EUTELSAT Communications

2016-2017 HALF YEAR FINANCIAL REPORT

(July-December 2016)

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SUMMARY

THIS INTERIM FINANCIAL REPORT INCLUDES A STATEMENT OF INDIVIDUALS RESPONSIBLE FOR THIS DOCUMENT, AN INTERIM MANAGEMENT REPORT, INTERIM CONSOLIDATED ACCOUNTS AND THEIR APPENDIX FOR THE PAST SIX MONTHS AND THE REPORT OF THE AUDITORS ON THE REVIEW OF THE ABOVE.

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PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

I certify that, to my knowledge,the consolidated financial statements for the half year are prepared in accordance with applicable accounting standards and present fairly the assets, financial condition and results of the company and the entities included in consolidation, and that the interim management report includes a fair review of significant events occurring during the first six months of the year, their impact on the accounts, the main transactions between related parties and a description of major risks and uncertainties for the remaining six months of the year.

Mr. Rodolphe Belmer

Chief Executive Officer

1 KEY EVENTS AND BUSINESS OVERVIEW

1.1. HIGHLIGHTS

Solid commercial performance supporting revenues:

- Fall campaign renewal rate with the US Department of Defense above expectations;
- Progress on HD and Ultra HD channel take-up on HOTBIRD;
- Contracts signed for in-flight Connectivity for SAS and Finnair on KA-SAT and for Saudi Arabian Airlines on the HTS payload of EUTELSAT 3B, which is now fully leased.

Delivering on Capex reduction and Discretionary Free Cash Flow generation:

- EUTELSAT 5 West B satellite procurement with 'design-to-cost' policy enabling Capex savings of more than 30%;
- Strong growth in Discretionary Free Cash-Flow in the first half.

Robust profitability:

- Launch of 'LEAP' cost-savings plan aimed at generating €30 million in annualised savings by 2018-19;
- EBITDA margin outlook raised.

Preparing the ground for future growth in Connectivity:

- Securing of Ka-band capacity from Yahsat enabling the launch of the African broadband initiative (Konnect Africa) in H2 2016-17;
- Upcoming joint-venture with ViaSat paving the way for a step-up in Connectivity from the early 2020s, with no change to Capex outlook.

1.2. KEY FIGURES

	6 months to Dec. 2015	**6 Months to Dec. 2016**	**Actual change**	**Like-for-like change**
Revenues - €m	774.4	**755.1**	**-2.5%**	**-0.9%**
EBITDA[1] - €m	600.3	**588.0**	**-2.0%**	
EBITDA margin - %	77.5	**77.9**	**+0.4 pt**	
Group share of net income - €m	188.0	**192.2**	**+2.2%**	
Financial structure				
Discretionary Free-Cash-Flow[2]	256.7	**324.8**	**+26.5%**	
Net debt - €m	3,723.3	**3,885.0**	**+€161.7m**	
Net debt/EBITDA - X	3.18x	**3.37x**		
Backlog – €bn	5.8	**5.3**	**-8.0%**	

[1] Operating income before depreciation and amortisation, impairments and other operating income/(expenses).
[2] Net cash-flow from operating activities – Cash Capex - Interest and Other fees paid net of interests received. Please refer to the appendix of this document for more detail.
Alternative Performance Indicators have been defined in chapter 6 of 2015-16 Reference Document.

1.3. REVENUES[3]

Note: In line with the strategy presented on June 27, Eutelsat will henceforth communicate its revenues on the basis of five applications: Video, Fixed Data and Government Services (Core Businesses), Fixed Broadband and Mobile Connectivity (Connectivity). Please refer to the note in the appendix to this document for more details.

Previous reported applications			New applications		Variation	
In € millions	6 months to Dec 2015	In € millions	6 months to Dec 2015 Proforma[4]	6 months to Dec 2016	Vs. reported revenues	Like-for-like change[5]
Video Applications	468.9	Video Applications	464.6	**455.4**		-2.0%
Data Services	118.0	Fixed Data	101.0	**84.9**		-15.9%
Value-Added Services	55.1	Government Services	94.9	**86.1**		-9.1%
Government Services	106.2	Fixed Broadband	*41.1*	***48.6***	*N/A*	*+18.3%*
Other revenues	26.1	Mobile Connectivity	*32.3*	***38.5***		*+19.3%*
Sub-total	774.4	Other revenues[6]	*28.4*	***41.6***		*+47.9%*
Non-recurring revenues	-					
Total	774.4	**Total**	***762.2***	***755.1***	***-2.5%***	***-0.9%***
		EUR/USD exchange rate	*1.11*	***1.11***		

Group **First Half** revenues stood at €755.1 million, down 0.9% at constant currency and perimeter. On a reported basis, revenues were down 2.5% reflecting a 1.6 point negative perimeter effect (disposal of Alterna'TV, Wins/DHI[7] and DSAT Cinema). There was no significant currency effect in the first half.

Core businesses

Video Applications (64% of revenues)

Video Applications revenues in the **first half** were down 2.0% like-for-like to €455.4 million. The decline was fully attributable to lower revenues in Professional Video. Broadcast revenues were stable on the back of the contribution from incremental capacity launched during the course of last year (EUTELSAT 8 West B for MENA and EUTELSAT 36C for Sub-Saharan Africa), which more than offset the negative impact of rationalisation of capacity at the HOTBIRD position and lower revenues from FRANSAT following the completion of the transition to HD in France.

At 31 December 2016, the total number of channels broadcast by Eutelsat satellites stood at 6,339 up 5.6% year-on-year. HD penetration continued to increase, standing at 997 channels versus 757 a year earlier (+32%), and representing a penetration rate of 15.7% compared to 12.6% a year earlier. HD penetration at HOTBIRD stood at 24% up from 18% a year ago.

Fixed Data (12% of revenues)

In the **first half,** Fixed Data revenues stood at €84.9 million, down 15.9% like-for-like. This reflects as anticipated ongoing pricing pressure in all geographies. All fast-growing Broadband and Mobility revenues which were previously included in the former Data Services application have now been transferred to new Fixed Broadband and Mobile Connectivity applications.

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[3] i) Unless otherwise stated, all growth rates are like-for-like, i.e are expressed in comparison with proforma figures for the corresponding period of the previous fiscal year and are at constant currency ii) the share of each application as a percentage of total revenues is calculated excluding "other revenues".
[4] Proforma revenues reflecting disposals of Aterna'TV, Wins/DHI and DSAT Cinema. For more details, please refer to the appendices.
[5] At constant currency and perimeter and excluding non-recurring revenues.
[6] Other revenues include mainly compensation paid on the settlement of business-related litigation, the financing of certain research programmes by the European Union and other organisations, the impact of EUR/USD currency hedging, the provision of various services or consulting/engineering fees as well as termination fees.
[7] Alterna TV (Video) deconsolidated from April 2016, Wins/DHI (Mobile Connectivity) deconsolidated from end-August 2016 and DSAT Cinema (Video) from end-October 2016.

Government Services (12% of revenues)

In the **first half**, Government Services revenues stood at €86.1 million, down 9.1% like-for-like, reflecting the carry-over effect of lower renewals in the US Department of Defense Spring 2016 campaign.

Connectivity

Fixed Broadband (7% of revenues)

In the **first half**, Fixed Broadband revenues stood at €48.6 million, up 18.3% like-for-like. The negative impact of the termination of the contract for the Ka payload on EUTELSAT 3B in the previous fiscal year (subsequently leased to Taqnia and classified under Mobile Connectivity) was more than offset by the positive effect of the entry into service in May 2016 of EUTELSAT 65 West A, on which the Ka payload is fully leased. European revenues on KA-SAT were resilient. Elsewhere, the Russian consumer broadband service launched on EUTELSAT 36C in the first quarter is contributing modestly to revenues and is expected to ramp up progressively.

Mobile Connectivity (5% of revenues)

In the **first half**, Mobile Connectivity revenues stood at €38.5 million, up 19.3% like-for-like, reflecting mainly new capacity leases or volume increases at several orbital positions (10° East, 21° East, 70° East and 172°East).

Other Revenues[8]

Other revenues amounted to €41.6 million in the **first half**. In addition to the revenues related to the agreements with SES at 28.5° East (which will cease as of the third quarter), they included termination fees related to the rationalisation of the distribution at HOTBIRD as well as fees in respect of technical and engineering services.

1.4. Backlog

The order backlog[9] stood at €5.3 billion at 31 December 2016, down by 8.0% year-on-year and 5.3% on end June. It was equivalent to 3.5 times 2015-16 revenues. Video Applications represented 84% of the backlog.

The evolution of Backlog over the last six months reflected on the one hand its natural consumption and on the other, contracts signed including the agreement with Taqnia for HTS capacity on EUTELSAT 3B.

	31 Dec 2015	30 Jun 2016	**31 Dec 2016**
Value of contracts (in billions of euros)	5.8	5.6	**5.3**
In years of annual revenues based on previous fiscal year	*3.9*	*3.7*	***3.5***
Share of Video Applications	83%	85%	**84%**

1.5. Operational and leased transponders

The number of operational transponders at 31 December 2016 rose by 58 to 1,326 year-on-year, mainly due to the entry into service of EUTELSAT 36C, EUTELSAT 9B and EUTELSAT 65 West A. The fill rate stood at 70.9% compared to 73.9% a year earlier, reflecting mainly the impact of this new capacity.

	31 Dec 2015	30 Jun 2016	**31 Dec 2016**
Operational transponders[10]	1,268	1,328	**1,326**
Leased transponders[11]	938	942	**940**
Fill rate	73.9%	70.9%	**70.9%**

Note: *Based on 36 MHz-equivalent transponders excluding high throughput capacity (KA-SAT 82 spotbeams, EUTELSAT 3B 5 Ka-band spotbeams, EUTELSAT 65 West A 24 Ka-band spotbeams and EUTELSAT 36C 18 Ka-band spotbeams).*

[8] Other revenues include mainly compensation paid on the settlement of business-related litigation, the financing of certain research programmes by the European Union and other organisations, the impact of EUR/USD currency hedging, the provision of various services or consulting/engineering fees as well as termination fees.
[9] The backlog represents future revenues from capacity lease agreements and can include contracts for satellites under procurement.
[10] Number of transponders on satellites in stable orbit, back-up capacity excluded.
[11] Number of transponders leased on satellites in stable orbit.

2 HIGH OPERATING PROFITABILITY MAINTAINED

2.1. Profitability

EBITDA amounted to €588 million as of 31 December 2016 compared to €600 million a year earlier, down 2%. The EBITDA margin stood at 77.9%, an improvement compared to last year (77.5%). On top of the usual favourable phasing of operating costs, the first half margin also reflected the high level of 'Other Revenues' mostly with no associated costs.

Group share of **net income** stood at €192 million versus €188 million a year earlier, a 2.2% increase, and represented a margin of 25.5%. This reflected:

- Higher **depreciation and amortisation**, up €36 million year-on-year, principally due to the entry into service of new capacity during the previous fiscal year (EUTELSAT 8 West B and EUTELSAT 115 West B in October 2015, EUTELSAT 36C in February 2016, EUTELSAT 9B in March 2016 and EUTELSAT 65 West A in May 2016);
- **'Other operating income'** of €23 million (versus 'other operating costs' of €1 million last year) reflecting mainly the capital gain on the disposal of Wins/DHI;
- A broadly stable **net financial result** (-€60 million versus -€63 million a year earlier);
- A **tax rate** of 28.2% versus 37.7% last year, reflecting the recognition of a positive non-cash one-off related to deferred tax liabilities following the vote to reduce French corporate tax rate to 28% in 2020 and the partial tax-exemption of the capital gain in respect of the disposal of Wins/DHI.
- The absence of **income from associates** (compared to €10 million in H1 2015-16), as the stake in Hispasat is henceforth classified as an asset held for sale.

Extract from the consolidated income statement (in € millions)

Six months ended December 31	2015	**2016**	**Change (%)**
Revenues	774.4	**755.1**	**-2.5%**
Operating expenses	(174.1)	**(167.1)**	**-4.0%**
EBITDA	600.3	**588.0**	**-2.0%**
Depreciation and amortisation	(238.0)	**(274.3)**	**+15.3%**
Other operating income (expenses)	(1.2)	**23.3**	**NR**
Operating income	361.0	**336.9**	**-6.7%**
Financial result	(63.4)	**(59.6)**	**-6.0%**
Income tax expense	(112.3)	**(78.2)**	**-30.3%**
Income from associates	10.0	**-**	**-**
Portion of net income attributable to non-controlling interests	(7.3)	**(7.0)**	**-4.5%**
Group share of net income	188.0	**192.2**	**+2.2%**

2.2. Cash flow generation

Net cash flow from operating activities amounted to €482 million versus €447 million in H1 2015-16. This reflected mainly a more favourable impact from working capital requirement notably with an improvement in days' sales outstanding (DSO) and a lower tax bill thanks to the evolution of the pre-tax profit and the timing of tax payments.

Cash Capex amounted to €130 million, down from €171 million a year earlier reflecting the success of measures to reduce investments through a design-to-cost approach for capacity procurement and the rationalisation of ground capex as well as the phasing of various satellite programmes.

'Interest and other fees paid net of interest received' amounted to €27 million compared to €19 million last year, reflecting the interests related to the financial lease on the EUTELSAT 36C satellite which entered service in February 2016.

As a result, **Discretionary Cash-Flow** amounted to €325 million, up 27% on last year.

Cash Capex as defined in the financial outlook (€ millions)

	Half-year ending 31/12/2015	Half-year ending 31/12/2016
Acquisition of satellites, other property and equipment and intangible assets	161.2	100.7
Repayment of ECA loans and long-term capital leases[12]	9.7	116.7
Payment to RSCC in respect of lease of EUTELSAT 36C already included in FY 2015-16 Cash Capex	-	(87.2)
Cash Capex per financial outlook definition	**170.9**	**130.2**

Reconciliation between Discretionary Free-Cash Flow and Accounting Free-Cash Flow (€ millions)

Half-year ending	31/12/2015	31/12/2016
Net cash flows from operating activities	**446.7**	**481.6**
Acquisitions of satellites, other property and equipment and intangible assets	(161.2)	(100.7)
Repayment of Export credit facilities[13]	(3.5)	(15.4)
Repayment in respect of long-term leases[14]	(6.2)	(101.2)
Interest and other fees paid net of interest received	(19.1)	(26.6)
Accounting Free-Cash Flow	**256.7**	**237.6**
Payment to RSCC in respect of lease of EUTELSAT 36C already included in FY 2015-16 Discretionary Free-Cash Flow	-	87.2
Discretionary Free-Cash Flow	**256.7**	**324.8**

2.3. Financial structure

At 31 December 2016, **net debt** was slightly down at €3,885 million, versus €4,007 million at 30 June 2016. Discretionary free cash-flow largely covered the dividend payment (€266 million including dividends paid to minority interests) while equity asset disposals (disposal of Wins/DHI and sale of a minority stake in Broadband for Africa) generated a cash inflow of €54 million.

The **net debt to EBITDA ratio** stood at 3.37 times, a slight improvement on end-June 2016 (3.44x times).

The weighted average maturity of the Group's debt stood at 2.9 years, compared to 3.6 years at end-December 2015. The average cost of debt after hedging was 3.1% (3.6% in H1 2015-16).

Liquidity remains strong, with undrawn credit lines of €650 million and cash of €338 million on top of the €850 million earmarked for the redemption at maturity of the March 2017 Bond.

Change in net debt (€ millions)

Half-year ending	31/12/2015	31/12/2016
Net cash flows from operating activities	**446.7**	**481.6**
Cash Capex[15]	(170.9)	(130.2)
Interest and Other fees paid net of interests received	(19.1)	(26.6)

[12] Excluding payment owed to RSCC in Fiscal year 2015-16 in respect of lease of EUTELSAT 36C which has already been accounted in Fiscal year 2015-16 Cash Capex (€87.2 million).

[13] Included in line "Repayment of debt" of cash-flow statement

[14] Included in line "Repayment in respect of performance incentives and long-term leases" of cash-flow statement

[15] Cash Capex includes capital expenditures and payments under existing export credit facilities and under long-term lease agreements on third party capacity. Cash Capex for H1 2016-17 is restated from the value of the payment owed in FY 2015-16 to RSCC in respect of lease of EUTELSAT 36C but paid effectively in H1 2016-17 (payment of €87.2m in H1 2016-17 out of a total of €95.2m expected over the full year) which was already accounted for in FY 2015-16 cash capex.

Discretionary Free Cash Flow	**256.7**	**324.8**
Acquisition / disposal of equity investments and subsidiaries	-	54.0
Distributions to shareholders (including non-controlling interests)	(109.0)	(266.3)
Other	(29.9)	9.2
Decrease (increase) in net debt	**117.8**	**121.7**

Net debt to EBITDA ratio

		31 Dec. 2015	**30 Jun 2016**	**31 Dec. 2016**
Net debt at the beginning of the period	€m	3,841	**3,841**	**4,007**
Net debt at the end of the period	€m	3,723	**4,007**	**3,885**
Net debt / EBITDA (Last twelve months)	X	3.18	**3.44**	**3.37**

3 RISK FACTORS

Information contained in this report expresses the objectives set on the basis of the Group's current estimates or assessments. However, the said information is subject to risks and uncertainties as set out below.

The main risks which the Group is likely to face during the second half of the financial year are similar by nature to those described in Chapter 4 – Risk Factors – of the Company's Reference Document as registered with the “Autorité des marchés financiers” (French securities regulator) and filed on 14 October 2016 under number D. 16-0906.

The nature of these risks has not changed substantially during the First Half of the financial year.

However, it is worth noting that the Group's activity, in particular its development and ability to meet the objectives described in this half-year report, is likely to be impacted by a number of identified or unknown risks. A significant example of the risks pertaining to the Group's activity is the technical risk associated with the total or partial loss of all or part of an operational satellite or with a launch or launch-related operations.

Furthermore, it is important to point out that the global economic environment might fuel additional uncertainties regarding the Group's business activities and development, in spite of its limited impact on the Group's half-year consolidated accounts ended 31 December 2016 or on its activities during the First Half of the financial year ending 30 June 2017.

4 CHANGES WITHIN THE GROUP

4.1. Approval of the accounts for the financial year ended 30 June 2016 and allocation of result

The Annual General Meeting of Shareholders held on 4 November 2016 under the chairmanship of Michel de Rosen, Chairman and Chief Executive Officer approved the accounts for fiscal year 2015-16, as well as all resolutions put to the vote.

The Annual General Meeting of Shareholders notably approved the payment of a dividend of €1.10 per share in respect of the financial year ended 30 June 2016, up from €1.09 the previous year. The dividend, totaling €256 million, was fully paid in cash on 18 November 2016.

4.2. Governance

On 9 January 2017, Sandrine Téran was appointed Group Chief Financial Officer and member of the Executive Committee of the Group, replacing Antoine Castarède.

4.3. Renewals and appointments of board members

The Annual General Meeting of Shareholders held on 4 November 2016 appointed Rodolphe Belmer and the 'Fonds Stratégique de Participations[16]' (represented by Dominique D'Hinnin) as Directors for terms of four years. It also renewed the offices as Directors of Michel de Rosen, Carole Piwnica, and Miriem Bensalah Chaqroun.

Following the General meeting, the Board of Directors is now composed of eleven members, of which five independent Directors.

4.4. Change in the scope of Group consolidation

Asset disposals were undertaken in the first half with the disposal of the 70% stake in Wins/DHI, a non-core business in maritime mobility, and the exercise of the put option on the 34% stake in Hispasat as a precursor to the divestment of the stake.

During the first half the Group also sold its stake in DSAT Cinema.

[16] FSP is a long term equity investor in French companies, backed by six major French insurance companies (BNP PARIBAS CARDIF, CNP ASSURANCES, CREDIT AGRICOLE ASSURANCES, SOGECAP (SOCIETE GENERALE group), GROUPAMA and NATIXIS ASSURANCES).

5 RECENT EVENTS AND SATELLITE FLEET EVOLUTION

5.1. Recent events

Joint-Venture with ViaSat

Eutelsat and ViaSat agreed to close the joint venture agreement that leverages their respective resources and strengths to operate and expand the commercial reach of the KA-SAT satellite in both the fixed broadband and in-flight mobility markets. It will be composed of two entities: infrastructure (51% owned by Eutelsat and 49% by ViaSat) and retail (51% owned by ViaSat and 49% by Eutelsat). As part of the agreement ViaSat will pay a consideration of €132.5 million in exchange for 49% of the existing European broadband business. The closing of the joint venture agreement is expected shortly, upon completion of certain administrative procedures.

Eutelsat and ViaSat also expect to add the ViaSat-3 class satellite currently under construction for the Europe, the Middle East and Africa (EMEA) region to the joint venture later this calendar year after concluding final contractual terms.
Eutelsat will reinvest the funds received in respect of its European broadband business into this VHTS project, enabling it to remain within its existing capex framework.

Taqnia

Eutelsat has signed a multi-year agreement with Taqnia for the lease of four steerable HTS Ka-band spotbeams on the EUTELSAT 3B satellite. This capacity will be used for in-flight connectivity on 130 medium-/long-haul aircraft of Saudi Arabian Airlines, covering flight paths from the Middle East to Europe.

5.2. 'LEAP' Cost-savings plan

Consistent with its objective of maximising cash-flow generation, Eutelsat is implementing 'LEAP', a wide-ranging cost-savings plan with a focus on external costs, both direct and indirect. LEAP's objective is to achieve annualised savings of €30 million by FY 2018-19, and with half of the savings (€15 million) captured in FY2017-18.

5.3. Satellite fleet evolution

PROCUREMENTS

In October 2016, the EUTELSAT 5 West B satellite was procured to replace EUTELSAT 5 West A at the 5° West orbital position. It is expected to be launched during calendar year 2018.

In October 2016, Eutelsat concluded an agreement with Yahsat to lease Ka-band capacity on Yahsat's fleet.

NOMINAL LAUNCH PROGRAMME

The upcoming launch schedule is indicated below.

Satellite[1]	Orbital position	Estimated launch (calendar year)	Main applications	Main geographic coverage	Physical Transponders	36 MHz-equivalent transponders / Spotbeams	Of which expansion 36 MHz-equivalent transponders
EUTELSAT 172B	172° East	Q2 2017	Data, Government Services, Mobility	Asia-Pacific	36 Ku (regular), 14 C, 11 Ku-band HTS spotbeams	42 Ku (regular), 24 C, 11 Ku-band HTS spotbeams[2]	19 Ku (regular); 11 Ku-band HTS spotbeams[2]
EUTELSAT 7C	7° East	H2 2018	Video	Turkey, Middle-East, Africa	44 Ku	49 Ku	19 Ku
EUTELSAT 5 WEST B	5° West	H2 2018	Video	Europe, MENA	35 Ku	35 Ku	None
EUTELSAT QUANTUM	To be confirmed	2019	Data, Government Services, Mobility	Flexible	12 " Eutelsat Quantum channels"	Not applicable	Not applicable
African Broadband satellite	To be confirmed	2019	Broadband	Africa	65 spotbeams	75 Gbps	75 Gbps

[1] Chemical propulsion satellites (EUTELSAT QUANTUM, EUTELSAT 5 West B) generally enter into service 1 to 2 months after launch. Electric propulsion satellites (EUTELSAT 172B, EUTELSAT 7C and the African Broadband satellite) between 4 and 6 months.
[2] Total capacity of the high throughput payload: 1.8 Gbps.

CHANGES IN THE FLEET

- In August 2016, EUTELSAT 70D reached the end of its operational life and was deorbited;
- EUTELSAT 70C is currently under relocation;
- In January 2017, EUTELSAT 117 WEST B B went into commercial service.

6 CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS AS OF 31 DECEMBER 2016

7 OUTLOOK

Based on the performance of the First Half, the group confirms revenue objectives published on 29 July 2016.

Revenues for FY 2016-17 (at constant currency and perimeter) are expected in the range of -3% to -1%. In FY 2017-18 they are expected broadly flat with a return to modest growth in FY 2018-19.

Following the implementation of the 'LEAP' cost-savings plan, the EBITDA margin is now expected above 76% for both FY 2016-17 and FY 2017-18 and heading towards 77% in FY 2018-19 (versus 'above 75%' previously for each of the three financial years)

Cash Capex is maintained at an average of €420 million[17] per annum for the period July 2016 to June 2019 after taking account of future investments in VHTS capacity.]

Discretionary Free Cash Flow[18] is expected to see three-year CAGR in excess of 10%, with FY 2015-16 as the base year[19].

The Group is committed to maintaining a sound financial structure to support its investment grade credit rating and aims at a net debt / EBITDA ratio below 3.3x.

It also commits to serving a stable to progressive dividend to shareholders.

[17] Including capital expenditures and payments under existing export credit facilities and under long-term lease agreements on third party capacity.
i) To avoid double-counting, it excludes the €95.2 million payment to RSCC which was accounted in Cash Capex in FY 2015-16.
ii) net of the €132.5 million proceeds from the upcoming sale of 49% of the existing European Broadband business to ViaSat
[18] Net cash-flow from operating activities – Cash Capex - Interest and Other fees paid net of interest received
[19] Discretionary Free-Cash-Flow of €247 million in FY 2015-16.

APPENDIX – PROFORMA REVENUES

Changes in perimeter

As a reminder, proforma revenues for fiscal year 2015-16 were published with Q1 revenues release on 28 October to reflect the disposal of some businesses.

The table below shows the reconciliation between reported and pro-forma revenues for fiscal year 2015-16:

In € millions	FY 2015-16 reported	Business	Sale Date	Nb of months deconsolidated	Impact	**FY 2015-16 Restated**
Video Applications	943.6	Alterna DSAT	Apr. 2016 End-Oct. 2016	9 8	(7.8)	935.8
Data Services	230.0	-	-	-	-	230.0
Value-Added Services	107.8	Wins	End-Aug. 2016	10	(18.6)	89.2
Government Services	199.9	-	-	-	-	199.9
Other revenues[20]	47.7	-	-	-		47.7
Sub-total	**1,529.0**	**-**	**-**	**-**	**(26.4)**	**1,502.6**
Non-recurring revenues[21]	-	-	-	-	-	-
Total	**1,529.0**	**-**	**-**	**-**	**(26.4)**	**1,502.6**

New revenue reporting by application

In line with its revised strategy, Eutelsat will henceforth report its revenues on the basis of five applications: Video, Fixed Data and Government Services (Core Businesses), and Fixed Broadband and Mobile Connectivity (Connectivity).

The main changes relative to the previous reporting basis around four business lines (Video, Data Services, Value-Added Services and Government Services) are as follows:

- **Video Applications:** Unchanged with the exception of the reclassification of some Professional Video revenues towards Fixed Data to better reflect the final usage of capacity (€4.7 million).
- **Data Services**: Renamed Fixed Data. Certain revenues have been reclassified under Fixed Broadband (€10.5 million) or Mobile Connectivity (€47.6 million).
- **Government Services:** Revenues relating to non-military and security applications are reclassified under Fixed Data (€21.2 million).
- **Value-Added Services**: Henceforth split between Fixed Broadband (€70.5 million) and Mobile Connectivity (€10.5 million).

The definition of 'Other Revenues' remains unchanged. 'Non-recurring Revenues' relating to compensation from satellite manufacturers for launch delays, are no longer reported since no revenues of this nature are expected over the guidance period.

[20] Other revenues include mainly compensation paid on the settlement of business-related litigation, the financing of certain research programmes by the European Union and other organisations, the impact of EUR/USD currency hedging, the provision of various services or consulting/engineering fees as well as termination fees.

[21] Non-recurring revenues result from compensation paid by satellite manufacturers in the event of a significant delay.

The table below shows the reconciliation between the former and new application reporting basis (in € million)

Former Applications	**FY 2015-16 (Restated)**	**Split into**	**New Applications – FY 2015-16 proforma**					
			Video	Fixed Data	Government Services	Fixed Broadband	Mobile Connectivity	Other revenues
Video	935.8	➲	931.1	4.7	-	-	-	-
Data Services	230.0	➲	2.2	158.8	10.9	10.5	47.6	-
Value-Added Services	89.2	➲	-	8.1	-	70.5	10.5	-
Government Services	199.9	➲	3.5	21.2	169.9	-	1.8	3.5
Other revenues	47.7	➲	0.3	0.1	-	0.1	-	47.2
Sub-total	**1,502.6**	➲	**937.0**	**193.0**	**180.8**	**81.1**	**60.0**	**50.8**
Non-recurring revenues	-	➲	-	-	-	-	-	-
Total	**1,502.6**	➲	**937.0**	**193.0**	**180.8**	**81.1**	**60.0**	**50.8**

The table below shows quarterly proforma revenues for fiscal years 2015-16 and 2016-17 under the new classifications:

In € millions	**Three months ended**				**Fiscal year 2015-16**	**Three months ended**	
	Sep 2015	**Dec 2015**	**Mar 2016**	**Jun 2016**		**Sep 2016**	**Dec 2016**
Video	227.6	237.1	236.7	235.7	937.0	226.5	228.9
Fixed Data	51.8	49.2	47.0	45.1	193.0	43.4	41.4
Government Services	47.6	47.3	45.3	40.7	180.8	42.3	43.8
Fixed Broadband	21.3	19.8	17.8	22.2	81.1	24.9	23.7
Mobile Connectivity	17.2	15.1	13.8	13.9	60.0	20.6	17.9
Other revenues	17.8	10.6	15.2	7.2	50.8	27.1	14.5
Total	**383.2**	**379.0**	**375.7**	**364.7**	**1 502.6**	**384.8**	**370.2**

Reported Revenues

For information purposes, the table below shows reported revenues for fiscal year 2015-16 and first quarter of fiscal year 2016-17 under the former classifications.

In € million	**Three months ended**		**H1 2015-16**	**Three months ended**		**Fiscal year 2015-16**	**Three months ended**
	Sep 2015	**Dec 2015**		**Mar 2016**	**Jun 2016**		**Sep 2016**
Video Applications	229.4	239.5	468.9	239.1	235.6	943.6	224.3
Data Services	58.8	59.3	118.0	54.4	57.6	230.0	56.8
Value-Added Services	29.7	25.4	55.1	25.3	27.4	107.8	29.4
Government Services	53.0	53.2	106.2	49.7	43.9	199.9	47.1
Other revenues	16.7	9.4	26.1	14.5	7.2	47.7	27.1
Sub-total	**387.7**	**386.7**	**774.4**	**383.0**	**371.6**	**1,529.0**	**384.8**
Non-recurring revenues	-	-	-	-	-	-	--
Total	**387.7**	**386.7**	**774.4**	**383.0**	**371.6**	**1,529.0**	**384.8**

HOW TO CONTACT US

- Website: www.eutelsat.com
- Email: investors@eutelsat-communications.com
- Phone: +33 1 53 98 35 30

Number of registered shareholding subscriptions: +33 (0)1 55 77 40 57

MAZARS ERNST & YOUNG et Autres

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Eutelsat Communications

Period from July 1 to December 31, 2016

Statutory auditors' review report on the half-yearly financial information

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

Period from July 1 to December 31, 2016

Statutory auditors' review report on the half-yearly financial information

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Eutelsat Communications, for the period from July 1 to December 31, 2016, and
- the verification of the information contained in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

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

Courbevoie and Paris-La Défense, February 8, 2017

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

CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS AS OF 31 DECEMBER 2016

CONSOLIDATED BALANCE SHEET

(in millions of euros)	Note	30 June 2016	31 December 2016
ASSETS			
Non-current assets			
Goodwill	4	1,166.3	1,176.2
Intangible assets	4	751.9	734.0
Satellites and other property and equipment	5	4,305.4	4,203.7
Construction in progress	5	694.2	709.0
Financial assets and other non-current assets		10.1	28.7
Deferred tax assets		8.5	6.2
Total non-current assets		**6,936.3**	**6,857.7**
Current assets			
Inventories		2.8	3.0
Accounts receivable		406.4	378.9
Other current assets		37.8	43.8
Current tax receivable		11.8	1.1
Current financial assets		31.3	22.7
Cash and cash equivalents	7	1,153.8	1,188.2
Assets held for sale	6	301.9	301.9
Total current assets		**1,945.8**	**1,939.6**
Total assets		**8,882.1**	**8,797.3**

(in millions of euros)	Note	30 June 2016	31 December 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	8.1	232.8	232.8
Additional paid-in capital		738.1	738.1
Reserves and retained earnings		1,682.7	1,715.9
Non-controlling interests		81.2	80.2
Total shareholders' equity		**2,734.8**	**2,766.9**
Non-current liabilities			
Non-current financial debt	9	3,302.4	3,290.3
Other non-current financial liabilities	10	1,053.9	902.6
Non-current fixed asset payables		15.5	28.5
Non-current deferred revenues		140.6	134.0
Non-current provisions		128.4	115.4
Deferred tax liabilities		270.6	246.0
Total non-current liabilities		**4,911.3**	**4,716.7**
Current liabilities			
Current financial debt	9	927.3	976.0
Other current financial liabilities	10	49.0	94.7
Accounts payable		66.7	44.0
Fixed assets payable		35.8	34.1
Taxes payable		3.5	30.7
Other current payables and deferred revenues		135.7	105.1
Current provisions	19	18.0	29.1
Total current liabilities		**1,236.0**	**1,313.7**
Total liabilities and shareholders' equity		**8,882.1**	**8,797.3**

CONSOLIDATED INCOME STATEMENT

(in millions of euros, except per share data)	Note	31 December 2015	31 December 2016
Revenues from operations		**774.4**	**755.1**
Operating costs		(52.9)	(47.4)
Selling, general and administrative expenses		(121.3)	(119.8)
Depreciation and amortisation	4, 5	(238.0)	(274.3)
Other operating income	12	-	30.2
Other operating expenses	12	(1.2)	(6.9)
Operating income		**361.0**	**336.9**
Cost of debt	13	(56.0)	(66.2)
Financial income	13	2.8	0.9
Other financial items	13	(10.2)	5.7
Financial result		**(63.4)**	**(59.6)**
Income from associates		10.0	-
Net income before tax		**307.6**	**277.4**
Income tax expense	14	(112.3)	(78.2)
Net income		**195.3**	**199.2**
Attributable to the Group		188.0	192.2
Attributable to non-controlling interests		7.3	7.0
Earnings per share attributable to Eutelsat Communications shareholders			
Basic and diluted earnings per share in euro (*)	15	0.828	0.826

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

COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Note	31 December 2015	31 December 2016
Net income		**195.3**	**199.2**
Other recyclable items of gain or loss on comprehensive income			
Translation adjustment	8.5	18.3	71.2
Tax effect		6.1	8.9
Changes in fair value of hedging instruments (1)	8.4	0.8	24.7
Tax effect		(0.2)	(8.5)
Other non-recyclable items of gain or loss on comprehensive income			
Changes in post-employment benefits	8.6	4.5	9.5
Tax effect		(1.5)	(7.0)
Total of other items of gain or loss on comprehensive income		**27.9**	**98.8**
Total comprehensive income		**223.1**	**298.0**
Attributable to the Group		214.9	287.4
Attributable to non-controlling interests (2)		8.2	10.6

(1) Covers only cash-flow hedges. Net foreign investment hegdes are recorded as translation adjustments.
(2) The portion attributable to non-controlling interests breaks down as follows:
- Net result for 7.3 million euros as of 31 December 2015 and 7.0 million euros as of 31 December 2016;
- Other recyclable items of gain or loss on comprehensive income for 0.9 million euros as of 31 December 2015 and 3.6 million euros as of 31 December 2016;
- Other non-recyclable items of gain or loss on comprehensive income for 0.1 million euros as of 31 December 2015 and 0.1 million euros as of 31 December 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	Note	31 December 2015	31 December 2016
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		195.3	199.2
Income from equity investments	6	(10.0)	-
Tax and interest expense, other operating items		194.6	138,4
Depreciation, amortisation and provisions		231.1	292,0
Deferred taxes		(19.3)	(30.3)
Changes in accounts receivable		(42.9)	23.9
Changes in other assets		(2.9)	(7.6)
Changes in accounts payable		(10.0)	(14.6)
Changes in other debt		(1.4)	(49.1)
Taxes paid		(87.8)	(70.1)
Net cash flows from operating activities		**446.7**	**481.6**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of satellites, other property and equipment and intangible assets	4, 5	(161.2)	(100.7)
Acquisition of control		-	-
Disposal of entities		-	36.7
Dividends received from associates and other items	6	2.5	2,6
Net cash flows from investing activities		**(158.7)**	**(61.4)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions		(109.0)	(266.3)
Increase in debt	9	0.6	-
Repayment of debt	9	(3.7)	(15.5)
Repayment in respect of performance incentives and long-term leases		(6.2)	(101.2)
Loan set-up fees		-	(1.0)
Interest and other fees paid		(23.0)	(26.8)
Interest received		3.9	0.1
Transactions relating to non-controlling interests		-	18.5
Other changes		(0.8)	(0.6)
Net cash flows from financing activities		**(138.3)**	**(392.8)**
Impact of exchange rate on cash and cash equivalents		(6.6)	7.0
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**143.3**	**34.4**
Cash and cash equivalents, beginning of period		**420.2**	**1,153.8**
Cash and cash equivalents, end of period	7	**563.5**	**1,188.2**
Cash reconciliation			
Cash		563.5	1,188.2
Overdraft included under debt (1)	9	-	-
Cash and cash equivalents per cash flow statement		**563.5**	**1,188.2**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros, except share data)	Common stock Number	Amount	Additional paid in capital	Reserves and retained earnings	Shareholders' equity Group share	Non-controlling interests	Total
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				188.0	188.0	7.3	195.2
Other items of gain or loss on comprehensive income				26.9	26.9	1.0	27.9
Total comprehensive income				214.9	214.9	8.2	223.1
Transaction affecting the capital				0.6	0.6	-	0.6
Treasury stock				(0.4)	(0.4)	-	(0.4)
Distributions	5,802,297	5.8	144.0	(247.2)	(97.4)	(12.3)	(109.7)
Benefits for employees upon exercising options and free shares granted				-	-	-	-
Liquidity offer and others				(5.0)	(5.0)	0.2	(4.8)
As of 31 December 2015	**232,774,635**	**232.8**	**738.0**	**1,614.7**	**2,585.5**	**57.2**	**2,642.8**
As of 30 June 2016	**232,774,635**	**232.8**	**738.0**	**1,682.8**	**2,653.6**	**81.2**	**2,734.8**
Net income for the period				192.2	192.2	7.0	199.2
Other items of gain or loss on comprehensive income (1)				95.2	95.2	3.6	98.8
Total comprehensive income				287.4	287.4	10.6	298.0
Transaction affecting the capital				-	-	-	-
Treasury stock				-	-	-	-
Distributions				(255.8)	(255.8)	(10.5)	(266.3)
Benefits for employees upon exercising options and free shares granted				0.2	0.2	-	0.2
Transactions with non-controlling interests and others				1.4	1.4	(1.1)	0.3
As of 31 December 2016	**232,774,635**	**232.8**	**738.0**	**1,715.9**	**2,686.8**	**80.2**	**2,766.9**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1. KEY EVENTS DURING THE FINANCIAL PERIOD

- The Group sold Wins Ltd and its subsidiaries in August 2016 and DSAT Cinema in October 2016. These entities were excluded from the Group's scope of consolidation at the date of loss of control.
- On 12 July 2016, Eutelsat initiated the process of selling its equity interest in Hispasat by exercising the put option granted in 2008 by Abertis Group, Hispasat's majority shareholder.
- The Ka spot beams embarked on the EUTELSAT 36C satellite have entered commercial service on 1st July 2016.

NOTE 2. APPROVAL OF THE ACCOUNTS

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 COMPLIANCE WITH IFRSs

The financial statements at 31 December 2016 have been prepared in accordance with the IFRSs as adopted by the European Union and effective as of that date.The relevant texts are available for consultation on the following website:
http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

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

The financial information disclosed in these financial statements is prepared in accordance with the option contained in IAS 34 "*Interim Financial Reporting*" in a condensed format. The accounts as presented do not therefore contain all the information and Notes required under IFRSs for the preparation of consolidated full-year financial statements and must be read in conjunction with the consolidated full-year financial statements for the financial year ended 30 June 2016.

3.2 PUBLISHED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

3.3 PERIODS PRESENTED AND COMPARATIVES

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

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

3.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Preparation of the Group's consolidated financial statements requires Management to make estimates and judgements that are likely to affect the amounts of certain assets, liabilities, income and expenses appearing in these financial statements and their accompanying Notes. Eutelsat 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 31 December 2016, Management has exercised judgement, particularly with regard to the recoverable amounts of assets, contingent liabilities, provisions, customer risk assessment and the functional currency used by the consolidated entities.

3.5 TAXES

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

NOTE 4. GOODWILL AND OTHER INTANGIBLES

"Goodwill and Other Intangibles" breaks down as follows:

Changes in gross assets, depreciation and amortisation

(in millions of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
GROSS ASSETS					
30 June 2016	1,166.3	1,107.0	40.8	242.1	2,556.2
31 December 2016	1,176.2	1,112.0	40.8	259.0	2,588.0
DEPRECIATION AND AMORTISATION					
Accumulated depreciation as of 30 June 2016	-	(534.7)	-	(103.3)	(638.0)
Accumulated depreciation as of 31 December 2016	-	(563.2)	-	(114.5)	(677.8)
Net value as of 30 June 2016	1,166.3	572.0	40.8	139.1	1,918.2
Net value as of 31 December 2016	**1,176.2**	**548.8**	**40.8**	**144.5**	**1,910.2**

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

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

As of 31 December 2016, goodwill, which was monitored only at Eutelsat segment level, was tested annually for impairment. The test did not challenge the amount shown on the balance sheet. The recoverable amount was calculated using the implicit market value (fair value) of Eutelsat S.A. measured on the basis of the stock market valuation of Eutelsat Communications S.A. (and taking into account this company's indebtedness). The share price would have to drop by at least 35% 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 5. SATELLITES, OTHER PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

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

Changes in gross values, depreciation and amortisation

(in millions of euros)	Satellites	Other tangibles	Construction in progress	Total
GROSS ASSETS				
Gross value as of 30 June 2016	**6,358.1**	**399.0**	**694.2**	**7,451.3**
Acquisitions	0.8	4.8	123.7	129.3
Disposals	-	(0.3)	-	(0.3)
Change in scope of consolidation	-	(13.2)	-	(13.2)
Scrapping of assets	(210.1)	(3.9)	-	(214.1)
Foreign-exchange variation	58.5	0.8	21.2	80.5
Transfers and others	76.5	8.4	(130.2)	(45.3)
Gross value as of 31 December 2016	6,283.9	395.5	709.0	7,388.4
DEPRECIATION AND AMORTISATION				
Accumulated depreciation as of 30 June 2016	**(2,175.1)**	**(276.6)**	**-**	**(2,451.7)**
Depreciation and amortisation	(215.9)	(18.3)	-	(234.2)
Reversals (disposals)	-	0.1	-	0.1
Reversals (changes in scope)	-	9.2	-	9.2
Reversals (scrapping of assets)	210.9	0.2	-	211.1
Reclassification	-	0.9	-	0.9
Foreign-exchange variation	(10.8)	(0.4)	-	(11.2)
Accumulated depreciation as of 31 December 2016	(2,190.9)	(284.9)	-	(2,475.7)
Net value as of 30 June 2016	4,183.0	122.4	694.2	4,999.6
Net value as of 31 December 2016	**4,093.0**	**110.7**	**709.0**	**4,912.7**

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

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

SATELLITES UNDER CONSTRUCTION

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

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

NOTE 6. ASSETS HELD FOR SALE

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

NOTE 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are detailed as follows:

(in millions of euros)	30 June 2016	31 December 2016
Cash	316.4	448.6
Cash equivalents	837.3	739.6
Total	1,153.8	1,188.2

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

NOTE 8. SHAREHOLDERS' EQUITY

8.1 SHAREHOLDERS' EQUITY

As of 31 December 2016, the share capital of Eutelsat 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 220,261 treasury shares amounting to 3.8 million euros under a liquidity agreement. Furthermore, under the free share allocation plans (see below), the Group holds 106,022 equity shares amounting to 2.3 million euros. The aggregate amount of treasury stock is deducted from shareholders' equity.

8.2 DIVIDENDS

On 04 November 2016, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of 1.10 euro per share, i.e. a total of 255.8 million euros, taken from net income for the financial year 2015-2016.

In 2015, the amount distributed as a dividend was 247.2 million euros, i.e. 1.09 euro per share, partly settled through the issuance of new shares.

8.3 SHARE-BASED COMPENSATION

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

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

8.4 CHANGE IN THE REVALUATION SURPLUS OF FINANCIAL INSTRUMENTS

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

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

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

8.5 TRANSLATION RESERVE

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

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

8.6 ACTUARIAL GAINS AND LOSSES

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

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

NOTE 9. FINANCIAL DEBT

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

9.1 FINANCIAL INFORMATION AS OF 30 JUNE AND 31 DECEMBER 2016

(in millions of euros)	Rate	30 June 2016	31 December 2016	Maturity
Term loan 2021	Variable	600.0	600.0	31 March 2021
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	500.0	23 June 2021
Bond 2022 (1)	3.125%	300.0	300.0	10 October 2022
US EXIM export credit	1.710%	31.8	29.8	15 November 2021
ONDD-guaranteed export credit	Variable	166.0	154.2	17 May 2024
Other	Variable	0.9	-	
Sub-total of debt (non-current portion)		**3,328.7**	**3,314.0**	
Loan set-up fees and premiums		(26.5)	(23.7)	
Total of debt (non-current portion)		**3,302.4**	**3,290.3**	
Bond 2017 (1)	4.125%	850.0	850.0	27 March 2017
US EXIM export credit & ONDD		30.8	31.2	
Bank overdrafts		-	-	
Accrued interest not yet due		46.7	94.8	
Total debt (current portion)		**927.5**	**976.0**	

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

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

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

The Group also has 650 million euros available under its various active lines of undrawn revolving credit as of 31 December 2016.

9.2 DEBT MATURITY ANALYSIS

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

(in millions of euros)	Amount	Maturity within 1 year	Maturity between 1 and 5 years	Maturity exceeding 5 years
Term loan	600.0	-	600.0	-
US EXIM export credit	37.2	7.4	29.8	-
ONDD-guaranteed export credit	177.9	23.7	94.9	59.3
Bond 2017	850.0	850.0	-	-
Bond 2019	800.0	-	800.0	-
Bond 2020	930.0	-	930.0	-
Bond 2021	500.0	-	500.0	-
Bond 2022	300.0	-	-	300.0
Total	4,195.1	881.1	2,954.7	359.3

9.3 COMPLIANCE WITH BANKING COVENANTS

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

NOTE 10. OTHER FINANCIAL LIABILITIES

Other financial liabilities break down as follows:

(in millions of euros)	30 June 2016	31 December 2016
Derivative instruments (1)	174.3	174.5
Finance leases	831.1	725.6
Other liabilities	97.5	97.3
Total	1,102.9	997.4
Incl. current portion	*49.0*	*94.7*
Incl. non-current portion	*1,053.9*	*902.6*

(1) See Note 16 – Financial instruments.

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

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

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

NOTE 11. SEGMENT INFORMATION

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

Having performed an analysis and with respect to IFRS 8, and in a similar way to the financial year ended 30 June 2016, the Group considers that it only operates in a single industry segment, basing that view on an assessment of services rendered and the nature of the associated risks, rather than on their purpose. This is the provision of satellite-based video, business and broadband networks, and mobile services mainly to international telecommunications operators and broadcasters, corporate network integrators and companies for their own needs.

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

(in millions of euros and as a percentage)	31 December 2015		31 December 2016	
Regions	Amount	%	Amount	%
France	73.4	9.5	61.3	8.1
Italy	104.4	13.5	88.4	11.7
United Kingdom	56.0	7.2	54.0	7.1
Europe (other)	200.8	25.9	198.1	26.2
Americas	174.5	22.5	164.3	21.8
Middle-East	98.1	12.7	118.9	15.8
Africa	45.7	5.9	52.3	6.9
Asia	21.2	2.7	17.6	2.3
Other	0.3	0.0	0.1	0.0
Total	774.4	100.0	755.1	100.0

Group EBITDA (1) stood at 600.3 million euros and 588.0 million euros for the six-month periods ended 31 December 2015 and 31 December 2016 respectively.

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

Net debt (1) breaks down as follows:

(in millions of euros)	30 June 2016	31 December 2016
Term loan	600.0	600.0
Bonds	3,380.0	3,380.0
Other loans	0.9	-
Export credit	228.7	215.1
"Change" portion of the cross-currency swap	128.0	156.7
Finance leases	823.0	721.3
Cash and cash equivalents	(1,153.8)	(1,188.2)
Total	4,006.8	3,885.0

(1) *The components of EBITDA and net debt have not changed since 30 June 2016.*

NOTE 12. OTHER OPERATING INCOME AND EXPENSES

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

NOTE 13. FINANCIAL RESULT

The financial result is made up as follows:

(in millions of euros)	6-month period ended 31 December 2015	6-month period ended 31 December 2016
Interest expense after hedging (1)	(67.3)	(70.1)
Loan set-up fees and commissions (2)	(4.4)	(4.7)
Capitalised interest (3)	15.7	8.6
Cost of gross debt	**(56.0)**	**(66.2)**
Financial income	2.8	0.9
Cost of net debt	**(53.2)**	**(65.3)**
Changes in financial instruments (4)	(0.3)	1.0
Foreign-exchange impact	(9.8)	8.2
Other	(0.1)	(3.4)
Financial result	(63.4)	(59.6)

(1) The interest expense was impacted by instruments qualified as interest-rate hedges for 2.7 million euros during the half-year period ended 31 December 2015 and it was not impacted during the half-year period ended 31 December 2016.

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

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

The capitalisation rates used for determining the amount of interest expense eligible for capitalisation were 3.60% as of 31 December 2015 and 3.15% as of 31 December 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.

NOTE 14. INCOME TAX

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

As of 31 December 2016, the Group's effective income tax rate was 28.2%. This rate includes (i) the effects in France of the 3.3% social contribution to the corporate income tax, the standard income tax rate now standing at 34.43% for the financial year ended 30 June 2017, (ii) an additional 3% contribution on cash-settled dividends, and (iii) capping of deductible financial expenses at 75%. Furthermore, the effective income tax rate includes the effects of the 2017 Finance Act, which provides for a decrease to 28% of the standard corporate income tax for financial years beginning on or after 1st January 2020. It should be noted that the capital gains earned from the disposal of Wins Ltd and DSAT Cinema are almost entirely exempt from taxation.

NOTE 15. EARNINGS PER SHARE

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

(in millions of euros)	31 December 2015	31 December 2016
Net income	**195.3**	**199.2**
Income from subsidiaries attributable to non-controlling interests	(7.3)	(7.0)
Net earnings used to compute earnings per share	188.0	192.2
Average number of shares	227,172,136	232,600,726

NOTE 16. FINANCIAL INSTRUMENTS

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

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

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

NOTE 17. PURCHASE COMMITMENTS

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

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

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

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

NOTE 18. RELATED PARTY TRANSACTIONS

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

NOTE 19. LITIGATION AND CONTINGENT LIABILITIES

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

Viasat Brasil:

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

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

Tax dispute in France:

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

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

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

Horizonsat:

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

Frequency right:

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

NOTE 20. SUBSEQUENT EVENTS

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