.” Goodwill arising on the acquisition of an associated company is included within the book value of the investment within the line item “Investments in associates.”

After initial recognition at cost, goodwill is measured at cost, less any cumulative impairment losses.

Goodwill is tested for impairment at least annually or whenever events or circumstances indicate that the carrying amount may be impaired. Such events or circumstances arise when there are significant adverse developments that call into question the recoverable amount of goodwill.

4.7 SATELLITE AND OTHER PROPERTY AND EQUIPMENT

Satellites and other property and equipment acquired separately (“Tangible fixed assets”) are recognised at their acquisition cost, which includes all costs directly attributable to making the asset ready for use, less accumulated depreciation and any impairment.

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

Satellites — Satellite costs include all expenses incurred for commissioning individual satellites and comprise manufacturing, launch and attributable launch insurance costs, capitalised interest, performance incentives and costs directly attributable to monitoring the satellite programme (studies, staff and consultancy costs).

Satellite performance incentives – The Group has a number of contracts with its satellite manufacturers that require the Group to make certain performance incentive payments upon the initial entry into operational service of the satellites and with respect to future periods of successful satellite operation in orbit. These expenses are directly attributable to the satellite as the Group assesses the likelihood of their payment. Satellite performance incentives are settled at the same time as the price of the satellite, i.e. prior to its entry into operational service.

However, for payments made after the satellite's entry into service, future outflows of resources are recognised as an asset offsetting a liability equal to the net present value of the expected payments. Accordingly, the future expenditure is included in the cost of the satellite.

Any subsequent change in the amount of such an incentive payment with respect to one or more periods is recognised as an adjustment to the cost of a satellite.

The new value of the satellite is amortised on a prospective basis over the remaining useful life.

Ground equipment – This item comprises the monitoring and control equipment at various European locations and equipment at Group headquarters, including technical installations, office furniture and computer equipment.

Depreciation and amortisation – Amortisation is calculated on a straight-line basis over the estimated useful lives of assets, which are determined on the basis of the expected use of the assets. Depreciation includes, where appropriate, the residual value of each asset or group of assets, starting from the date when the asset enters into operational use.

The useful lives of the main categories of fixed assets are as follows:

Satellites	10 – 22 years
Traffic monitoring equipment	5 – 10 years
Computer equipment	2 – 5 years
Leasehold arrangements and improvements	3 – 10 years

The Group conducts an annual review of the remaining useful lives of its in-orbit satellites on the basis of both their forecast utilisation and the technical assessment of their useful lives. When a significant change occurs, a depreciation test is performed and depreciation is charged for the remaining years by taking into account the asset's new remaining useful life.

Construction in progress – The “Construction in progress” primarily consist of percentage completion payments for the construction of future satellites

and advances paid in respect of launch vehicles and related launch-insurance costs. Studies, staff and consultancy costs, interest and other costs incurred directly in connection with satellite acquisition are also capitalised.

Assets under finance leases – Agreements whereby the Group uses capacity on all or part of a satellite's transponders are recognised as an asset with its corresponding liability in accordance with IAS 17 "Leases" when the terms and conditions of the contracts are such that they are considered as finance leases in that they transfer substantially all risks and rewards incidental to ownership to the Group. Assets are depreciated over the shorter of their useful lives and the corresponding lease terms.

4.8 IMPAIRMENT OF NON-CURRENT ASSETS

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

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

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

It is not always necessary to estimate both the fair value of an asset net of disposal costs and its value in use. If either of these amounts is higher than the book value of the asset, its value has not been impaired and there is no need to estimate the other amount.

The Group estimates value in use on the basis of the estimated future cash flows (discounted using the Group's WACC if no market price is available), to be generated by an asset or a CGU during its useful life, based upon the medium-term plan approved by Management and reviewed by the Board of Directors. Using a WACC per segment would have no impact on the results of this test. Revenues in the medium-term plan are based upon the order backlog for each satellite, market studies, and the deployment plan for existing and future satellites. Costs given in the plan that are used for the impairment test consist mainly of in-orbit insurance costs and also satellite operation and control costs directly attributable to the satellites tested. Beyond a maximum five-year period, cash flows are estimated on the basis of stable rates of growth or decline.

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

Impairment losses and their reversals are recognised in the income statement under the item "Other operating costs and income". An impairment of goodwill cannot be reversed.

As of 30 June 2016, each satellite and "Customer Contracts and Relationships", grouped by orbital position (after taking into account the technical and economic interdependencies of their cash flows), were identified as CGUs. The Group's investment in Hispasat was also considered as an independent CGU.

4.9 INVENTORIES

Inventories are measured at the lower of acquisition cost and net realisable value. The calculation is at cost. The cost is calculated on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling costs.

4.10 FINANCIAL INSTRUMENTS

Financial assets in respect of which changes in fair value are recorded in the income statement, including trading financial assets and derivatives, are initially recorded at fair value. Other financial assets and liabilities are recorded at cost, which is their fair value plus costs directly attributable to the transaction.

In accordance with IAS 39 "*Financial Instruments: Recognition and Measurement*", IAS 32 "*Financial Instruments: Presentation*", and IFRS 7 "*Financial Instruments: Disclosures*", the Group has adopted the following classification for financial assets and liabilities, which is based on the objectives determined by Management at acquisition date. The designation and classification of these instruments are determined at initial recognition.

4.10.1. Financial Assets

Financial assets are classified, reported and measured as follows:

- **Financial assets measured at fair value through the income statement**

Financial assets measured at fair value through the income statement include financial instruments designated as being measured at fair value through the income statement at initial recognition. This category includes derivatives unless they are designated as hedges, and UCITS (managed on the basis of their fair values) measured by applying the fair value option through the income statement.

These financial assets are recognised at fair value. Realised or unrealised gains and losses arising from changes in the fair value of these assets are recorded as financial income or expense.

- **Assets held for sale**

Held-for-sale financial assets are financial assets, other than derivatives, which have been designated as available for sale by Management or which have not been classified in the "Financial assets measured at fair value through the income statement", "Assets held to maturity" or "Loans and receivables"

categories. Held-for-sale financial assets include investments other than investments in companies recognised and consolidated as equity investments, which Management intends to hold for an indefinite period of time. These investments are classified as financial assets under "Non-current financial assets."

They are subsequently revalued at fair value, with gains and losses resulting from changes in fair value being recognised under shareholders' equity. When they are sold or when an impairment is recognised, the cumulative gains and losses previously entered under shareholders' equity are recorded in the financial result.

Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at their acquisition cost.

- **Loans and receivables**

Loans and receivables are mainly composed of employee loans, guarantee deposits and accounts receivable, which generally have a maturity of less than 12 months.

Accounts receivable are recorded initially at their nominal value, on account of the insignificant impact of discounting. Accounts receivable are subsequently recognised at cost less provisions for bad debts, as appropriate, booked as a result of the irrecoverable nature of the amounts in question.

Other loans and receivables are measured at amortised cost, using the effective interest rate method.

4.10.2. Financial Liabilities

Financial liabilities comprise bank loan and other debt instruments. They are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost, using the effective interest rate method. Any differences between initial capital amounts (net of transaction costs) and repayable amounts are recorded as financial expense over the duration of the loans, using the effective interest rate method.

4.10.3. Derivatives

Derivatives that are not designated as hedging instruments are recognised at fair value, and any subsequent changes in fair value are posted to the financial result.

Where a derivative instrument can be qualified as a hedging instrument, it is valued and recorded in accordance with the hedge accounting rules in IAS 39 "Financial Instruments: Recognition and Measurement" (see Note 4.10.5 - Hedging transactions).

4.10.4. Impairment

At each balance sheet date, the Group applies impairment tests to all financial assets in order to determine whether there is an indication of impairment. Impairment is recognised in the income statement when there is objective evidence that the asset is impaired. Examples of target impairment indicators include defaulting on contractual payment terms, significant financial hardship of the lender or borrower, a likelihood of bankruptcy or an extended or significant decline in the price of the listed shares.

Impairment losses, other than those related to accounts receivable and other debit operator balances, are recorded as financial expenses.

The Group's customers mainly comprise international telecommunications operators, broadcasters and other users of commercial satellite communications. Management regularly monitors its exposure to credit risk and recognises allowances for bad customer debt and doubtful payments of other receivables, based on expected cash-flows, under the heading "selling, general and administrative expenses". The method of recognising allowances for bad debt is based on experience and is periodically applied to determine a recoverable percentage based on how long the receivables have been on our books.

Impairment of investments in equity securities that do not have a quoted market price in an active market and are valued at cost, and of investments in equity instruments classified as held-for-sale financial assets measured at fair value, cannot be reversed.

4.10.5. Hedging transactions

Hedging transactions are carried out using derivatives. Changes in the fair value of the derivative instrument are used to offset the exposure of the hedged item to changes in fair value.

Derivative instruments are designated as hedging instruments and recorded according to hedge accounting rules when the following conditions are met by the Group: (a) at the inception of the hedge, there is a formal designation and documentation of the hedging relationship and of Management's risk management objective and strategy for undertaking the hedge; (b) Management expects the hedge to be highly effective in offsetting risk; (c) for hedges of forecast transactions, the forecast transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported income; (d) the effectiveness of the hedge should be capable of reliable measurement; and (e) the effectiveness of the hedge is assessed on an ongoing basis and determined to be highly effective throughout the period for which the hedge was designated.

These criteria are applied where the Group uses derivatives designated as cash flow hedging instruments.

Cash flow hedging involves a hedge of the exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable anticipated future transaction that might affect reported income.

Hedging of a net investment in a foreign operation involves a hedge of the foreign currency risk arising from nets assets held in a foreign operation which might affect Group net position.

For these two types of hedges, changes in the fair value of a hedging instrument relating to the effective portion of the hedge are recognised in shareholders' equity, whereas changes in the fair value relating to the ineffective portion of the hedge are recognised in the income statement under financial result.

The cumulative changes in the fair value of a hedging instrument previously recognised in shareholders' equity are reclassified in the income statement when the hedged transaction affects profit or loss. Reclassified gains and losses are recorded under profit and loss, at the level of the hedged item.

Where the anticipated transaction leads to the recognition of a non-financial asset or liability, the cumulative changes in the fair value of the hedging instrument previously recognised in shareholders' equity are incorporated into the initial measurement of the asset or liability concerned.

4.10.6. 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.

The fair value of financial assets and liabilities traded on active markets (this is the case of certain equity interests and certain marketable securities and certain derivative instruments) is determined on the basis of the listed price or at the market value at the balance sheet date.

The fair value of other financial instruments, assets or liabilities that are not listed on an active market is determined by the Group using appropriate valuation methods and assumptions reflecting market conditions at balance sheet date.

The fair values of derivative instruments include counterparty risk.

4.10.7 Firm or conditional commitments to purchase non-controlling interests

Under the IFRS 10 "Consolidated Financial Statements", and IAS 32 "Financial Instruments: Presentation", the Group recognises the fair value of firm or conditional commitments to purchase non-controlling interests as financial debt, offset by a reduction in non-controlling interests.

Any change in the fair value of the obligation subsequent to its initial recognition is treated as an adjustment affecting the income statement.

4.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents mainly consist of cash on hand and at bank, as well as short term deposits or investment certificates with original maturities of three months or less, and also mutual fund investments that are easily convertible into a known amount of cash, the liquid value of which is determined and published daily and for which the risk of a change in value is insignificant.

4.12 SHAREHOLDERS' EQUITY

○ Treasury stock

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

○ Costs for capital increases

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

○ Grant of stock options

Rewards granted to employees under stock-option plans are measured on the date the options are granted and represent additional employee compensation. This is recognised under personnel expenses over the vesting period of the rights representing the reward granted to the employee and is offset by increases in equity (equity settled plans) or by recognition of a debt (for plans deemed to be cash-settled plans).

Similarly, in accordance with IFRS 2 "Share-based Payment", awards granted to employees in the form of public issues or other capital transactions are measured at grant date. They constitute additional compensation, which is recorded during the financial year as an expense recognised over the vesting period.

4.13 REVENUE RECOGNITION

The Group's revenues are mainly attributable to the allotment of space segment capacity on the basis of terms and conditions set out in the lease contracts.

These contracts usually cover periods ranging from one year to the end of life of the satellite. Contracts usually provide for the right to free-of-charge time in cases of service interruptions caused by under-performing transponders. Pursuant to certain contractual termination rights, the agreement can usually be terminated after two years with a one-year notice period and, depending on the type of lease, payment of the difference between the contractual price and the price that would have been paid for a lease with a duration similar to the expired period, plus interest for late payment, or by paying a percentage of the annual price applied to the remaining duration of the lease. The revenues initially recognised are then adjusted to reflect the overall economic outcome of the contract.

Revenues are recognised over the contractual period during which services are performed, provided that a contract exists and the price is fixed or determinable, and provided that, as of the date it is reported in the accounts, it is probable that the debt will be recovered.

Deferred revenues include unearned balances of amounts received in advance from customers. Such amounts are recorded as revenue on a straight-line basis over the corresponding duration of the relevant transponder contracts or of the services provided.

4.14 OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses include:

- Significant and infrequent factors such as impairment of intangible assets, launch failures and their related insurance reimbursements, as well as national and international non-commercial litigations, less the legal costs incurred.
- The impacts of changes in scope (including business combination costs and sales of tangible assets).

4.15 DEFERRED INCOME TAX

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

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

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

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

The book value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of the deferred tax assets.

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

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

4.16 EARNINGS PER SHARE

EPS (earnings per share) are calculated by dividing the net income for the period attributable to ordinary shareholders of the entity by the weighted average number of common shares outstanding during the period.

4.17 POST-EMPLOYMENT BENEFITS

The Group's retirement schemes and other post-employment benefits consist of defined contribution plans and defined benefit plans.

Defined benefit plans are plans for which the Group, or any of its entities, has contractually agreed to provide a specific amount or level of benefits following retirement. The cost of this defined benefit obligation, including lump sum retirement indemnities and other post-employment benefits is entered as a liability on the basis of an actuarial valuation of the obligations to employees at year-end, using the projected unit credit method. This method accrues the employee's pension benefit by periods of service according to the formula for entitlement to benefits under the plan.

The value of expected future payments is determined on the basis of demographic and financial assumptions such as mortality, staff turnover, salary growth, and age at retirement. The rate used to discount estimated cash flows is determined by reference to an underlying pool of AA-rated corporate bonds with maturities in line with those of the schemes being valued.

A complete assessment of the discounted present value of the benefit is outsourced each year and reviewed at interim periods to identify any significant changes.

The pension cost for the period, consisting of service cost, is posted to operating income, whereas actuarial gains and losses are recognised in equity.

Management of the defined contribution plans is performed by an independent entity to which the Group has the obligation to make regular contributions. All payments made by the Group with respect to these plans are recognised in operating costs for the period.

4.18 FINANCIAL GUARANTEE GRANTED TO A PENSION FUND

Following the acquisition of Eutelsat S.A. in April 2005, the Group granted a financial guarantee to the pension fund for the obligations that had been assigned to a trust prior to the contribution transactions that led to the creation of Eutelsat. This defined-benefit pension scheme was closed and the vested pension rights were frozen prior to the transfer. The risk resulting from this financial guarantee has been analysed, assessed and reported in the same way as defined benefit plan obligations described in Note 4.17 "Post-employment benefits", despite the fact that the Group has not assumed the legal commitments entered into by the Intergovernmental Organisation ("IGO") in respect of the pension fund.

4.19 PROVISIONS

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

The amount recognised as a provision represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

If the effect of the time value of money is material, the amount of the provision will be equal to the discounted value of anticipated expenditure needed to settle the obligation.

The discounted value is calculated using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Increases in provisions recorded to reflect the passage of time and the effect of discounting are recognised as financial expenses in the income statement.

NOTE.5 GOODWILL AND OTHER INTANGIBLES

"Goodwill and Other Intangibles" breaks down as follows:

Changes in gross assets, depreciation and amortisation

(in millions of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
Gross assets					
Gross value as of 30 June 2014	1,103.9	1,070.3	40.8	170.3	2,385.3
Acquisition of control	3.8	-	-	-	3.8
Acquisitions	-	-	-	24.3	24.3
Transfers	-	-	-	21.0	21.0
Foreign-exchange variation	57.3	39.1	-	6.8	103.2
Disposals and scrapping of assets	-	-	-	(2.3)	(2.3)
Gross value as of 30 June 2015	1,165.0	1,109.4	40.8	220.1	2,535.3
Acquisitions	-	-	-	11.0	11.0
Transfers	-	-	-	6.8	6.8
Foreign-exchange variation	1.2	0.8	-	4.0	6.5
Disposals	-	(3.3)	-	-	(3.3)
Gross value as of 30 June 2016	1,166.3	1,107.0	40.8	242.1	2,556.2
Depreciation and amortisation					
Accumulated depreciation as of 30 June 2014	-	(421.2)	-	(61.4)	(482.6)
Depreciation and amortisation	-	(56.2)	-	(20.3)	(76.5)
Reversals (disposals)	-	-	-	1.6	1.6
Foreign-exchange variation	-	(3.2)	-	(0.3)	(3.5)
Transfers	-	-	-	0.2	0.2
Accumulated depreciation as of 30 June 2015	-	(480.6)	-	(80.2)	(560.8)
Depreciation and amortisation	-	(57.4)	-	(23.1)	(80.5)
Reversals (disposals)	-	3.3	-	-	3.3
Impairment	-	-	-	-	-
Foreign-exchange variation	-	-	-	-	-
Accumulated depreciation as of 30 June 2016	-	(534.7)	-	(103.3)	(638.0)
Net value as of 30 June 2014	1,103.9	649.1	40.8	108.9	1,902.7
Net value as of 30 June 2015	1,165.0	628.8	40.8	139.9	1,974.5
Net value as of 30 June 2016	1,166.3	572.0	40.8	139.1	1,918.2

The decline in Eutelsat Communications S.A.'s share price observed during the second half of the financial year 2015-2016 lead Management to review the annual impairment test of goodwill carried out at 31 December 2015 and monitored only at Eutelsat's operating segment level.

As of 30 June 2016, the recoverable value as measured by analysing the implicit market value (fair value) of Eutelsat S.A. based on the stock price of Eutelsat Communications S.A. (and taking into account this company's debt) did not lead to reconsider the amount shown on the balance sheet.

The share price would have to drop by at least 31% for the fair value to fall below the carrying amount. Should such an event occur, a test would be carried out based on the value in use.

NOTE.6 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, depreciations and amortisation

(in millions of euros)	Satellites ⁽¹⁾	Other tangibles	Construction in progress	Total
Gross assets				
Gross value as of 30 June 2014	4,968.4	339.8	847.8	6,156.0
Acquisitions	300.3	31.3	408.2	739.8
Disposals and scrapping of assets	(371.5)	(6.3)	-	(377.8)
Foreign-exchange variation	111.0	1.8	92.1	204.9
Transfers	219.5	3.3	(244.0)	(21.2)
Gross value as of 30 June 2015	5,227.7	369.9	1,104.0	6,701.7
Acquisitions	460.0	25.9	380.7	866.6
Disposals	-	(3.0)	(0.2)	(3.2)
Scrapping of assets	(100.7)	(3.9)	-	(104.6)
Foreign-exchange variation	12.1	-	(11.3)	0.8
Transfers	759.0	10.1	(779.1)	(10.0)
Gross value as of 30 June 2016	6,358.1	399.0	694.2	7,451.3
Depreciation and amortisation				
Accumulated depreciation as of 30 June 2014	(1,868.7)	(207.5)	-	(2,076.1)
Depreciation and amortisation	(349.0)	(40.2)	-	(389.2)
Reversals (disposals and scrapping of assets)	336.9	5.1	-	342.0
Impairment	(0.8)	-	-	(0.8)
Foreign-exchange variation	(14.1)	(0.5)	-	(14.6)
Transfers	(6.4)	6.3	-	(0.1)
Accumulated depreciation as of 30 June 2015	(1,902.1)	(236.8)	-	(2,138.9)
Depreciation and amortisation	(375.1)	(45.3)	-	(420.4)
Reversals (disposals)	-	0.2	-	0.2
Reversals (scrapping of assets)	100.2	3.9	-	104.1
Reclassification	2.3	1.1	-	3.4
Foreign-exchange variation	(0.4)	-	-	(0.4)
Accumulated depreciation as of 30 June 2016	(2,175.1)	(276.6)	-	(2,451.7)
Net value as of 30 June 2014	3,099.8	132.3	847.8	4,079.9
Net value as of 30 June 2015	3,325.6	133.1	1,104.0	4,562.7
Net value as of 30 June 2016	4,183.0	122.4	694.2	4,999.6

(1) Including satellites under finance leases:

(in millions of euros)	
Gross value	856.2
Net value as of 30 June 2016	794.3

This item refers to five satellites for which capacity is leased, with the relevant agreements being considered as finance leases and recognised accordingly as assets:

(in millions of euros)	Gross value		
Express AT1	206.9	18 transponders	Agreement covering the satellite's remaining useful life, starting May 2014 and amended in 2015
Express AT2	93.5	8 transponders	Agreement covering the satellite's remaining useful life, starting July 2014
Express AM6	57.7	5 transponders	Agreement dated April 2015 covering the satellite's remaining useful life
EUTELSAT 36C ⁽¹⁾	401.8	53 Ku transponders /18 Ka beams	Agreement covering the satellite's remaining useful life, starting February 2016
Astra 2G	96.3	8 transponders	Agreement dated January 2014 covering the satellite's remaining useful life

(1) A portion of the satellite is classified as assets under construction for 76.5 million euros as of 30 June 2016.

The satellite-related transfer as of 30 June 2015 corresponds to the entry into operational service of the EUTELSAT 3B satellite launched during the financial year.

The EUTELSAT 48C and EUTELSAT 16B satellites were fully depreciated and de-orbited during the financial year ended 30 June 2015. The EUTELSAT 3A and SESAT 2 satellites leased under finance lease agreements have left the Group's fleet.

Satellite-related transfers at 30 June 2016 correspond to the entry into operational service of the EUTELSAT 8WB, EUTELSAT 9B and EUTELSAT 65WA satellites launched during the financial year and the EUTELSAT 115WB launched during the year 2014-2015.

The EUTELSAT 33B and EUTELSAT 115WA satellites were fully depreciated and de-orbited during the financial year ended 30 June 2016. The Telstar 12 satellite leased under a finance lease agreement left the Group's fleet.

SATELLITES UNDER CONSTRUCTION

The satellites listed as below are currently under construction and should be brought into service during the financial years as indicated.

Projects	Expected year of launch
EUTELSAT 172B	2017-2018
QUANTUM and EUTELSAT 7C	2018-2019
BROADBAND4AFRICA	2019-2020

NOTE.7 INVESTMENTS IN ASSOCIATES

As of 30 June 2015 and 30 June 2016, the "Investments in associates" item breaks down as follows:

(in millions of euros)	30 June 2015	30 June 2016
Hispasat	282.2	-
Total	282.2	-

As of 30 June 2015 and 30 June 2016, the Group owns, through its subsidiary Eutelsat Services und Beteiligungen GmbH, 33.69% of the Hispasat Group, a private unlisted Spanish satellite operator, in which the Abertis Group is the majority shareholder.

As of 30 June 2016, following the announcement made by Eutelsat Communications Group (see Note 31 – *Subsequent Events*), the value of the Group's interest in Hispasat was reclassified as assets held for sale.

Change in the carrying amount of Hispasat in the Group's financial statements

(in millions of euros)	30 June 2015	30 June 2016
Value of the equity investment at beginning of period	271.9	282.2
Share of income	18.8	23.5
Impact of income and expenses directly recognised under equity and dividends ⁽¹⁾	(8.5)	(3.8)
Value of the equity investment at end of period	282.2	301.9

(1) Distribution of Hispasat dividends totalled 9.1 million euros (Group share representing 3.1 million euros) and 12.5 million euros (Group share representing 4.2 million) during the financial years ended 31 December 2014 and 31 December 2015 respectively.

The following amounts represent the Group's share of the assets, liabilities and income of the Hispasat Group:

(in millions of euros)	30 June 2015	30 June 2016
Goodwill	15.2	15.2
Intangible rights (1)	33.7	33.7
Service agreement (2)	0.1	0.1
Investment in Hisdesat	6.1	6.1
Sub-total	55.1	55.1
Hispasat net assets	227.1	246.8
Total	282.2	301.9

(1) These relate to rights to the use of frequencies at the 30°West orbital position, together with long-term contractual relationships with customers. The useful life of this intangible asset is considered indefinite, given the high probability of renewal of the administrative authorisations for the use of frequencies (which are given for a period of 75 years) and the specific nature of existing customer contracts. An impairment test is performed by the Company each year.

(2) The useful lives of the other identified intangible assets have been estimated at 15 years.

The following table summarises the annual financial statements released by Hispasat Group:

(in millions of euros)	31 December 2014	31 December 2015
Non-current assets	951.5	1,105.3
Current assets	284.0	131.5
Non-current liabilities	395.7	365.6
Current liabilities	179.0	163.0
Total net assets	660.8	708.3
Operating income	199.7	218.5
Net income	46.9	63.4
Other items of comprehensive income	(4.2)	(6.6)
Total comprehensive income	42.7	56.8

At 30 June 2015 and 30 June 2016, "Income from equity investments" in the consolidated income statement corresponds to the Group's share of IFRS income from Hispasat, after amortisation of the intangible assets identified for the financial periods 2014-2015 and 2015-2016.

NOTE.8 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are primarily made up of long-term loans, investments and advances.

These mainly consist of loans to social welfare bodies and guarantee deposits paid for renting Eutelsat S.A. premises in Paris.

NOTE.9 INVENTORIES

Gross and net inventories amount to 1.8 million euros and 0.9 million euros as of 30 June 2015, and 3.6 million euros and 2.8 million euros as of 30 June 2016. They mainly comprise receive antennas and modems.

NOTE.10 ACCOUNTS RECEIVABLE

Credit risk is the risk that a debtor of the Group will not pay when the debt matures. This is a risk that mainly affects the "accounts receivable" category and is followed up for each entity under the supervision of the financial personnel responsible. In the most important cases, the relevant financial personnel are assisted by a credit manager, acting in accordance with the instructions of the Group's debt recovery service. This follow-up activity is based mainly on an analysis of the amounts due and can be accompanied by a more detailed study of the creditworthiness of a number of debtors. Depending on the assessment conducted by the financial staff, the entities concerned may, after validation by the Group, be asked to hedge the credit risk by taking out credit insurance or obtaining guarantees compatible with the evaluation of the risk.

Customers are mainly international telecommunications operators, broadcasters and other users of commercial satellite communications.

As of 30 June 2015, the net value of these receivables was 309.3 million euros. The corresponding impairment charge stood at 60.1 million euros.

As of 30 June 2016, the net value of these receivables was 406.4 million euros. The corresponding impairment charge stood at 71.3 million euros.

Accounts receivable as of 30 June 2015 and 30 June 2016 are for short-term amounts and bear no interest.

The Group considers that it is not subject to concentration risk, owing to the diversity of its customer portfolio at 30 June 2016 and the fact that no legal entity billed by the Group accounts individually for more than 10% of its revenues. Credit risk is managed primarily through bank guarantees with leading financial institutions, by deposits and credit insurance.

During the financial year 2015-2016, the Group further experienced the effects of the current economic crisis in some of the areas in which it operates. Consequently, particular vigilance is called for with regard to clients in geographical areas with the potentially highest exposure to the financial crisis.

The amount of bad debt represents 4.7 million euros and 16.4 million euros as of 30 June 2015 and 30 June 2016 respectively.

10.1 CHANGE IN IMPAIRMENT OF RECEIVABLE

(in millions of euros)	Total
Value at 30 June 2014	46.1
Allowance	37.7
Reversals (used)	(4.7)
Reversals (unused)	(19.0)
Value at 30 June 2015	60.1
Allowance	54.3
Reversals (used)	(16.4)
Reversals (unused)	(26.7)
Value at 30 June 2016	71.3

10.2 ANALYSIS OF ACCOUNTS RECEIVABLE (MATURED AND UNMATURED)

(in millions of euros)	30 June 2015	30 June 2016
Non-matured receivables	177.4	179.6
Matured and impaired receivables	191.9	298.0
Between 0 and 30 days	106.8	146.7
Between 30 and 90 days	26.3	30.0
More than 90 days	58.8	121.3
Impairment	(60.1)	(71.3)
Total	309.3	406.4

10.3 GUARANTEES AND COMMITMENTS RECEIVED, WHICH MITIGATE CREDIT RISK

(in millions of euros)	30 June 2015		30 June 2016	
	Value of accounts receivable	Value of guarantee	Value of accounts receivable	Value of guarantee
Guarantee deposits	66.8	26.3	80.1	31.9
Bank guarantees	65.6	60.5	86.7	61.4
Guarantees from the parent company	14.4	14.4	15.9	15.9
Total	146.9	101.2	182.8	109.2

Guarantee deposits are posted to "Other liabilities" (see Note 17 - *Other Financial Liabilities*). Bank guarantees and guarantees from parent companies are not shown on the balance sheet.

NOTE.11 OTHER CURRENT ASSETS

Other current assets are as follows:

(in millions of euros)	30 June 2015	30 June 2016
Prepaid expenses	17.5	23.0
Tax and employee-related receivable	22.5	14.8
Total	40.0	37.8

NOTE.12 CURRENT FINANCIAL ASSETS

(in millions of euros)	30 June 2015	30 June 2016
Hedging instruments ⁽¹⁾	2.4	-
Other receivables	27.1	31.3
Total	29.5	31.3

(1) See Note 26 – Financial instruments.

NOTE.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are detailed as follows:

(in millions of euros)	30 June 2015	30 June 2016
Cash	204.9	316.4
Cash equivalents	215.4	837.3
Total	420.3	1,153.8

Cash equivalents are mainly made up of deposit certificates, which mature less than three months from the date of acquisition, and mutual fund investments qualifying as “cash equivalents” (see Note 4.11 – Cash and cash equivalents).

NOTE.14 FINANCIAL ASSETS

The following tables give a breakdown of each balance sheet item representing financial instruments by category, and indicate its fair value, whether or not the instrument was recognised at fair value when the balance sheet was prepared.

(in millions of euros)	Category of financial instruments	Net carrying amount as of 30 June 2015				Fair value as of 30 June 2015
		Total	Instruments measured at amortised cost	Derivative instruments qualified as cash-flow hedges	Instruments measured at fair value through income statement	
Assets						
Non-current financial assets						
Long-term loans and advances	Receivables	11.9	11.9	-	-	11.9
Current financial assets						
Accounts receivable	Receivables	309.3	309.3	-	-	309.3
Other receivables	Receivables	27.1	27.1	-	-	27.1
Financial instruments ⁽¹⁾						
Qualified as cash-flow hedges	N/A	2.4	-	2.4	-	2.4
No hedging	Held for trading purposes	-	-	-	-	-
Cash and cash equivalents						
Cash	N/A	204.9	204.9	-	-	204.9
Cash equivalent ⁽²⁾	Fair value	215.4	-	-	215.4	215.4
Other cash equivalents	Receivables	-	-	-	-	-

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

⁽²⁾ Fair value hierarchy: level 1 (reflecting quoted prices).

(in millions of euros)	Category of financial instruments	Net carrying amount as of 30 June 2016				Fair value as of 30 June 2016
		Total	Instruments measured at amortised cost	Derivative instruments qualified as cash-flow hedges	Instruments measured at fair value through income statement	
Assets						
Non-current financial assets						
Long-term loans and advances	Receivables	10.1	10.1	-	-	10.1
Current financial assets						
Accounts receivable	Receivables	406.4	406.4	-	-	406.4
Other receivables	Receivables	31.3	31.3	-	-	31.3
Financial instruments ⁽¹⁾						
Qualified as cash-flow hedges	N/A	-	-	-	-	-
No hedging	Held for trading purposes	-	-	-	-	-
Cash and cash equivalents						
Cash	N/A	316.4	316.4	-	-	316.4
Cash equivalent ⁽²⁾	Fair value	837.4	-	-	837.4	837.4
Other cash equivalents	Receivables	-	-	-	-	-

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

⁽²⁾ Fair value hierarchy: level 1 (reflecting quoted prices).

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

NOTE.15 SHAREHOLDERS' EQUITY

15.1 SHAREHOLDERS' EQUITY

As of 30 June 2016, the share capital of Eutelsat Communications S.A. comprised 232,774,635 ordinary shares with a par value of 1 euro per share. As of the same date, the Group held 211,560 treasury shares amounting to 3.6 million euros under a liquidity agreement. As of 30 June 2015, the Group was holding 53,000 such shares for an aggregate amount of 1.6 million euros. Furthermore, under the free share allocation plans (see below), the Group holds 108,655 equity shares amounting to 2.3 million euros. The aggregate amount of treasury stock is deducted from shareholders' equity.

15.2 DIVIDENDS

On 05 November 2015, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of 1.09 euro per share, i.e. a total of 247.2 million euros, partly settled through the issuance of new shares..

The dividend distribution resulted in:

- - The issuance of 5,802,297 new shares (increasing the number of shares from 226,972,338 to 232,774,635) with a par value of 1 euro per share, with the following impact on equity:
- - Increase in the share capital from 227.0 million euros to 232.8 million euros;
- - Increase in the legal reserve by 0.6 million euros, from 22.7 million euros to 23.3 million euros;
- - Increase in the share premium account from 560.7 million euros to 704.8 million euros.
- - Cash settlements totalling 96.1 million euros.

The amount of the distribution for the financial year ended 30 June 2016, which is being proposed to the General Meeting of 04 November 2016, is 256.2 million euros, i.e. 1.10 euro per share.

15.3 SHARE-BASED COMPENSATION

There are currently five share-based plans implemented by the Group, in July 2011, November 2012, February 2014, February 2015 and February 2016 respectively.

Under the five plans, the expense (excluding employer's contributions) recognised for the financial period ended 30 June 2016 was (1.5) million euros, compared to 6.7 million euros for the financial period ended 30 June 2015 (four plans).

Under the two first plans and for a portion of the plan initiated in February 2016, the expense was recognised within equity. However, under the 2014 and 2015 plans and for a portion of the plan initiated in February 2016, the expense was recorded as a liability (as it was settled in cash). The Board of Directors meeting on 13 February 2014 and 11 February 2015 decided to implement a Long-Term Incentive Plan, based on cash-settled awards. These are calculated on the basis of a theoretical number of Eutelsat Communications shares, which are allocated by reference to the levels reached by performance-related objectives, provided the recipient is still working with the Group at the end of the vesting period.

These plans concern employees and managers with different performance-related objectives as presented in the table below:

Conditions	July 2011 Plan	Nov 2012 Plan	February 2014 Plan	February 2015 Plan	February 2016 Plan
Vesting period	July 2011 – July 2014 ⁽¹⁾	November 2012 - November 2015 ⁽²⁾	February 2014 - June 2016	February 2015- June 2017	February 2016 - February 2019 ⁽³⁾
Settled in	Shares	Shares	Cash	Cash	Shares and cash
Lock-up period	July 2014- July 2016 ⁽⁴⁾	November 2015 - November 2017 ⁽⁴⁾	Not applicable	Not applicable	February 2019 - February 2021 ⁽⁴⁾
Maximum number of attributable shares at inception	700,000	347,530	448,585	436,639	482,211
Number of recipients	619	712	781	759	805
Features of "Employees" plan					
Number of shares per recipient	600	200	300	300	300
Performance-related targets observed during the vesting period	Cumulative EBITDA for 50% Average ROCE for 50%	Cumulative EBITDA for 50% Average ROCE for 50%	Cumulative EBITDA for 50% Average ROCE for 50%	Cumulative EBITDA for 50% Average ROCE for 50%	Cumulative EBITDA for 50% Average ROCE for 50%
Features of "Managers" Plan					
Total number of shares	327,140	205,530	214,885	208,939	241,581
Performance-related targets observed during the vesting period	Cumulative EBITDA for 25% Average ROCE for 25% Cumulative EPS for 25% TSR for 25%	Cumulative EBITDA for 25% Average ROCE for 25% Cumulative EPS for 25% TSR for 25%	Cumulative EBITDA for 25% Average ROCE for 25% Cumulative EPS for 25% TSR for 25%	Cumulative EBITDA for 1/3 Average ROCE for 1/3 Relative TSR for 1/3	Cumulative EBITDA for 1/3 Average ROCE for 1/3 Relative TSR for 1/3
Share price used as taxation basis for calculating social contributions and employer's charges					
- "Employees" and "Managers" Plan (excluding TSR)	€26.77	€19.73	€17.39	€21.14	€20.01-€22.13
- "Managers" Plan (TSR)	€7.48	€6.88	€0.0	€7.82	€17.28-€19.02
Expense/(income) over the period (in millions of euros) ⁽⁴⁾	0.2	0.1	(1.3)	(0.6)	0.1
Aggregate valuation of plan as of 30/06/2016 (in millions of euros) ⁽⁵⁾	4.1	0.3	4.0	2.0	1.2

(1) For foreign subsidiaries, the grant period covers July 2011 to July 2015.

(2) For foreign subsidiaries, the grant period covers November 2012 to November 2016.

(3) For foreign subsidiaries, the grant period covers February 2016 to February 2020.

(4) There is no lock-up period for foreign subsidiaries.

(5) Excluding employer's contribution

In accordance with IAS 32 "Financial Instruments: Presentation", the acquisition cost of shares bought back by the Group under the free share allocation plan will be recorded as a reduction to the Group's share of shareholders' equity.

Liquidity offer for employees of the Group who are shareholders in Eutelsat S.A.

During the financial year 2015-2016, the Group acquired 241,171 Eutelsat S.A. shares from Eutelsat S.A. employees under a liquidity agreement implemented in December 2015 and June 2016. The cost of acquiring such shares amounted to 1.6 million euros.

15.4 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
Balance at 30 June 2015	5.7
Changes in fair value within equity that can be reclassified to income	(40.7)
Transfer to income statement ⁽¹⁾	2.7
Balance at 30 June 2016	(32.3)

(1) This amount corresponds to coupons due and matured on the interest rate hedging instruments (see Note 24 – Financial result).

The revaluation reserve of financial instruments does not include the Hispasat portion, whose change amounts to 0.7 million euros.

15.5 TRANSLATION RESERVE

(in millions of euros)	Total
Balance at 30 June 2015	227.4
Change over the period	(15.0)
Balance at 30 June 2016	212.4

The revaluation reserve of financial instruments does not include the Hispasat portion, whose change amounts to (0.3) million euros.

The revaluation reserve includes the value of the Cross Currency Swap used to hedge currency exposure of a net investment in a foreign operation (see Note 26.1 - *Foreign-exchange risk*).

The main currency generating translation differences is the dollar.

NOTE.16 FINANCIAL DEBT

As of 30 June 2015 and 30 June 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.

16.1 FINANCIAL INFORMATION AS OF 30 JUNE 2015 AND 30 JUNE 2016

(in millions of euros)	Rate	30 June 2015	30 June 2016	Maturity
Term loan 2021	Variable	600.0	600.0	31 March 2021
Bond 2017 ⁽¹⁾	4.125%	850.0	-	27 March 2017
Bond 2019 ⁽¹⁾	5.000%	800.0	800.0	14 January 2019
Bond 2020 ⁽¹⁾	2.625%	930.0	930.0	13 January 2020
Bond 2021 ⁽¹⁾	1.125%	-	500.0	23 June 2021
Bond 2022 ⁽¹⁾	3.125%	300.0	300.0	10 October 2022
US EXIM export credit	1.710%	38.7	31.8	15 November 2021
ONDD-guaranteed export credit	Variable	176.0	166.0	17 May 2024
Other	Variable	0.1	0.9	30 June 2018
Sub-total of debt (non-current portion)		3,694.9	3,328.7	
Loan set-up fees and premiums		(31.6)	(26.5)	
Total of debt (non-current portion)		3,663.3	3,302.4	
Bond 2017 ⁽¹⁾	4.125%	-	850.0	27 March 2017
US EXIM export credit & ONDD		18.0	30.8	
Bank overdrafts		-	-	
Accrued interest not yet due		46.4	46.7	
Total debt (current portion)		64.5	927.5	

(1) Fair values are detailed below:

(in millions of euros)	30 June 2015	30 June 2016
Bond 2017	904.1	875.1
Bond 2019	916.0	891.7
Bond 2020	990.4	989.0
Bond 2021	-	499.5
Bond 2022	330.9	337.8

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

No amount was drawn on the revolving credit facility during the financial period ended 30 June 2016.

The Group also has 650 million euros available under its various active lines of undrawn revolving credit as of 30 June 2016.

16.2 CHANGE IN STRUCTURE

In June 2016, the Group issued a 5-year Eurobond amounting to 500 million euros on the Luxembourg Stock Exchange regulated market, with maturity date of 23 June 2021. This bond was issued by the Eutelsat S.A. subsidiary. The bond carries a coupon of 1.125% per annum, issued at 99.894%, and redeemable at maturity at 100% of its principal amount.

Together with other sources of cash on its balance sheet, the bonds will enable Eutelsat to redeem at maturity the outstanding bonds issued on 26 March 2010 for a total principal amount of 850 million euros, bearing interest on its principal amount at a fixed rate of 4.125%.

As provided for under the agreement, the maturity of the term loan was extended for one year, ie from March 2020 to March 2021

16.3 DEBT MATURITY ANALYSIS

At 30 June 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
Term loan	600.0	-	600.0	-
US EXIM export credit	38.9	7.1	28.3	3.5
ONDD-guaranteed export credit	189.8	23.7	94.9	71.2
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
Other	0.9	-	0.9	-
Total	4,209.6	880.8	2,954.1	374.7

16.4 COMPLIANCE WITH BANKING COVENANTS

The new bond is linked to the same type of financial covenant as those existing on other agreements (the total net debt to EBITDA ratio must remain less than or equal to 4.0 to 1). The banking covenants on other financing facilities in place as of 30 June 2016, which require that the total net debt to EBITDA ratio remains less than or equal to 3.75 to 1, have not changed since their inception. As of 30 June 2016, the Group was in compliance with all banking covenants under its credit facilities.

16.5 RISK MANAGEMENT

Information on interest rate risk and liquidity risk is available in Note 18 - *Other Financial Liabilities* and Note 26 - *Financial Instruments*.

NOTE.17 OTHER FINANCIAL LIABILITIES

Other financial liabilities break down as follows:

(in millions of euros)	30 June 2015	30 June 2016
Derivative instruments ⁽¹⁾	108.4	174.3
Performance incentives	1.2	0.7
Finance leases	434.6	831.1
Other liabilities	93.3	96.8
Total	637.5	1,102.9
- incl. current portion	39.9	49.0
- incl. non-current portion	597.6	1,053.9

(1) See Note 26 – Financial Instruments.

The financial instruments are measured at fair value (Level 2), and the other liabilities at amortized cost. For information, the amortized cost of financial liabilities represents a reasonable approximation of fair value.

Finance lease agreements are mainly impacted by the entry into commercial service of the EUTELSAT 36C satellite (see Note 6 – Satellites, other property and equipment and construction in progress).

Amounts shown for finance leases include accrued interest totalling 0.7 million euros as of 30 June 2015 and 8.1 million euros as of 30 June 2016.

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

NOTE.18 FINANCIAL LIABILITIES

18.1 BREAKDOWN BY CATEGORY

(in millions of euros)	Category of financial instruments	Net carrying amount as of 30 June 2015			Fair value as of 30 June 2015
		Total	Instruments measured at amortised cost	Derivative instruments qualified as cash-flow hedges	
LIABILITIES					
Financial debt					
Floating rate loans	At amortised cost	776.9	776.9		776.9
Bond	At amortised cost	2,860.1	2,860.1		3,141.4
Fixed rate loans	At amortised cost	44.2	44.2		44.2
Bank overdrafts	N/A	-	-		-
Other financial liabilities					
Non-current	At amortised cost	493.1	493.1		493.1
Current	At amortised cost	35.9	35.9		35.9
Derivative instruments ⁽¹⁾					
Qualified as hedges		108.4		108.4	108.4
No hedging		-		-	-
Accounts payable	At amortised cost	69.0	69.0		69.0
Fixed assets payable	At amortised cost	21.6	21.6		21.6

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

(in millions of euros)	Category of financial instruments	Net carrying amount as of 30 June 2016			Fair value as of 30 June 2016
		Total	Instruments measured at amortised cost	Derivative instruments qualified as hedges	
LIABILITIES					
Financial debt					
Floating rate loans	At amortised cost	781.6	781.6		781.6
Bond	At amortised cost	3,363.8	3,363.8		3,593.1
Fixed rate loans	At amortised cost	37.6	37.6		37.6
Bank overdrafts	N/A	-	-		-
Other financial liabilities					
Non-current	At amortised cost	880.5	880.5		880.5
Current	At amortised cost	48.0	48.0		48.0
Derivative instruments ⁽¹⁾					
Qualified as hedges		173.3		173.3	173.3
No hedging		1.0			1.0
Accounts payable	At amortised cost	66.7	66.7		66.7
Fixed assets payable	At amortised cost	51.3	51.3		51.3

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

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

NOTE.19 OPERATING AND FINANCE LEASES

19.1 OPERATING LEASES

Eutelsat S.A. pays rent for use of its registered office located in Paris. The operating lease was renewed in advance in June 2014 for a fixed-term nine-year period starting on 1 July 2014. The rent expense amounted to 4.0 million euros for the financial years ended 30 June 2015 and 30 June 2016 respectively. Future payments with respect to the lease agreement are detailed in the following table:

(in millions of euros)	Total	Less than 1 year	Between 1 and 5 years	Exceeding 5 years
Future payments for operating leases	28.2	4.0	16.1	8.1

19.2 FINANCE LEASES

The Group operates five satellites under finance leases. None of the finance leases contains a purchase option at the expiry of the lease term. The last finance lease contract expires in 2031.

Financial expenses for satellites operated under finance leases amounted to 9.9 million euros as of 30 June 2015 and 13.6 million euros as of 30 June 2016.

Finance lease contracts mature as follows:

(in millions of euros)	Amount	Maturity within 1 year	Maturity between 1 and 5 years	Maturity exceeding 5 years
Finance leases	944.7	162.0	309.2	473.3
Total	944.7	162.0	309.2	473.3

NOTE.20 OTHER PAYABLES AND DEFERRED REVENUES

20.1 NON-CURRENT PORTION

Other non-current debts only include deferred revenue.

20.2 CURRENT PORTION

Other current payables and deferred revenues were as follows as of 30 June 2015 and 30 June 2016:

(in millions of euros)	30 June 2015	30 June 2016
Deferred revenues	77.8	80.0
Tax liabilities	16.9	10.2
Liabilities for social contributions ⁽¹⁾	46.3	45.5
Total	141.0	135.7

(1) Including the liability related to the liquidity offer of 5.7 million euros as of 30 June 2015 and 2.3 million euros as of 30 June 2016.

Deferred revenues mainly include prepayments made by clients for the provision of telecommunication and frequency coordination services.

NOTE.21 INCOME TAX

The Company Eutelsat S.A. which is included in the tax consolidation group headed by Eutelsat Communications is subject to a tax audit for financial years ended 30 June 2012, 2013 and 2014. Eutelsat S.A. has received a tax adjustment notification amounting to 3.4 million euros at balance sheet date, for which a provision has been recorded.

21.1 INCOME-STATEMENT TAX BALANCES

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

The Group's income tax expense is as follows:

(in millions of euros)	30 June 2015	30 June 2016
Current tax expense	(180.5)	(179.8)
Deferred tax income (expense)	(13.6)	(20.0)
Total income tax expense	(194.1)	(199.8)

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

(in millions of euros)	30 June 2015	30 June 2016
Income before tax and income from equity investments	545.5	539.1
<i>Standard French corporate tax rate</i>	38.0%	38.0%
Theoretical income-tax expense	(207.3)	(204.8)
Differences in corporate tax rates	13.8	22.1
Use of tax losses	18.7	6.4
Deferred tax recognised for the period	-	5.6
Other permanent differences	(19.3)	(29.1)
Corporate tax expense in the income statement	(194.1)	(199.8)
<i>Actual corporate tax rate</i>	35.6%	37.1%

21.2 BALANCE-SHEET TAX BALANCES

Deferred tax assets and liabilities correspond to the aggregate net financial positions of the consolidated entities. Changes in the deferred tax balances between 30 June 2015 and 30 June 2016 were as follows:

(in millions of euros)	30 June 2015	Change in scope of consolidation	Net income for the period	Recognised in equity	30 June 2016
Deferred tax assets					
Financial Instruments	36.4	(0.1)	(5.3)	27.1	58.1
Loss carry-forwards	59.1	(2.4)	(36.1)	-	20.6
Bad-debt provisions	23.1	-	1.3	-	24.4
Financial guarantee granted to the pension fund	26.7	-	0.7	7.5	34.8
Provisions for risks and expenses	7.4	(1.5)	(3.9)	1.9	3.9
Accrued liabilities	10.4	-	(1.6)	-	8.8
Pension provision	6.2	-	0.3	(0.3)	6.2
Sub-total (a)	169.3	(4.0)	(44.6)	36.2	156.8
Deferred tax liabilities					
Intangible assets	(165.4)	(1.4)	25.7	-	(141.1)
Tangible assets	(266.1)	-	(7.2)	-	(273.3)
Capitalised interest	(1.7)	-	(0.5)	-	(2.2)
Finance leases	(0.4)	-	0.7	-	0.3
Performance incentives and capitalised salaries	(7.6)	-	5.9	-	(1.6)
Other	(1.7)	0.7	-	-	(1.0)
Sub-total (b)	442.9	(0.7)	(24.6)	-	(418.9)
Total = (a) + (b)	(273.6)	(4.7)	(20.0)	36.2	(262.1)
Reflected as follows in the financial statements:					
Deferred tax assets	23.8				8.5
Deferred tax liabilities	(297.4)				(270.6)
Total	(273.6)				(262.1)

Deferred tax assets and liabilities break down as follows:

(in millions of euros)	Deferred tax assets	Deferred tax liabilities
Due within one year	-	(1.7)
Due after one year	8.5	(268.9)
Total	8.5	(270.6)

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

- the accounting treatment at fair value of "Customer contracts and relationships" and of the Eutelsat brand, valued at 929.8 million euros (see Note 5 "Goodwill and other intangibles"), giving rise, on the occasion of the acquisition of Eutelsat S.A., to an initial deferred tax liability of 320.1 million euros. The 44.4 million euro amortisation of customer contracts over 20 years generates a deferred tax income;
- the accounting treatment at fair value of "Customer contracts and relationships" and other intangible assets in the context of the acquisition of Satmex.
- the accelerated depreciation of satellites.

21.3 TAX LOSSES

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

(in millions of euros)	Amount	Maturity within 1 year	Maturity between 1 and 5 years	Maturity exceeding 5 years	Undefined
Timelines of activated tax loss carryforwards	81.3	-	50.6	-	30.7
Total	81.3	-	50.6	-	30.7

Furthermore, the Group has a stock of unrecognised tax loss carryforwards amounting to 52.1 million euros as of 30 June 2016, with the following maturity dates:

(in millions of euros)	Amount	Maturity within 1 year	Maturity between 1 and 5 years	Maturity exceeding 5 years	Undefined
Maturities of unrecognised tax loss carryforwards	52.1	-	-	-	52.1
Total	52.1	-	-	-	52.1

NOTE.22 PROVISIONS

(in millions of euros)	30 June 2015	Allowance	Reversal		Recognised in equity	30 June 2016
			Used	Unused		
Financial guarantee granted to a pension fund	78.2	2.0	-	-	21.7	101.9
Retirement indemnities	18.0	1.5	(0.6)	-	(1.0)	17.9
Post-employment benefits ⁽¹⁾	13.0	0.5	(0.1)	(4.8)	-	8.6
Total post-employment benefits	109.2	4.0	(0.7)	(4.8)	20.7	128.4
Litigation ⁽²⁾	13.2	6.0	(4.5)	(3.6)	-	11.1
Other	8.8	6.2	(7.3)	(0.8)	-	6.9
Total provisions	131.2	16.2	(12.5)	(9.2)	20.7	146.4
- incl. non-current portion	109.2					128.4
- incl. current portion	22.0					18.0

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

⁽²⁾ Litigation recorded at end of period covers commercial, employee-related and tax litigation.

22.1 FINANCIAL GUARANTEE GRANTED TO A PENSION FUND

As a result of the transfer by the IGO of its operational business as of 2 July 2001, Eutelsat S.A. granted its financial guarantee to the Trust managing the pension plan established by the IGO. Before this date, the pension fund was closed and the accrued rights frozen.

This guarantee can be called under certain conditions to compensate for future under-funding of the plan.

The actuarial valuation performed on 30 June 2015 and 30 June 2016 used the following assumptions:

	30 June 2015	30 June 2016
Discount rate	2.54%	1.75%
Expected rate of return on assets	2.54%	1.75%
Rate for pension increases	2.50%	2.25%
Inflation rate	2.00%	1.75%
Overall expenses (as a % of assets)	0.58%	0.58%
Mortality table	TGH2005-TGF2005	TGH2005-TGF2005
Pensionable age	61 years	62 years

A 50 base point decrease in discount rates would result in an increase in commitments totalling 23.6 million euros.

A 50 base point decrease in prospective yield rates would result in a decline in assets and in the expected fund yield by 0.7 million euros.

As of 30 June 2015 and 30 June 2016, the position was as follows:

Comparative summary

(in millions of euros)	30 June				
	2012	2013	2014	2015	2016
Present value of obligations wholly or partly funded	202.7	225.3	217.4	231.8	241.2
Fair values of plan assets	(155.0)	(159.9)	(154.1)	(153.6)	(139.3)
Net financing requirement	47.7	65.4	63.3	78.2	
Actuarial differences: gains/(losses) and other	(32.4)	-	-	-	-
Net (asset)/liability recognised in the balance sheet	15.3	65.4	63.3	78.2	101.9

Reconciliation between the present value of obligations at beginning and end of period:

(in millions of euros)	30 June 2015	30 June 2016
Present value of the obligations at beginning of period	217.4	231.8
Finance cost	5.9	5.8
Actuarial differences related to financial assumptions: (gains)/losses ⁽¹⁾	13.0	9.8
Benefits paid	(4.5)	(6.2)
Present value of the obligations at end of period	231.8	241.2

⁽¹⁾ Differences resulting mainly from changes in rates

Reconciliation between the fair value of plan assets at beginning and end of period:

(in millions of euros)	30 June 2015	30 June 2016
Fair value of plan assets at beginning of period	154.1	153.6
Expected return on plan assets	4.2	3.8
Actuarial differences: gains/(losses)	(1.8)	(11.9)
Contributions paid	1.6	-
Benefits paid	(4.5)	(6.2)
Fair value of plan assets at end of period	153.6	139.3

The fair value of plan assets includes no amount relating to any financial instruments issued by Eutelsat S.A. nor any property occupied by, or other assets used by, Eutelsat S.A.

The actual return on the plan's assets was 2.4 million euros and (8.1) million euros as of 30 June 2015 and 30 June 2016 respectively.

Net expense (net gains) recognised in the income statement

(in millions of euros)	30 June 2015	30 June 2016
Service cost for the period	-	-
Financial cost	5.9	5.8
Expected return on plan assets	(4.2)	(3.8)
Net expense (net gains) recognised in the income statement	1.7	2.0

The absence of service costs is explained by the fact that rights were frozen and that the IGO pension fund was closed prior to the transfer of business on 2 July 2001.

Reconciliation of assets and obligations recognised in the balance sheet

(in millions of euros)	30 June 2015	30 June 2016
Provision at beginning of period	63.3	78.2
Net expense (net gains) recognised in the income statement	1.7	2.0
Actuarial differences: (gains)/losses	14.8	21.7
Contributions paid	(1.6)	-
Provisions at end of period	78.2	101.9

22.2 POST-EMPLOYMENT BENEFITS

a) Retirement indemnities

French law requires payment of a lump sum retirement indemnity, where appropriate. This indemnity is paid to employees based upon years of service and compensation at retirement. Benefits only vest when an employee retires from Eutelsat. This scheme is not funded.

The actuarial valuations performed at 30 June 2015 and 30 June 2016 were based on the following assumptions:

	30 June 2015	30 June 2016
Discount rate	2.25%	1.45%
Salary increases	2.50%	2.50%
Inflation rate	2.00%	1.75%
Mortality table	TH/TF00-02	TH/TF00-02
Retirement age	65 years	65 years
Type of retirement	Voluntary retirement	Voluntary retirement
Rate of employer's contributions	52%	52%

Staff turnover per age bracket is based on the history of experience within EUTELSAT S.A. The last valuation was performed during the financial year 2015-2016.

Age (years)	2015 Turnover	2016 Turnover
25	7.72	11.52
30	5.42	8.09
35	3.69	5.50
40	2.38	3.55
45	1.40	2.09
50	0.66	0.98
55	0.10	0.14
60	0.00	0.00

As of 30 June 2015 and 2016, the position was as follows:

Comparative summary

(in millions of euros)	30 June				
	2012	2013	2014	2015	2016
Present value of obligations not financed	9.3	12.4	15.1	18.0	18.0
Past-service cost (amortised)	1.0	-	-	-	(0.1)
Actuarial differences: gains/(losses)	(2.3)	-	-	-	-
Liability recognised on balance sheet	8.0	12.4	15.1	18.0	17.9

Reconciliation between the present value of obligations at beginning and end of period:

(in millions of euros)	30 June 2015	30 June 2016
Present value of the obligations at beginning of period	15.1	18.0
Service cost for the period	1.0	1.2
Finance cost	0.4	0.4
Actuarial differences related to financial assumptions: (gains)/losses	1.9	(0.6)
Actuarial differences related to demographic assumptions: (gains)/losses	-	(0.4)
Termination indemnities paid	(0.4)	(0.7)
Present value of the obligations at end of period	18.0	17.9

Net expense recognised in the income statement

(in millions of euros)	30 June 2015	30 June 2016
Service cost for the period	1.0	1.2
Finance cost	0.4	0.4
Net expense recognised in the income statement	1.4	1.6

History of experience and changes in assumptions

(in millions of euros)	30 June 2016
History of experience regarding the value of obligations: (gains)/losses	1.7
Impact of changes in assumptions	(2.3)
History of experience and changes in assumptions	(0.6)

b) Mandatory schemes

In accordance with French law, the Group meets its obligations to finance pensions for employees in France by paying contributions based on salaries to the relevant entities that manage mandatory pension schemes. There are no other commitments in relation to these contributions. The employer's contributions paid under these schemes were 7.1 million euros and 8.3 million euros at 30 June 2015 and 30 June 2016 respectively.

c) Supplementary schemes

The Group also has a supplementary defined-contribution funded plan for its employees in France (excluding directors and corporate officers who are employees), financed by employees' and employer's contributions of 6% of gross annual salary, limited to eight times the French Social Security threshold. There are no other commitments in relation to these contributions. Employer's contributions paid under the plan stood at 1.9 million euros.

NOTE.23 SEGMENT INFORMATION

Having performed an analysis and with respect to IFRS 8, 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 information presented below is intended for the Chief Executive Officer, the Deputy Chief Executive Officer and to the Chief Financial Officer who together make up the Group's main operational decision-making body.

Management data is presented according to IFRS principles applied by the Group for its consolidated financial statements as described in the Notes to the financial statements.

The performance indicators that are monitored by the decision making body include turnover, EBITDA (EBITDA is defined as the operating result before amortisation and depreciation, impairment of assets and other operating income and expense), financial expense, cash flow for investment in tangibles and equity interests and net consolidated Group debt (net debt includes all bank debt and all liabilities from long-term lease agreements, less cash and cash equivalents (net of bank credit balances)).

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 accounts, such as the operating result, net result, the share attributable to non-controlling interests and the share attributable to the Group.

23.1 SEGMENT REPORTING

(in millions of euros)	30 June 2015	30 June 2016
Total revenues	1,476.4	1,529.0
Total operating costs	(344.7)	(364.4)
EBITDA	1,131.7	1,164.6
Depreciation and amortisation:	(466.5)	(500.6)
Other operating income (expenses), net	(3.7)	(2.0)
Operating income	661.5	662.0
Total interest	(137.9)	(115.1)
Income tax	(194.1)	(199.8)
Other financial income (expenses)	21.9	(7.9)
Net income before revenue from equity investments and non-controlling interests	351.4	339.2
Income from equity investments	18.8	23.5
Net income	370.2	362.7
Non-controlling interests	(15.0)	(14.3)
Net income attributable to the Group	355.2	348.5
Tangible investments (cash flow)	456.7	390.2
Net debt (including finance leases)	3,841.1	4,006.8

Net debt breaks down as follows:

(in millions of euros)	30 June 2015	30 June 2016
Term loan	600.0	600.0
Bonds	2,880.0	3,380.0
Other loans	-	0.9
Export credit	232.8	228.7
"Change" portion of the cross-currency swap	114.6	128.0
Finance leases	433.9	823.0
Cash and cash equivalents	(420.2)	(1,153.8)
Total	3,841.1	4,006.8

23.2 INFORMATION PER GEOGRAPHICAL ZONE

Group revenues by geographical zone, based on invoice addresses, for the twelve-month periods ended 30 June 2015 and 30 June 2016 are as follows:

<i>(in millions of euros and as a percentage)</i>	30 June 2015		30 June 2016	
	Amount	%	Amount	%
France	140.2	9.5	147.7	9.7
Italy	207.2	14.0	187.3	12.2
United Kingdom	109.0	7.4	108.7	7.1
Europe (other)	415.3	28.1	414.9	27.1
Americas	306.5	20.8	330.3	21.6
Middle-East	178.9	12.1	203.4	13.3
Africa	83.0	5.6	96.2	6.3
Asia	36.8	2.5	39.4	2.6
Other	(0.7)	0.0	1.1	0.1
Total	1,476.4	100.0	1,529.0	100.0

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

NOTE.24 FINANCIAL RESULT

The financial result is made up as follows:

(in millions of euros)	30 June 2015	30 June 2016
Interest expense after hedging ⁽¹⁾	(146.6)	(134.0)
Loan set-up fees and commissions ⁽²⁾	(16.3)	(8.8)
Capitalised interest ⁽³⁾	25.0	27.7
Cost of gross debt	(137.9)	(115.1)
Financial income	3.3	3.2
Cost of net debt	(134.6)	(111.9)
Changes in financial instruments ⁽⁴⁾	(0.8)	(1.2)
Foreign-exchange impact	21.3	(9.5)
Other	(1.9)	(0.4)
Financial result	(116.0)	(123.0)

(1) The interest expense was impacted by instruments qualified as interest-rate hedges for 7.1 million euros and 2.8 million euros during the financial periods ended 30 June 2015 and 30 June 2016 respectively.

(2) Issuing costs include amortisation of all loan issuing costs and premiums.

(3) The amount of capitalised interest mainly 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 3.75% as of 30 June 2015 and 3.46% as of 30 June 2016.

(4) 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;
- the de-qualifications/sales of hedging instruments (see Note 26 - Financial Instruments).

NOTE.25 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 30 June 2015 and 30 June 2016.

(in millions of euros)	30 June 2015	30 June 2016
Net income	370.2	362.8
Income from subsidiaries attributable to non-controlling interests	(15.0)	(14.3)
Net earnings used to compute diluted earnings per share	355.2	348.5
Average number of shares	223,368,210	229,856,366

NOTE.26 FINANCIAL INSTRUMENTS

The Group is exposed to market risks, principally in terms of currency and interest-rates. Exposure to such risks are actively managed by Management, and for this purpose the Group employs a certain number of derivatives, the objective of which is to limit, where appropriate, the fluctuation of revenues and cash-flows due to variations in interest rates and foreign-exchange rates. The Group's policy is to use derivatives to hedge such exposure and comply with its financial covenants. The Group does not engage in financial transactions whose associated risk cannot be quantified at maturity, i.e. the Group never sells assets it does not possess, or about which it is uncertain whether it will subsequently possess them.

26.1 FOREIGN-EXCHANGE RISK

Through the sale of its satellite capacity, the Group is a net receiver of currencies, mainly the US dollar.

Consequently, the Group is primarily exposed to the US dollar/euro foreign exchange risk.

Due to the geographic diversification of its activities, the Group is exposed to conversion risk, which means that its balance sheet and income statement are impacted by fluctuations in exchange parities upon consolidation of the financial statements of its foreign subsidiaries outside the euro zone (translation risk). For investments in currencies not included in the euro zone, the Group's translational risk hedging policy consists of creating liabilities denominated in the same currency as the cash flows generated by these assets. Hedging instruments used by the Group include currency derivatives (cross-currency swaps) documented as net foreign investment hedges.

Given its exposure to foreign-currency risk, the Group believes that a 15% increase in the US dollar/euro exchange rate would have a non-significant impact on Group income and would result in a negative change of 284.9 million euros in the Group translation reserve and a change in the Group translation reserve amounting to 81.8 million euros related to the cross currency swap.

26.2 INTEREST-RATE RISK

Interest rate risk management

During the financial year ended 30 June 2016, the Group executed an anticipatory hedging transaction (forward swap) to hedge the market rate of a bond issuance planned between 14 July 2018 and 14 January 2019 with a view to refinancing the 800 million euro bond maturing on 19 January 2019. The transaction was designated as a future cash flow hedge

Sensitivity to interest-rate risk

Considering the full range of financial instruments available to the Group as of 30 June 2016, an increase of ten base points (+ 0.10%) over the EURIBOR interest rate would have an insignificant effect on the interest expense and the revaluation of financial instruments in the income statement. This would be reflected in a 8.4 million euro positive variation in equity related to the change in the effective fair value of hedging instruments qualified as hedges of future cash flows.

26.3 FINANCIAL INFORMATION AS OF 30 JUNE 2015 AND 2016

The following tables analyse the contractual or notional amounts and fair value of the Group's derivatives by type of contract as of 30 June 2015 and 30 June 2016. The instruments are valued by an independent expert and this valuation is verified/validated in valuations provided 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 2015	30 June 2016	30 June 2015	30 June 2016				
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	121.3	-	2.4	-	(2.4)	(0.6)	(1.8)	
Cross currency swap	500.0	500.0	(104.4)	(115.2)	(10.7)	-	(10.7)	-
NDF	-	8.9	-	(1.0)	(1.0)	(1.0)	-	-
Total foreign exchange derivatives	621.3	508.9	(102.0)	(116.2)	(14.1)	(1.6)	(12.5)	-
Future Swaps	350.0	-	(2.3)	-	2.3	0.4	0.5	1.4
Collar	350.0	-	(1.7)	-	1.7	0.2	1.5	-
Pre-hedging swap	-	800.0	-	(58.1)	(58.1)	-	(58.1)	-
Total interest rate derivatives	700.0	800.0	(4.0)	(58.1)	(54.1)	0.6	(56.1)	1.4
Total derivatives			(106.0)	(174.3)	(68.3)	(0.4)	(66.9)	1.4
Equity interests							0.6	
Total							(66.3)	

At 30 June 2016, the cumulative fair value of financial instruments was negative at 174.3 million euros (see Note 8 - *Non-current financial assets* and Note 17 - *Other financial liabilities*).

Impact on income statement and equity

The impact on the income statement and equity of changes in fair value of derivatives qualified as hedges is as follows:

- The coupons on swaps that qualify as cash flow hedges are directly recognised under income. Changes recognised in equity with respect to these instruments correspond to changes in fair value excluding coupons ("clean fair value").
- The coupons on the cross currency swap that qualifies as net investment hedge, as well as its fair value excluding coupons ("clean fair value") are recognised directly in equity.

26.4 FINANCIAL COUNTERPART RISK

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

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

As of 30 June 2016, counterparty risk associated with these operations is not considered as significant (see Note 10 on credit risk on accounts receivables).

26.5 LIQUIDITY RISK

The Group manages liquidity risk by using a tool that enables it to monitor and manage its recurring requirements and liquidity needs. This tool takes into account the maturity of financial investments, financial assets and estimated future cash flows from operating activities.

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

The Group's debt maturity is reflected in the table below.

Breakdown of net financial liabilities by maturity (in millions of euros):

As of 30 June 2015	Balance-sheet value	Total contractual cash flows	06/2016	06/2017	06/2018	06/2019	06/2020	More than 5 years
Eutelsat Com. Term loan	(597.1)	(625.7)	(5.4)	(5.4)	(5.4)	(5.4)	(604.1)	-
Eutelsat S.A. bond	(2,860.1)	(3,307.2)	(108.9)	(958.9)	(73.8)	(873.8)	(963.8)	(328.1)
US EXIM's export credit	(44.2)	(48.5)	(7.8)	(7.7)	(7.6)	(7.4)	(7.3)	(10.7)
ONDD-guaranteed export credit	(179.8)	(202.5)	(14.1)	(24.8)	(24.5)	(24.1)	(23.7)	(91.3)
Finance leases	(433.9)	(553.8)	(23.1)	(30.9)	(36.2)	(37.7)	(37.8)	(388.1)
Qualified interest rate derivatives ⁽¹⁾	(108.4)	(108.4)	(4.0)	-	-	-	(104.4)	-
Total financial debt	(4,223.5)	(4,846.1)	(163.2)	(1,027.7)	(147.4)	(948.4)	(1,741.1)	(818.3)
Other financial liabilities	(86.8)	(86.8)	(56.5)	(8.1)	(22.2)	-	-	-
Total financial liabilities	(4,310.3)	(4,932.9)	(219.7)	(1,035.7)	(169.6)	(948.4)	(1,741.1)	(818.3)
Foreign exchange derivatives ⁽¹⁾	2.4	2.4	2.4	-	-	-	-	-
Financial Assets	39.0	39.0	27.1	-	-	-	-	11.9
Cash	204.9	204.9	204.9	-	-	-	-	-
Cash equivalents	215.4	215.4	215.4	-	-	-	-	-
Other cash equivalents	-	-	-	-	-	-	-	-
Total financial assets	461.7	461.7	449.8	-	-	-	-	11.9
Net position	(4,772.0)	(4,471.2)	230.1	(1,035.7)	(169.6)	(948.4)	(1,741.1)	(806.4)

(*) The amounts broken down under derivative instruments are recognised at fair value (not as contractual cash flows).

As of 30 June 2016	Balance-sheet value	Total contractual cash flows	06/2017	06/2018	06/2019	06/2020	06/2021	More than 5 years
Eutelsat Com. Term loan	(597.4)	(625.7)	(5.4)	(5.4)	(5.4)	(5.4)	(604.1)	-
Eutelsat S.A. bond	(3,363.8)	(3,726.5)	(964.5)	(79.4)	(879.4)	(969.4)	(515.0)	(318.8)
US EXIM export credit	(37.6)	(40.9)	(7.7)	(7.6)	(7.5)	(7.3)	(7.2)	(3.6)
ONDD-guaranteed export credit	(183.3)	(201.1)	(26.3)	(26.0)	(25.6)	(25.3)	(25.0)	(72.9)
Finance leases	(823.0)	(944.7)	(162.0)	(79.7)	(81.4)	(80.9)	(67.4)	(473.3)
Qualified interest rate derivatives ⁽¹⁾	(173.3)	(173.3)	-	-	(58.2)	(115.1)		
Unqualified derivatives	(1.0)	(1.0)	(1.0)	-	-	-	-	-
Total financial debt	(5,179.3)	(5,713.2)	(1,166.9)	(198.1)	(1,057.5)	(1,203.5)	(1,218.7)	(868.5)
Other financial liabilities	(105.6)	(105.6)	(83.4)	(22.2)	-	-	-	-
Total financial liabilities	(5,284.9)	(5,818.8)	(1,250.3)	(220.3)	(1,057.5)	(1,203.5)	(1,218.7)	(868.5)
Foreign exchange derivatives ⁽¹⁾	-	-	-	-	-	-	-	-
Financial Assets	41.4	45.4	29.6	1.2	-	-	-	8.9
Cash	316.4	316.4	316.4	-	-	-	-	-
Cash equivalents	837.3	837.3	837.3	-	-	-	-	-
Other cash equivalents	-	-	-	-	-	-	-	-
Total financial assets	1,195.1	1,199.1	1,183.3	1.2	-	-	-	-
Net position	(4,089.8)	(4,619.7)	(67.0)	(219.1)	(1,057.5)	(1,203.5)	(1,218.7)	(859.6)

(*) The amounts broken down under derivative instruments are recognised at fair value (not as contractual cash flows).

Cash-flow hedges – Fair value recognised in equity and to be reclassified to income

(in millions of euros)	Fair value recognised in equity and to be reclassified to income						
	Total	1 year at most	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Foreign exchange risk hedges	(115.2)	-	-	-	(115.2)	-	-
Interest rate risk hedges	(58.2)	-	-	(58.2)	-	-	-
Net total at 30 June 2016	(173.4)	-	-	(58.2)	(115.2)	-	-

Furthermore, the amendment to IFRS 7 on the offsetting of assets and liabilities has no impact: there was no offsetting agreement which could have an impact for Eutelsat as of 30 June 2016 (neither on the balance sheet under IAS 32, nor on net exposure).

NOTE.27 OTHER OFF-BALANCE SHEET COMMITMENTS

As of 30 June 2016, Management considers that, to the best of its knowledge, no commitments exist that may have an impact on the Group's present or future financial standing with the exception of the following items:

27.1 PURCHASE COMMITMENTS

As of 30 June 2015, future payments under satellite construction and launch and financing contracts amounted to 777 million euros.

As of 30 June 2016, future payments under satellite construction, launch and financing contracts amounted to 802 million euros. These future payments are spread over 4 years.

As of 30 June 2016, the Group has also made commitments with other suppliers for service provisions and for the acquisition of fixed assets relating to the monitoring and control of satellites amounting to 278 million euros..

The following table lists the payments for these services and acquisitions as of 30 June 2015 and 30 June 2016:

(in millions of euros)	As of 30 June 2015	As of 30 June 2016
2016	75	-
2017	38	80
2018	27	46
2019	19	56
2020 and beyond ⁽¹⁾	80	32
2021 and beyond	-	64
Total	239	278

(1) for the period reported in respect of the financial year ended 30 June 2015

As of 30 June 2016, the above total includes 1.6 million euros for purchase commitments entered into with related parties.

The Group may receive penalty payments related to incidents affecting the performance of its operational satellites.

27.2 FLEET INSURANCE

As of 30 June 2015, the Group's existing "Launch + 1 year" and in-orbit insurance policies have been taken out with insurance syndicates. Counterparty risk is therefore limited and, if any of the insurers should default, that entity's share of the insurance cover could be taken on by a new player.

The in-orbit insurance plan taken out by the Group was renewed for a 12-month period starting on 1 July 2015. The programme has been designed with a view to minimising, at an acceptable cost, the impact of one or several satellite losses on the balance sheet and the income statement.

The Group's fleet insurance policy takes into account not only the net book value of its satellites, but also revenues generated by its most revenue-generating satellites. Under its fleet insurance programmes, satellites are covered for partial and/or total (or constructive total) loss under certain conditions.

On 1 July 2016, this policy was renewed for a 12-month period.

27.3 COMMITMENTS RECEIVED

The Group holds a put option by Abertis on its investment in Hispasat, with no limited validity, exercisable twice a year with respect to its equity interest in Hispasat.

27.4 DISPUTES

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 (see Note 22 - Provisions) of which it has a reliable estimate. In cases viewed as unsubstantiated or insufficiently argued, no provision was recognised. The following legal actions and business disputes are underway:

Viasat Brasil:

Following a significant violation 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. As of 30 June 2016, the court has not issued any judgement.

Tax dispute in France:

Eutelsat S.A. is subject to a tax audit procedure for financial years ended 30 June 2012, 2013 and 2014. In December 2015, Eutelsat S.A. received a tax adjustment notification amounting to 3.4 million euros in respect of the financial year ended 30 June 2012. No notification was received in respect of the financial years ended 30 June 2013 and 30 June 2014.

HorizonSat:

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

Frequency right:

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

NOTE.28 RELATED-PARTY TRANSACTIONS

Related parties consist of:

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

The Group considers that the concept of “key management personnel” as applied to Eutelsat’s governance includes members of the administrative and management bodies, namely the Chairman and CEO, the Deputy CEO and the other members of the Board of Directors.

Excluding key management personnel, Eutelsat Group considers as related parties only those relationships having an interest in associates as defined under IFRS 12 (ie associates and non-controlling interests). The other relationships are not considered as significant.

Amounts concerning related party transactions are shown in the tables below:

28.1 RELATED PARTIES THAT ARE NOT MEMBERS OF THE “KEY MANAGEMENT PERSONNEL”

Amounts due by or owed to related parties and included on the balance sheet within current assets and liabilities as of 30 June 2015 and 30 June 2016 are as follows:

(in millions of euros)	30 June 2015	30 June 2016
Gross receivables (including unbilled revenues) ⁽¹⁾	10.7	5.9
Debt (including deferred payments)	198.7	732.6

(1) Including 0.7 million euros for entities accounted for via the equity method as of 30 June 2016.

As of 30 June 2015 and 30 June 2016, debt included a finance lease agreement entered into in respect of the EXPRESS AT1, EXPRESS AT2 and EXPRESS AM6.

As of 30 June 2016, debt included a finance lease agreement entered into in respect of the EUTELSAT 36C satellite.

Related party transactions included in the income statements for the periods ended 30 June 2015 and 30 June 2016 are as follows:

(in millions of euros)	30 June 2015	30 June 2016
Revenues ⁽¹⁾	34.4	37.4
Operating costs, selling, general and administrative expenses	10.4	-
Financial result	7.0	11.6

(1) Including 0.1 million euros and 3.8 million euros for entities accounted for via the equity method as of 30 June 2015 and 30 June 2016 respectively.

For the year ended 30 June 2016, no related party transaction accounts individually for more than 10% of revenues.

In addition, the Group entered into transactions with certain shareholders for the provision of services related to the monitoring and control of its satellites.

28.2 COMPENSATION PAID TO MEMBERS OF THE “KEY MANAGEMENT PERSONNEL”

(in millions of euros)	30 June 2015	30 June 2016
Compensation excluding employer's charges	1.3	2.1
Short-term benefits: employer's charges	0.4	0.7
Total short-term benefits	1.7	2.8
Post-employment benefits	Not applicable	Not applicable
Other long-term benefits (indemnity payment for unintended termination of activity)	Not applicable	Not applicable
Share-based payment	See below	See below

Post-employment benefits

In case of termination of office of the CEO, a non-compete clause provides for payment of 50% of the CEO's fixed compensation over an 18-month period. Under such clause, the CEO is required to refrain from working directly or indirectly for any satellite operator.

Share-based payment

At its meetings of 08 November 2012, 13 February 2014, 11 February 2015 and 16 February 2016 (see Note 15.3 - Share based compensation), the Board of Directors approved free share allocation plans for the benefit of members of the Group's administrative and management bodies subject to conditions set out in the plan and to set 50% holding rate for all fully vested shares during the terms of office of the Company's directors and corporate officers ("mandataires sociaux").

The value of the benefit granted is spread over a three-year vesting period. The expense recognised for the periods ended 30 June 2015 and 30 June 2016, was 0.6 million euros and (0.2) million euros.

NOTE.29 STAFF COSTS

Staff costs (including mandatory employee profit-sharing and employee-related fiscal charges) are as follows:

(in millions of euros)	30 June 2015	30 June 2016
Operating costs	50.2	50.5
Selling, general and administrative expenses	90.1	81.3
Total ⁽¹⁾	140.3	131.8

(1) Including 6.7 million euros and (1.5) million euros at 30 June 2015 and 30 June 2016 respectively for expenses related to share-based payments.

The average number of employees (in full time equivalents) is as follows:

	30 June 2015	30 June 2016
Operations	429	426
Selling, general and administrative	545	573
Total	974	999

As of 30 June 2016, the Group has 1,010 employees, against 990 on 30 June 2015.

Compensation paid to the Eutelsat Communications' directors and corporate officers ("mandataires sociaux") employed by the Group is 2.2 million euros for the year ended 30 June 2016. During the financial year 2014-2015, attendance fees paid to the members of the Board of Directors amounted to 0.5 million euros.

The Group has a corporate savings plan (plan d'épargne d'entreprise or PEE) reserved for Eutelsat S.A. employees with more than three months of service, funded through voluntary contributions by employees.

Via its subsidiary Eutelsat S.A., the Group has an employee incentive scheme ("accord d'intéressement"), which was set up for a three-year period. The incentive scheme is based on objectives renewable each year.

NOTE.30 SCOPE OF CONSOLIDATION

As of 30 June 2016, the list of companies included in the scope of consolidation is as follows:

Company	Country	Consolidation method	% control at 30 June 2016	% interest at 30 June 2016
Eutelsat Communications Finance S.A.S.	France	FC	100.00%	100.00%
Eutelsat S.A.	France	FC	100.00%	96.37%
Eutelsat S.A. Sub-Group				
Eutelsat Broadband Services	France	FC	100.00%	96.37%
Fransat S.A.	France	FC	100.00%	96.37%
Eutelsat do Brasil S.A. ⁽¹⁾	Brazil	FC	100.00%	96.37%
Eutelsat Participacoes ⁽¹⁾	Brazil	FC	100.00%	96.37%
Satmex Holding BV	Netherlands	FC	100.00%	96.37%
Satelites Mexicanos SMVS	Mexico	FC	100.00%	96.37%
EAS Delaware Corp.	United States	FC	100.00%	96.37%
Satelites Mexicanos Administracion SMVS	Mexico	FC	100.00%	96.37%
Satelites Mexicanos Tecnicos SMVS	Mexico	FC	100.00%	96.37%
- Eutelsat Latam Corp.	United States	FC	100.00%	96.37%
Eutelsat Italia S.r.l.	Italy	FC	100.00%	96.37%
Skylogic S.p.A	Italy	FC	100.00%	96.37%
Eutelsat Latin America	Panama	FC	100.00%	96.37%
Eutelsat Russia	Russia	FC	100.00%	96.37%
Eutelsat Services und Beteiligungen GmbH	Germany	FC	100.00%	96.37%
Eutelsat Inc.	United States	FC	100.00%	96.37%
- Eutelsat America Corp.	United States	FC	100.00%	96.37%
Eutelsat UK Ltd	United Kingdom	FC	100.00%	96.37%
Eutelsat Polska spZoo	Poland	FC	100.00%	96.37%
Skylogic Finland Oy	Finland	FC	100.00%	96.37%
Skylogic France SAS	France	FC	100.00%	96.37%
Skylogic Germany GmbH	Germany	FC	100.00%	96.37%
Skylogic Mediterraneo S.r.l	Italy	FC	100.00%	96.37%
Irish Space Gateways	Ireland	FC	100.00%	96.37%
CSG Cyprus Space Gateways	Cyprus	FC	100.00%	96.37%
Skylogic Eurasia	Turkey	FC	100.00%	96.37%
Skylogic Greece	Greece	FC	100.00%	96.37%
Skylogic Espana S.A.U.	Spain	FC	100.00%	96.37%
Skylogic Croatia d.o.o.	Croatia	FC	100.00%	96.37%
Eutelsat Madeira Unipessoal Lda	Madeira	FC	100.00%	96.37%
Wins Ltd ⁽¹⁾	Malta	FC	100.00%	67.45%
Wins GmbH	Germany	FC	100.00%	67.45%
DH Intercomm ⁽¹⁾	Germany	FC	100.00%	67.45%
Eutelsat Asia	Singapore	FC	100.00%	96.37%
DSat Cinéma	Luxembourg	FC	100.00%	48.34%
Eutelsat Middle-East	Dubai	FC	100.00%	96.37%
Eutelsat International	Cyprus	FC	100.00%	49.15%
Eutelsat Network	Russia	FC	100.00%	49.15%
Taurus Satellite Holding	United Kingdom	FC	100.00%	96.37%
Broadband4Africa Limited	United Kingdom	FC	100.00%	76.08%
Broadband4Africa France SAS	France	FC	100.00%	76.08%
Broadband4Africa Italy Srl	Italy	FC	100.00%	76.08%
Broadband4Africa Israel Ltd	Israel	FC	100.00%	76.08%
Eurobroadband Holding	Switzerland	FC	100.00%	96.37%
Eurobroadband Infrastructure SARL	Switzerland	FC	100.00%	96.37%
Eurobroadband Services	Italy	FC	100.00%	96.37%

FC: Full Consolidation method.

EM: Equity method.

(1) Companies with financial years ending on 31 December.

NB: The other companies' financial year ends on 30 June.

These subsidiaries were consolidated under the full consolidation method using financial statements prepared as of 30 June 2016.

NOTE.31 SUBSEQUENT EVENTS

On 12 July 2016, Eutelsat initiated the process of selling its equity interest in Hispasat by exercising the put option granted by Abertis Group, Hispasat's majority shareholder, in 2008.

NOTE.32 STATUTORY AUDITORS' FEES

(in thousands of euros)	Ernst & Young				Mazars			
	Amount		Amount		Amount		Amount	
	N	%	"N-1"	%	N	%	"N-1"	%
AUDIT								
Statutory audit, certification, review of separate and consolidated financial statements								
Eutelsat Communications	154	14%	168	18%	133	27%	133	29%
Other subsidiaries	772	70%	724	78%	310	63%	322	69%
Other due care and services directly linked to the statutory audit task								
Eutelsat Communications	-	-	-	-	-	-	-	-
Other subsidiaries	100	9%	5	-	46	9%	11	2%
Sub-total	1 025	93%	897	97%	488	100%	466	100%
Other services, when appropriate								
Legal, tax, social	75	7%	29	3%	-	-	-	-
Information technology	-	-	-	-	-	-	-	-
Internal audit	-	-	-	-	-	-	-	-
Others (to be specified if more than 10% of statutory audit fees)	-	-	-	-	-	-	-	-
Sub-total	75	7%	29	3%	-	-	-	-
Total	1 100	100%	926	100%	488	100%	466	100%