

Eutelsat Communications

"Société anonyme" with a capital of 232,774,635 euros

Registered office: 70, rue Balard 75015 Paris

481 043 040 R.C.S. Paris

ANNUAL FINANCIAL STATEMENTS AS OF 30 JUNE 2017

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BALANCE SHEET

(In thousands of euros)	Note	Financial year 2016	Financial year 2017
Called up share capital not paid			
INTANGIBLE ASSETS			
Setup costs			
Development expenses			
Franchise, patents, trademarks and similar rights			
Goodwill			
Other intangibles			
Advances and prepayments on intangibles			
TANGIBLE ASSETS			
Land			
Buildings			
Technical equipment, plant and machinery			
Other tangibles			
Construction in progress			
Prepayments and advances			
FINANCIAL ASSETS	3		
Equity investments			
Other equity interests		2,440,645	2,942,832
Receivables from equity interests			
Other investments in securities		4,553	6,177
Loans			0
Other financial assets		136	9
FIXED ASSETS		2,445,334	2,949,018
STOCKS AND WORK IN PROGRESS			
Raw materials, supplies			
Work-in-progress goods			
Work-in-progress services			
Intermediate and finished goods			
Trading goods			
Advances and prepayments on orders		23	14
RECEIVABLES			
Trade debtors and related accounts		818	297
Other debtors	4	242,612	224,345
Called up share capital unpaid			
MISCELLANEOUS			
Marketable securities	5	3,334	3,279
Cash at bank and in hand	5	809	988
PREPAID EXPENSES	6		
Prepaid expenses		79	32
CURRENT ASSETS		247,675	228,955
Deferred loan issuance costs	6	2,574	2,202
Bond redemption premiums			
Unrealised exchanged losses			
GENERAL TOTAL		2,695,583	3,180,175

BALANCE SHEET

(In thousands of euros)	Notes	Financial year 2016	Financial year 2017
Capital Stock - Shares		232,775	232,775
Share or merger premium		738,087	1,237,648
Revaluation reserve			
Legal reserve		23,277	23,277
Statutory and legal reserves			
Regulated reserves			
Other reserves			
Retained earnings		828,508	834,821
RESULT FOR THE YEAR (gain or loss)		262,141	244,999
Investment grants			
Tax related provisions		467	467
SHAREHOLDER'S EQUITY	7	2,085,256	2,573,987
Income from issues of equity interests			
Contingent advances			
OTHER SHAREHOLDER'S EQUITY			
Provisions for risks			
Provisions for expenses		170	102
PROVISIONS	8	170	102
FINANCIAL DEBT			
Convertible debt			
Other bonds *			
Bank loans *	9	600,315	600,285
Borrowings and other financial liabilities			
Advances and deposits from customers		11	1
OPERATING CHARGES			
Trade creditors and related accounts		2,276	2,234
Tax and social security payable	10	2,202	2,904
MISCELLANEOUS DEBT			
Amounts payable for fixed assets and related accounts			
Other creditors	15.1	5,341	650
PREPAID EXPENSES			
Deferred revenues			
DEBT		610,144	606,074
Unrealised exchange gains		13	12
GENERAL TOTAL		2,695,583	3,180,175

* including portion maturing within 1 year

315

285

INCOME STATEMENTS

(In thousands of euros)	Notes	Financial year 2016	Financial year 2017
Sale of merchandise			
Sales of goods manufactured			
Sales of services rendered		3,708	1,790
NET SALES	12	3,708	1,790
Stocks of finished goods, and work in progress			
Own work capitalised			
Operating subsidies			
Write back of provisions and depreciation, transfers of expenses	6	370	174
Other income		0	0
OPERATING INCOME		4,078	1,964
Purchase of goods (including customs duties)			
Variation of inventories of bought-in goods			
Purchase of raw materials and other supplies			
Change in inventories (raw materials and supplies)			
Other purchases and external charges		6,631	6,576
Income tax, other taxes and assimilated		915	401
Wages	18.2	1,769	2,201
Social charges	18.2	630	758
Operating allowances	6		
<ul style="list-style-type: none"> • Fixed assets: amortisation • Fixed assets: depreciation • Current assets: amortisation and depreciation • Provisions • Other expenses 		520	522
		7	
		564	730
OPERATING CHARGES		11,036	11,188
OPERATING RESULT		-6,958	-9,224
JOINT VENTURES			
Share of profit or loss			
Losses incurred or transferred profit			
FINANCIAL INCOME		273,171	258,572
Income from investments		273,100	2,103
Income from other investments and loans		0	-1
Other interest receivable and similar income		7	256,468
Write back of provisions and transfers of expenses		61	
Realised exchange gains		0	1
Gains from sales of marketable securities		3	
FINANCIAL EXPENSES		9,108	5,633
Depreciation, amortisation and provisions			26
Interest payable and similar charges		9,107	5,597
Realised exchange losses		0	9
Losses from sales of marketable securities			
FINANCIAL RESULT	13	264,063	252,939
NET RESULT BEFORE TAXES		257,105	243,715
EXCEPTIONAL INCOME		2,414	1,937
Exceptional income from operations			
Exceptional income from capital transactions		710	1,812
Write back of provisions and transfers of expenses		1,704	125
EXCEPTIONAL EXPENSES		3,462	347
Exceptional expenses from operations		0	0
Exceptional expenses from capital transactions		3,292	347
Exceptional depreciation, amortisation and provisions		170	
EXCEPTIONAL RESULT	14	-1,048	1,590
Employees' profit-sharing			
Income tax	15	-6,084	306
TOTAL INCOME		279,663	262,473
TOTAL EXPENSES		17,521	17,474
NET INCOME OR LOSS		262,141	244,999

STATEMENTS OF CASH FLOWS

(in thousands of euros)	Notes	30 June 2016	30 June 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		262,141	244,999
Adjustments for non-cash items:			
Capital (gain)/loss on disposal of assets			
Depreciation, amortisation and provisions		-315	480
Other non-operating items		-263,703	1,174
Changes in operating assets and liabilities:			
Accounts receivable		-691	521
Other current assets		1,095	-214,617
Accounts payable		-142	134
Other payables		-4,913	-4,174
Net cash flows provided by operating activities		-6,529	28,518
NET CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisitions of satellites and other property and equipment			
Changes in other long-term assets			
Equity investments and other movements in financial investments		1,626	-1,523
Net cash flows used in investing activities		1,626	-1,523
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Changes in capital			
Distribution	7.1	-96,704	-255,828
Dividends received	13	272,102	1,812
Additional long-term and short-term debt	9	0	0
Reimbursements of long-term and short-term debt	9	0	0
Changes in borrowing		-164,589	232,789
Free share plans		549	-239
Interest paid		-9,568	-5,637
Interest received		998	291
Changes in other debt			
Net cash flows provided by (used in) financing activities		2,789	-26,812
Impact of exchange rate		12	-1
Increase (decrease) in cash and cash equivalents		-2,102	182
Cash and cash equivalents, beginning of period		3,922	1,820
Cash and cash equivalents, end of period	5	1,820	2,002

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1. GENERAL OVERVIEW

1.1. Business description

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

The Company's fiscal year runs for twelve months and ends on 30 June.

1.2. Key events during the period

On 10 May 2017, Eutelsat Communications S.A., which is Eutelsat Communications Finance's sole shareholder, decided on the early dissolution of its subsidiary. The winding up resulted in the universal transfer of the assets and liabilities (French "TUP") of Eutelsat Communications Finance to its sole shareholder. The transaction was effective at the expiry of the time limit for objection by creditors, namely 13 June 2017, without retroactive effect for accounting purposes, but with retroactive effect for tax purposes, as of 01 July 2016.

The dissolution is reflected in Eutelsat Communications' accounts by the recognition of a 756,025 thousand euro merger premium entered under shareholders' equity for 499,561 thousand euros and under financial income for 256,464 thousand euros.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

The annual financial statements are prepared in accordance with the French Code of commerce (Articles L. 123-12 to L. 123-28) and Rule 2016-07 of the "Autorité des Normes Comptables" (ANC – French accounting regulation body).

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

- going concern;
- separation of the financial periods;
- consistent accounting methods used from one financial year to the next, and in compliance with the general rules for preparing and presenting annual financial statements.

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

There have been no changes in accounting methods during the period apart from changes to the presentation of financial statements pursuant to the new regulation.

The currency used in the presentation of the Company's accounts is the euro.

2.2 Significant judgements and estimates

In preparing the financial statements, Management is required to make judgements and estimates that are likely to affect certain assets and liabilities, the amounts shown for the corresponding income and expenses in these annual financial statements and their accompanying Notes. Eutelsat constantly updates its estimates and assessments by using past experience and other relevant factors related to the economic environment. The close down of the transactions underpinning these estimates and assumptions could result in significant adjustments to the amounts that are recognised in a subsequent financial period because of the uncertainty that surrounds them.

2.3 Financial assets

Stock is recorded in the balance sheet at its acquisition value less incidental expenses. It may include treasury shares acquired under liquidity agreements.

Any excess of cost over fair value, as estimated by Management of the Company based on criteria such as the market value, the expected development and profitability or the shareholders' equity, and taking into account the specific nature of each investment, is recorded as an impairment charge to net income.

A provision for impairment of treasury shares is recognised if their book value is higher than their market value at balance sheet date.

2.4 Cash and marketable securities

Cash and marketable securities consist of treasury shares acquired under share buyback programmes designed to serve free share allocation plans, mutual fund investments, cash at bank and deposit certificates with original maturities of three months or less.

Shares repurchased for the purpose of serving stock plans are recorded at their initial cost until they are delivered to their recipients or reclassified if not attributed. This results in their not being impaired in the event of a drop in the share price.

2.5 Receivables and debt

Receivables and debt have been evaluated at their nominal value.

Receivables are entered with a loss in value, where appropriate, to reflect any difficulties in recovering outstanding amounts.

2.6 Apportionment of loan set-up costs

Loan set-up costs are amortised over the duration of the loan.

2.7 Shareholders' equity

External costs directly related to increases in capital, reduction of capital and share buy-back for reduction of capital, are allocated to the share premium net of taxes when an income tax benefit is generated.

Under French law, Eutelsat Communications S.A. is required by law to allocate 5% of its net annual result (after deduction of balances brought forward in the red, if any) to a legal reserve. This minimum contribution is no longer mandatory if and when the legal reserve represents at least 10% of the share capital. The legal reserve can only be distributed when the company is being wound up.

2.8 Provisions

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

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

2.9 Recognition of interest rate hedging instruments

The use of hedging instruments against the risk of variations in interest rates allows a fixed rate/variable rate distribution of the Company's debt. Where an instrument can be qualified as a hedging instrument, associated exchange gains and losses are recognised in the financial result, and the premium is reported in the financial result on a *pro rata temporis* basis.

Instruments not qualifying as hedges are valued at their market price. If there is a loss, an allowance is entered and the loss reported in the financial result. Premiums paid on these instruments are recognised in full in the financial result for the period.

2.10 Identity of the consolidating parent company

Eutelsat Communications consolidates its accounts and those of its subsidiaries at Eutelsat Communications Group level ("the Group") under the full consolidation method. Eutelsat Communications, whose registered office is located at 70, rue Balard 75015 Paris, is registered with the Paris Register of Trade and Companies under number 481 043 040. The Group's consolidated financial statements can be found on its corporate website.

NOTE 3. FINANCIAL ASSETS

Financial assets break down as follows:

(in thousands of euros)	30 June 2016	30 June 2017
Equity investments	2,440,645	2,942,832
Other investments in securities	4,553	6,203
Loans and other financial assets	136	9
Total gross book values	2,445,334	2,949,044
Provisions		-26
Total net carrying amounts	2,445,334	2,949,018

The changes in net carrying amounts between beginning and end of period are as follows:

(in thousands of euros)	Equity investments	Other investments in securities ⁽¹⁾	Loans and other financial assets ⁽¹⁾	Total
Net carrying values as of 1 July 2016	2,440,645	4,553	136	2,445,334
Acquisitions	0	35,199	35,072	70,220
Transfers ⁽²⁾	502,187	0	0	502,187
Reimbursement of capital contribution and disposals	0	-33,549	-35,199	-68,747
Reversals/Depreciation, amortisation and provisions	0	-26	0	-26
Net carrying values as of 30 June 2017	2,942,832	6,177	9	2,949,018

⁽¹⁾ Transactions relating to the liquidity agreement (see Note 3.2 - Other investments in securities).
⁽²⁾ Including the transfer of equity investments related to the TUP

3.1 Equity interests

As of 30 June 2016, the "Equity investments" item included:

- 500,000 shares in Eutelsat Communications Finance for an amount of 2,401,488,322.14 euros,
- 7,248,478 shares in Eutelsat S.A. for an amount of 39,156,817.32 euros (including acquisition costs for 467,000 euros).

As of 30 June 2017, the "Equity investments" item breaks down as follows:

- on 10 May 2017, Eutelsat Communications declared the dissolution of Eutelsat Communications Finance, its sole shareholder, resulting in the universal transfer of the assets and liabilities of the wound up company to Eutelsat Communications. The transaction which was effective on 13 June 2017 mainly resulted in the cancellation of Eutelsat Communications Finance shares and the transfer of Eutelsat S.A. shares held by the wound up company to Eutelsat Communications;

- 976,365,626 Eutelsat S.A. shares representing 2,557,929,143.43 euros (including acquisition costs amounting to 467,000 euros) including 969,115,805 shares arising from the universal transfer of assets and liabilities of Eutelsat Communications Finance representing 2,518,761,919.41 euros and 1,865 shares held under the liquidity offer of 12 June 2017 for 10,406.70 euros;
- a merger loss in relation to Eutelsat S.A. securities amounting to 384,903,118.08 euros, previously recorded in Eutelsat Communications Finance's accounts.

3.2 Other investments in securities

"Other investments in securities" breaks down as follows:

- treasury stock held under a liquidity agreement for 3,557 thousand euros corresponding to 211,560 shares as of 30 June 2016 and 5,225 thousand euros corresponding to 232,500 shares as of 30 June 2017. As of 30 June 2017, treasury shares are impaired for 26 thousand euros;
- the "SICAV de trésorerie" held under the liquidity agreement for 996 thousand euros corresponding to 43 SICAV BNP Paribas as of 30 June 2016 and for 978 thousand euros corresponding to 42 SICAV BNP Paribas as of 30 June 2017.

3.3 Loans and other financial assets

The "Loans and other financial assets" item includes the cash account related to the liquidity agreement on treasury stock for 136 thousand euros as of 30 June 2016 and 9 thousand euros as of 30 June 2017.

NOTE 4. OTHER RECEIVABLES

Other receivables (including advances and deposits from customers) break down as follows:

(in thousands of euros)	30 June 2016	30 June 2017
Income tax	8,263	
Deductible VAT	89	84
Inter-company accounts within the Group	234,257	224,253
Other debit balances	26	23
Total	242,635	224,360

All other receivables mature within one year.

NOTE 5. CASH AND MARKETABLE SECURITIES

Cash and marketable securities are as follows:

(in thousands of euros)	30 June 2016	30 June 2017
Treasury stock ⁽¹⁾	2,323	2,265
OPCVM		
Cash	809	987
Deposit warrants	1,011	1,014
Total	4,143	4,266

⁽¹⁾ See Note 7.2 - Free allocation of Eutelsat Communications shares and Eutelsat Communications' share-based awards.

NOTE 6. PREPAID EXPENSES AND OTHERS

“Prepaid expenses and others” is composed as follows:

(in thousands of euros)	30 June 2016	30 June 2017
Prepaid expenses	79	32
Expenses to be accrued over several years	2,574	2,202
Total	2,653	2,234

As of 30 June 2016 and 30 June 2017, expenses to be accrued relate to loan set-up costs initially amounting to 3,072 thousand euros. They are accrued over a period corresponding to the lifetime of the loan taken out in March 2015.

Amortisation of accrued expenses recorded in the income statement amounts to 520 thousand euros as of 30 June 2016 and 522 thousand euros as of 30 June 2017.

NOTE 7. SHAREHOLDERS' EQUITY

7.1 Statement of changes in shareholders' equity

As of 30 June 2017, the share capital comprises 232,774,635 ordinary shares with a nominal value of 1 euro per share.

On 04 November 2016, the Ordinary and Extraordinary Annual General Meeting of Shareholders was called upon to approve the annual financial statements for the period ended 30 June 2016. Having recognised a 262,141 thousand euro profit, the AGM decided to distribute a 1.10 euro dividend per share for a total amount of 255,828 thousand euros taken from net income and allocate the remaining balance, i.e. 6,313 thousand euros to retained earnings.

On 10 May 2017, Eutelsat Communications decided to wind up its subsidiary Eutelsat Communications Finance through the universal transfer of its assets and liabilities.

The dissolution is reflected in Eutelsat Communications' accounts by the recognition of a 756,025 thousand euro merger premium recorded under shareholders' equity for 499,561 thousand euros.

(in thousands of euros)	01/07/2016	Movements affecting the capital		Allocation of result	Distribution of dividends	Other movements	30/06/2017
		Increase	Reduction				
Share capital	232,775						232,775
Additional paid-in capital	704,802						704,802
Merger premium						499,561	499,561
Share premium	33,285						33,285
Legal reserve	23,277						23,277
Retained earnings (+)	828,508			6,313			834,821
Result 30/06/2016	262,141			-6,313	-255,828		
Regulated provisions ⁽¹⁾	467						467
Total	2,085,256				-255,828	499,561	2,328,988
				Shareholders' equity before result			2,328,988
				Net result			244,999
				Total shareholders' equity			2,573,987

⁽¹⁾ Regulated provisions cover the exceptional amortisation ("amortissement dérogatoire") of securities acquisition costs.

7.2 Free allocation of Eutelsat Communications shares and Eutelsat Communications' share-based awards

During the financial year 2016-2017, a new free share plan based on Eutelsat Communications shares has been approved. Accordingly, the Board of Directors meeting on 25 April 2017 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 level reached by performance-related objectives.

As of 30 June 2017, the Group runs three free share allocation plans and Eutelsat Communications share-based plans started in February 2015, February 2016 and April 2017 respectively, as follows:

Conditions	2015 Plan	2016 Plan	2017 Plan
Vesting Period	February 2015 - June 2017	February 2016 - February 2019 ⁽¹⁾	April 2017 - June 2019
Settled in	Cash	Shares and cash	Cash
Lock-up period	N/A	February 2019 - February 2021 ⁽²⁾	N/A
Maximum number of share-based awards at inception	436,639	482,211	323,454
Number of recipients	759	805	259
Features of "Employees Plan":			
- number of shares per recipient	300	300	N/A
- performance-related targets	Cumulative EBITDA ⁽³⁾ for 50%	Cumulative EBITDA ⁽³⁾ for 50%	N/A
	Average ROCE ⁽⁴⁾ for 50%	Average ROCE ⁽⁴⁾ for 50%	N/A
Features of "Managers Plan" at grant date:			
- total number of shares	174,337	195,462	260,129
- performance-related targets	Cumulative EBITDA ⁽³⁾ for 1/3	Cumulative EBITDA ⁽³⁾ for 1/3	Revenues for 1/3
	Average ROCE ⁽⁴⁾ for 1/3	Average ROCE ⁽⁴⁾ for 1/3	Discretionary Free-Cash-Flow for 1/3
	Relative TSR ⁽⁵⁾ for 1/3	Relative TSR ⁽⁵⁾ for 1/3	Cost savings Plan for 1/3
Features of "Corporate Officers" Plan at inception:			
- total number of shares	34,602	46,119	63,325
- performance-related targets	Cumulative EBITDA ⁽³⁾ for 1/3	Cumulative EBITDA ⁽³⁾ for 1/3	Revenues for 1/4
	Average ROCE ⁽⁴⁾ for 1/3	Average ROCE ⁽⁴⁾ for 1/3	Discretionary Free-Cash-Flow for 1/4
	Relative TSR ⁽⁵⁾ for 1/3	Relative TSR ⁽⁵⁾ for 1/3	Cost savings Plan for 1/4
			Relative TSR ⁽⁵⁾ for 1/4
Share price used as taxation basis for calculating social contributions and employer's charges:			
- "Employees" Plan	€28.37	-	-
- "Managers" Plan	€20.12	-	€22.14
- "Corporate Officers" Plan	-	-	€17.73
<p>(1) For foreign subsidiaries, the vesting period is 4 years.</p> <p>(2) There is no lock-up period for foreign subsidiaries.</p> <p>(3) EBITDA is defined as the operating result before depreciation and amortisation, impairment of assets, other operating income and charges.</p> <p>(4) ROCE is Return on Capital Employed = operating result / (shareholders' equity + net debt – goodwill).</p> <p>(5) Relative TSR (Total Shareholder Return) is the rate of return on a share against another metric or index over a given period, including dividends received and capital gain earned (i.e. variation in the share price).</p>			

The performance objectives are defined on the basis of the Group's consolidated financial statements.

Treasury stock

As of 30 June 2016, the Company held 108,655 equity shares for 2.32 million euros, recorded as “Cash and marketable securities” (see Note 5 - Cash and marketable securities).

As of 30 June 2017, the Company holds 106,022 equity shares for 2.26 million euros, recorded as “Cash and marketable securities” (see Note 5 - Cash and marketable securities).

NOTE 8. PROVISIONS FOR RISKS AND EXPENSES

“Provisions for risks and expenses” mainly includes provisions for litigation.

The change in the provisions for risks and expenses is as follows:

(in thousands of euros)	30 June 2016	Allowance	Reversals		30 June 2017
			(used provisions)	(unused provisions)	
Operating result					
Financial result					
Exceptional result	170		68		102
Total	170		68		102

NOTE 9. FINANCIAL DEBT

➤ Financial information as of 30 June 2016 and 30 June 2017:

Loans and bank debt were granted in 2015. They are denominated in euros with a five-year maturity period and two 1-year extension options, subject to lenders' approval. In March 2016 and March 2017, the Company obtained the approval of all lenders on both one-year extensions until March 2022.

They are as follows:

(in thousands of euros)	30 June 2016	30 June 2017
Loans and financial debt	600,000	600,000
Accrued interest	315	285
Total	600,315	600,285

Maturities of debts are as follows:

(in thousands of euros)	30 June 2016	30 June 2017
2021	600,000	-
2022	-	600,000
Total	600,000	600,000

➤ Position as of 30 June 2017

Eutelsat Communications has access to the following credit facilities:

- a term loan of 600 million euros expiring in March 2022 remunerated at a EURIBOR rate plus a margin of between 0.65% and 1.40%;
- a 200 million euro revolving credit line (undrawn as of 30 June 2017) entered into in March 2015 with a seven-year maturity.

The credit agreements include neither any guarantee by the Group, nor the pledging of assets to the lenders, but provide for restrictive clauses (subject to the usual exceptions contained in this type of loan agreement) which limit the capacity of Eutelsat Communications and its subsidiaries, in particular to:

- grant security interests or guarantees;
- enter into agreements resulting in additional liabilities;
- sell assets;
- enter into mergers, acquisitions, asset disposals, or lease transactions (excluding those carried out within the Group and expressly provided for in the loan agreement);
- modify the nature of the business of the Company or its subsidiaries.

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

The credit agreements provide for a commitment to maintain launch-plus-one-year insurance policies for any satellite located at 13° East and, for any other satellite, a commitment not to have more than one satellite not covered by a launch insurance policy.

Furthermore, the credit facilities are linked to the following financial covenants, calculated on the basis of the Group's consolidated financial statements presented in accordance with IFRSs:

- Eutelsat Communications is required to maintain a total net debt to annualised EBITDA ratio (as defined contractually), which is less than or equal to 4.0 to 1, this ratio being tested as of 30 June and 31 December each year.

9.1 Compliance with banking covenants

As of 30 June 2017, the Company complied with all banking covenants under its credit facilities.

NOTE 10. TAX AND SOCIAL SECURITY PAYABLE

Tax and employee-related payable is composed of the following:

(in thousands of euros)	30 June 2016	30 June 2017
State: accrued liabilities	39	181
Income tax		66
Output VAT	67	62
Staff: accrued liabilities	1,459	1,801
Social charges payable	637	795
Total	2,202	2,904

NOTE 11. PERSONNEL

The Company has no employees.

Compensation paid to senior managers is indicated in Note 18.2 - *Compensation paid to members of the "key management personnel"*.

NOTE 12. REVENUE

Company revenue is generated through the re invoicing of services to its equity investments.

Activities mainly include managing their staff, setting up and implementing their industrial and commercial policies, their strategy and their technical, financial and institutional communication.

Revenue breakdown is as follows:

(in thousands of euros)	30 June 2016	30 June 2017
France	3,708	1,790
Export	-	-
Revenue recognition	3,708	1,790

NOTE 13. FINANCIAL RESULT

The financial result is made up as follows:

(in thousands of euros)	30 June 2016	30 June 2017
Interest expense	-9,107	-5,475
Interest income	998	291
Proceeds from equity investments	272,102	1,812
Merger premium		256,465
Investment earnings	0	-1
Proceeds from mutual fund investments	3	
Other	68	-153
Total	264,063	252,939

The interest expense corresponds to existing loans (see Note 9 – *Financial debt*), after taking into account interest received or paid on hedging instruments.

As of 30 June 2017, income from investments mainly consists in dividends from the subsidiary Eutelsat S.A. for 1.8 million euros.

As of 30 June 2016, income from equity investments mainly consists in interim dividends and dividends from the subsidiaries Eutelsat Communications Finance (270 million euros) and Eutelsat S.A. (2.1 million euros).

On 10 May 2017, Eutelsat Communications decided to wind up its subsidiary Eutelsat Communications Finance

through the universal transfer of its assets and liabilities.

The dissolution is reflected in Eutelsat Communications' accounts by the recognition of a 756,025 euro merger premium entered under financial result for 256,464 thousand euros.

NOTE 14. EXCEPTIONAL RESULT

The exceptional result comprises the following:

(in thousands of euros)	30 June 2016	30 June 2017
Gain on repurchase of treasury stock	710	1,812
Cost of free share grant invoiced to subsidiaries	838	57
Reversal of provisions for tax risks	866	68
Transfers of exceptional charges	0	0
Exceptional income	2,414	1,937
Fines and penalties	0	0
Donations	0	0
Loss on repurchase of treasury stock	2,337	289
Cost of purchase of free shares allocated	955	58
Allocation to provisions for tax risks	170	0
Exceptional charges	3,462	347
Exceptional result	-1,048	1,590

NOTE 15. INCOME TAX

15.1 Tax consolidation

On 28 June 2006, the Company decided to apply a tax consolidation system to the Group consisting of itself and its subsidiary Eutelsat Communications Finance.

Under the tax consolidation agreement, the subsidiaries bear corporate income tax, social contributions and an annual lump sum tax expense equal to the amount that they would have had to bear if there had been no tax consolidation agreement applying to the Group, and on the understanding that it is the Company at the head of

the tax consolidation group that bears or benefits from any additional tax expense or tax savings resulting from the application of such a system.

The scope of the tax consolidation group includes Eutelsat S.A., Eutelsat Broadband Services S.A.S (formerly Eutelsat VAS S.A.S.), Fransat S.A.

Eutelsat Communications Finance S.A.S and Skylogic France S.A.S. have ceased to be consolidated as of 1 July 2016.

As of 30 June 2016 and 30 June 2017, the tax expense for the tax consolidation group is 164 million euros and 152 million euros respectively, and the amount due by the sub-subsidiaries under the tax consolidation agreement is 175 million euros and 156 million euros, which yields a profit of 10.6 million euros and 3.2 million euros as of 30 June 2016 and 30 June 2017 respectively.

As a reminder, Eutelsat Communications' losses prior to the tax consolidation system stood at 43.3 million euros.

15.2 Common law provisions

As of 30 June 2017, the Company's tax liability breaks down between current income and exceptional income as follows:

<i>(in thousands of euros)</i>	Income before tax	Tax due	Net income
Current	243,715	304	243,411
Exceptional	1,590	2	1,588
Total	245,305	306	244,999

The corporate tax includes the income tax rate estimated at 34.43% pursuant to the general arrangements for business taxation, and results from the application of the Amended Finance Act for 2012 ("*Loi de finances rectificative 2012*") which introduced an additional 3% contribution on dividends, and the 2013 Finance Act ("*Loi de finances 2013*") which caps deductibility of financial expenses at 75%.

15.3 Increases and reductions in future tax liability

(in thousands of euros)	30 June 2016	30 June 2017
Reductions in future tax liability:		
Loss carry-forwards (1)	14,910	12,524
Impairment of assets	-	
Non-deductible provisions	0	0
Total	14,910	12,524
Increases in future tax liability:		
Other	-	-
Total	-	-

(1) Rates used: 34.43% as of 30 June 2016 and 28.92% as of 30 June 2017.

NOTE 16. MARKET RISK

16.1. Interest rate risk

The Company has exposure to market risks, particularly with regard to interest rates. Such risks are actively managed by Management. To deal with this, the Company employs a certain number of derivatives, the objective of which is to limit, where appropriate, exposure of revenue and cash flows to interest rate risk. The Company's policy is to use derivatives to manage exposure to such risks. Consequently, the Company does not engage in any speculative financial transactions.

Eutelsat Communications S.A.'s exposure to interest rate risk is managed by hedging its floating rate debt.

During the financial year ended 30 June 2017, floating rates remained in negative territory. Consequently, the Company did not find it relevant to hedge the risk of an increase in floating rates.

16.2. Financial counterparty risk

Financial counterparty risk includes issuer risk, execution risk in connection with derivatives or monetary instruments, and credit risk related to liquidity and forward investments. The Company minimises its exposure to issuer risk and its exposure to execution and credit risk by acquiring financial products from first-rate financial institutions or banks. Exposure to these risks is closely monitored. The Company does not foresee any loss that would result from a failure by its counterparts to respect their commitments under the agreements concluded. The risks to which the Group is exposed are confined neither to the financial sector nor to any particular country.

NOTE 17. OTHER COMMITMENTS AND CONTINGENCIES

In accordance with the loan agreements referred to in Note 9 - *Financial debt*, Eutelsat Communications has commitments to perform or not to perform certain actions. This type of commitment cannot be quantified. The company's off-balance sheet purchase commitments maturing within less than two years stand at 0.95 million euros.

NOTE 18. RELATED-PARTY TRANSACTIONS

Related parties are defined as any third parties having a direct or indirect capital-based link (not exceeding 99%) with Eutelsat.

More specifically, related-party transactions consist of the direct and indirect shareholders who have 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 a subsidiary of the Company, the companies other than subsidiaries in which Eutelsat has an equity and "key management personnel".

The Company considers that the concept of "key management personnel" as applied to the governance of Eutelsat includes members of the administrative and management bodies, namely the CEO, the Deputy CEOs and the other members of the Board of Directors.

18.1 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 are as follows:

(in thousands of euros)	30 June 2016	30 June 2017
Gross receivables (including unbilled revenues)	626	305
Inter-company accounts: receivables (payables)	5,132	223,603
Debt (including deferred payments)	226	-27

Current assets comprise trade receivable balances, inter-company accounts and unbilled revenues, but do not take into account any provisions for bad debts.

Transactions with related parties included in the income statement are as follows:

(in thousands of euros)	30 June 2016	30 June 2017
Revenue	3,708	1,790
Transfer of expenses	839	57
Operating charges	-2,614	-2,904
Financial result	2,102	2,043

18.2 Compensation paid to members of the “key management personnel”

Gross compensation (including employer’s contributions) paid by the Company to its Directors and Corporate Officers during the financial period ended 30 June 2017 breaks down as follows:

(in millions of euros)	30 June 2017
Short-term benefits	2.5
Post-employment benefits	See below
Share-based payment	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 awards and free share allocation programmes in force as of 30 June 2017

During its meetings of 11 February 2015, 16 February 2016 and 25 April 2017, the Board of Directors approved new free share allocation plans (see Note 7.2 - *Free allocation of Eutelsat Communications shares and Eutelsat Communications’ share-based awards*) and decided to grant a maximum of 118,571 shares in Eutelsat Communications to members of the Company's administrative and management bodies subject to conditions set out in the plans.

The value of the benefit granted as of 30 June 2017 has been estimated at 1,790 thousand euros, spread over a three-year vesting period.

Share-based awards having expired during the financial year ended 30 June 2017

At the end of the vesting period of the 13 February 2014 free share allocation programme, members of the Company's administrative and management bodies received 159 thousand euros in share premium.

Expenses recorded under the free share allocation programmes and share-based awards

The gross income recorded under staff expenses for the financial year ended 30 June 2016 was 392 thousand euros. The gross expense amounting to 510 thousand euros was recorded under staff expenses for the financial years ended 30 June 2017.

In July 2016, attendance fees paid to members of the Board of Directors amounted to 611 thousand euros in respect of the financial year 2015-2016.

No payment was made in respect of the financial year ended 30 June 2017.

NOTE 19. FINANCIAL INFORMATION RELATED TO SUBSIDIARIES AND EQUITY INVESTMENTS

The table below contains the list of investments held by Eutelsat Communications in subsidiaries and other companies as of 30 June 2017:

(in thousands of euros)	Capital	Other components of shareholders' equity as of 30 June (local accounts)	Percentage of ownership (as a %)	Last financial period ended	
				Revenues (local accounts)	Net income (local accounts)
Eutelsat SA RCS no. 422 551 176 Paris Headquarters in Paris (financial period ended 30/06/2017)	658,555	1,069,651	100%	-	312,562

The table below provides aggregated information on all investments held by Eutelsat Communications in subsidiaries and other companies as of 30 June 2017:

(in thousands of euros)	Gross book value of investments held	Provision for impairment	Loans and advances	Pledges and guarantees granted	Dividends received
Subsidiaries and equity interests	2,557,929	-	-	-	1,812

NOTE 20. SUBSEQUENT EVENTS

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