

Eutelsat Communications

A public limited company (French “*société anonyme*”) with a capital of 248,926,325 euros

Registered office: 32, boulevard Gallieni, 92130 Issy-les-Moulineaux

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

ANNUAL FINANCIAL STATEMENTS AS OF 30 JUNE 2023

INCOME STATEMENT

<i>(in millions of euros)</i>	Note	30 June 2022	30 June 2023
Revenue		2.6	5.1
Other operating income		2.2	0.1
Total operating income	3.1.	4.8	5.2
Staff costs		(3.4)	(2.6)
Other operating expenses		(12.9)	(11.6)
Total operating expenses	3.2.	(16.3)	(14.2)
Operating income		(11.5)	(9.0)
Financial income		195.7	0.2
Financial expenses		(4.5)	(11.5)
Financial income	3.3.	191.3	(11.3)
Current income before taxes		179.7	(20.3)
Exceptional income	3.4.	0.4	(1.2)
Company tax	3.5.	4.8	(0.0)
RESULT FOR THE YEAR	3.5.2.	185.0	(21.6)

BALANCE SHEET

<i>(in millions of euros)</i>	Note	30 June 2022 Net Amounts	30 June 2023 Net Amounts
Assets			
Financial fixed assets	4.1.	2,948.4	2,982.9
Equity investments		2,943.4	2,943.4
Other financial assets		5.0	39.5
Current assets		56.3	21.5
Other receivables	4.2.	12.9	19.1
Group current accounts	4.2.	39.9	-
Marketable securities	4.3.	1.0	1.0
Cash	4.3.	2.4	1.3
Prepaid expenses		0.1	0.1
Other assets		1.8	1.3
Debt issuance costs	4.4.	1.8	1.3
TOTAL ASSETS		3,006.4	3,005.8

<i>(in millions of euros)</i>	Note	30 June 2022	30 June 2023
Liabilities			
Share capital		230.5	248.9
Issue, merger and acquisition premiums		1,217.5	1,330.8
Other reserves		0.2	0.2
Statutory reserves		23.1	24.9
Retained earnings		931.3	902.1
Result for the year		185.0	(21.6)
Tax related provisions		0.5	0.5
Equity Capital	4.5.	2,588.1	2,485.8
Provisions		0.1	0.2
Financial debts	4.6.	400.3	401.0
Other liabilities	4.7.	17.9	118.7
Financial, operating and other liabilities		418.2	519.7
TOTAL LIABILITIES		3,006.4	3,005.8

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

1.1. COMPANY'S ACTIVITY

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

The Company, whose registered office is located at 32 boulevard Gallieni 92130 Issy-les-Moulineaux, is registered with the Register of Trade and Companies under number 481,043,040.

1.2. KEY EVENTS OF THE FINANCIAL YEAR

On 26 July 2022, Eutelsat Communications and key OneWeb shareholders signed a Memorandum of Understanding with a view to combining both companies in an all-share transaction to create a leading global player in connectivity. The transaction will be structured as an exchange of OneWeb shares by its shareholders (other than Eutelsat) for new shares issued by Eutelsat. On closing of the transaction, Eutelsat will own 77% of OneWeb and 23% through its subsidiary Eutelsat S.A. OneWeb shareholders will receive around 226 million newly issued shares in the company.

Following the issuance by the employee representative bodies of their opinion, Eutelsat Communications and the key OneWeb shareholders signed the final combination agreement on 14 November 2022. The realization of the transaction remains subject to the customary conditions precedent, in particular approval by the relevant regulatory authorities. The Extraordinary General Meeting of Eutelsat shareholders convened to approve the transaction should take place in the third quarter of 2023 calendar year.

NOTE 2. ACCOUNTING PRINCIPLES

2.1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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

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

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

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

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

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

2.2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

In preparing the financial statements as of 30 June 2023, the Management has made judgements, particularly with regard to the value of equity investments and share-based compensation.

2.3. FINANCIAL ASSETS

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

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

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

2.4. RECEIVABLES AND PAYABLES

Receivables and payables are evaluated at their face value.

2.5. CASH AND MARKETABLE SECURITIES

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

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

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

2.6. DEBT ISSUANCE COSTS

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

2.7. SHAREHOLDERS' EQUITY

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

2.8. PROVISIONS

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

NOTE 3. NOTE ON THE INCOME STATEMENT

3.1. REVENUE

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

Revenue, which is generated exclusively in France, amounted to 5.08 million euros as of 30 June 2023 versus 2.61 million euros as of 30 June 2022.

3.2. OPERATING EXPENSES

Operating expenses break down as follows:

<i>(in millions of euros)</i>	30 June 2022	30 June 2023
Staff costs	(3.4)	(2.6)
Other purchases and external expenses	(11.3)	(9.6)
Other operating expenses	(1.6)	(2.0)
Total	(16.3)	(14.2)

3.2.1. Staff costs

The Company has no employees.

Staff costs correspond to compensation for Board members, including share-based compensation, and amounted to 2.6 million euros (3.4 million euros as of 30 June 2022).

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

3.2.2. Other purchases and external expenses

Other purchases and external expenses consist mainly of sub-contracting and consultancy costs amounting to 3.4 million euros (2.9 million euros as of 30 June 2022), fees of 4.7 million euros (4.9 million euros as of 30 June 2022) and commissions, bank fees and loan costs of 0 million euros (1.7 million euros as of 30 June 2022).

3.2.3. Other operating expenses

Other operating expenses consist mainly of attendance fees amounting to 1 million euros (0.9 million euros as of 30 June 2022), taxes and duties of 0.4 million euros (0.2 million euros as of 30 June 2022) and amortised loan costs of 0.6 million euros (0.4 million euros as of 30 June 2022).

3.3. FINANCIAL RESULT

The financial result breaks down as follows:

<i>(in millions of euros)</i>	30 June 2022	30 June 2023
Income from holdings	195.3	-
Interest expenses	(4.5)	(11.5)
Other	0.4	0.2
Total	191.3	(11.3)

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

3.4. EXCEPTIONAL RESULT

The exceptional result represents an expense of 1.2 million euros (income of 0.4 million euros as of 30 June 2022). It consists mainly of treasury share buyback surpluses and losses related to the liquidity contract.

3.5. COMPANY TAX

3.5.1. Tax consolidation

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

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

As of 30 June 2022, the income tax expense payable by the tax consolidation group amounted to 30.9 million euros while the amount due by the subsidiaries under the tax consolidation agreement amounted to 35.6 million euros, releasing a profit of 4.7 million euros.

As of 30 June 2023, the tax consolidation group had a tax loss of 68.1 million euros, which can be carried forward to offset future taxable income.

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

3.5.2. Common law provisions

As of 30 June 2023, the Company's tax liability breaks down between the current result and the exceptional result as follows:

<i>(In millions of euros)</i>	Result before tax	Tax due	Net result
Current	(20.3)	0.0	(20.3)
Exceptional	(1.2)	-	(1.2)
Total	(21.5)	-	(21.6)

The Company's tax is calculated on the basis of the corporate income tax rate estimated at 25.83%, in accordance with the provisions of the French general tax law.

3.5.3. Increases and reductions in future tax liability

<i>(in millions of euros)</i>	30 June 2022	30 June 2023
Reductions in future tax liability:		
Losses carried forward	11.2	16.0
Total	11.2	16.0

NOTE 4. NOTES ON THE BALANCE SHEET

4.1. FINANCIAL ASSETS

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

<i>(in millions of euros)</i>	30 June 2022	Acquisition / subscription	Assignment/ reduction	30 June 2023
Equity investments (including merger losses)	2,943.4	-	-	2,943.4
Other financial assets	4.9	97.9	(63.3)	39.5
Total of the gross values	2,948.4	97.9	(63.3)	2,982.9
Provision for depreciation	-	-	-	-
Total net values	2,948.4	97.9	(63.3)	2,982.9

Equity investments consist of:

- 976,475,432 shares in the company Eutelsat S.A. for an amount of 2,558.5 million euros as of 30 June 2023 and 976,475,432 shares for an amount of 2,558.5 million euros as of 30 June 2022,
- a merger loss allocated to Eutelsat S.A. shares in the amount of 384.9 million euros.

The value in use of the Eutelsat S.A. shares has been determined on the basis of a valuation of the Eutelsat Group based on future cash flows. These cash flows have been updated as of 30 June 2023 to incorporate the recent available information. The value in use as determined is greater than the net carrying amount of 2,943.4 million euros. Consequently, no impairment loss on shares has been recognised as of 30 June 2023.

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

- treasury shares for an amount of 2.2 million euros corresponding to 356,061 shares as of 30 June 2023 and for an amount of 2.4 million euros corresponding to 222,950 shares as of 30 June 2022,
- SICAV money market funds for an amount of 1.4 million euros as of 30 June 2023 and for an amount of 2.5 million euros as of 30 June 2022.
- OneWeb acquisition costs for 35.8 million euros which will be included in the value of the OneWeb shares acquired during the business combination transaction.

4.2. RECEIVABLES

Receivables amount to 19.1 million euros. They include other receivables mainly constituted 14.7 million euros of corporation tax receivables as of 30 June 2023.

As of 30 June 2022, receivables amounted to 52.7 million euros, mainly comprising loans granted by the Company to its subsidiary Eutelsat S.A. totalling 39.9 million euros. As of 30 June 2022, the other receivables included the corporate tax receivable of 11.5 million euros.

All the receivables are due within one year.

4.3. CASH AND MARKETABLE SECURITIES

Cash and marketable securities break down as follows:

<i>(in millions of euros)</i>	30 June 2022	30 June 2023
Treasury shares		
Cash	2.4	1.3
Deposit warrants	1.0	1.0
Total	3.4	2.4

4.4. DEBT ISSUANCE COSTS

Debt issuance costs, relating to the loan initially taken out in March 2015 and renegotiated in June 2021, for an amount of 2.2 million euros, are spread over the result for five years in the amount of 0.4 million euros per year. Debt issuance costs remaining depreciable amount to 1.3 million euros as of 30 June 2023 (1.8 million euros as of 30 June 2022).

4.5. SHAREHOLDERS' EQUITY

As of 30 June 2023, the share capital is composed of 248,926,325 ordinary shares with a nominal value of 1 euro per share.

On 10 November 2022, the shareholders participating in the Ordinary and Extraordinary Annual General Meeting of Shareholders convened to approve the annual financial statements for the period ended 30 June 2022 and recognising a 184,992 million euro profit, decided to distribute a dividend of 0.93 euro per share amounting to a total distribution of 214.2 million euros charged against the net result for the financial year, the balance of 29.2 million euros being charged against retained earnings.

The payment of the dividend in the total amount of 214.2 million euros took place on 16 December, of which 80.6 million euros in cash and 133.6 million in the form of 18,381,330 newly issued shares at an issue price of 7.27 euros.

<i>(in millions of euros)</i>	30 June 2022	Result allocation	Distribution of dividends	Other movements	30 June 2023
Share capital	230.5		18.4		248.9
Issue, merger and acquisition premiums	1,217.5		113.3		1,330.8
Legal reserve	23.1		1.8		24.9
Statutory reserve	0.2				0.2
Retained earnings	931.3		(29.2)		902.1
Result as of 30/06/2022	185.0		(185.0)		0.0
Tax related provisions	0.5				0.5
Total	2,588.1		(80.6)		2,507.4
		Shareholders' equity before result			2,507.4
		Result for the year			(21.6)
		Total shareholders' equity			2,485.8

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

4.6. FINANCIAL DEBT

Bank loans, denominated in euros, were contracted in June 2021 with a five-year maturity period and two one-year extension options, subject to the lenders' approval. The first one-year extension was obtained during the 2021-22 financial year.

The bank loans are as follows:

<i>(in thousands of euros)</i>	30 June 2022	30 June 2023
Bank borrowings	400.0	400.0
Accrued interest	0.3	1.0
Total	400.3	401.0

Eutelsat Communications also has a 200 million euros revolving credit line (undrawn as of 30 June 2023) entered into in June 2021 with a five-year maturity, with two one-year extension options subject to the lenders' approval. The first one-year extension has been obtained and the second option has not been exercised.

The credit agreements do not carry any guarantee from the Group or pledging of assets in favour of the lenders but contain restrictive clauses (subject to the usual exceptions provided for in this type of loan agreement) limiting the ability of Eutelsat Communications and its subsidiaries, in particular to grant security interests, incur additional indebtedness, dispose of assets, engage in mergers and acquisitions, sales of assets and leasing operations (with the exception of those carried out within the Group and expressly provided for in the loan agreement) and change the nature of the activity of the Company and its subsidiaries.

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

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

In addition, these credit agreements are backed by a financial covenant which provides for a total net debt to annualised EBITDA ratio less than or equal to 4.0 to 1, determined on the basis of the Group’s consolidated financial statements and, if the business combination with OneWeb proceeds, 4.75 to 1 for the tests from 30 June 2023 to 31 December 2024 and 4.50 to 1 for the tests from 30 June 2025 to 31 December 2025. During the first half of the 2022-23 financial year, the Group reached agreement with its lenders that the calculation of the ratio of total net debt to EBITDA should take into account the early receipt of the after-tax proceeds on the release of the C-band for the test periods up to 30 June 2024. The Group also obtained from its lenders an increase in the net debt to EBITDA ratio from 4 to 4.75 for the test periods from 30 June 2023 to 31 December 2024, and then to 4.50 for the test periods from 30 June 2025 to 31 December 2025 in the event that completion of the business combination with OneWeb takes place before the test date. As of 30 June 2023, the Company complied with this banking covenant.

4.7. OTHER DEBTS

Operating debts break down as follows:

<i>(in thousands of euros)</i>	30 June 2022	30 June 2023
Accounts payable	4.3	22.9
State liabilities	0.2	0.5
Staff liabilities	2.3	1.3
Tax consolidation current accounts	11.1	17.6
Current accounts	0.0	76.3
Total	17.9	118.7

All debts are due within one year.

As of 30 June 2023, the current account with Eutelsat SA amounts to 76.3 million euros.

NOTE 5. OTHER INFORMATION

5.1. RELATED PARTY TRANSACTIONS

5.1.1. Executive Management compensation

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

<i>(in millions of euros)</i>	30 June 2022	30 June 2023
Short-term benefits	3.3	2.6
Attendance fees paid	0.9	1.0

Seventy-one per cent of these costs are charged back to Eutelsat S.A. for the activities outlined in Note 1.1 “Company’s activity”.

Share-based compensation

The free phantom share allocation plan, granted in November 2019, matured in June 2022. In respect of this plan, the Company granted 0.3 million euros.

The social security contributions recorded for the four other plans whose features are presented below amounts to 0.1 million euros (0 million euros as of 30 June 2022).

Under the plans listed below, free shares were granted to the directors and corporate officers in November 2020, November 2021, January 2022 and November 2022.

Their vesting is contingent on an attendance requirement and the achievement of performance conditions.

Features of the plans	November 2020 plan	November 2021 plan	January 2022 plan	November 2022 plan
Vesting period	July 2020 - June 2023	July 2021 - June 2024	January 2022 - December 2024	November 2022 - June 2025
Maximum number of shares attributable to directors and corporate officers at inception	224,963	58,581	75,736	98,010
Number of recipients	1	1	1	1
Number of shares and performance requirements for phantom share plans				
Number of outstanding shares	0	0	0	0
Number of shares and performance requirements for free share plans				
Number of outstanding shares	81,323	25,386	75,736	98,010
Performance targets	Revenue, Discretionary Free-Cash-Flow Relative TSR, CSR	Revenue, Discretionary Free-Cash-Flow Relative TSR, CSR	Revenue, Discretionary Free-Cash-Flow Relative TSR, CSR	Revenue, Discretionary Free-Cash-Flow Relative TSR, CSR
Expense for the financial year (in millions of euros)	0	0	(0.1)	0

The relative TSR (total shareholder return) measures the shareholder return for Eutelsat shares compared to that of other benchmarks or indices.

Non-compete clauses

In the event of termination of office for the Chief Executive Officer or a Deputy-CEO, a non-compete clause provides for payment of 50% of their fixed compensation over an 18-month period. Under this clause, the Chief Executive Officer and the Deputy-CEO are required to refrain from working directly or indirectly for other satellite operators. In this regard, 0.3 million euros was paid to the outgoing Chief Executive Officer in 2023. This agreement expired on 30 June 2023.

5.1.2. Related parties other than executive managers

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

During the 2023 financial year, Eutelsat Communications S.A. and its related parties did not enter into any material transactions under unusual market conditions.

5.2. CONTINGENT LIABILITIES

The company Eutelsat has been the subject of three tax audit procedures in respect of the period between 1 July 2012 and 30 June 2020.

The first tax audit procedure covered the financial years ended 30 June 2012, 2013 and 2014, for which an upwards tax adjustment proposal was received in December 2016. As a result of the pre-litigation appeals and subsequent discussions, the amounts claimed by the tax authorities were reduced. There is still disagreement on one tax enhancement which will consequently be the subject of a pre-litigation appeal.

The second tax audit procedure covered the financial years ended 30 June 2015, 2016 and 2017, for which two upwards tax adjustment proposals were received in December 2018, then in December 2019. This tax audit procedure was definitively closed in October 2022 via an overall settlement with the tax authority. The corresponding tax assessment notices received in December 2022 amounted to 21.8 million euros and were paid in full.

The third tax audit procedure covers the financial years ended 30 June 2018, 2019 and 2020, for which two upwards tax adjustment proposals were received in December 2021, then in December 2022. These projected upwards adjustments are broadly in line with those mentioned above. The responses to the comments were received at the end of May 2023. There is still disagreement on a small number of tax enhancements for which the company has initiated the applicable administrative remedies.

5.3. OFF-BALANCE SHEET COMMITMENTS

The Company's off-balance sheet purchase commitments amount to 6 million euros as of 30 June 2023, of which 4 million euros in respect of the OneWeb acquisition costs.

5.4. INFORMATION ABOUT SUBSIDIARIES AND EQUITY INTERESTS

The table below contains the list of investments held by Eutelsat Communications in subsidiaries and other companies as of 30 June 2023:

(in millions of euros)	Capital	Shareholders' equity other than capital as of 30 June (local accounts)	Share of capital held (in %)	Last financial year		Gross book value of investments held	Provision for impairment of investments	Loans and advances granted	Pledges and guarantees granted	Dividends received
				Revenue (local accounts)	Net result (local accounts)					
Eutelsat SA RCS No.422,551,176 Paris Registered office located in Paris (financial year ended 30/06/2023)	658.6	-	96.38%	970.9	82.9	2,558.5	-	-	-	-

5.5. SUBSEQUENT EVENTS

None