



EUTELSAT Communications

2019-2020 HALF YEAR FINANCIAL REPORT

(July-December 2019)

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

First Half revenues of the Operating Verticals down 4.9% like-for-like year-on-year, with an improvement in trend in the Second Quarter (-3.7%) versus the First (-6.2%) and a stabilization in revenues quarter-on-quarter. Revenue objectives are confirmed for FY 2019-20.

Sustained profitability, with EBITDA margin at 78%, despite revenue decline.

Continued focus on Free-Cash-Flow generation

- H1 Free-Cash-Flow on track: secured cash interest savings of €64m and EUTELSAT 5 West B insurance proceeds to benefit H2;
- Launch of 'LEAP 2' cost-savings program to generate opex savings of €20-25 million by FY 2021-22;
- Confirmed objective for Discretionary Free Cash-Flow of circa €500 million in June 2022.

Consistent shareholder remuneration with €1.27 per share dividend paid in the First Half and buy-back program to start in the Second.

Entry into service of the EUTELSAT 7C satellite which brings incremental capacity over the dynamic Sub-Saharan African market.

Progress on future growth levers with:

- Successful launch of EUTELSAT KONNECT bringing new broadband resources over Africa and Europe and marking a first milestone of our return to growth strategy;
- Procurement of EUTELSAT 10B with firm commitments from Panasonic and Gogo on a third of the HTS capacity, highlighting robust demand in the mobility market;
- Foundations laid for IoT strategy, adding a third lever to our Connectivity strategy, with the order of first ELO nanosatellites and the roll-out of the IoT FIRST managed service.

1.2. KEY FIGURES

Key Financial Data	6M to Dec. 2018	6M to Dec. 2019	<i>Change</i>
P&L			
Revenues - €m	658.1	636.6	-3.3%
"Operating Verticals" revenues - €m	660.4	635.8	-3.7%
"Operating Verticals" revenues at constant currency and perimeter - €m	658.7	626.1	-4.9%
EBITDA ¹ - €m	518.4	495.5	-4.4%
EBITDA margin - %	78.8	77.8	-1.0 pts
EBITDA margin at constant currency - %	78.8	77.9	-0.9 pts
Group share of net income - €m	150.4	140.7	-6.4%
Financial structure			
Discretionary Free-Cash-Flow ² - €m	225.3	107.9	-52.1%
Discretionary Free-Cash-Flow as per financial objectives - €m	236.1	104.5	-55.7%
Net debt - €m	3,304.3	3,234.8	-€69.5m
Net debt/EBITDA - X	3.1	3.2	+0.1 pts
Backlog – €bn	4.6	4.3	-5.7%

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.

1.3. Revenues³

In € millions	6 months to Dec. 2018	6 months to Dec. 2019	Change	
			Reported	Like-for-like ⁴
Broadcast	394.4	389.4	-1.3%	-1.6%
Data & Professional Video	103.6	87.8	-15.3%	-17.3%
Government Services	81.8	78.3	-4.3%	-7.8%
Fixed Broadband	40.5	39.1	-3.3%	-4.4%
Mobile Connectivity	40.0	41.2	+3.0%	-0.6%
Total Operating Verticals	660.4	635.8	-3.7%	-4.9%
Other Revenues ⁵	(2.3)	0.9	Nm	Nm
Total	658.1	636.6	-3.3%	-4.7%
<i>EUR/USD exchange rate</i>	<i>1.16</i>	<i>1.11</i>		

Total revenues for the First Half stood at €637 million, down 3.3% on a reported basis and by 4.7% like-for-like.

Revenues of the five Operating Verticals (ie, excluding 'Other Revenues') stood at €636 million. They were down by 4.9% on a like-for-like basis excluding a negative perimeter effect of c. 0.3 points (disposal of the stake in EUTELSAT 25B in August 2018) and a positive currency effect of c. 1.5 points.

Second Quarter revenues stood at €319 million down 1.2% on a reported basis and by 3.4% like-for-like. Revenues of the five Operating Verticals stood at €319 million, down 3.7% year-on-year and **up by 0.4%** quarter-on-quarter on a like-for-like basis.

Unless otherwise stated, all variations indicated below are on a like-for-like basis, ie, at constant currency and perimeter.

Broadcast (61% of revenues)

First Half Broadcast revenues were down 1.6% like-for-like to €389 million, reflecting notably the termination of a contract in Sub-Saharan Africa and the effect of the return of a couple of transponders in Russia.

Second Quarter revenues stood at €195 million down by 1.5% year-on-year and stable quarter-on-quarter.

At 31 December 2019, the total number of channels broadcast by Eutelsat satellites stood at 6,879, down 2.7% year-on-year. HD penetration continued to increase, standing at 1,605 channels versus 1,500 a year earlier (+7%), implying a penetration rate of 23.3% up from 21.2% a year earlier.

On the commercial front, in Europe, a multi-year capacity contract was secured at the HOTBIRD neighbourhood to broadcast RTVE free-to-air content, demonstrating the unparalleled reach of HOTBIRD across Europe and MENA. In Africa, two multi-year contracts were signed for capacity at 7°East: one with Orao Telecom Congo also including a Eutelsat CIRRUS hybrid satellite/OTT service agreement, and one with AfricaXP encompassing capacity at 16°East as well.

Second Half revenues will benefit from the entry into service of EUTELSAT 7C at the end of January, bringing incremental capacity to sub-Saharan Africa. Conversely, they will be impacted, as expected, by the loss of capacity on EUTELSAT 5 West B leading to the termination of certain services at 5°West.

³ The share of each application as a percentage of total revenues is calculated excluding "other revenues".

⁴ Change at constant currency and perimeter. The variation is calculated as follows: i) H1 2019-20 USD revenues are converted at H1 2018-19 rates; ii) H1 2018-19 revenues are restated from the disposal of Eutelsat's interest in Eutelsat 25B which occurred in August 2018.

⁵ Other revenues include mainly compensation paid on the settlement of business-related litigations, the impact of EUR/USD revenue currency hedging, the provision of various services or consulting/engineering fees and termination fees.

Data & Professional Video (14% of revenues)

First Half revenues stood at €88 million, down by 17.3% year-on-year. They continued to reflect the ongoing pricing pressure and highly competitive environment in this application, and were also affected by volume losses in Data in Latin America in the First Quarter.

Second Quarter revenues stood at €45 million down 14.9% year-on-year and up by 3.3% quarter-on-quarter with an improvement in volume trends on a sequential basis.

The second half should benefit from an easing comparison basis.

Government Services (12% of revenues)

First Half Government Services revenues stood at €78 million, down by 7.8% like-for-like, reflecting the carry-forward impact of the US Government renewal campaigns of the past 18 months.

Second Quarter revenues stood at €39 million, down by 4.6% year-on-year and 1.7% quarter-on-quarter.

Second Half revenues will benefit from the contribution of the GEO-3 hosted payload of the European Geostationary Navigation Overlay System (EGNOS) on EUTELSAT 5 West B and from the relocation of EUTELSAT 7A.

Fixed Broadband (6% of revenues)

First Half revenues stood at €39 million, down 4.4% like-for-like. In Europe, the PPP (Preferred Partner Programme) is continuing its ramp-up and is gradually being extended to new geographies, but business remain constrained by a lack of capacity in high demand markets and the decline of traditional distributors. In Africa, revenues remain modest at this stage while the emphasis remains on trialling distribution models in a limited number of countries.

Second Quarter revenues stood at €19 million, down 5.5% year-on-year and by 3.8% quarter-on-quarter.

The entry into service of KONNECT in FY 2020-21 will unlock the potential of African Broadband and provide much-needed incremental capacity in Europe.

Mobile Connectivity (6% of revenues)

First Half revenues stood at €41 million, down 0.6% like-for-like. The ramp-up of capacity contracts on KA-SAT and maritime business as well as the carry-forward effect of the UnicomAirNet contract on EUTELSAT 172B offset the end of a temporary wide-beam contract that occurred in FY 2018-19.

Second Quarter revenues stood at €22 million, including the catch up of a negative one-off of circa €1m in the First Quarter. They were up 7.1% year-on-year and by 8.2% quarter-on-quarter.

The second half should benefit from the materialization of pipeline opportunities. In the longer term, the firm commitments from Gogo and Panasonic on the HTS capacity of EUTELSAT 10B reflect robust demand in the mobility market.

Other Revenues

In the **First Half**, Other Revenues amounted to €0.9 million versus (€2.3) million a year earlier. They included a negative (5.1€) million impact from hedging operations versus (€7.1) million a year earlier.

1.4. Order Backlog

The order backlog⁶ stood at €4.3 billion at 31 December 2019 versus 4.6 billion a year earlier and 4.4 billion at end June 2019. It includes the capacity commitments secured on the recently ordered EUTELSAT 10B satellite.

The backlog was equivalent to 3.3 times 2018-19 revenues. Broadcast represented 68% of the backlog.

	31 Dec. 2018	30 June 2019	31 Dec. 2019
Value of contracts (in billions of euros)	4.6	4.4	4.3
<i>In years of annual revenues based on previous fiscal year</i>	3.3	3.3	3.3
Share of Broadcast application	74%	72%	68%

1.5. Operational and utilized transponders

The number of operational transponders at 31 December 2019 stood at 1,387, down by 32 units year-on-year, principally reflecting the end of life in stable orbit of EUTELSAT 12 West B. They were unchanged versus end-June 2019.

The number of utilized transponders stood at 966, down four units year-on-year, notably reflecting the impact of EUTELSAT 12 West B. Compared to end June, the number of utilized transponders was up by six units.

As a result, the fill rate stood at 69.7% compared to 68.3% a year earlier and 69.2% at end-June.

	31 Dec. 2018	30 June 2019	31 Dec. 2019
Operational transponders ⁷	1,419	1,387	1,387
Utilized transponders ⁸	970	960	966
Fill rate	68.3%	69.2%	69.7%

Note: Based on 36 MHz-equivalent transponders excluding high throughput capacity and satellites in inclined orbit.

⁶ The backlog represents future revenues from capacity or service agreements and can include contracts for satellites under procurement.

⁷ Number of transponders on satellites in stable orbit, back-up capacity excluded.

⁸ Number of transponders utilised on satellites in stable orbit.

2 PROFITABILITY

2.1. Profitability

EBITDA stood at €496 million at 31 December 2019 compared with €518 million a year earlier, down by 4.4%. The **EBITDA margin** stood at 77.8% (77.9% at constant currency) versus 78.8% a year earlier, reflecting lower revenues as well as higher costs associated with Broadband activities which are partially offset by a strong cost discipline on Core business.

At this stage, there is no benefit from the 'LEAP 2' cost-savings program which has just been launched and targets savings of €20-25 million by the end of FY 2021-22.

Group share of net income stood at €141 million versus €150 million a year earlier, down by 6.4% and representing a margin of 22%. This reflected:

- A slight increase in **depreciation and amortisation** ((€263) million at 31 December 2019 compared with (€258) million a year earlier);
- **Lower 'Other operating income'** of (€8) million (versus +€36 million last year) which included the capital gain on the disposal of the interest in EUTELSAT 25B;
- A **net financial result** of (€41) million (versus (€53) million a year earlier), mainly reflecting the benefit of last year's debt refinancing;

A **tax rate** of 18% (versus 35% last year) reflecting the change in tax territoriality treatment in France.

2.2. Cash flow

In H1 2019-20, **net cash flow from operating activities** amounted to €353 million; €25 million lower than a year earlier. This reflected notably the lower EBITDA and an unfavourable comparison basis for change in working capital, which more than offset the benefit of the change in tax treatment.

Cash Capex amounted to €189 million versus €130 million last year. Cash capex in the second half will however reflect insurance proceeds in respect of EUTELSAT 5 West B.

Interest and other fees paid net of interest received amounted to €57 million versus €24 million last year, reflecting a change in the phasing of coupon payments versus last year following the refinancing of two bonds in FY 2018-19. H2 will see an attendant mechanical €64m year-on-year reduction in coupon payments, leading to a substantial reduction over the full year.

Discretionary Free Cash-Flow amounted to €108 million on a reported basis. As per financial outlook definition⁹ it stood at €105 million, down €132 million or 56%.

2.3. Financial structure

At 31 December 2019 **net debt** stood at €3,235 million, up €162 million versus end-June. It reflected principally on one hand the €108 million in discretionary free cash-flow generated in H1 and an inflow related to changes in perimeter for €55 million¹⁰, and on the other, the dividend payment of €316 million. Other items (mostly export credit financing, financial leases and other bank facilities and changes in the foreign exchange portion of the cross-currency swap) generated a net outflow of €9 million.

The **net debt to EBITDA ratio** stood at 3.2 times, compared to 3.1 times at end-December 2018. As a reminder, December usually represents a peak in the annual net debt profile reflecting the timing of the dividend payment.

As a result of the refinancing of two debt maturities in FY 2018-19 both the weighted average maturity of the group's debt (4.2 years versus 2.7 in H1 2018-19) and the average cost of debt after hedging (2.4% versus 2.8% in H1 2018-19) showed improvement.

Liquidity remained strong, with undrawn credit lines of €798 million and cash of €373 million.

⁹ At constant currency and excluding the impact of the disposal of EUTELSAT 25B in FY 2018-19

¹⁰ Second half of the consideration for EUTELSAT 25B net of the acquisition of stake in Broadpeak

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 Universal Registration Document as registered with the "Autorité des marchés financiers" (French securities regulator) and filed on 14 October 2019 under number D. 19-0893.

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 2019 or on its activities during the First Half of the financial year ending 30 June 2020.

4 CHANGES WITHIN THE GROUP

4.1. Governance

The Ordinary and Extraordinary Shareholders' Meeting of 7 November 2019 renewed the mandate of Ana Garcia Fau and appointed Cynthia Gordon as a Board member.

The Board is composed of 10 members, 50% of whom are women and 70% of whom are independent.

The Combined General Meeting also approved all the other resolutions, including the accounts, the dividend in respect of FY 2018-19, compensation of corporate officers and compensation policy.

4.2. Dividend

The Annual General Meeting of Shareholders of 7 November 2019 approved the payment of a dividend of €1.27 per share in respect of the financial year ended 30 June 2019.

The dividend, totaling €295 million, was fully paid in cash on 25 November 2019.

4.3. Change in the scope of Group consolidation

Acquisition of minority interests in Russian operations

On 30 January 2020, Eutelsat acquired the minority interests of its Russian operations for a cash consideration of €34m. They consist of 49% of Eutelsat International and Eutelsat Networks which market capacity on the Express-AT1, Express-AT2 and Eutelsat 36C satellites for a total of 38 Ku-band transponders and 18 Ka-band spotbeams. The transaction carries an earn-out feature to be settled between September 2020 and September 2023.

5 RECENT EVENTS AND SATELLITE FLEET EVOLUTION

5.1. Satellite fleet evolution

Nominal deployment programme

Satellite ¹	Orbital position	Estimated launch (calendar year)	Main applications	Main geographic coverage	Physical Transponders/ Spot beams	36 MHz-equivalent transponders / Spot beams	Of which expansion
EUTELSAT QUANTUM	To be confirmed	Q3 2020	Government Services	Flexible	8 "QUANTUM" beams	Not applicable	Not applicable
KONNECT VHVS	To be confirmed	H2 2021	Connectivity	Europe	~230 Ka spot beams	500 Gbps	500 Gbps
EUTELSAT HOTBIRD 13F	13° East	H2 2021	Video	Europe MENA	80 Ku ²	73 Ku ²	None
EUTELSAT HOTBIRD 13G	13° East	H2 2021	Video	Europe MENA	80 Ku ²	73 Ku ²	None
EUTELSAT 10B	10° East	2022	Mobile Connectivity	EMEA Atlantic & Indian Ocean	12 Ku 10C >100 Ku spot beams	12 Ku 20 C c. 35 Gbps	-48 Ku transponders ³ c. 35 Gbps

¹ EUTELSAT QUANTUM is a chemical propulsion satellite. KONNECT VHVS, EUTELSAT HOTBIRD 13F, EUTELSAT HOTBIRD 13G, EUTELSAT 10B are electric propulsion satellites.
² Nominal capacity corresponding to the specifications of the satellites. Total operational capacity at the HOTBIRD orbital position will remain unchanged with 102 physical transponders (95 36 Mhz equivalent transponders) operated, once regulatory, technical and operational constraints are taken into account.
³ 36 Mhz equivalent transponders.

Furthermore, in the context of the kick-off of the ELO constellation, a first series of five nanosatellites will be launched between 2020 and 2021.

Eutelsat 5 West B

EUTELSAT 5 West B started operations in January with c.45% of its capacity following the loss of its South solar array. The EGNOS payload entered into service in February

EUTELSAT 5 West A now operates in inclined orbit.

Other changes in the fleet

EUTELSAT 7C started operations on 28 January 2020. EUTELSAT 7A is currently being relocated.

KONNECT was launched on 16 January 2020. It is due to enter service in Autumn.

As of 31 December 2019, the Group operated capacity on 37 satellites.

6 CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS AS OF 31 DECEMBER 2019

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 2019

CONSOLIDATED INCOME STATEMENT

(in millions of euros, except per-share data)	Note	31 December 2018	31 December 2019
Revenues from operations	5.1	658.1	636.6
Operating costs		(42.9)	(44.2)
Selling, general and administrative expenses		(96.8)	(96.9)
Depreciation expense	6.1	(257.6)	(262.5)
Other operating income and expenses	5.3	35.7	(7.8)
Operating income		296.6	225.3
Cost of net debt		(48.8)	(39.1)
Other financial items		(4.4)	(2.3)
Financial result	5.4	(53.2)	(41.4)
Income from associates		(1.3)	-
Net income before tax		242.1	183.9
Income tax	5.5	(85.0)	(33.7)
Net income		157.2	150.2
Attributable to the Group		150.4	140.7
Attributable to non-controlling interests		6.8	9.5
Basic and diluted earnings per share attributable to Eutelsat Communications shareholders ⁽¹⁾	5.6	0.647	0.605

⁽¹⁾ There are no dilutive instruments as of 31 December 2018 and 2019.

COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Note	31 December 2018	31 December 2019
Net income		157.2	150.2
Other recyclable items of gain or loss on comprehensive income			
Translation adjustment	6.5.4	9.2	10.0
Tax effect		6.4	8.3
Changes in fair value of hedging instruments ⁽¹⁾	6.5.3	(2.0)	4.4
Tax effect		(10.4)	-
Other non-recyclable items of gain or loss on comprehensive income			
Changes in post-employment benefits		3.2	-
Tax effect		(0.8)	-
Total of other items of gain or loss on comprehensive income		5.6	22.7
Total comprehensive income		162.9	172.9
Attributable to the Group		155.9	162.5
Attributable to non-controlling interests ⁽²⁾		7.0	10.3

⁽¹⁾ Changes in the fair value of hedging instruments concern only cash-flow hedges. Net foreign investment hedges are recorded as translation adjustments.

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

- Net result for 9.5 million euros as of 31 December 2019 and 6.8 million euros as of 31 December 2018
- Other recyclable items of gain or loss on comprehensive income for 0.8 million euros as of 31 December 2019 and 0.1 million euros as of 31 December 2018
- No other non-recyclable items of gain or loss on comprehensive income as of 31 December 2019 and 0.1 million euros as of 31 December 2018.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of euros)	Note	30 June 2019	31 December 2019
Assets			
Goodwill	6.1.1	1,206.1	1,212.3
Intangible assets	6.1.1	575.5	545.6
Tangible assets and construction in progress	6.1.2	3,881.4	3,889.1
Right of use in respect of leases	6.1.3	657.9	609.6
Non-current financial assets	6.3.4	13.6	32.4
Non-current assets associated with customer contracts and costs to obtain or fulfil a contract	6.2	59.1	78.9
Deferred tax assets		2.7	2.7
Total non-current assets		6,396.3	6,370.5
Inventories		3.9	6.1
Accounts receivable	6.2	284.7	323.1
Current assets associated with customer contracts and costs to obtain or fulfil a contract	6.2	20.0	25.9
Other current assets		25.5	19.2
Current tax receivable		22.4	27.9
Current financial assets	6.3.4	83.4	10.2
Cash and cash equivalents	6.3.1	1,455.4	373.3
Total current assets		1,895.3	785.8
Total assets		8,291.6	7,156.2

(in millions of euros)	Note	30 June 2019	31 December 2019
Liabilities			
Share capital	6.5.1	232.8	232.8
Additional paid-in capital		738.1	738.1
Reserves and retained earnings		1,710.1	1,566.6
Non-controlling interests		186.4	159.9
Total shareholders' equity		2,867.4	2,697.4
Non-current financial debt	6.3.2	2,873.1	2,915.9
Non-current lease liabilities	6.3.4	507.2	474.5
Other non-current financial liabilities	6.3.4	60.8	88.1
Non-current payables to fixed asset suppliers		7.7	6.3
Non-current liabilities associated with customer contracts		129.0	122.2
Non-current provisions	6.6	130.8	124.6
Deferred tax liabilities		229.1	210.3
Total non-current liabilities		3,937.7	3,941.9
Current financial debt	6.3.2	986.0	42.5
Current lease liabilities	6.3.4	75.1	68.9
Other current payables and financial liabilities	6.3.4	230.8	230.2
Accounts payable		61.7	58.5
Current payables to fixed asset suppliers		55.0	20.0
Tax payable		2.5	18.4
Current liabilities associated with customer contracts		59.5	62.2
Current provisions	6.6	16.0	16.2
Total current liabilities		1,486.6	516.9
Total liabilities and shareholders' equity		8,291.6	7,156.2

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	Note	31 December 2018	31 December 2019
Cash flow from operating activities			
Net income		157.2	150.2
Income from equity investments		1.3	-
Tax and interest expenses, other operating items		110.2	81.1
Depreciation, amortisation and provisions		275.3	265.6
Deferred taxes		(21.1)	(11.9)
Changes in accounts receivable		(1.1)	(42.1)
Changes in expenses on assets held under customer contracts and other assets		(4.5)	(12.5)
Changes in accounts payable		(12.3)	(4.5)
Changes in liabilities associated with customer contracts and other liabilities		(34.2)	(30.3)
Taxes paid		(92.1)	(42.3)
Net cash flows from operating activities		378.7	353.4
Cash flow from investing activities			
Acquisitions of satellites, other property and equipment, and intangible assets	6.1.1, 6.1.2	(82.2)	(151.1)
Sales ⁽¹⁾		67.5	67.5
Dividends received from associates and other items ⁽²⁾		0.2	(12.7)
Net cash flows from investing activities		(14.5)	(96.4)
Cash flow from financing activities			
Distributions		(310.5)	(315.7)
Increase in borrowings	6.3.2	800.0	-
Repayment of borrowings	6.3.2	(11.9)	(941.9)
Repayment of lease liabilities		(35.9)	(26.1)
Loan set-up fees		(7.6)	(0.7)
Interest and other fees paid		(23.5)	(56.5)
Premiums and termination indemnities on derivatives settled		(32.9)	-
Other changes		(0.4)	-
Net cash flow from financing activities		377.3	(1,340.9)
Impact of exchange rate on cash and cash equivalents		1.8	1.9
Increase/(Decrease) in cash and cash equivalents		743.4	(1,082.0)
Cash and cash equivalents, beginning of period		733.5	1,455.3
Cash and cash equivalents, end of period		1,476.9	373.3
<i>Including Cash and cash equivalents, end of period</i>	6.3.1	1,476.9	373.3
<i>Including Overdrafts included under debt, end of period</i>		-	-

⁽¹⁾ Disposals include two payments made in August 2018 and August 2019 totalling 67.5 million euros pursuant to the sale of the EUTELSAT 25B satellite to its co-owner, Es'Hailsat, for a consideration of 135 million euros.

⁽²⁾ As of 31 December 2019, acquisitions of equity investments include the payment of 10 million euros related to the acquisition of Broadpeak, see Note 2.1 "Acquisition of interest in Broadpeak".

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros, except share data)	Share capital			Reserves and retained earnings	Shareholders' equity Groupshare	Non-controlling interests	Total
	Number	Amount	Additional paid in capital				
As of 30 June 2018	232,774,635	232.8	738.1	1,695.1	2,665.9	181.4	2,847.5
Net income for the period	-	-	-	150.4	150.4	6.8	157.2
Other items of gain or loss In comprehensive income	-	-	-	5.4	5.4	0.2	5.6
Total comprehensive income	-	-	-	155.9	155.9	7.0	162.9
Treasury stocks	-	-	-	0.2	0.2	-	0.2
Dividend distributions	-	-	-	(295.3)	(295.3)	(15.3)	(310.5)
Benefits for employees upon exercising options and free shares granted	-	-	-	0.4	0.4	-	0.4
Transactions with non-controlling interests and others	-	-	-	(0.4)	(0.4)	5.0	4.7
As of 31 December 2018	232,774,635	232.8	738.1	1,556.3	2,527.1	178.0	2,705.1
As of 30 June 2019	232,774,635	232.8	738.1	1,710.1	2,681.0	186.4	2,867.4
Net income for the period	-	-	-	140.7	140.7	9.5	150.2
Other items of gain or loss In comprehensive income ⁽¹⁾	-	-	-	21.9	21.9	0.8	22.7
Total du résultat global	-	-	-	162.5	162.5	10.3	172.9
Treasury stocks	-	-	-	0.2	0.2	-	0.2
Dividend distributions	-	-	-	(295.3)	(295.3)	(20.6)	(315.9)
Benefits for employees upon exercising options and free shares granted	-	-	-	-	-	-	-
Transactions with non-controlling interests and others	-	-	-	(11.1)	(11.1)	(16.3)	(27.3)
As of 31 December 2019	232,774,635	232.8	738.1	1,566.6	2,537.4	159.9	2,697.4

¹⁾ Changes in other items of gain or loss on comprehensive income are detailed in Note 6.5.3 "Change in the revaluation surplus of derivative instruments"» and Note 6.5.4 "Translation reserve".

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NOTE 1: GENERAL OVERVIEW

1.1 BUSINESS

Operating capacity on 37 satellites, the Eutelsat Group is one of the world leaders in fixed satellite services. It mainly operates and provides capacity for Video Services, Fixed Data and Government Services as well as capacity for Connectivity applications (Fixed Broadband and Mobile Connectivity), which offer strong potential for growth. Via its fleet, the Group covers the entire European continent, the Middle East, North Africa, Sub-Saharan Africa and large parts of the Asian and American continents.

1.2 APPROVAL OF ACCOUNTS

The condensed consolidated half-year accounts as of 31 December 2019 have been prepared under the responsibility of the Board of Directors, which approved them at its meeting held on 13 February 2020.

NOTE 2: KEY EVENTS DURING THE PERIOD

2.1 ACQUISITION OF INTEREST IN BROADPEAK

On 2 July 2019, Eutelsat acquired a circa 20% investment in Broadpeak, an industry leader in video content delivery solutions. The transaction enables the two groups to pool their technological resources to expand their respective portfolios of services for telecommunication operators, media groups and content owners and develop new solutions aimed at integrating satellite technology into the 5G generation of mobile networks. Eutelsat's investment, in the form of shares and convertible bonds, represents a consideration of circa 10 million euros.

2.2 INCIDENT ON THE EUTELSAT 5 WEST B SATELLITE

The EUTELSAT 5 West B satellite was launched on 10 October 2019. On 24 October 2019, the Group reported an incident on one of the satellite's two solar panels and confirmed the loss of the South solar array on 17 January 2020. The attendant power loss means that circa 45% of the satellite's capacity should remain operational. The satellite has entered commercial service on 21 January 2020. EUTELSAT 5 West B is fully insured against the possibility of a partial or total loss by a "launch plus one year" insurance policy. The incident did not have any material impact on the condensed consolidated half-year accounts as of 31 December 2019. In particular, no insurance income has been recognized pending confirmation of compensation to be received from insurers.

NOTE 3: ACCOUNTING PRINCIPLES AND VALUATION METHODS

3.1 BASIS OF PREPARATION OF FINANCIAL INFORMATION

The condensed consolidated half-year financial statements as of 31 December 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting" in a condensed format. The accounts as presented do not contain all the information and Notes required under IFRS 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 2019.

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 2019, with the exception of the new standards and interpretations which are adopted by the European Union and are to be applied after 1 July 2019.

- IFRIC 23 "Uncertainty over Income Tax Treatments", which addresses uncertain tax positions relating to income taxes.
- Improvements to IFRSs 2015–2017 Cycle

Applying these standards had no significant impact on the Group's financial statements.

3.2 FINANCIAL REPORTING RULES

3.2.1 Translation of financial statements and foreign currency transactions

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

The rules for translating items in financial statements and foreign currency transactions remain unchanged from 30 June 2019.

The main foreign currency used is the U.S. dollar. The closing exchange rate used is 1.119 U.S. dollar for 1 euro and the average exchange rate for the period is 1.111 U.S. dollar for 1 euro.

3.2.2 Presentation of current and non-current assets and liabilities

Current assets and liabilities are those that the Group expects to realise, consume or settle in its normal operating cycle, which is shorter than 12 months. All other assets and liabilities are classified as non-current.

3.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

In preparing the condensed consolidated half-year financial statements for the period ended 31 December 2019, Management has exercised judgement, particularly with regard to the recoverable amounts of assets, the recognition of revenues, the estimation of provisions, contingent assets and liabilities, the recognition of tax assets and liabilities and the assessment of customer risk.

3.4 MAJOR CHANGES IN THE SCOPE OF CONSOLIDATION

3.4.1 Half-year ended 31 December 2018

On 23 November 2018, Eutelsat S.A. transferred its 49% stake in Eurobroadband Retail to an entity of the Viasat Group, an existing shareholder with a 51% interest. The divestment had no material impact on the Group's financial statements.

3.4.2 Half-year ended 31 December 2019

No significant changes were made to the Group's scope of consolidation during the period.

NOTE 4: SEGMENT INFORMATION

The Group considers that it only operates in a single industry segment, basing that view on an assessment of services rendered and the nature of the associated risks, rather than on their purpose. This is the provision of satellite-based video, business and broadband networks, and mobile services mainly to international telecommunications operators and broadcasters, corporate network integrators and companies for their own needs.

The performance indicators that are monitored by the Chief Executive Officer, the Deputy Chief Executive Officers and the Chief Financial Officer who together make up the Group's main operational decision-making body are as follows:

- Revenues;
- EBITDA defined as the operating result before amortisation and depreciation, impairment of assets and other operating income and expense, and the EBITDA profit margin on turnover;
- Cash Capex covering the acquisition of satellites and other tangible or intangible assets as well as payments in respect of export credit facilities and lease liabilities;
- Discretionary free cash flow defined as Net cash flow from operating activities less Cash Capex as well as interest and other financial costs, net of interest received;
- Net debt to EBITDA ratio (see Note 6.3.3 “Net Debt”).

Internal reporting is a presentation of the Group’s consolidated income statement according to a different breakdown of items than the one used in the consolidated financial statements in order to highlight performance indicators for which the main aggregates are identical to those included in the Group’s consolidated accounts. Financial reporting is prepared in accordance with IFRS principles applied by the Group for its consolidated financial statements

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

NOTE 5: NOTES TO THE INCOME STATEMENT

5.1 REVENUES

5.1.1 Revenues by application

Revenues by application are as follows:

(in millions of euros)	31 December 2018	31 December 2019
Broadcast	394.4	389.4
Data and Professional Video	103.6	87.8
Government Services	81.8	78.3
Fixed Broadband	40.5	39.1
Mobile Connectivity	40.0	41.2
Total Operating Verticals	660.4	635.8
Other Revenues	(2.3)	0.9
Total	658.1	636.6
<i>EUR/USD exchange rate</i>	<i>1.16</i>	<i>1.11</i>

5.1.2 Revenues per geographical region

Revenues by geographical zone, based on customer billing addresses, are as follows:

(in millions of euros and as a percentage)	31 December 2018		31 December 2019	
	Amount	%	Amount	%
Regions				
France	45.6	6.9	42.9	6.7
Italy	73.7	11.2	72.3	11.4
United Kingdom	39.8	6.0	36.8	5.8
Europe (other)	182.2	27.7	169.0	26.5
Americas	150.4	22.9	139.7	21.9
Middle-East	112.1	17.0	112.7	17.7
Africa	46.2	7.0	48.9	7.7
Asia	15.3	2.3	19.5	3.1
Other	(7.1)	(1.1)	(5.1)	(0.8)
Total	658.1	100.0	636.6	100.0

Other revenues include the impact of EUR/USD currency hedging which stood at (5.1) million euros for the half-year ended 31 December 2019 compared to (7.1) million euros for the half-year ended 31 December 2018.

5.2 SHARE-BASED COMPENSATION

In addition to the plans in force within the Group as of 30 June 2019, the Group has granted a new phantom share plan on 7 November 2019. Vesting of these phantom shares is subject to the achievement of performance-related conditions and to the condition that the beneficiaries be still employed within the Group during a given period.

The expense relating to share-based compensation (excluding social contributions) amounted to 1.0 million euros for the half-year ended 31 December 2019 (3.1 million euros for the half-year ended 31 December 2018).

5.3 OTHER OPERATING INCOME AND EXPENSES

(in millions of euros)	31 December 2018	31 December 2019
Other operating income	48.9	-
Other operating expenses	(13.2)	(7.8)
Total	35.7	(7.8)

“Other operating income” during the half-year period ended 31 December 2018 mainly reflects the capital gain on the disposal of the Group’s interest in the EUTELSAT 25B satellite. Other operating expenses mainly include scrapped assets and disposals.

5.4 FINANCIAL RESULT

(in millions of euros)	31 December 2018	31 December 2019
Interest expense after hedging	(48.4)	(38.2)
Interest on lease liabilities	(7.7)	(7.6)
Loan set-up fees and commissions	(3.7)	(4.2)
Capitalised interest	10.5	10.2
Cost of gross debt	(49.3)	(39.7)
Financial income	0.6	0.6
Cost of net debt	(48.8)	(39.1)
Changes in derivative financial instruments	(1.8)	-
Foreign-exchange impact	1.2	0.5
Other	(3.8)	(2.7)
Financial result	(53.2)	(41.4)

The interest expense as of 31 December 2019 includes 4.4 million euros related to the execution and termination of pre-hedging instruments used to secure the interest rate on the October 2018 and June 2019 bond issues. The interest expense as of 30 June 2018 stood at 0.8 million euros.

The amount of capitalised interest depends on the state of progress and number of satellite construction programmes recorded during the financial period concerned. The interest rates used to determine the amount of interest expense eligible for capitalisation were 2.42% as of 31 December 2019 compared to 2.82 % as of 31 December 2018.

Changes in fair value of financial derivatives as of 30 June 2018 and 2019 mainly include changes in the fair value of derivatives that do not qualified as hedges or are no longer qualified for hedge accounting, and the ineffective portion of the time value of derivatives qualified as hedging instruments.

5.5 INCOME TAX

The “Income tax” expense comprises current and deferred tax expenses of consolidated entities. In accordance with IAS 34, the income tax expense for the interim period ended 31 December is calculated by applying the average annual effective income tax rate estimated for the financial year to pre-tax income of the interim period.

As of 31 December 2019, the effective income tax rate stood at 18.3%. The rate includes the effect of the exemption of the portion of Eutelsat S.A.’s profit attributable to the company’s satellites operated outside France (article 247 of the French General Tax Code introduced by the 2019 Finance Bill), the effect of taxation rates for foreign subsidiaries that are lower than in France, as well as exchange rate differences and inflation effects on the deferred tax positions of the Satellites Mexicanos subsidiary.

As of 31 December 2018, the effective income tax rate was 34.9%. This rate included the impact of the 75% limit on the deductibility of financial expenses in France, which was offset by the effect of lower tax rates for foreign subsidiaries than in France, as well as foreign exchange differences and inflation effects on the deferred tax positions of the Satellites Mexicanos subsidiary. This rate did not take into account the impact of Article 247 of the French General Tax Code introduced by the 2019 Finance Bill.

5.6 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):

(in millions of euros)	31 December 2018	31 December 2019
Net income	157.2	150.2
Income from subsidiaries attributable to non-controlling interests	(6.8)	(9.5)
Net earnings used to compute earnings per share	150.4	140.7
Average number of basic and diluted shares	232,416,067	232,492, 821

NOTE 6: NOTES TO THE BALANCE SHEET

6.1 FIXED ASSETS

6.1.1 GOODWILL AND OTHER INTANGIBLES

Goodwill and intangible assets have evolved over the past two financial periods as follows:

(in millions of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
Gross assets					
Gross value as of 30 June 2019	1,206.1	1,122.7	40.8	311.9	2,681.6
Acquisitions	-	-	-	6.3	6.3
Transfers	-	-	-	8.8	8.8
Foreign-exchange variation	6.2	3.9	-	1.2	11.3
Disposals and scrapping of assets	-	-	-	(14.8)	(14.8)
Gross value as of 31 December 2019	1,212.3	1,126.6	40.8	313.4	2,693.2
Amortisation and impairment					
Accumulated amortisation as of		(708.9)	-	(191.0)	(899.9)
Amortisation expense	-	(32.5)	-	(16.0)	(48.5)
Reversals (disposals and scrapping of assets)	-	-	-	14.6	14.6
Foreign-exchange variation	-	(1.2)	-	(0.3)	(1.6)
Accumulated amortisation as of 31 December 2019		(742.6)		(192.7)	(935.4)
Net value as of 30 June 2019	1,206.1	413.8	40.8	120.8	1,781.7
Net value as of 31 December 2019	1,212.3	384.0	40.8	120.7	1,757.9

The economic conditions observed at balance sheet date did not lead Management to test goodwill for impairment as of 31 December 2019.

6.1.2 Tangible assets and construction in progress

Tangible assets have evolved over the past two financial periods as follows:

(in millions of euros)	Satellites	Other tangibles	Construction in progress	Total
Gross assets				
Gross value as of 30 June 2019	5,703.7	426.7	1,028.6	7,159.1
Acquisitions	-	3.0	174.9	177.9
Disposals	-	(0.5)	-	(0.5)
Scrapping of assets	-	(1.2)	-	(1.2)
Foreign-exchange variation	25.9	0.8	0.1	26.8
Transfers and others	-	8.3	(16.1)	(7.8)
Gross value as of 31 December 2019	5,729.6	437.1	1,187.5	7,354.2
Depreciation and impairment				
Accumulated depreciation as of 30 June 2019	(2,947.0)	(329.6)	(1.2)	(3,277.9)
Depreciation expense	(165.9)	(14.0)	-	(179.9)
Reversals (disposals)	-	0.3	-	0.3
Reversals (scrapping of assets)	-	1.2	-	1.2
Foreign-exchange variation	(7.5)	(0.5)	-	(8.0)
Transfers and others	-	(1.0)	-	(1.0)
Accumulated depreciation as of 31 December 2019	(3,120.4)	(343.6)	(1.2)	(3,465.2)
Net value as of 30 June 2019	2,756.7	97.1	1,027.5	3,881.4
Net value as of 31 December 2019	2,609.2	93.5	1,186.3	3,889.1

The KONNECT satellite was launched on 16 January 2020 and is due to enter commercial service in fall 2020.

The satellites listed below are under construction at balance sheet date and should be launched during the financial years as indicated.

Projects	Years
QUANTUM	Calendar year 2020
KONNECT VHTS, HOTBIRD 13F and HOTBIRD 13G	Calendar year 2021
EUTELSAT 10B	Calendar year 2022

6.1.3 Rights of use in respect of leases

During the financial period ended 31 December 2019, rights of use have evolved as follows:

(in millions of euros)	Satellites	Miscellaneous Tangible assets	Total
Gross assets			
Gross value as of 30 June 2019	878.6	44.2	922.8
Acquisitions	-	0.2	0.2
Foreign-exchange variation	-	0.1	0.1
Lease amendments and terminations	-	(13.7)	(13.7)
Gross value as of 31 December 2019	878.6	30.8	909.4
Depreciation and impairment			
Accumulated depreciation as of 30 June 2019	(255.8)	(9.1)	(264.9)
Depreciation expense	(30.3)	(4.6)	(34.9)
Provision for bad debt	-	(0.1)	(0.1)
Accumulated depreciation and impairment as of 31 December 2019	(286.0)	(13.8)	(299.9)
Net value as of 30 June 2019	622.8	35.1	657.9
Net value as of 31 December 2019	592.6	17.0	609.6

Satellite rights of use mainly relate to Express AT1, Express AT2, Express AM6, Express 36C and Astra 2G leases. None of the leases contains purchase options on expiry of the lease.

No renewal options have been considered to determine the term of the leases.

6.1.4 Purchase commitments

In addition to the items posted to the balance sheet, the Group has commitments with suppliers for the acquisition of assets (satellites and other assets) and the provision of services for an aggregate amount of 857 million euros as of 31 December 2019 and 689 million euros as of 30 June 2019. Future payments as of 31 December 2019 in respect of these commitments are scheduled as follows:

(in millions of euros)	At 31 December 2019
Maturity within 1 year	395
From 1 to 2 years	222
From 2 to 3 years	119
From 3 to 4 years	57
Maturity exceeding 4 years	64
Total	857

Furthermore, the Group has granted a parental guarantee of 2.8 million euros to a third party in respect of one of its subsidiaries.

6.2 RECEIVABLES, ASSETS AND LIABILITIES FROM CUSTOMER CONTRACTS AND COSTS TO OBTAIN OR FULFIL A CONTRACT

Receivables, assets and liabilities from customer contracts are summed up as follows:

(in millions of euros)	30 June 2019	31 December 2019
Assets		
Accounts receivable	284.7	323.1
Assets associated with customer contracts	38.0	56.4
Costs to fulfil contracts	23.0	25.8
Costs to obtain contracts	18.1	22.5
Total current and non-current assets	363.9	427.9
<i>Incl. non current portion</i>	59.1	78.9
<i>Incl. current portion</i>	304.7	349.0
Liabilities		
Financial liabilities - Guarantees and commitments received	51.7	55.9
Current contract liabilities	188.5	184.4
Total current and non-current liabilities	240.2	240.3
<i>Incl. non current portion</i>	159.4	152.1
<i>Incl. current portion</i>	80.8	88.2

6.2.1 Accounts receivable

Accounts receivable (matured and non-matured) break down as follows:

(in millions of euros)	30 June 2019	31 December 2019
Non-matured receivables	149.1	150.7
Matured receivables between 0 and 90 days	61.8	61.9
Matured receivables for more than 90 days	178.2	218.2
Provision for bad debt	(104.4)	(107.7)
Total	284.7	323.1

Changes in Impairment of trade receivables over the past two financial periods were as follows:

(in millions of euros)	Total
Value as of 30 June 2019	104.4
Net allowance (reversals)	5.6
Reversals (used)	(2.6)
Foreign-exchange variation	0.3
Value at 31 December 2019	107.7

6.3 FINANCIAL ASSETS AND LIABILITIES

6.3.1 Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

(in millions of euros)	30 June 2019	31 December 2019
Cash at bank and in hand	541.5	345.8
Cash equivalents	913.8	27.6
Total	1,455.4	373.3

6.3.2 Financial debt

Financial debt breaks down as follows:

(in millions of euros)	Rate	30 June 2019	31 December 2019	Maturity
Term loan 2022	Variable	600.0	600.0	31 March 2022
Bond 2021	1.125%	500.0	500.0	23 June 2021
Bond 2022	3.125%	300.0	300.0	10 Oct 2022
Bond 2025	2.000%	800.0	800.0	02 Oct 2025
Bond 2027	2.250%	600.0	600.0	13 July 2021
Structured debt				
	Variable	94.9	83.0	17 May 2024
	0.65%	-	25.2	30 June 2022
	0.75%	-	26.3	30 June 2023
Sub-total of debt (non-current portion)		2,894.9	2,934.6	
Loan set-up fees and premiums		(21.8)	(18.6)	
Total of debt (non-current portion)		2,873.1	2,915.9	
Bond 2020	2.625%	930.0	-	
Structured debt		23.7	23.7	
Accrued interest not yet due		32.3	18.8	
Total debt (current portion)		986.0	42.5	
Total		3,859.1	2,958.4	

All debt was denominated in euros.

Term loans and ONDD-guaranteed export credits are subject to a financial covenant that provides for a net total debt to EBITDA ratio equal to or less than 4.0/1. Under the term loan covenants, each lender may equally request early repayment of all sums due in case of a change of control of Eutelsat SA or Eutelsat Communications. The obligations are also backed by a banking covenant which provides for each lender to request early repayment of all amounts due in the event of a change of control of Eutelsat S.A. or Eutelsat Communications, and a rating downgrade on Eutelsat S.A. As of 31 December 2019, the Group was in compliance with all banking covenants under its credit facilities.

Credit agreements do not include any guarantee by the Company or any pledge of assets to lenders, but contain restrictive clauses (subject to the usual exceptions provided for in this type of loan agreement) which limit the ability of Eutelsat Communications and its subsidiaries, in particular to grant liens on a borrower's assets, incur additional debt, dispose of assets, enter into mergers or acquisitions, sales of assets and finance lease transactions (except those carried out within the Group and expressly provided for in the loan agreement) and modify the nature of the business of the Company and its subsidiaries.

Credit arrangements include 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 that is not covered by a launch insurance policy.

As of 31 December 2019, the Group had active credit lines for an aggregate undrawn amount of 798 million euros (850 million as of 30 June 2019). These lines of credit were backed by the same type of bank covenants as those in place for the term loan and other structured debt.

The schedule of debt maturities, excluding issue costs and premiums and accrued interest not yet due as at 31 December 2019 was 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	-
Structured debt	158.3	23.7	134.6	-
Bond 2021	500.0	-	500.0	-
Bond 2022	300.0	-	300.0	-
Bond 2025	800.0	-	-	800.0
Bond 2027	600.0	-	-	600.0
Total	2,958.4	23.7	1,534.6	1,400.0

6.3.3 Net debt

Net debt breaks down as follows:

(in millions of euros)	30 June 2019	31 December 2019
Term loan	600.0	600.0
Bonds	3,130.0	2,200.0
Structured debt	118.6	158.3
Change portion of the cross-currency swap	99.8	109.7
Lease liabilities	579.8	540.1
Gross debt	4,528.1	3,608.1
Cash and cash equivalents	(1,455.4)	(373.3)
Net debt	3,072.8	3,234.8

Changes in the debt position between 30 June 2019 and 31 December 2019 are presented below:

(in millions of euros)	30 June 2019	Cash flow	Non-cash flow	Currency effect	Fair value change and other	31 December 2019
Term loan	600.0	-	-	-	-	600.0
Bonds	3,130.0	(930.0)	-	-	-	2,200.0
Structured debt	118.6	(11.9)	51.5	-	-	158.3
Change portion of the cross-currency swap	99.8	-	-	-	9.9	109.7
Lease liabilities	579.8	(25.9)	(13.9)	0.1	0.1	540.1
Total	4,528.1	(967.8)	37.6	0.1	10.0	3,608.1

6.3.4 Other financial assets and liabilities

Other financial assets break down as follows:

(in millions of euros)	30 June 2019	31 December 2019
Non-consolidated equity investments	2.2	14.7
Financial Instruments	4.0	2.4
Other financial assets	90.8	25.5
Total	97.0	42.6
<i>Incl. current portion</i>	<i>83.4</i>	<i>10.2</i>
<i>Incl. non current portion</i>	<i>13.6</i>	<i>32.4</i>

As of 30 June 2019, other financial assets included a receivable of 67.5 million euros in respect of the deferred payment of a portion of the divestment of the Group's share in the EUTELSAT 25B satellite. This receivable was settled in August 2019.

Other financial liabilities break down as follows:

(in millions of euros)	30 June 2019	31 December 2019
Lease liabilities	582.2	543.4
Other liabilities	89.6	116.5
Derivative financial instruments	140.2	155.9
Social contributions and payroll liabilities	56.0	36.6
Tax liabilities	5.7	9.3
Total	873.7	861.7
<i>Incl. current portion</i>	305.9	299.1
<i>Incl. non current portion</i>	567.9	562.6

Lease liabilities include accrued interest for 2.5 million euros as of 30 June 2019 and 3.3 million euros as of 31 December 2019.

6.3.5 Derivative financial instruments

Derivative financial instruments are valued by an independent expert before being reconciled with the valuations provided by banking counterparts. The following table presents the contractual or notional amounts and fair values of derivative financial instruments by type of contract.

(in millions of euros)	Notional		Fair value		Change in fair value over the period	Impact on income (excl. coupons)	Impact on equity (excl. coupons)
	30 June 2019	31 Dec 2019	30 June 2019	31 Dec 2019			
Synthetic forward sale with knock-in option	237.3	270.0	0.1	(1.0)	(1.1)		(1.1)
Cross currency swap	500.0	500.0	(97.6)	(114.8)	(17.2)		(17.2)
Total forex derivatives	737.3	770.0	(97.5)	(115.9)	(18.3)		(18.3)
Pre-hedging swap	500.0	800.0	(42.1)	(39.0)	3.1	2.0	1.1
Interest rate swap	500.0	500.0	3.3	1.3	(2.0)	(2.0)	
Total interest rate derivatives	1,000.0	1,300.0	(38.7)	(37.7)	1.0	-	1.1
Total derivatives	1,737.3	2,070.0	(136.2)	(153.5)	(17.3)	-	(17.3)

As of 31 December 2019, the cumulative fair value of the derivative financial instruments was positive at 2.4 million euros and negative at 155.9 million euros (see Note 6.3.4 "Other financial assets and liabilities").

6.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which a financial asset could be exchanged, or a liability extinguished, between knowledgeable, willing parties in an arm's length transaction.

With the exception of bonds and derivative financial instruments, the carrying amount of financial liabilities represents a reasonable approximation of their fair value.

The fair values of Level 1 bonds (quoted price) are as follows:

(in millions of euros)	30 June 2019	31 December 2019
Bond 2020	937.0	-
Bond 2021	510.0	507.5
Bond 2022	329.6	326.4
Bond 2025	824.0	835.9
Bond 2027	613.1	624.7
Total	3,213.7	2,294.4

6.5 SHAREHOLDERS' EQUITY

6.5.1 Share capital

As of 31 December 2019, 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 212,545 equity shares amounting to 3.5 million euros acquired under a liquidity contract (223,296 shares amounting to 3.6 million euros as of 30 June 2019) and 105,068 equity shares amounting to 1.5 million euros acquired under free share allocation plans (105,068 equity shares amounting to 1.7 million euros as of 30 June 2019). The aggregate amount of treasury stock is deducted from shareholders' equity.

6.5.2 Dividends

On 07 November 2019, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of 1.27 euro per share, i.e. a total of 295.3 million euros, taken from net income for the financial year ended 30 June 2019. In 2018, the dividend payout amounted to 295.3 million euros, i.e. 1.27 euro per share.

6.5.3 Change in the revaluation surplus of financial instruments

Changes in the revaluation surplus for derivative instruments qualified as hedging instruments during the financial year break down as follows:

(in millions of euros)	Total
Balance at 30 June 2019	(61.9)
Changes in fair value within equity that can be reclassified to income	4.4
Balance at 31 December 2019	(57.4)

6.5.4 Translation reserve

Changes in the translation reserve during the financial period were as follows:

(in millions of euros)	Total
Balance at 30 June 2019	157.9
Net change over the period	18.3
Balance at 31 December 2019	176.2

The main currency generating translation differences is the US dollar.

As of 31 December 2019, the translation reserve included (114.8) million euros for the Cross Currency Swap used to hedge currency exposure of a net investment in a foreign operation (see Note 6.3.5 "Derivative financial instruments").

6.5.5 Actuarial gains and losses

The reference interest rates used to determine the discounted value of the guarantee given to a pension fund and retirement benefits have remained stable since 30 June 2019. No adjustments to these commitments have therefore been recorded as of 31 December 2019.

6.6 PROVISIONS

Changes in provisions between 30 June 2019 and 31 December 2019 are presented below:

(in millions of euros)	30 June 2019	Reversal		Reclassification	Recognised in equity	31 December 2019
		Allowance	Used			
Financial guarantee granted to a pension fund	100.1	0.6	-	-	-	100.7
Retirement indemnities	15.4	0.6	(0.1)	-	-	15.8
Other post-employment benefits	6.6	-	-	-	-	6.6
Total post-employment benefits	122.1	1.3	(0.1)	-	-	123.1
Commercial, employee-related and tax litigation	17.0	3.1	(1.4)	(1.5)	-	17.4
Other	7.8	-	-	-	(7.5)	0.3
Total provisions	146.9	4.4	(1.5)	(1.5)	(7.5)	140.8
<i>Incl. non current portion</i>	130.8					124.6
<i>Incl. current portion</i>	16.1					16.2

6.5.6 Litigation and contingent liabilities

Eutelsat S.A., a company belonging to the tax consolidation group of which Eutelsat Communications S.A. is the integral parent company, underwent a tax audit in respect of the financial years ended 30 June 2012, 2013 and 2014. In December 2016, the company received a tax adjustment notification in respect of the financial periods ended 30 June 2013 and 30 June 2014. As a result of the pre-litigation appeals and subsequent discussions, the amounts claimed by the tax authorities were significantly reduced. There is still disagreement on certain tax enhancements, on which Eutelsat believes that it has solid defences.

Eutelsat S.A. underwent a tax audit in respect of the financial years ended 30 June 2016 and 2017. In December 2019, the company received a tax adjustment notification in respect of these two financial periods. The company has two months to respond to this proposal.

NOTE 7: RELATED-PARTY TRANSACTIONS

Related parties consist of:

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

No related-party transaction of a different nature than those entered into during the financial year ended 30 June 2019 has been made during the reporting period.

NOTE 8: SUBSEQUENT EVENTS

ACQUISITION OF MINORITY INTERESTS IN EUTELSAT NETWORKS AND EUTELSAT INTERNATIONAL

On 30 January 2020, Eutelsat S.A. acquired 49% of the minority interests in its subsidiaries Eutelsat International and Eutelsat Networks for a consideration of 34.1 million euros. The transaction carries an earn-out feature to be settled between September 2020 and September 2023. The impact of this transaction has been accounted for in the valuation of the debt on minority interests in the consolidated financial statements as of 31 December 2019.

7 OUTLOOK

The improved trend in Operating Vertical revenues in the Second Quarter was in line with expectations, while the remainder of the year will benefit from the contribution of the EGNOS payload on EUTELSAT 5 West B, the relocation of EUTELSAT 7A, further business in the pipeline notably in Mobility and potential business from the availability of incremental capacity on EUTELSAT 7C from the end of January. In this context we continue to expect to land within the range of €1,270 to €1,315 million for FY 2019-20¹¹ as a whole, although we are more likely to be in the low end. This range includes the impact of the 5 to 10 million euros mechanical adjustment communicated in January related to the loss of capacity on EUTELSAT 5 West B.

All other elements of the financial outlook are also confirmed:

- **Cash Capex**¹² is expected at an average of €400 million per annum for the period July 2019 to June 2022.
- LEAP 2 plan aimed at generating €20 to 25 million in savings by June 2022.
- **Discretionary free cash flow** of circa €500 million¹³ in FY 2021-22.
- Maintain a sound financial structure to support **investment grade credit rating** with a **net debt / EBITDA ratio** below 3.0x
- Stable to progressive **dividend** with at least €100 million **shares repurchased** by June 2022¹⁴.

This outlook is based on the nominal deployment plan outlined in section 5.1.

¹¹ Based on €/€ rate of 1.14 and current perimeter

¹² Including capital expenditure and payments under existing export credit facilities and other bank facilities financing investments as well as payments related to lease liabilities.

¹³ Based on a €/€ rate assumption of 1.14, excluding hedging impact and based on current perimeter.

¹⁴ Subject to the renewal of the resolution relating to share buybacks at the Annual General Meetings.

APPENDIX

Appendix 1: Additional financial data

Extract from the consolidated income statement (in € millions)

Six months ended December 31	2018	2019	Change (%)
Revenues	658.1	636.6	(3.3%)
Operating expenses	(139.7)	(141.1)	+1.0%
EBITDA	518.4	495.5	(4.4%)
Depreciation and amortisation	(257.6)	(262.5)	+1.9%
Other operating income (expenses)	35.7	(7.8)	n.a.
Operating income	296.6	225.3	(24.0%)
Financial result	(53.2)	(41.4)	(22.2%)
Income tax expense	(85.0)	(33.7)	(60.4%)
Income from associates	(1.3)	0.0	n.a.
Portion of net income attributable to non-controlling interests	(6.8)	(9.5)	+39.7%
Group share of net income	150.4	140.7	(6.4%)

Change in net debt (€ millions)

Half-year ending	31/12/2018	31/12/2019
Net cash flows from operating activities	378.7	353.4
Cash Capex	(130.0)	(189.1)
Interest and Other fees paid net of interests received	(23.5)	(56.5)
Discretionary Free Cash Flow	225.3	107.9
(Acquisitions) / disposals	67.5	54.7
Distributions to shareholders (including non-controlling interests)	(310.5)	(315.7)
Change in foreign exchange portion of the cross-currency swap	(11.9)	(9.9)
IFRS 16 Impact as of 1 July 2018	(43.8)	-
Other	10.7	1.0
Decrease (increase) in net debt	(62.7)	(162.0)

Appendix 2: Quarterly revenues by application

The table below shows quarterly revenues.

In € millions	Q1 2018-19	Q2 2018-19	Q3 2018-19	Q4 2018-19	FY 2018-19	Q1 2019-20	Q2 2019-20
Broadcast	198.3	196.1	198.1	198.4	790.9	194.7	194.7
Data & Professional Video	52.3	51.4	47.7	48.6	199.9	43.0	44.8
Government Services	42.4	39.4	39.9	39.8	161.5	39.3	39.1
Fixed Broadband	20.4	20.1	19.1	20.9	80.4	19.9	19.2
Mobile Connectivity	20.6	19.4	19.8	20.5	80.3	19.7	21.5
Total Operating Verticals	334.0	326.4	324.6	328.1	1,313.1	316.5	319.3
Other Revenues	1.2	(3.5)	12.1	(1.7)	8.0	1.1	(0.2)
Total	335.1	322.9	336.7	326.3	1,321.1	317.6	319.1

Appendix 3: Alternative performance indicators

In addition to the data published in its accounts, the Group communicates on three alternative performance indicators which it deems relevant for measuring its financial performance: EBITDA, cash capex and Discretionary free cash flow (DFCF). These indicators are the object of reconciliation with the consolidated accounts.

EBITDA, EBITDA margin and Net debt / EBITDA ratio

EBITDA reflects the profitability of the Group before Interest, Tax, Depreciation and Amortization. It is a key indicator in the Fixed Satellite Services Sector. The table below shows the calculation of EBITDA based on the consolidated P&L accounts for H1 2018-19 and H1 2019-20:

Six months ended December 31 (€ millions)	2018	2019
Operating result	296.6	225.3
+ Depreciation and Amortization	257.6	262.5
- Other operating income and expenses	(35.7)	7.8
EBITDA	518.4	495.5

The EBITDA margin is the ratio of EBITDA to revenues. It is calculated as follows:

Six months ended December 31 (€ millions)	2018	2019
EBITDA	518.4	495.5
Revenues	658.1	636.6
EBITDA margin (as a % of revenues)	78.8	77.8

At constant currency, the EBITDA margin stood at 77.9% as of 31 December 2019.

The Net debt / EBITDA ratio is the ratio of net debt to last-twelve months EBITDA. It is calculated as follows:

Six months ended December 31 (€ millions)	2018	2019
Last twelve months EBITDA	1,050.7	1,009.5
Closing net debt	3,304.3	3,234.8
Net debt / EBITDA	3.1	3.2

Cash Capex

The Group on occasion operates capacity within the framework of leases, or finances all or part of certain satellite programs under export credit agreements or through other bank facilities, leading to outflows which are not reflected in the item “acquisition of satellites and other tangible or intangible assets”. Cash Capex including the outflows related to these elements is published in order to reflect the totality of Capital Expenditures undertaken in any financial year.

In addition, in the event of a partial or total loss of satellite, as previously reported cash Capex included investment in assets which are inoperable or partially inoperable, the amount of insurance proceeds is deducted from Cash Capex.

Cash Capex therefore covers the acquisition of satellites and other tangible or intangible assets, payments in respect of export credit facilities or other bank facilities financing investments as well as payments related to lease liabilities. If applicable it is netted from the amount of insurance proceeds.

The table below shows the calculation of Cash Capex for H1 2018-19 and 2019-20:

Six months ended December 31 (€ millions)	2018	2019
Acquisitions of satellites, other property and equipment and intangible assets	82.2	151.1
Repayments of ECA loans and lease liabilities ¹⁵	47.8	38.0
Cash Capex	130.0	189.1

Discretionary free cash flow (DFCF)

The Group communicates on Discretionary free cash flow which reflects its ability to generate cash after the payment of interest and taxes. DFCF generally and principally serves the dividend payment and debt reduction.

Discretionary free cash flow is defined as Net cash flow from operating activities less Cash Capex as well as interest and other financial costs, net of interest income.

The table below shows the calculation of Discretionary free cash flow for H1 2018-19 and 2019-20 and its reconciliation with the cash flow statement:

Six months ended December 31 (€ millions)	2018	2019
Net cash flows from operating activities	378.7	353.4
Acquisitions of satellites, other property and equipment and intangible assets	(82.2)	(151.1)
Repayment of Export credit facilities ¹⁶	(11.9)	(11.9)
Repayment in respect of lease liabilities	(35.9)	(26.1)
Interest and other fees paid net of interest received	(23.5)	(56.5)
Accounting Discretionary Free-Cash Flow	225.3	107.9
Perimeter impact ¹⁷	3.8	-
Currency impact ¹⁸	7.0	(3.4)
Discretionary Free-Cash Flow at constant currency and perimeter	236.1	104.5

¹⁵ Included in lines “Repayment of borrowings” and of “Repayment of lease liabilities” of cash-flow statement

¹⁶ Included in the line “Repayment of borrowings” of cash-flow statement

¹⁷ Impact of the disposal of EUTELSAT 25B satellite. For comparability purposes H1 2018-19 is restated from the contribution of the EUTELSAT 25B to Discretionary Free-Cash-Flow in July 2018 and from the advanced payment made by Es'hailSat for capacity on EUTELSAT 25B (€5.5 million) which had to be reimbursed by Eutelsat to Es'hailSat when the asset was sold in August 2018.

¹⁸ H1 2019-20 Discretionary Free-Cash Flow has been converted at H1 2018-19 €/€ rate and hedging impact has been excluded.

STATUTORY AUDITOR'S REVIEW REPORT ON THE FIRST HALF-YEARLY FINANCIAL INFORMATION

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