Eutelsat Communications Group

"*Société anonyme*" with a capital of 230,544,995 euros
Registered office: 32, boulevard Gallieni, 92130 Issy-les-Moulineaux
481,043,040 R.C.S. Nanterre

CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

CONSOLIDATED INCOME STATEMENT

(in millions of euros, except per-share data)	Note	30 June 2020	30 June 2021
Revenues from operations	6.1	**1,278.3**	**1,233.9**
Operating costs	6.2	(89.7)	(94.7)
Selling, general and administrative expenses [(1)]	6.2	(203.6)	(217.3)
Depreciation expense	7.1.1, 7.1.2, 7.1.3	(530.9)	(507.7)
Other operating income and expenses	6.3	36.1	(67.0)
Operating income		**490.2**	**347.2**
Cost of net debt		(71.8)	(72.8)
Other financial income and expenses		(8.7)	(22.2)
Financial result	**6.4**	**(80.5)**	**(95.0)**
Net income before tax		**409.7**	**252.3**
Income tax [(1)]	6.5	(97.5)	(24.2)
Net income		**312.2**	**228.1**
Attributable to the Group		297.6	214.1
Attributable to non-controlling interests		14.6	14.0
Basic and diluted earnings per share attributable to Eutelsat Communications shareholders	6.6	1.283	0.930

[(1)]The comparable financial statements as of 30 June 2020 have been the subject of a restatement concerning the CAVE (Contribution on Added Value of Enterprises/Cotisation sur la Valeur Ajoutée des Entreprises – CVAE), which has been reclassified from the line Selling, general and administrative expenses to the line Income tax, in the amount of 3.1 million euros, so as to align the presentation on the consolidated financial statements as of 30 June 2021 (see Note 6.5 "Income tax").

COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Note	30 June 2020	30 June 2021
Net income		**312.2**	**228.1**
Other recyclable items of gain or loss on comprehensive income			
Translation adjustment	7.5.4	(41.4)	(16.5)
Tax effect	7.5.4	11.9	(9.3)
Changes in fair value of hedging instruments [(1)]	7.5.3	9.9	1.6
Tax effect	7.5.3	(0.4)	15.0
Other non-recyclable items of gain or loss on comprehensive income			
Changes in post-employment benefits	7.6	14.4	20.1
Tax effect		(3.8)	(5.2)
Total of other items of gain or loss on comprehensive income		**(9.3)**	**5.8**
Total comprehensive income		**302.9**	**233.9**
Attributable to the Group		288.6	219.7
Attributable to non-controlling interests [(2)]		14.3	14.2

[(1)] The 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:

- A net result of 14.6 million euros as of 30 June 2020 and 14.0 million euros as of 30 June 2021.

- Other recyclable items of gain or loss on comprehensive income of (0.7) million euros as of 30 June 2020 and (0.3) million euros as of 30 June 2021; and

- Other non-recyclable items of gain or loss on comprehensive income of 0.4 million euros as of 30 June 2020 and 0.5 million euros as of 30 June 2021.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of euros)	Note	30 June 2020	30 June 2021
Assets			
Goodwill	7.1.1	1,209.2	1,246.5
Intangible assets	7.1.1	514.8	440.3
Tangible assets and construction in progress	7.1.2	3,856.7	3,730.4
Rights of use in respect of leases	7.1.3	556.3	517.5
Non-current financial assets	7.3.3	32.8	71.5
Non-current assets associated with customer contracts and costs to obtain and fulfil contracts	7.2	74.9	37.7
Deferred tax assets	7.7	36.3	7.6
Total non-current assets		**6,280.9**	**6,051.5**
Inventories		6.7	8.1
Accounts receivable	7.2.1	334.8	244.5
Current assets associated with customer contracts and costs to obtain and fulfil contracts	7.2	17.1	17.4
Other current assets		43.5	42.8
Current tax receivable		42.5	26.6
Current financial assets	7.3.3	23.6	27.0
Cash and cash equivalents	7.3.1	832.0	861.1
Total current assets		**1,300.2**	**1,227.5**
Total assets		**7,581.1**	**7,279.0**

(in millions of euros)	Note	30 June 2020	30 June 2021
Liabilities			
Share capital	7.5.1	230.5	230.5
Additional paid-in capital		718.1	718.0
Reserves and retained earnings		1,711.1	1,666.0
Non-controlling interests		144.8	76.2
Total shareholders' equity		**2,804.6**	**2,690.7**
Non-current financial debt	7.3.2	2,505.8	3 097.4
Non-current lease liabilities	7.3.3	418.7	411.6
Other non-current financial liabilities	7.3.3	85.6	89.0
Non-current payables to fixed asset suppliers	7.3.3	5.9	188.7
Non-current liabilities associated with customer contracts	7.2.3	120.6	117.5
Non-current provisions	7.6	106.6	83.0
Deferred tax liabilities	7.7	264.2	197.9
Total non-current liabilities		**3,507.5**	**4,185.0**
Current financial debt	7.3.2	858.1	45.5
Current lease liabilities	7.3.3	74.7	24.1
Other current payables and financial liabilities	7.3.3	111.9	121.4
Accounts payable		73.3	84.9
Current payables to fixed asset suppliers	7.3.3	45.0	25.0
Tax payable		22.8	20.8
Current liabilities associated with customer contracts	7.2.3	66.9	69.0
Current provisions	7.6	16.5	12.6
Total current liabilities		**1,269.0**	**403.3**
Total liabilities and shareholders' equity		**7,581.1**	**7,279.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	Note	30 June 2020	30 June 2021
Cash flow from operating activities			
Net income		312.2	228.1
Tax and interest expenses, other operating items		63.3	140.4
Depreciation, amortisation and provisions		573.4	502.7
Deferred taxes	7.7	8.0	(32.0)
Changes in accounts receivable		(72.4)	79.9
Changes in assets held under customer contracts and other assets		(17.5)	1.2
Changes in accounts payable		10.7	(7.3)
Changes in liabilities associated with customer contracts and other liabilities (1)		(2.5)	18.9
Taxes paid (1)		(96.2)	(42.8)
Net cash flows from operating activities		**779.0**	**889.0**
Cash flow from investing activities			
Acquisitions of satellites, other property and equipment, and intangible assets	7.1.1, 7.1.2	(220.3)	(183.4)
Insurance repayments		85.6	6.6
Sales (2)		67.5	41.5
Acquisition of equity investments and other movements (3)		(12.5)	(48.0)
Net cash flows from investing activities		**(79.7)**	**(183.3)**
Cash flow from financing activities			
Distributions		(315.7)	(204.9)
Increase in borrowings	7.3.2	300.0	1,200.0
Repayment of borrowings	7.3.2	(953.7)	(1,473.8)
Repayment of lease liabilities	7.3.3	(63.0)	(91.5)
Loan set-up fees		(1.2)	(5.2)
Interest and other fees paid		(83.2)	(80.0)
Purchase of own shares		(20.0)	-
Transactions relating to non-controlling interests (4)		(35.0)	(8.8)
Premiums and termination indemnities on derivatives settled		(151.3)	(6.0)
Other changes		-	-
Net cash flow from financing activities		**(1,323.1)**	**(670.1)**
Impact of exchange rate on cash and cash equivalents		0.6	(6.5)
Increase/(Decrease) in cash and cash equivalents		**(623.4)**	**29.1**
Cash and cash equivalents, beginning of period		**1,455.4**	**832.0**
Cash and cash equivalents, end of period		**832.0**	**861.1**
Including Cash and cash equivalents, end of period	*7.3.1*	*832.0*	*861.1*
Including Overdrafts included under debt, end of period		-	

(1) The comparable financial statements as of 30 June 2020 have been subject to a restatement concerning the CAVE (Contribution on Added Value of Enterprises/Cotisation sur la Valeur Ajoutée des Entreprises – CVAE), which has been reclassified from the line Changes in liabilities associated with customer contracts and other liabilities to the line Taxes paid, in the amount of 10.3 million euros, so as to align the presentation on the consolidated financial statements as of 30 June 2021 (see Note 6.5 "Income taxes").

(2) As of 30 June 2020, sales include the payment of 67.5 million euros made in August 2019 following the divestment of the E25B satellite to its co-owner Es'Hailsat for 135 million euros. As of 30 June 2021, sales include the payment of 41.5 million euros linked to the divestment of Eurobroadband Infrastructure and its subsidiaries (see Note 3.2 "Main changes in the scope of consolidation").

(3) As of 30 June 2020, acquisitions of equity investments include the payment of 10 million euros linked to the acquisition of an equity interest in Broadpeak. As of 30 June 2021, this line includes the payment of 48.2 million in respect of the acquisition of Big Blue Europe, of which 6.8 million euros into an escrow account (see Note 3.2 "Main changes in the scope of consolidation")

(4) As of 30 June 2020, transactions relating to non-controlling interests include the payment of 35 million euros linked to the acquisition of the 49% minority interests in Eutelsat International and Eutelsat Networks. As of 30 June 2021, this line includes the additional payment linked to the acquisition of the minority interests in Eutelsat International taking place during the financial year ended 30 June 2020.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros, except share data)	Share capital			Reserves and retained earnings	Shareholders' equity Group share	Non-controlling interests	Total
	Number	Amount	Additional paid in capital				
As of 30 June 2019	**232,774,635**	**232.8**	**738.1**	**1,709.9**	**2,680.7**	**186.7**	**2,867.4**
Net income for the period	-	-	-	297.6	297.6	14.6	312.2
Other items of gain or loss In comprehensive income [1]	-	-	-	(9.0)	(9.0)	(0.3)	(9.3)
Total comprehensive income	-	-	-	**288.6**	**288.6**	**14.3**	**302.9**
Transactions impacting the share capital	(2,229,640)	(2.2)	(20.1)	0.6	(21.7)	-	(21.7)
Dividend distributions	-	-	-	(295.2)	(295.2)	(20.6)	(315.8)
Transactions with non-controlling interests and others	-	-	-	7.0	7.1	(35.4)	(28.2)
As of 30 June 2020	**230,544,995**	**230.5**	**718.0**	**1,711.1**	**2,659.8**	**144.8**	**2,804.6**
Net income for the period	-	-	-	214.1	214.1	14.0	228.1
Other items of gain or loss In comprehensive income [1]	-	-	-	5.6	5.6	0 .2	5.8
Total comprehensive income	-	-	-	**219.7**	**219.7**	**14.2**	**233.9**
Dividend distributions	-	-	-	(204.9)	(204.9)	-	(204.9)
Benefits for employees upon exercising options and free shares granted	-	-	-	0.5	0.5	-	0.5
Transactions with non-controlling interests and others [2]	-	-	-	(60.3)	(60.3)	(82.8)	(143.1)
As of 30 June 2021	**230,544,995**	**230.5**	**718.0**	**1,666.0**	**2,614.5**	**76.2**	**2,690.7**

[1] The changes in other items of gain or loss on comprehensive income include actuarial gains and losses recognised on post-employment benefits and changes in the revaluation surplus of derivative instruments (see Note 7.5.3) and the translation reserve (see Note 7.5.4), net of the associated tax effects.

[2] The transactions relating to non-controlling interests and others mainly relate to the disposal of EBI (see Note 2.2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. GENERAL OVERVIEW

1.1 Business

With capacity operated on 38 satellites, the Group is an industry leader in fixed satellite services. It mainly operates and provides capacity for Video Services, Fixed Data and Government Services, and capacity in Connectivity applications (Fixed Broadband and Mobile Connectivity). Through its satellite fleet, the Group is able to serve the entire European continent, the Middle East and North Africa, as well as sub-Saharan Africa, a significant proportion of the Asian continents and the Americas.

1.2 Financial Year

The financial year runs for a period of 12 months from 1 July to 30 June.

1.3 Approval of the Financial Statements

The consolidated financial statements as of 30 June 2021 have been established under the responsibility of the Board of Directors, which adopted them at its meeting of 29 July 2021. They will be submitted for approval to the Ordinary General Meeting of Shareholders taking place on 4 November 2021.

Note 2. KEY EVENTS DURING THE FINANCIAL PERIOD

2.1 Acquisition of Bigblu Europe's Broadband Activities

On 30 September 2020, the Group acquired Bigblu Broadband's European satellite broadband activities. Bigblu Broadband is the largest distributor of satellite broadband packages in Europe, having developed a well-established satellite broadband platform based on a unique network of installers and resellers. The European activities of Bigblu Broadband currently number several tens of thousands of subscribers across Europe, notably in the United Kingdom, Ireland, France, Germany, Italy, Spain, Portugal, Poland, Hungary and Greece.

The impacts of this acquisition are outlined in Note 3.2 "Main changes in the scope of consolidation".

2.2 Disposal of Euro Broadband Infrastructure

On 18 November 2020, Eutelsat signed an agreement to dispose of its 51% equity interest in Euro Broadband Infrastructure Sàrl (EBI), the company operating the KA SAT satellite, and its European broadband business to Viasat Inc, which is already a 49% shareholder in EBI. The disposal took place on 30 April 2021, after fulfilment of the usual conditions precedent.

The stake was sold for an initial consideration of 143 million euros. At the end of a two-year period following completion of the transaction, the sale price may be adjusted up or down by a maximum of 20 million euros, depending on the level of certain revenues generated by EBI's activities over this period. The impacts of this acquisition are presented in Note 3.2 "Main changes in the scope of consolidation".

Under the agreement, Eutelsat and its subsidiaries continue to provide transitional services to EBI, including the operation of the ground network for KA SAT, while EBI will provide service continuity to the KA SAT subscriber base of Bigblu Broadband Europe, acquired by Eutelsat in October 2020.

2.3 Agreement for the Acquisition of an Equity Interest in Oneweb

On 27 April 2021, the Group entered into an agreement with OneWeb for the acquisition of a c.19% equity interest (after taking into account the increase in the Bharti Global shareholding), thereby becoming one of this company's main shareholders alongside the UK government and Bharti Global. Eutelsat will invest 550 million dollards and the transaction is expected to close during the 2021 second half, subject to regulatory approval. The OneWeb constellation enjoys significant priority spectrum rights, backed by the International Telecommunication Union, and will operate 648 satellites in low orbit (LEO) offering low latency.

The Group plans to finance the totality of this investment from its liquidity position, and from the proceeds linked to the release of a portion of the C-Band spectrum in the United States. In that the Group expects to have a significant interest in the structure, this equity interest will be accounted for under the equity method. As of 30 June 2021, this agreement has no material impact on the Group's financial statements.

2.4 C-Band

Following the federal decision published by the Federal Communications Commission (FCC - US communications regulator) on 3 March 2020, within the framework of the release of spectrum in the 3.7-4 GHz range (C-band) across the US territory, the Group has implemented a transition plan composed of two phases, each corresponding to the vacation of certain frequencies and resulting in the payment of financial incentives amounting to 125 million dollars for the first phase and 382 million dollars for the second phase. In view of the progress on its transition operations, the Group plans to finalise the two phases and obtain all the payments relating to this process, amounting to 507 million dollars (before tax), during the 2021-22 financial year.

In that, as this stage, the transaction has yet to be finalised, no assets have been recognised in this regard in the Group's consolidated financial statements as of 30 June 2021. Furthermore, since the transition costs already incurred should be reimbursed by the FCC, there is no impact on the annual consolidated financial statements as of 30 June 2021.

2.5 Financing Transactions

On 13 October 2020, on the regulated market of the Luxembourg Stock Exchange, the Group launched an issue of 8-year senior unsecured bonds maturing in 2028, raising a total of 600 million euros. This bond issue was realised by the Eutelsat S.A. subsidiary. These bonds bear a coupon of 1.500% per annum. This bond issue enabled Eutelsat to redeem the 500 million euros principal amount on the bonds issued on 23 June 2016, bearing a coupon of 1.125% and maturing in June 2021.

On 27 November 2020, the Group secured a fixed-rate loan from the European Investment Bank in the amount of 200 million euros for a term of eight years maturing in December 2028.

On 25 June 2021, the Group refinanced the Eutelsat Communications five-year term loan in the amount of 400 million euros, maturing in June 2026. This variable-rate loan includes two one-year extension options subject to the lenders' approval. This transaction enabled the Group to redeem, as of 25 June 2021, the previous term loan maturing in March 2022.

These three transactions enable the Group to extend its debt maturities under excellent conditions.

2.6 Launch of the Konnect Service

On 23 November 2020, following the entry into service of the Eutelsat Konnect satellite, the Group launched the Konnect retail distribution service This next-generation of satellite broadband services across Europe and Africa is currently being rolled out across both continents, with broadband packages designed to address the needs of individuals, small & medium businesses and institutions currently operating beyond the fibre footprint. Two main contracts have notably been signed with European telecommunications operators concerning the capacity available in France and Italy.

2.7 Repercussions of Covid

While relatively resilient compared with other sectors, the Group's revenues have been adversely affected by the Covid-19 crisis since mid-March 2020, most notably:

- Mobile Connectivity (representing 5.5% of the Group's revenues in the financial year ended 30 June 2021) which continues to be affected by the effect of the crisis on maritime traffic and particularly on airline traffic.

- The crisis has seen a slowdown in the pace of new business, particularly in Broadcast.

The public health crisis has also been reflected in additional provisions for write-offs on accounts receivable to cover, in particular, the Group's exposure to third parties operating in the Mobility segment.

The assumptions used for the impairment tests performed on long-term assets, whose results are described in Note 7.1.4, as well as for the valuation of provisions for accounts receivable (see Note 7.2.1) have been updated on the basis of the information available as of the date of the accounting year end.

As of 30 June 2021, the Group has cash and cash equivalents and undrawn credit lines totalling more than 1.9 billion euros. Lastly, the net debt to EBITDA ratio - as defined in the covenants of the term loan and the structured debt agreements - is respected as of 30 June 2021 (see Note 7.3.2).

Note 3. SCOPE OF CONSOLIDATION

The consolidated financial statements cover Eutelsat Communications S.A., its subsidiaries and entities over which it directly or indirectly exercises joint control or a significant influence (considered together as the "Group").

ACCOUNTING PRINCIPLES

Subsidiaries are entities over which the Group has direct or indirect control. Control is defined by the power to direct the financial and operational policies generally, but not systematically, combined with a shareholding of more than 50% of the voting rights. The existence and effects of potential voting rights that are currently exercisable or convertible, the power to appoint the majority of members of the governing bodies and the existence of veto rights are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated under the full consolidation method from the date the Group gains control. They are de-consolidated as of the date on which the Group loses control. The portion of equity ownership that is not directly or indirectly attributable to the Group is booked under non-controlling interests.

The financial statements of entities under joint control are consolidated on an equity basis where these are considered to be joint ventures, and based on the equity percentage of each item on the balance sheet and income statement where they are considered to be joint activities.

The financial statements of associates over which the Group exerts significant influence are consolidated using the equity method. Significant influence is presumed where more than 20% of the shares are held by the Group.

3.1 Scope of Consolidation

As of 30 June 2021, the list of companies in the scope of consolidation is as follows:

Company	Country	Consolidation method	% control as of 30 June 2021	% interest as of 30 June 2021
Eutelsat Communications S.A (parent company).	France	FC	100.00%	100.00%
Eutelsat S.A.	France	FC	100.00%	96.38%
Eutelsat S.A. Sub-Group				
Eutelsat Konnect Services	France	FC	100.00%	96.38%
Fransat S.A.S.	France	FC	100.00%	96.38%
Eutelsat do Brasil LTDA (1)	Brazil	FC	100.00%	96.38%
Eutelsat Participaçoes LTDA (1)	Brazil	FC	100.00%	96.38%
Satmex International BV (1)	Netherlands	FC	100.00%	96.38%
Satelites Mexicanos S.A. of C.V. (1)	Mexico	FC	100.00%	96.38%
EAS Delaware Corp.	USA	FC	100.00%	96.38%
SMVS Administracion (1)	Mexico	FC	100.00%	96.38%
SMVS Servicios Tecnicos SMVS (1)	Mexico	FC	100.00%	96.38%
Satmex USA LLC (1)	USA	FC	100.00%	96.38%
Eutelsat Servicos de Telecom. do Brasil Ltda (1)	Brazil	FC	100.00%	96.38%
Eutelsat Latam Corp.	USA	FC	100.00%	96.38%
Skylogic S.p.A	Italy	FC	100.00%	96.38%
Eutelsat Russia (1)	Russia	FC	100.00%	96.38%
Eutelsat Services & Beteiligungen GmbH	Germany	FC	100.00%	96.38%
Eutelsat Inc.	USA	FC	100.00%	96.38%
Eutelsat America Corp.	USA	FC	100.00%	96.38%

Company	Country	Consolidation method	% control as of 30 June 2021	% interest as of 30 June 2021
Eutelsat UK Limited	United Kingdom	FC	100.00%	96.38%
Eutelsat Polska spZoo	Poland	FC	100.00%	96.38%
Skylogic Mediterraneo S.r.l.	Italy	FC	100.00%	96.38%
Eutelsat Madeira Unipessoal Lda	Madeira	FC	100.00%	96.38%
Eutelsat Asia Pte.Ltd	Singapore	FC	100.00%	96.38%
ES 172 LLC	USA	FC	100.00%	96.38%
EA 172 UK	United Kingdom	FC	100.00%	96.38%
ES 174E LTD	Cyprus	FC	100.00%	96.38%
Eutelsat Australia Pty Ltd	Australia	FC	100.00%	96.38%
Eutelsat International Ltd	Cyprus	FC	100.00%	96,38%
Eutelsat Networks LLC (1)	Russia	FC	100.00%	96,38%
Taurus Satellite Holding Limited	United Kingdom	FC	100.00%	96.38%
Broadband4Africa Limited	United Kingdom	FC	100.00%	96.38%
Konnect Africa France	France	FC	100.00%	96.38%
BB4A Israel Ltd	Israel	FC	100.00%	96.38%
Konnect Africa Côte d'Ivoire	Ivory Coast	FC	100.00%	96.38%
Konnect South Africa Ltd	South Africa	FC	100.00%	96.38%
Konnect Africa RDC (1)	Democratic Republic of Congo	FC	100.00%	96.38%
Konnect Broadband Tanzania Limited	Tanzania	FC	100.00%	96.38%
Eutelsat BH D.O.O. SARAJEVO (1)	Bosnia	FC	100.00%	96.38%
Eutelsat Bulgaria (1)	Bulgaria	FC	100.00%	96.38%
Eutelsat MENA FZ-LLC	Dubai	FC	100.00%	96.38%
Noorsat Media City Ltd	Cyprus	FC	100.00%	96.38%
Noor Al Sharq Satellite	Jordan	FC	100.00%	96.38%
Eutelsat Cyprus Ltd	Cyprus	FC	100.00%	96.38%
Sat Internet Services Gmbh (1)	Germany	FC	100.00%	96.38%
Getinternet GmbH (1)	Germany	FC	100.00%	96.38%
Orbitcom GmbH (1)	Germany	FC	100.00%	96.38%
Europasat Iberica s.l (2)	Spain	FC	100.00%	96.38%
Europasat France	France	FC	100.00%	96.38%
Bigblu Operations Limited (2)	United Kingdom	FC	100.00%	96.38%
Bigblu Services Holding Limited (2)	United Kingdom	FC	100.00%	96.38%
Bigblu Services Limited (2)	United Kingdom	FC	100.00%	96.38%
BBE Bigblu Broadband Ellada (2)	Greece	FC	100.00%	96.38%
Bigblu Broadband Ireland Limited (2)	Ireland	FC	100.00%	96.38%
Open Sky S.p.A	Italy	FC	100.00%	96.38%
Europasat SP .Zo.o (1)	Poland	FC	100.00%	96.38%
Satelite de Sabedoria – Servicios de Internet Unipessoal LDA (2)	Portugal	FC	100.00%	96.38%

FC: Full consolidation method

(1) Companies with financial years ending on 31 December for legal or historical reasons.

(2) Companies with financial years ending on 30 November for historical reasons.

For the other companies, the financial year ends on 30 June.

3.2 Main Changes in the Scope of Consolidation

3.2.1 Financial year ended 30 June 2021

Acquisition of BigBlu Operations Ltd

On 30 September 2020, the Group finalized the acquisition of 100% of BigBlu Operations Ltd for a consideration of 38 million pounds sterling (41.5 million euros), settled in cash. 6.2 million pounds sterling (6.8 million euros) was also paid into an escrow account. Pursuant to the contract, the final acquisition price will be determined after agreement between the parties on the price adjustment clauses. The company and its subsidiaries operated the Bigblu Broadband Group's European satellite broadband activities. This acquisition is in line with the Group's strategy consisting of developing its business in European satellite broadband.

The assessment of the goodwill as of 30 June 2021 is provisional and may change during the finalisation of the price adjustment phase still underway with the seller. The value of the customer relationships acquired in this transaction has been assessed separately and constitutes an intangible asset.

As of 1 October 2020, the provisional allocation of the acquisition price (based on the 38 million pounds sterling payment made to the benefit of the seller) is as follows:

	(in millions of pounds sterling)	(in millions of euros)
Customer relationships	4.7	5.2
Intangible assets	1.0	1.1
Tangible assets	4.0	4.5
Rights of use	0.8	0.8
Inventories	0.3	0.3
Accounts receivable	7.3	8.1
Assets associated with customer contracts	11.0	12.3
Cash and cash equivalents	0.2	0.2
Other assets	7.4	8.1
Total Assets	**36.7**	**40.6**
Lease liabilities	0.8	0.8
Accounts payable	22.9	25.1
Liabilities associated with customer contracts	12.2	13.5
Other debt	10.5	12.1
Deferred tax liabilities	0.9	1.0
Total liabilities	**47.2**	**52.6**
Provisional residual goodwill	48.3	53.2
Transferred counterparty	**37.7**	**41.1**
Acquisition consideration	**37.7**	**41.1**

Disposal of Euro Broadband Infrastructure

On 30 April 2021, the Group finalised the sale of its equity interest in Euro Broadband Infrastructure Sàrl (EBI).

This disposal was settled in cash for an initial consideration of 143 million euros. The net impact of this disposal in the Group's statement of cash flows stood at 41.5 million euros after, notably, taking into account the cash held by EBI as of the disposal date (which represented an amount of 100.9 million euros). Furthermore, tangible assets totalling an amount of 131.7 million euros, mainly composed of the KA SAT satellite operated by EBI, were withdrawn from the scope of consolidation following this disposal. The impacts of this transaction on the Group's results for the financial year ended 30 June 2021 are presented in Note 6.3 "Other operating income and expenses".

3.2.2 Financial year ended 30 June 2020

There were no significant changes to the Group's scope of consolidation during the financial year.

Note 4. ACCOUNTING PRINCIPLES AND VALUATION METHODS

4.1 Basis of Preparation of Financial Information

The consolidated financial statements as of 30 June 2021 have been established in accordance with IFRS as adopted by the European Union and in force as of that date. The relevant texts are available for consultation on the following website: *http://ec.europa.eu/commission/index_fr*

Since 1 July 2020, the Group has applied the following standards and interpretations which have been adopted by the European Union:

- Amendments to references to the conceptual framework in IFRS standards;

- Amendments to IAS 1 and IAS 8 regarding the changed definition of material;

- Amendment to IFRS 3 regarding the definition of a business;

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, linked to the reform of interbank offered rates;

These new texts had no significant impact on the Group's financial statements.

4.2 Financial Reporting Rules

4.2.1 Conversion of financial statements and transactions in foreign currencies

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

Each subsidiary located outside the euro zone maintains its accounting records in the currency that is most representative of its economic environment. Balance sheet items are translated into euros using the closing-rate method. Income statement items are converted at the average exchange rate for the period. Balance sheet and income statement translation adjustments arising from exchange rate fluctuations are recorded as translation adjustments under shareholders' equity. The Group does not consolidate any entities whose functional currency is that of a hyperinflationary economy.

Transactions denominated in foreign currencies are translated into the functional currency of the entity at the rate prevailing on the date of the transaction. Foreign exchange gains and losses arising from these transactions and from the translation of monetary assets and liabilities at the closing date exchange rate are shown under the foreign exchange result.

Foreign exchange gains and losses arising from the translation of capitalizable advances made to foreign subsidiaries and forming part of the net investment in the consolidated subsidiary are recognised directly as a translation adjustment within shareholders' equity.

The main foreign currency used is the US dollar. The closing exchange rate used is 1.189 US dollars for 1 euro and the average exchange rate for the period is 1.187 US dollars for 1 euro.

4.2.2 Reporting of current and non-current assets and liabilities

Current assets and liabilities are those that the Group is looking to realise, use or settle during its normal operating cycle, which is less than 12 months. All the others are non-current assets and liabilities.

4.3 Significant Accounting Judgements and Estimates

The establishment 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 appearing in these financial statements and their accompanying Notes. The Group's management 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 owing to the attendant uncertainty.

In preparing the financial statements for the period ended 30 June 2021, the management has exercised judgement, particularly with regard to the recoverable amounts of assets, the recognition of revenues, the estimation of provisions and contingent liabilities assessment, the recognition of tax assets and liabilities and the assessment of customer risk.

Note 5. SEGMENT INFORMATION

The Group considers that it only operates in a single operational 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 monitored by the CEO, the Deputy CEO 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 related to lease liabilities, cash investments are understood to be net of the related insurance income, when applicable.
- Discretionary cash flow, defined as the cash flow from operating activities less cash CAPEX, as well as interest and other financial costs, net of interest income.
- Net debt to EBITDA ratio (see Note 7.3.4 “Net Debt”).

To highlight these performance indicators, for which the main aggregates are nonetheless identical to those included in the Group's consolidated financial statements, the internal reporting uses a presentation of the Group’s consolidated income statement which is based on a different breakdown of items than the one used in the consolidated financial statements. The reporting is made in line with the IFRS principles applied by the Group to establish 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 6. NOTES TO THE INCOME STATEMENT

6.1 Revenues

ACCOUNTING PRINCIPLES

Most of the contracts involve satellite capacity services delivered to distributor-customers (who retail the capacity to end users) and end users (who use the capacity for their own needs). These contracts usually cover periods ranging from several months to several years. Some contracts concern the provision of short-term satellite capacity for occasional use. For all of these contracts, revenues are recognised progressively as control over the capacity is transferred to the customer over the contract period according to the volume of units of satellite capacity sold (expressed in MHz or Mbps depending on the contract). The purpose of this method is to recognise revenues corresponding to the level of service provided to our clients for a given period, taking into account possible changes in the volume of units sold under the contract.

Some contracts include variable consideration, such as variable prices or free periods. For such contracts, the Group estimates the value of the consideration to which it will be entitled in return for providing the promised services to the customer, and recognises this under revenues once it is highly likely that the subsequent ascertainment of the variable consideration will not entail a substantial downward adjustment to recorded revenues.

At times, the Group bears marketing (promotion advertising, etc.) or technical expenses (especially antenna purchase and installation) on behalf of some customers. When these costs are not distinct from the service transferred to the customer, they represent the same performance obligation with the service and the consideration payable to the customer is recognized as a reduction in revenue over the duration of the contract. Where the consideration payable to the customer is paid in return for a separate service from the customer and corresponds to the fair value of the service for the Group, it is recognised under operating expenses.

Some contracts provide for early termination, in return for the payment of penalties. When these penalties are paid as part of an amendment to a contract that does not concern services not covered by the existing contract, the services in the amended contract form only a single performance obligation with the services partially performed at the date of amendment. These penalties are then spread over the duration of the amended contract.

As part of its Fixed Broadband business, the Group sells terminals to its customers in addition to the provision of satellite capacity. Depending on the type of terminal and the contractual framework which can vary according to the geographical region addressed and the type of customer (distributor or end user), the Group determines whether the sale of the terminal constitutes a performance obligation that is separate from the supply of capacity or whether the sale of the terminal and the capacity service form a single performance obligation. When the terminal constitutes a separate performance obligation, as distinct from the capacity service, the revenue and costs of purchasing the equipment are recognised in full on transfer of control of the terminal to the customer. When the sale of the terminal and capacity constitute a same performance obligation, the revenue from the capacity service is recognised over the average duration of the customer relationship and the revenue from terminal services over the average duration of the equipment’s use. The costs of purchasing the terminal are spread over the same period as the sale, as part of the cost of fulfilling the contract. The assets and liabilities relating to the spreading of the purchase and sale of the terminal are presented separately under other assets and liabilities associated with customer contracts.

6.1.1 Revenues by application

Revenues by application break down as follows:

(in millions of euros)	30 June 2020	30 June 2021
Broadcast	784.6	741.0
Data & Professional Video	175.3	161.4
Government Services	161.1	151.4
Fixed Broadband	76.7	80.2
Mobile Connectivity	78.7	67.2
Total operating activities	**1,276.3**	**1,201.2**
Other Revenues	1.9	32.7
Total	**1,278.3**	**1,233.9**
EUR/USD exchange rate	*1.105*	*1.188*

Other revenues include the impact of EUR/USD currency hedging, fees for the provision of various consulting/engineering services to third parties and termination fees at the end of contracts.

6.1.2 Revenues by geographical region

Revenues by geographical region based on the customer billing address are as follows:

(in millions of euros and as a percentage)	30 June 2020		30 June 2021	
Region	Amount	%	Amount	%
France	77.9	6.1	78.1	6.3
Italy	141.6	11.1	146.0	11.8
United Kingdom	70.1	5.5	66.2	5.4
Europe (others)	337.0	26.4	325.7	26.4
Americas	273.1	21.4	231.0	18.7
Middle East	251.9	19.7	241.3	19.6
Africa	98.2	7.7	94.1	7.6
Asia	38.2	3.0	35.2	2.9
Others [(1)]	(9.7)	(0.8)	16.4	1.3
Total	**1,278.3**	**100.0**	**1,233.9**	**100.0**

[(1)] *Other revenues include mainly the impact of EUR/USD currency hedging amounting to 15.6 million euros for the financial year ended 30 June 2021 against (10.6) million euros for the financial year ended 30 June 2020.*

6.1.3 Backlog

The backlog represents future revenues from capacity allocation or service delivery contracts (including contracts for satellites currently under construction). As of 30 June 2021, the backlog stands at 4.4 billion euros. The secured backlog, corresponding to the IFRS 15 requirements and excluding revenues subject to early termination clauses, stands at 3.4 billion euros. The amount of secured backlog within a five-year time horizon stands at 2.7 billion euros, of which 1.6 billion euros in less than two years.

6.2 Operating Expenses

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

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

The operating expenses relating to impairment losses on trade receivables and assets associated with customer contracts amount to 32.8 million euros as of 30 June 2021 (versus 22.6 million euros for the financial year ended 30 June 2020).

6.2.1 Staff costs

Staff costs (including mandatory employee profit-sharing) break down as follows:

(in millions of euros)	30 June 2020	30 June 2021
Operating costs	56.7	58.6
Selling, general and administrative expenses	91.1	95.2
Total	**147.9**	**153.8**

Eutelsat S.A. employees benefit from a Group Savings Plan (PEE) funded by voluntary contributions by employees, a Leave Bank (CET) and a three-year profit-sharing agreement based on targets revisable on a yearly basis.

6.2.2 Employee headcount

The Group has 1,132 full time equivalent employees at the balance sheet date of 30 June 2021 compared to 1,014 at the balance sheet date of 30 June 2020.

The average number of full-time equivalent employees during the reporting period is as follows:

	30 June 2020	30 June 2021
Operations	499	511
Selling, general and administrative	514	598
Total	**1,013**	**1,109**

6.2.3 Share-based and similar compensation

ACCOUNTING PRINCIPLES

Share-based payments are measured at fair value at the grant date and are recognised under staff costs over the vesting period of the rights representing the benefit granted, with a corresponding increase in shareholders' equity for equity-settled plans, or in company debts for cash-settled plans. They are revalued at each balance sheet date to take into account changes in vesting assumptions (employee turnover rate, likelihood of meeting performance criteria) and, for cash-settled plans, changes in market conditions (share price).

The Group granted free shares to the directors in November 2020 and phantom shares to some employees and directors in November 2018, November 2019 and November 2020. Generally, the allocation of these free shares and phantom shares is contingent on an attendance requirement and the achievement of performance conditions.

The recognised expense for these plans (excluding employer contributions) stands at 2.4 million euros for the financial year ended 30 June 2021 versus 0.7 million euros for the financial year ended 30 June 2020.

The key features of the plans are as follows:

Key features of the plans	November 2018 plan	November 2019 plan	November 2020 plan
Vesting period	July 2018 - June 2021	July 2019 - June 2022	July 2020 - June 2023
Payment method	Cash	Cash	Shares and cash
Maximum number of attributable shares at inception	323,221	328,804	512,560
Number of beneficiaries	254	255	30
Number of shares and performance conditions for the free share plans			
Total number of outstanding shares	-	-	224.963
Performance conditions	-	-	Revenue, Discretionary Free Cash-Flow, Relative TSR[1] and CSR
Number of shares and performance conditions for the phantom share plans			
Total number of outstanding shares	261,389	159,072	249,084
Performance targets	Revenue, Discretionary Free-Cash-Flow and Relative TSR[1]	Revenue, Discretionary Free-Cash-Flow, Relative TSR[1] and CSR	Revenue, Discretionary Free Cash-Flow and CSR
Fair value of shares at 30 June 2021			
Fair value excluding TSR [1]	€10.28	€9.39	€6.63-€8.54
Fair value after TSR [1]	€0.00	€0.54	€4.97
Aggregate valuation of plan as of 30 June 2021 (in millions of euros) [2]	2.4	1.1	3.3
Expense for the financial year			
Expense for the financial year ended 30 June 2021 (in millions of euros) [2]	**1.0**	**0.3**	**1.1**

[1] *The relative TSR (Total Shareholder Return) measures the Eutelsat share rate of return compared with that of other benchmarks or indexes. This performance requirement only applies to company directors.*
[2] *Excluding social security charges.*

6.3 Other Operating Income and Expenses

ACCOUNTING PRINCIPLES

Other operating income and expenses comprise unusual, abnormal and infrequent income and expense items. They mostly include asset impairment charges, launch failure costs and the related insurance repayments, non-commercial disputes net of costs incurred, restructuring costs, income from asset disposals and the implications of scope changes (acquisition costs and disposal gains/losses).

(in millions of euros)	30 June 2020	30 June 2021
Other operating income	100.2	1.3
Other operating expenses	(64.1)	(68.3)
Total	**36.1**	**(67.0)**

As of 30 June 2021, other operating expenses mainly include impairments on satellites amounting to 27.9 million euros (see Note 7.1) and costs relating to non-commercial litigation amounting to 13.9 million euros, the impact of the sale of EBI for 8.8 million euros and the restructuring of non-significant activities amounting to 6 million euros.

As of 30 June 2020, other operating income mainly included the 92.2 million euro insurance repayment in respect of the malfunction on the EUTELSAT 5 West B satellite. The other operating expenses related to the impairment of assets for 42.2 million euros (see Note 7.1) and the costs incurred on the malfunction of the EUTELSAT 5 West B satellite for 6.5 million euros.

6.4 Financial Result

(in millions of euros)	30 June 2020	30 June 2021
Interest expense after hedging	(69.5)	(68.1)
Interest on lease liabilities	(15.8)	(14.3)
Loan set-up fees and commissions	(7.3)	(7.7)
Capitalised interest	19.9	17.1
Cost of gross debt	**(72.8)**	**(73.0)**
Financial income	0.9	0.2
Cost of net debt	**(71.8)**	**(72.8)**
Changes in derivative financial instruments	(0.3)	-
Foreign-exchange impact	(4.0)	(16.1)
Others	(4.4)	(6.1)
Financial result	**(80.5)**	**(95.0)**

The interest expense as of 30 June 2020 and 30 June 2021 includes, respectively, 8.4 million euros and 9.2 million euros of expenses related to the exercise and termination of pre-hedging instruments used to secure the interest rate on the October 2018, June 2019 and October 2020 bond issues.

The amount of capitalised interest depends on the state of progress and number of satellite construction programmes recorded during the relevant financial year. The interest rate used to determine the amount of interest expense eligible for capitalisation is 2.38% as of 30 June 2021 versus 2.42% as of 30 June 2020.

Changes in the fair value of derivatives as of 30 June 2021 and 2020 mainly include changes in the fair value of derivatives that are not qualified or no longer qualify for hedge accounting, as well as the ineffective portion of the time value of derivatives that are qualified in a hedging relationship.

6.5 Income Tax

The Group's income tax expense breaks down as follows:

(in millions of euros)	30 June 2020	30 June 2021
Current tax expense	(89.5)	(56.2)
Deferred tax income (expense)	(8.0)	32.0
Total income tax expense	**(97.5)**	**(24.2)**

The theoretical income tax expense, calculated by applying the standard French corporation tax rate to the pre-tax result (excluding the share of net income from equity investments), can be reconciled to the actual expense as follows:

(in millions of euros)	30 June 2020	30 June 2021
Net income before tax	409.7	252.3
Standard French corporate tax rate	**34.4%**	**32.0%**
Theoretical income-tax expense	**(141.0)**	**(80.8)**
Non-taxable profit	78.5	72.5
Differences in corporation tax rates	3.2	3.1
Use of tax losses	1.0	-
CAVE (Contribution on Added Value of Enterprises)	(2.2)	(2.8)
Deferred tax generated during the previous period and recognised for the period	-	-
Other permanent differences	(37.0)	(16.2)
Tax expense	**(97.5)**	**(24.2)**
Effective tax rate	**23.8%**	**9.6%**

As of 30 June 2021, the other permanent differences mainly include the impact of exchange rate differences and inflation effects recorded by Satellites Mexicanos on the subsidiary's deferred tax positions for 15.2 million euros.

As of 30 June 2020, the other permanent differences mainly include the impact of exchange rate differences and inflation effects recorded by Satellites Mexicanos on the subsidiary's deferred tax positions for (18.2) million euros.

As of the financial year ended 30 June 2021, the Group has opted to allocate the CAVE (Contribution on Added Value of Enterprises/*Cotisation sur la Valeur Ajoutée des Entreprises – CVAE*) to income taxes to reflect the fact that this tax meets the definition of the tax basis and territoriality rules linked to those for corporation tax. As a result, this tax is presented as a component of the tax expense. The comparable financial year ended 30 June 2020 has consequently been restated. The CAVE included in the tax expense in respect of the financial year ended 30 June 2021 amounts to 4.1 million euros (3.1 million euros for the financial year ended 30 June 2020).

6.6 Earnings Per Share

ACCOUNTING PRINCIPLES

EPS (earnings per share) are calculated by dividing the net income for the period attributable to shareholders of Eutelsat Communications by the weighted average number of common shares outstanding during the period. Own shares are not considered in determining 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)	30 June 2020	30 June 2021
Net income	**312.2**	**228.1**
Income from subsidiaries attributable to non-controlling interests	(14.6)	(14.0)
Net earnings used to compute earnings per share	**297.6**	**214.1**
Average number of shares	**231,999,682**	**230,196,636**

Note 7. NOTES TO THE BALANCE SHEET

7.1 Fixed Assets

7.1.1 Goodwill and other intangibles

ACCOUNTING PRINCIPLES

Goodwill

Business combinations are recognised using the purchase accounting method. The consideration transferred in return for control of the acquired entity is measured at fair value and includes contingent consideration, taking into account probability of occurrence. The identifiable assets, liabilities and contingent liabilities of the entity are recognised at their fair values The costs directly attributable to the acquisition are excluded from the transferred consideration and recognised under "Other operating income and expenses" once they are incurred.

At the acquisition date, non-controlling interests may be computed at their fair value or as a portion of identifiable assets and liabilities of the acquired entity. The option for applying either of these two methods can be exercised on a transaction-by-transaction basis.

At the first consolidation, all assets, liabilities and contingent liabilities of the acquired entity are measured at their fair value. In a takeover by successive acquisitions, the investment previously held is restated at its fair value at the acquisition date, while the ensuing gains or losses are recognised under income.

Goodwill is measured in the functional currency of the acquired entity at the date of the combination at an amount equal to the difference between the aggregate fair value of the consideration paid and the fair value of the identifiable assets acquired, and the liabilities assumed. They are tested for impairment at least once a year solely for the Group's operating segment.

Customer contracts and relationships

Customer contracts and relationships acquired in a business combination are recorded at fair value on the acquisition date. The fair value is set by referring to the generally accepted methods such as those based on revenues or market value. These assets are amortised on a straight-line basis over their economic life, which is estimated on the basis of the average duration of the contractual relationships existing at the date of acquisition of Eutelsat and the expected contract renewal rates. The main customer relationship recognised in the Group’s financial statements is that of Eutelsat S.A, amortised over a 20 years period.

Other intangibles

Other intangibles are composed of development, licence and orbital rights costs.

Development costs are capitalized and amortized over a period of 3 to 7 years if the Group can demonstrate:

- It has the technical capacity to realise the intangible asset for use or sale;
- It has the intention and capacity to complete the software and use or sell it;
- It has the capacity to use or sell the intangible;
- There is likelihood that the intangible will yield future economic benefits for the Group;
- There are sufficient technical, financial or other resources to realise the intangible;
- It has the capacity to accurately assess the expenses attributable to the intangible during its development phase.

Expenses incurred for research (or during the research phase of an in-house project) are recognised as expenses in Selling, general and administrative expenses once they are incurred.

Orbital rights and licenses are amortized over their useful lives for periods of 13 to 23 years and between 1 to 13 years respectively.

The changes in goodwill and intangible assets over the past two financial years are 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	-	-	-	20.6	20.6
Transfers	-	-	-	14.9	14.9
Foreign-exchange variation	3.1	2.0	-	0.6	5.6
Disposals and scrapping of assets	-	-	-	(15.0)	(15.0)
Gross value as of 30 June 2020	**1,209.2**	**1,124.7**	**40.8**	**333.0**	**2,707.6**
Acquisitions	-	-	-	21.2	21.2
Transfers	-	-	-	30.0	30.0
Foreign-exchange variation	(15.9)	(11.6)	-	(3.4)	(30.9)
Disposals and scrapping of assets	-	-	-	(5.3)	(5.3)
Entries into the scope	53.2	5.2	-	1.1	59.5
Exits from the scope	-	-	-	(6.3)	(6.3)
Gross value as of 30 June 2021	**1,246.5**	**1,118.3**	**40.8**	**370.3**	**2,775.9**
Depreciation and impairment					
Accumulated amortization as of 30 June 2019	**-**	**(708.9)**	**-**	**(191.0)**	**(899.9)**
Depreciation expense	-	(65.1)	-	(33.1)	(98.2)
Reversals (disposals)	-	-	-	14.8	14.8
Foreign-exchange variation	-	(0.2)	-	(0.1)	(0.3)
Accumulated amortization as of 30 June 2020		**(774.2)**		**(209.4)**	**(983.6)**
Depreciation expense	-	(64.6)	-	(38.8)	(103.4)
Transfers and others	-	-	-	(17.0)	(17.0)
Foreign-exchange variation	-	4.8	-	1.2	6.0
Reversals (disposals and scrapping of assets)	-	-	-	2.8	2.8
Exits from the scope	-	-	-	6.2	6.2
Accumulated amortization as of 30 June 2021	-	**(833.9)**	**-**	**(255.1)**	**(1,089.0)**
Net value as of 30 June 2019	1,206.1	413.8	40.8	120.8	1 781.7
Net value as of 30 June 2020	1,209.2	350.4	40.8	123.6	1 724.0
Net value as of 30 June 2021	**1,246.5**	**284.3**	**40.8**	**115.2**	**1 686.9**

The Eutelsat brand was recognised when Eutelsat S.A. was acquired by Eutelsat Communications in 2005.

7.1.2 Tangible assets and construction in progress

ACCOUNTING PRINCIPLES

Satellites and other tangible assets are recognised at their acquisition cost, which includes all costs directly attributable to making the asset ready for use, less accumulated depreciation and any impairment.

Satellite costs include all expenses incurred in bringing individual satellites into operational use, in particular manufacturing, launch and launch insurance costs, capitalised interest, satellite performance incentives, and costs directly associated with the monitoring of the satellite programme (studies, staff and consultancy costs).

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

The useful lives adopted by the Group are as follows:

- 12 to 24 years for satellites;
- 5 to 10 years for traffic monitoring equipment;
- 2 to 5 years for computer equipment;
- 3 to 10 years for leasehold arrangements and improvements.

The satellites are amortised as of their technical entry into service. The period between the launch of a satellite and its technical entry into service can vary between one and nine months depending on the propulsion method used by the satellite.

The Group conducts an annual review of the remaining useful lives of its in-orbit satellites on the basis of both their forecast utilisation and the technical assessment of their useful lives. In case the useful life is reduced or extended, the amortisation schedule is revised prospectively.

”Construction in progress” primarily consists of milestone completion payments for the construction of future satellites and advances paid in respect of launch vehicles and related launch insurance costs.

The changes in tangible assets over the past two financial years are as follows:

(in millions of euros)	Satellites	Other tangibles	Assets under construction	Total
Gross assets				
Gross value as of 30 June 2019	**5,703.7**	**426.7**	**1,028.6**	**7,159.1**
Acquisitions	25.1	5.1	345.3	375.5
Disposals	-	(0.3)	-	(0.3)
Scrapping of assets	-	(7.7)	-	(7.7)
Foreign-exchange variation	12.9	0.4	-	13.3
Transfers and others	285.4	13.4	(312.7)	(13.8)
Gross value as of 30 June 2020	**6,027.1**	**437.7**	**1,061.2**	**7,526.0**
Acquisitions	1.8	27.8	379.5	409.0
Disposals	-	(5.1)	-	(5.1)
Scrapping of assets	(119.6)	(14.6)	-	(134.2)
Foreign-exchange variation	(63.0)	(1.8)	(0.4)	(65.1)
Entries into the scope	-	4.5	-	4.5
Exits from the scope	(296.0)	(68.4)	-	(364.4)
Transfers and others	182.5	75.2	(226.0)	31.7
Gross value as of 30 June 2021	**5,732.8**	**455.4**	**1,214.4**	**7,402.5**
Depreciation and impairment				
Accumulated amortization as of 30 June 2019	**(2,947.0)**	**(329.6)**	**(1.2)**	**(3,277.9)**
Depreciation expense	(337.4)	(26.6)	-	(364.0)
Impairment	(32.6)	-	-	(32.6)
Reversals (disposals)	-	0.1	-	0.1
Reversals (scrapping of assets)	-	7.4	-	7.4
Foreign-exchange variation	(0.5)	(0.1)	-	(0.6)
Transfers and others	-	(2.0)	-	(2.0)
Accumulated amortization as of 30 June 2020	**(3,317.5)**	**(350.7)**	**(1.2)**	**(3,669.4)**
Depreciation expense	(312.4)	(27.0)	-	(339.4)
Impairment	(16.2)	-	-	(16.2)
Reversals (disposals)	-	5.0	-	5.0
Reversals (scrapping of assets)	119.6	13.3	-	132.9
Foreign-exchange variation	27.0	1.1	-	28.1
Exits from the scope	175.3	57.4	-	232.7
Transfers and others	(1.6)	(45.5)	1,2	(45.8)
Accumulated amortization as of 30 June 2021	**(3,325.8)**	**(346.4)**	**-**	**(3,672.1)**
Net value as of 30 June 2019	2,756.7	95.3	1,029.3	3,881.4
Net value as of 30 June 2020	2,709.7	87.0	1,060.0	3,856.7
Net value as of 30 June 2021	**2,407.0**	**109.0**	**1,214.4**	**3,730.4**

Transfers relating to satellites arising during the financial year ended 30 June 2021 correspond to the entry into commercial service of the Konnect satellite launched during the financial year ended 30 June 2020.

During the financial years ended 30 June 2021 and 30 June 2020, the Group recognised respective impairment losses of 16.2 million euros and 32.6 million euros on a satellite.

The expected launch dates for satellites under construction at the balance sheet date are as follows:

Projects	Years
Quantum	Calendar year 2021
Konnect VHTS, EUTELSAT 10B, Hotbird 13F and Hotbird 13G	Calendar year 2022
EUTELSAT 36D	Calendar year 2024

7.1.3 Rights of use in respect of leases

ACCOUNTING PRINCIPLES

Contracts under which the Group uses a specific asset are recognised as assets on the balance sheet in the form of a right of use, and a liability on the liabilities side, where the contractual terms are such that they qualify as leases, i.e. they transfer control of the asset over the entire lease term.

Rights of use are generally amortised over the term of the lease covering the non-cancellable period, supplemented, where applicable, by renewal options, which the Group is reasonably certain to exercise.

The discount rate used to calculate the value of the right of use and the lease liability is determined, for each contract, on the basis of the associated estimated marginal debt rate.

Assets with a low unit value and leases with a term of less than 12 months are recognised as expenses.

During the financial year ended 30 June 2021, the rights of use saw the following changes:

(in millions of euros)	Satellites	Other tangible assets	Total
Gross assets			
Gross value as of 30 June 2019	**878.6**	**44.2**	**922.8**
New contracts	-	4.7	4.7
Modifications and early termination of contracts	(23.4)	(13.5)	(36.9)
Scrapping of assets	(4.4)	(0.5)	(4.9)
Gross value as of 30 June 2020	**850.9**	**34.8**	**885.7**
New contracts	-	40.1	40.1
Modifications and early terminations of contracts	(3.2)	(12.7)	(15.9)
Scrapping of assets	-	(0.7)	(0.7)
Foreign-exchange variation	-	(0.4)	(0.4)
Entries into the scope	-	0.8	0.8
Gross value as of 30 June 2021	**847.7**	**61.9**	**909.6**
Depreciation and impairment			
Accumulated depreciation and impairment as of 30 June 2019	**(255.8)**	**(9.1)**	**(264.9)**
Depreciation expense	(59.6)	(9.4)	(68.9)
Impairment	(9.6)	-	(9.6)
Reversals (modifications and early terminations of contracts)	9.2	-	9.2
Reversals (scrapping of assets)	4.4	0.5	4.9
Accumulated depreciation and impairment as of 30 June 2020	**(311.4)**	**(18.0)**	**(329.4)**
Depreciation expense	(54.4)	(10.5)	(64.9)
Impairment	(11.7)	-	(11.7)
Reversals (modifications and early terminations of contracts)	1.6	11.5	13.1
Reversals (scrapping of assets)	-	0.7	0.7
Foreign-exchange variation	-	0.1	0.1
Accumulated depreciation and impairment as of 30 June 2021	**(375.9)**	**(16.1)**	**(392.1)**
Net value as of 30 June 2019	622.8	35.1	657.9
Net value as of 30 June 2020	539.5	16.8	556.3
Net value as of 30 June 2021	**471.8**	**45.8**	**517.5**

Satellite rights of use mainly relate to the Express AT1, Express AT2, Express AM6, Express 36C and Astra 2G leases. The durations of these leases cover the expected life spans of this type of satellite and, as such, none of these contracts include purchase options upon termination of the contract.

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

During the financial years ended 30 June 2021 and 30 June 2020, the Group recognised respective impairment losses of 11.7 million euros and 9.6 million euros on its right to use certain satellite transponders,

7.1.4 Fixed asset value tests

ACCOUNTING PRINCIPLES

Goodwill and unamortized intangible assets

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

Amortizable assets

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

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

CGUs correspond to orbital positions, carrying one or more satellites, as well as customer contracts and relationships (after taking into account the technical or economic interdependence of their cash flows).

The Group estimates value in use on the basis of estimated future cash flows. These are generated by the asset or the CGU during its useful life and are discounted using the Group's WACC defined for the impairment testing, based on the medium-term plan approved by Management and reviewed by the Board of Directors. Revenues in the medium-term plan are based upon the order backlog for each satellite, market studies, and the deployment plan for existing and future satellites. Costs given in the plan that are used for the impairment test consist mainly of in-orbit insurance costs, technical and commercial costs directly attributable to the satellites tested, as well as tax expenses. Beyond a maximum five-year period, cash flows are estimated on the basis of constant rates of growth or decline.

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

Impairment losses and their reversals are recognised in the income statement under other operating income expenses.

Goodwill

The Group's goodwill is monitored only at Eutelsat's operating segment level.

As of 30 June 2021, since Eutelsat Communications' market capitalisation amounts to less than the book value of the Group's shareholders' equity, the recoverable amount of goodwill has been estimated on the basis of the value in use determined from a valuation of the Group based on future cash flows. This analysis incorporates a significant degree of judgement on the part of the Group's Management.

The cash flows used are based on the Group's five-year business plan approved by the Board of Directors in January 2021, including the impacts of the Covid crisis, covering periods up to the financial year 2024-25, on the long-term plan defined on a constant basis for periods up to the financial year 2032-33, and on a terminal value. The Group considers that it is appropriate to use projections beyond 5 years, given the long-term visibility it has for a significant portion of its business and its expected growth profile, which the long term plan makes it easier to evaluate.

With respect to financial metrics such as the WACC (7.8% used as of 30 June 2021 versus 7.5% as of 30 june 2020) and the long-term growth rate used to calculate the terminal value, the sensitivity analyses show that an increase in the WACC of less than 114bp or a decline in the long-term growth rate of less than 303bp, or a nil growth rate to infinity, would not lead to a lower value in use than the Group's net present value as of 30 June 2021.

Furthermore, the main operational assumptions potentially impacting the recoverable amount of assets are the level of EBITDA and the amount of capex. The operational assumptions of the long-term plan are based on internal market models of the growth trend of each of the Group's business segments and on external strategic reviews. Sensitivity analyses show that a 5% decline in EBITDA would not lead to the recognition of an impairment loss on goodwill.

The impairment tests performed as of 30 June 2021 and 2020 on the basis of discounted cash flow forecasts did not lead to the recognition of any impairment charges. This is further evidenced by the external information available on estimated data provided by the financial analysts who monitor the Group.

Depreciable assets

Concerning the impairment tests carried out in respect of the satellites as of 30 June 2021, the cash flows used are based on a five-year business plan period approved by the Board of Directors in January 2021, then on the cash flows extended until the end of life of each satellite based on a normative growth rate. These tests resulted in the recognition of an impairment loss relating to a satellite under ownership amounting to respectively 16.5 million euros and 32.6 million euros at 30 June 2021 and 30 June 2020 (see Note 7.1.2 "Tangible assets and construction in progress") and 11.7 million euros and 9.6 million euros at 30 June 2021 and 30 June 2020 (see Note 7.1.3 "Rights of use in respect of leases").

7.1.5 Purchase commitments

In addition to the items recognised on the balance sheet, the Company has entered into commitments with suppliers for the acquisition of assets (satellites and other assets) and the provision of services amounting to a total of 595 million euros as of 30 June 2020 and 840 million euros as of 30 June 2021.

The following table lists the future payments in respect of these commitments as of 30 June 2020 and 30 June 2021:

(in millions of euros)	As of 30 June 2020	As of 30 June 2021
Maturity within 1 year	307	395
From 1 to 2 years	177	291
From 2 to 3 years	52	21
From 3 to 4 years	40	122
Maturity exceeding 4 years	19	11
Total	**595**	**840**

The Group has also granted a guarantee covering the payment of the amounts due in respect of the granting of orbital rights. The amount of this guarantee is unlimited and applies to the whole duration of the licence.

7.2 Receivables, Assets and Liabilities on Customer Contracts and Costs to Obtain and Fulfil Contracts

ACCOUNTING PRINCIPLES

Accounts receivable are recorded at their nominal value. They are subject to impairment, recognised as Selling and Administrative Expenses, in order to cover the risk of expected future losses. These impairments are determined on the basis of a statistical approach of expected credit losses by market and region, after taking into account deposits and guarantees received, and supplemented, where applicable, by a specific impairment in the event of failure to make contractual payments or significant financial difficulties on the part of a customer.

Assets held under customer contracts include assets relating to revenue recognised in respect of variable prices or free periods not yet invoiced to the customer, the deferred costs of sales of terminals in the Broadband business and the consideration paid to the customer. Contract fulfillment costs include the deferral of the cost of sales of Broadband terminals.

Liabilities related to customer contracts consist of prepayments received from customers or invoiced prior to delivery of the services.

Receivables, assets and liabilities on customer contracts and the costs to obtain and fulfil contracts are summarised as follows:

(in millions of euros)	30 June 2020	30 June 2021
Assets		
Accounts receivable	334.8	244.5
Assets associated with customer contracts	42.8	40.3
Costs to fulfil contracts	26.9	5.4
Costs to obtain contracts	22.3	9.3
Total current and non-current assets	**426.8**	**299.5**
Including non-current portion	*74.9*	*37.7*
Including current portion	*351.9*	*261.9*
Liabilities		
Financial liabilities - Guarantees and commitments received	56.2	53.5
Liabilities associated with customer contracts	187.5	186.5
Total current and non-current liabilities	**243.7**	**240.0**
Of which non-current portion	*152.8*	*153.0*
Of which current portion	*90.9*	*87.0*

7.2.1 Accounts receivable

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

(in millions of euros)	30 June 2020	30 June 2021
Non-matured receivables	145.1	111.7
Matured receivables between 0 and 90 days	58.1	42.6
Matured receivables between 90 and 365 days	97.5	58.7
Matured due for more than 365 days	153.3	128.0
Depreciation	(119.2)	(96.5)
Total	**334.8**	**244.5**

Receivables due for more than 365 days as of 30 June 2021 include receivables amounting to 15.5 million euros covered by collateral deposits (and 12.4 million euros at 30 June 2020). These do not involve any risk of depreciation in the income statement. The provision for impairment of 96.5 million euros as of 30 June 2021 represents 86% of the amount of receivables except collateral deposits due for more than 365 days and 41% of all matured receivables.

In addition, given the nature of the activities and the geographies in which it operates, the Group is periodically required to collect matured receivables due for more than one year.

Due to their short-term maturity, non-matured accounts receivable do not bear interest.

Credit risk arising from a customer's failure to pay its debt at the due date is tracked at the level of each entity under the supervision of the financial managers. In the most important cases, the relevant financial managers are assisted by a credit manager, acting in accordance with the instructions of the Group's debt recovery service. This tracking is based mainly on an analysis of the amounts due and can be accompanied by a more detailed study of the creditworthiness of some debtors. Based on the assessment of the financial managers, entities may be required to hedge their credit risk by obtaining bank guarantees from first-tier financial institutions and insurance companies, and guarantee deposits from customers. In addition, the Group has taken out a credit insurance policy.

Credit risk is mitigated by the following guarantees and commitments received:

(in millions of euros)	30 June 2020		30 June 2021	
	Value of accounts receivable	Value of guarantee	Value of accounts receivable	Value of guarantee
Guarantee deposits	120.0	18.1	82.4	20.8
Bank or insurance guarantees	49.1	31.9	15.0	25.1
Guarantees from the parent company	4.9	4.9	5.2	5.2
Total	**174.0**	**54.9**	**102.6**	**51.0**

Guarantee deposits are recognised as financial liabilities. Bank guarantees and guarantees from parent companies are not shown on the balance sheet.

The Group's ten largest clients accounted for 35% of revenues as of 30 June 2021 (34% as of 30 June 2020). The top five account for 24% of revenues (23% at June 30, 2020).

The changes in impairment of trade receivables over the two financial years are as follows:

(in millions of euros	Total
Value as of 30 June 2019	**104.4**
Net allowance (reversal)	22.1
Reversals (used)	(7.2)
Foreign-exchange variations	(0.1)
Value as of 30 June 2020	**119.2**
Net allowance (reversal)	25.6
Reversals (used)	(44.9)
Foreign exchange variations	(1.5)
Exits from the scope	(1.9)
Value as of 30 June 2021	**96.5**

7.2.2 Assets associated with customer contracts, costs to obtain and fulfil non-current contracts

(in millions of euros)	Total
Assets associated with customer contracts as of 30 June 2019	**38.0**
Use of assets associated with customer contracts during the period	(10.0)
New assets associated with customer contracts recorded during the period	15.7
Net depreciations (reversals)	(0.5)
Translation adjustment	(0.3)
Assets associated with customer contracts as of 30 June 2020	**42.8**
Use of assets associated with customer contracts during the period	(12.5)
New assets associated with customer contracts recorded during the period	9.3
Net reversals (depreciations)	1.6
Translation adjustment	(0.9)
Assets associated with customer contracts as of 30 June 2021	**40.3**

The costs to obtain and fulfil contracts are shown below:

(in millions of euros)	Total
Costs to obtain and fulfil customer contracts as of 30 June 2019	**41.1**
Use of costs to obtain and fulfil customer contracts during the period	(16.2)
New costs to obtain and fulfil customer contracts during the period	24.0
Costs to obtain and fulfil customer contracts as of 30 June 2020	**49.2**
Use of costs to obtain and fulfil customer contracts during the period	(14.6)
New costs to obtain and fulfil customer contracts during the period	8.2
Entries into the scope	12.3
Exits from the scope	(40.6)
Translation adjustment	0.2
Costs to obtain and fulfil customer contracts as of 30 June 2021	**14.7**

7.2.3 Liabilities associated with customer contracts

The liabilities associated with customer contracts break down as follows:

(in millions of euros)	Total
Liabilities associated with customer contracts as of 30 June 2019	**188.5**
Revenue recognition during the period	(73.9)
New liabilities associated with customer contracts recorded during the period	72.7
Translation adjustment	1.1
Reclassification	(0.9)
Liabilities associated with customer contracts as of 30 June 2020	**187.5**
Revenue recognition during the period	(42.5)
New liabilities associated with customer contracts recorded during the period	56.4
Translation adjustment	(4.1)
Entries into the scope	13.5
Exits from the scope	(24.5)
Liabilities associated with customer contracts as of 30 June 2021	**186.4**

7.3 Financial Assets and Liabilities

ACCOUNTING PRINCIPLES

Cash and cash equivalents

Cash mainly comprises cash in hand and demand deposits with banks. Cash equivalents mainly consist of short-term deposits with original maturities of three months or less, term accounts, as well as mutual fund investments that are easily convertible into a known amount of cash, the liquid value of which is determined and published daily and for which the risk of a change in value is insignificant. Mutual fund investments with fair value option through profit or loss are carried at fair value, with the resulting realised or unrealised gains or losses arising from the change in fair value recognised under the "Financial result".

Financial debt

Financial debts comprise bank loans, bond loans and structured debts. They are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. These costs are recognised as "Loan set-up fees and premiums" and are spread out over the period of the loan.

Financial assets

With the exception of derivative financial instruments and non-consolidated investments, financial assets are recorded at amortised cost. An impairment loss is recognised in the income statement when there is evidence of an impairment loss. Non-consolidated financial assets are measured at fair value.

Financial liabilities

Lease liabilities recognised in exchange for rights of use correspond to the aggregate of discounted future payments under the lease contracts. The discount rate used to measure these payables is determined by contract based on the estimated marginal debt rate of the entity that holds the contract.

When the Group grants firm or conditional purchase commitments to non-controlling shareholders, the corresponding amount of non-controlling interests is reclassified as a financial liability to reflect the fair value of the commitment. The financial liability is revalued at each balance sheet date with a corresponding entry in shareholders' equity, if no further details are provided by the IFRS standards.

Derivative financial instruments

Derivatives that do not qualify as hedging instruments are recognised at fair value, with subsequent changes in fair value recognised in the financial result. Derivatives qualifying as hedging instruments are measured and recognised on the basis of hedge accounting criteria.

Hedging transactions are carried out using derivative financial instruments, the fair value changes of which are intended to offset the exposure of the hedged items to these same changes. Changes in fair value are recognised in shareholders' equity, within other recyclable gains and losses in comprehensive income, for the effective portion of the hedging relationship, while changes in fair value for the ineffective portion are recognised in financial result. The Group uses derivative financial instruments to hedge cash flows (forwards and forwards KI) and the net investment of its subsidiaries in Mexico, Singapore and Dubai (cross currency swap). Forwards, forwards KI, and the interest rate component of the cross-currency swap are recorded as financial assets or liabilities depending on the position while the exchange component is included in the Group's net debt.

Cumulative changes in the fair value of the hedging instrument previously recognised in equity are reclassified to the income statement when the hedged transaction affects the income statement. The gains and losses thus transferred are recognised in net income in respect of the hedged item.

7.3.1 Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

(in millions of euros)	30 June 2020	30 June 2021
Cash at bank and in hand	485.4	529.0
Cash equivalents	346.6	332.1
Total	**832.0**	**861.1**

7.3.2 Financial debt

The financial debt breaks down as follows:

(in millions of euros)	Rate	30 June 2020	30 June 2021	Maturity
Term loan 2022	Variable	600.0	-	March 2022
Term loan 2026	Variable	-	400.0	June 2026
Term loan EIB	Fixed	-	200.0	December 2028
Bond 2022	3.125%	300.0	300.0	October 2022
Bond 2025	2.000%	800.0	800.0	October 2025
Bond 2027	2.250%	600.0	600.0	July 2027
Bond 2028	1.500%	-	600.0	October 2028
Structured debts				
	Variable	71.2	14.2	May 2024
	Variable	61.3	67.0	July 2022
	Variable	77.8	80.0	July 2023
	Variable	12.0	53.0	July 2024
Sub-total of debt (non-current portion)		**2,522.3**	**3,114.1**	
Loan set-up fees and premiums		(16.5)	(16.7)	
Total of debt (non-current portion)		**2,505.8**	**3,097.4**	
Bond 2021	1.125%	500.0	-	June 2021
Structured debts	Variable	23.7	7.1	
RCF drawdown	Variable	300.0	-	September 2020
Accrued interest not yet due		34.3	38.4	
Total debt (current portion)		**858.1**	**45.5**	
Total		**3,363.9**	**3,142.9**	

The totality of the debt is denominated in euros.

The term loans and structured debts are subject to a financial covenant that provides for a total net debt to EBITDA ratio equal to or less than 4.0/1. Under the term loan covenants, each lender may also request early repayment of all sums due in case of a change of control of Eutelsat S.A. 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 30 June 2021, the Group was in compliance with all the banking covenants under its credit facilities.

The credit agreements include neither a guarantee by the Company nor a pledge of assets to lenders, but do 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.

In addition, as of 30 June 2021, the Group has active credit lines for an aggregate undrawn amount of 1,050.0 million euros (398.8 million euros as of 30 June 2020). These lines are backed by banking covenants similar to those in place for the term loans and the structured debts.

The schedule of debt maturities, excluding issue costs and premiums and accrued interest not yet due, as of 30 June 2021 is as follows:

(in millions of euros)	Amount	Maturity within 1 year	Maturity between 1 and 5 years	Maturity exceeding 5 years
Term loan	400.0	-	400.0	-
Term loan BEI	200.0	-	-	200.0
Structured debts	221.2	7.1	214.1	-
Bond 2022	300.0	-	300.0	-
Bond 2025	800.0	-	800.0	-
Bond 2027	600.0	-	-	600.0
Bond 2028	600.0	-	-	600.0
Total	**3,121.2**	**7.1**	**1,714.1**	**1,400.0**

7.3.3 Financial assets and liabilities

The detailed breakdown of financial assets is as follows:

(in millions of euros)	30 June 2020	30 June 2021
Non-consolidated equity investments	14.7	14.7
Derivative financial instruments [1]	10.3	39.0
Other financial assets	31.4	44.8
Total	**56.4**	**98.5**
Of which current portion	*23.6*	27.0
Of which non-current portion	*32.8*	71.5

[1] See Note 7.3.5 "Derivative financial instruments".

The other debts and financial liabilities break down as follows:

(in millions of euros)	30 June 2020	30 June 2021
Lease liabilities	493.4	435.6
Other liabilities	86.6	103.4
Payables to fixed asset suppliers	50.9	213.7
Derivative financial instruments [1]	43.0	29.1
Liabilities for social contributions	52.3	55.2
Tax liabilities	15.6	22.7
Total	**741.8**	**859.8**
Of which current portion	*231.6*	*170.5*
Of which non-current portion	*510.2*	*689.3*

[1] See Note 7.3.5 "Derivative financial instruments".

As the construction of certain satellites progresses, the acceptance of milestone payments leads to the recognition of an asset under construction and an account payable. The non-current payables to fixed asset suppliers represent an amount of 188.7 million euros as of 30 June 2021 and include acceptances of milestone payments and payments by means of commercial paper maturing on delivery of the satellites amounting, respectively, to 154.4 million euros and 29.6 million euros.

The changes in lease liabilities during the period break down as follows:

(in millions of euros)	30 June 2020	New contracts	Cash flow	Early termination	Currency effects	Change in accrued interests	30 June 2021
Satellites	474.4	-	(84.4)	(3.9)	-	(2.2)	384.0
Real estate	11.4	41.0	(4.0)	(1.3)	0.1	-	47.1
Others	7.6	-	(3.1)	-	-	-	4.5
Total	**493.4**	**41.0**	**(91.5)**	**(5.2)**	**0.1**	**(2.2)**	**435.6**

The amounts shown for lease liabilities include accrued interest totalling 3.8 million euros as of 30 June 2020 and 2.2 million euros as of 30 June 2021.

7.3.4 Net debt

The net debt breaks down as follows:

(in millions of euros)	30 June 2020	30 June 2021
Term loan	600.0	400.0
Term loan EIB	-	200.0
Bonds	2,200.0	2,300.0
RCF drawdown	300.0	-
Structured debts	246.1	221.2
"Change" portion of cross-currency swap	(4.3)	(38.7)
Lease liabilities	489.6	434.0
Gross debt	**3,831.4**	**3,516.5**
Cash and cash equivalents	(832.0)	(861.1)
Net debt	**2,999.4**	**2,655.5**

The changes in the debt position between 30 June 2019 and 30 June 2020 are presented below:

(in millions of euros)	30 June 2019	Cash flow	Non-cash flow	Currency effects	Fair value change and others	30 June 2020
Term loan	600.0	-	-	-	-	600.0
Bonds	3,130.0	(930.0)	-	-	-	2,200.0
RCF drawdown	-	300.0	-	-	-	300.0
Structured debts	118.6	(23.7)	151.2	-	-	246.1
"Change" portion of cross-currency swap	99.8	(112.2)	-	-	8.1	(4.3)
Lease debt	579.8	(63.0)	(26.6)	(0.6)	-	489.6
Total	**4,528.1**	**(828.9)**	**124.6**	**(0.6)**	**8.1**	**3,831.4**

The net cash flow of 930 million euros on the bonds reflects the repayment of the bond loan maturing during the 2020 financial year.

The changes in the debt position between 30 June 2020 and 30 June 2021 are presented below:

(in millions of euros)	30 June 2020	Cash flow	Non-cash flow	Currency effects	Fair value change and others	30 June 2021
Term loans	600.0	(200.0)	-	-	-	400.0
Term loan EIB	-	200.0	-	-	-	200.0
Bonds	2,200.0	100.0	-	-	-	2,300.0
RCF drawdown	300.0	(300.0)	-	-	-	-
Structured debts	246.1	(73.7)	48.8	-	-	221.2
"Change" portion of cross-currency swap	(4.3)	-	-	-	(34.4)	(38.7)
Lease debt	489.6	(91.5)	34.9	0.1	0.8	434.0
Total	**3,831.4**	**(365.2)**	**83.7**	**0.1**	**(33.6)**	**3,516.5**

The net cash flow of 100 million euros from the bond loans reflects, firstly, the repayment of (500) million euros in respect of the bond loan maturing during the 2021 financial year and, secondly, a new bond issue in the amount of 600 million euros maturing in October 2028. The net cash flow of 200 million euros on the term loan corresponds, firstly, to the early repayment of the loan maturing in March 2022 amounting to (600.0) million euros and, secondly, to the implementation of another term loan in the amount of 400.0 million euros maturing in June 2026 (see Note 2.5).

7.3.5 Derivative financial instruments

Derivative financial instruments are valued by an independent expert before being reconciled with the valuations provided by bank counterparties. The following table presents the contractual or notional amounts together with the fair values of the 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 2020	30 June 2021	30 June 2020	30 June 2021			
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	244.7	235.5	5.8	(0.4)	(6.3)	-	(6.3)
Cross currency swap	612.0	572.0	(33.9)	10.3	44.2	-	44.2
Total forex derivatives	**856.7**	**807.5**	**(28.1)**	**9.9**	**37.9**	**-**	**37.9**
Pre-hedging swap [(1)]	300.0	-	(4.7)	-	4.7	-	(1.3)
Total interest rate derivatives	**300.0**	**-**	**(4.7)**	**-**	**4.7**	**-**	**(1.3)**
Total derivative instruments			**(32.7)**	**9.9**	**42.7**	**-**	**36.6**

[(1)] *The pre-hedge Swap in a notional amount of 300 million euros was terminated in October 2020 and resulted in a cash payment of 6.0 million euros by Eutelsat S.A.*

As of 30 June 2021, the cumulative fair value of the derivative financial instruments was positive at 39.0 million euros and negative at 29.1 million euros (see Note 7.3.3 "Financial assets and liabilities").

Coupons on interest rate instruments qualifying as future cash flow hedges are posted directly to income. The change recognised in equity in respect of these instruments corresponds to the change in fair value net of coupons. Coupons on the cross-currency swap qualifying as a hedge of a net investment in a foreign operation, as well as changes in fair value net of coupons, are booked directly to shareholders' equity.

The fair value and maturities of derivatives qualifying as hedges are as follows:

(in millions of euros)	Fair value recognised in equity and to be reclassified to income as of 30 June 2020						
	Total	1 year at most	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Foreign exchange risk hedges	(28.0)	5.9	-	-	-	(33.9)	-
Interest rate risk hedges	(4.7)	(4.7)	-	-	-	-	-
Net total at 30 June 2020	**(32.7)**	**1.2**	**-**	**-**	**-**	**(33.9)**	**-**

(in millions of euros)	Fair value recognised in equity and to be reclassified to income as of 30 June 2021						
	Total	1 year at most	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Foreign exchange risk hedges	9.9	(0.4)	-	-	10.3	-	-
Net total at 30 June 2021	9.9	(0.4)	-	-	10.3	-	-

7.3.6 Risk management

The Group is exposed to market risks, principally in terms of currency and interest rates. To address this, the Group uses several financial derivatives. The Group does not engage in financial transactions whose associated risk cannot be quantified at maturity, i.e. the Group never sells assets it does not hold, or about which it is uncertain whether it will subsequently hold them. The objective is to limit, where appropriate, the fluctuation of revenues and cash-flows due to variations in interest rates and foreign-exchange rates.

Foreign exchange risk

Through the sale of its satellite capacity, the Group is a net receiver of currencies, mainly the US dollar. Consequently, the Group is primarily exposed to the US dollar/euro foreign exchange risk.

In order to hedge foreign exchange risks, the Group may be compelled to use forward sales or synthetic forward transactions with knock-in option of US dollars against the euro, which can be exercised or not depending on the exchange rate at their expiry date. However, the Group cannot guarantee that it will be able to systematically hedge all of its US dollar-denominated contracts. Additionally, to hedge the translation risk, the Group may also create liabilities denominated in the currency of the cash flows generated by these assets. The hedging instruments used by the Group may include currency derivatives (cross-currency swaps) documented as net foreign investment hedges. The Group has thus developed a euro-US dollar currency swap for a notional amount of 680 million dollars to hedge its net investment in the subsidiaries based in Mexico, Singapore and Dubai.

Given its exposure to foreign currency risk, the Group estimates that a 10% increase in the US dollar/euro exchange rate (excluding foreign exchange derivatives) would generate a 34 million euro decline in the Group’s revenue and a 5 million euro decline in operating expenses. It would also result in a 94 million euros negative variation in the Group's translation reserve and a 59 million euro increase in the foreign exchange portion of the cross-currency swap recorded under financial liabilities.

Interest rate risk

The Group manages its exposure to interest rate fluctuations by maintaining a portion of its debt at fixed rates (Eutelsat S.A. bonds) and, where necessary, by applying a hedging or pre-hedging policy.

Considering the full range of financial instruments available to the Group as of 30 June 2021, an increase of ten basis points (+0.1%) over the EURIBOR interest rate would have no impact on the interest expense.

Financial counterparty risk

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

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

As of 30 June 2021, the counterpart risk associated with these operations is not deemed to be significant.

Liquidity risk

The Group manages liquidity risk by taking into account the maturity of financial investments, financial assets and estimated future cash flows from the operating activities.

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

The Group's debt maturity profile is shown below:

			Timelines as of 30 June 2020					
As of 30 June 2020 (in millions of euros)	**Balance-sheet value**	**Total contractual cash flows**	***Jun-20***	***Jun-21***	***Jun-22***	***Jun-23***	***Jun-24***	***More than 5 years***
Term loan	(599.2)	(613.8)	(6.9)	(606.9)	-	-	-	-
Bonds	(2,194.4)	(2,438.9)	(545.6)	(38.9)	(338.9)	(29.5)	(29.5)	(1,456.5)
RCF drawdown	(300.0)	(300.7)	(300.7)	-	-	-	-	-
Structured debt	(242.7)	(253.7)	(26.4)	(87.5)	(103.3)	(36.5)	-	-
Lease debt	(493.4)	(493.4)	(73.8)	(47.2)	(44.6)	(44.6)	(45.9)	(237.3)
Qualified derivatives [(1)]	(43.0)	(43.0)	(4.7)	-	-	-	(38.3)	-
Total financial debt	**(3,872.7)**	**(4,143.5)**	**(958.1)**	**(780.5)**	**(486.8)**	**(110.6)**	**(113.7)**	**(1,693.8)**
Other financial liabilities	(154.5)	(154.5)	(107.1)	(47.4)	-	-	-	-
Total financial liabilities	**(4,027.2)**	**(4,298.0)**	**(1,065.2)**	**(827.9)**	**(486.8)**	**(110.6)**	**(113.7)**	**(1,693.8)**
Qualified derivatives [(1)]	10.3	10.3	5.9	-	-	-	4.3	-
Financial assets	46.2	46.2	17.7	28.5	-	-	-	-
Cash	485.4	485.4	485.4	-	-	-	-	-
Cash equivalents	346.6	346.6	346.6	-	-	-	-	-
Total financial assets	**888.4**	**888.4**	**855.6**	**28.5**	**-**	**-**	**4.3**	**-**
Net position	**(3,138.8)**	**(3,409.6)**	**(209.6)**	**(799.4)**	**(486.8)**	**(110.6)**	**(109.4)**	**(1,693.8)**

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

As of 30 June 2021 (in millions of euros)	Balance-sheet value	Total contractual cash flows	Timelines as of 30 June 2021					
			Jun-22	*Jun-23*	*Jun-24*	*Jun-25*	*Jun-26*	*More than 5 years*
Term loan	(399.9)	(422.0)	(4.4)	(4.4)	(4.4)	(4.4)	(404.4)	-
Term loan EIB	(199.8)	(207.4)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(202.4)
Bonds	(2,286.8)	(2,555.9)	(47.9)	(338.5)	(38.5)	(38.5)	(838.5)	(1,254.0)
Structured debt	(218.1)	(227.3)	(9.9)	(76.3)	(88.1)	(53.0)	-	-
Lease debt	(434.0)	(434.0)	(0.3)	(22.2)	(46.5)	(50.4)	(51.8)	(262.8)
Qualified derivatives [(1)]	(28.8)	(28.8)	(0.4)	-	-	(28.4)	-	-
Total financial debt	**(3,567.4)**	**(3,875.4)**	**(63.9)**	**(442.4)**	**(178.5)**	**(175.7)**	**(1,295.7)**	**(1,719.2)**
Other financial liabilities	(181.3)	(181.3)	(120.7)	(60.6)	-	-	-	-
Total financial liabilities	**(3,748.7)**	**(4,056.7)**	**(184.6)**	**(503.0)**	**(178.5)**	**(175.7)**	**(1,295.7)**	**(1,719.2)**
Qualified derivatives [(1)]	38.7	38.7	-	-	-	38.7	-	-
Financial assets	59.5	59.5	26.7	32.8	-	-	-	-
Cash	529.0	529.0	529.0	-	-	-	-	-
Cash equivalents	332.1	332.1	332.1	-	-	-	-	-
Total financial assets	**959.3**	**959.3**	**887.8**	**32.8**	**-**	**38.7**	**-**	**-**
Net position	**(2,789.4)**	**(3,097.4)**	**(703.2)**	**(470.2)**	**(178.5)**	**(137.0)**	**(1,295.7)**	**(1,719.2)**

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

7.4 Fair Value of Financial Instruments

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

7.4.1 Fair value of financial assets

The following tables break down each asset comprising financial instruments and show its fair value, whether or not the instrument is recorded on the balance sheet at fair value:

(in millions of euros)	Total	Net carrying amount as of 30 June 2020			
		Amortised cost	Fair value through other items of income	Fair value through the income	Fair value as of 30 June 2020
Non-current assets					
Long-term loans and advances	28.5	15.0	-	13.5	28.5
Non-current assets on customer contracts	35.6	35.6	-	-	35.6
Current assets					
Accounts receivable	334.8	334.8	-	-	334.8
Current assets on customer contracts	7.2	7.2	-	-	7.2
Other receivables	43.6	43.6	-	-	43.6
Derivative financial instruments (1)					
Qualified as hedges	10.3	-	10.3	-	10.3
Cash and cash equivalents (2)					
Cash	485.4	-	-	485.4	485.4
Cash equivalent (2)	346.6	-	-	346.6	346.6

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

(in millions of euros)	Total	Net carrying amount as of 30 June 2021			
		Amortised cost	Fair value through other items of income	Fair value through the income	Fair value as of 30 June 2021
Non-current assets					
Long-term loans and advances	32.8	18.1	-	14.7	32.8
Non-current assets on customer contracts	30.4	30.4	-	-	30.4
Current assets					
Accounts receivable	244.5	244.5	-	-	244.5
Current assets on customer contracts	9.8	9.8	-	-	9.8
Other receivables	42.8	42.8	-	-	42.8
Derivative financial instruments (1)					
Qualified as hedges	39.0	-	39.0	-	39.0
Cash and cash equivalents					
Cash	529.0	529.0	-	529.0	529.0
Cash equivalent (2)	332.1	332.1	-	332.1	332.1

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

Except for the derivative financial instruments and the non-consolidated shares, the carrying amount of the financial assets represents a reasonable approximation of their fair value.

7.4.2 Fair value of financial liabilities

The following tables break down each liability comprising financial instruments and show its fair value, whether or not the instrument is recorded on the balance sheet at fair value:

(in millions of euros)	Total	Net carrying amount as of 30 June 2020			Fair value as of 30 June 2020
		Instruments measured at amortised cost	Derivative instruments qualified as hedges	Instruments measured at fair value through the income statement	
Financial debt					
Floating rate loans	1,169.5	1,169.5	-	-	1,169.5
Bond loans [1]	2,194.4	2,194.4	-	-	2,242.4
Fixed rate loans	-	-	-	-	-
Bank overdrafts	-	-	-	-	-
Other financial liabilities					
Non-current	466.0	466.0	-	-	466.0
Current	181.9	181.9	-	-	181.9
Derivative financial instruments [2]					
Qualified as hedges	43.0	43.0	-	-	43.0
Accounts payable	73.1	73.1	-	-	73.1
Fixed assets payable	50.9	50.9	-	-	50.9

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

(in millions of euros)	Total	Net carrying amount as of 30 June 2021			Fair value as of 30 June 2021
		Instruments measured at amortised cost	Derivative instruments qualified as hedges	Instruments measured at fair value through the income statement	
Financial debt					
Floating rate loans	618.0	618.0	-	-	618.0
Bond loans [1]	2,286.8	2,286.8	-	-	2,453.4
Fixed rate loans	199.8	199.8	-	-	199.8
Bank overdrafts	-	-	-	-	-
Other financial liabilities					
Non-current	472.1	472.1	-	-	472.1
Current	146.0	146.0	-	-	146.0
Derivative financial instruments [2]					
Qualified as hedges	29.1	29.1	-	-	29.1
Accounts payable	84.9	84.9	-	-	84.9
Fixed assets payable	213.7	213.7	-	-	213.7

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

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

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

(in millions of euros)	30 June 2020	30 June 2021
Bond 2021	501.5	-
Bond 2022	314.1	312.1
Bond 2025	817.7	856.9
Bond 2027	609.1	657.1
Bond 2028	-	627.3
Total	**2,242.4**	**2,453.4**

7.5 Shareholders' Equity

ACCOUNTING PRINCIPLES

Costs for capital increases

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

Treasury stock

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

7.5.1 Share capital

As of 30 June 2021, the share capital of Eutelsat Communications S.A. comprised 230,544,995 ordinary shares with a nominal value of 1 euro per share.

As of this same date, the Group holds 353,359 equity shares in the amount of 3.6 million euros acquired under a liquidity contract (394,290 equity shares in the amount of 3.8 million euros as of 30 June 2020). The aggregate amount of treasury stock is deducted from shareholders' equity.

7.5.2 Dividends

On 5 November 2020, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of 0.89 euros per share, i.e. a total of 204.9 million euros, taken in full from the income for the financial year ended 30 June 2020.

The amount of the distribution proposed to the General Meeting of Shareholders of 4 November 2021 in respect of the financial year ended 30 June 2021 is 214.1 million euros, i.e. 0.93 euro per share.

7.5.3 Change in the revaluation surplus for derivative instruments

The changes in the revaluation surplus for derivative instruments qualified as hedging instruments (tax effect included) during the financial year break down as follows:

(in millions of euros)	Total
Balance as of 30 June 2020	**(52.4)**
Changes in fair value within equity that can be reclassified to income	16.6
Balance as of 30 June 2021	**(35.8)**

7.5.4 Translation reserves

The translation reserve (tax effect included) has changed as follows over the year:

(in millions of euros)	Total
Balance as of 30 June 2020	**128.4**
Net change over the period	(25.8)
Balance as of 30 June 2021	**102.6**

The main currency generating translation differences is the US dollar.

As of 30 June 2021, the translation reserve includes 10.3 million euros in respect of the Cross-Currency Swap used to hedge the currency exposure of net investments in foreign operations and (112.2) million euros relating to the expired Cross Currency Swap.

7.6 Provisions

ACCOUNTING PRINCIPLES

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

If the effect of the time value of money is material, the amount of the provision will be equal to the discounted value of anticipated expenditure needed to settle the obligation. Increases in provisions recorded to reflect the passage of time and the effect of discounting are recognised as financial expenses in the income statement.

The changes in provisions between 30 June 2020 and 30 June 2021 are as follows:

(in millions of euros)	30 June 2020	Allow-ance	Reversal		Reclassified	Change in scope	Recog-nised in equity	Currency variation	30 June 2021
			Utilised	Unused					
Financial guarantee granted to a pension fund	83.7	1.2	(4.1)	-	-	-	(21.0)	-	59.8
Retirement benefits	14.6	1.2	(2.0)	-	-	-	0.9	-	14.6
Other post-employment bene-fits [(1)]	6.2	0.3	(0.8)	-	-	(0.2)	-	-	5.5
Total post-employment bene-fits	**104.4**	2.7	(6.9)	-	-	(0.2)	(20.1)	-	**80.0**
Commercial, employee-related and tax litigation	18.6	4.9	(2.5)	(7.2)	-	2.0	-	(0.2)	15.6
Others	-	-	-	-	-	-	-	-	-
Total provisions	**123.1**	7.6	(9.4)	(7.2)	-	1.8	(20.1)	(0.2)	**95.6**
Of which non-current portion	106.6	-	-	-	-	-	-	-	83.0
Of which current portion	16.5	-	-	-	-	-	-	-	12.6

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

7.6.1 Financial guarantee granted to a pension fund

Eutelsat S.A. gave a financial guarantee to the pension fund administering the pension scheme established by the Inter-Governmental Organisation (IGO) when the latter transferred its operations to Eutelsat S.A. in 2001. This defined-benefit pension scheme was closed, and the vested pension rights were frozen prior to the transfer. The financial guarantee provided by Eutelsat S.A. is valued and recorded in the same manner as a define-benefit pension commitment, although the Group did not directly take over the statutory commitments contracted with the IGO. This guarantee can be called under certain conditions to compensate for future under-funding of the plan, with no quantitative threshold triggering the call on this guarantee.

In 2017, the financial guarantee was called for the sum of 35.9 million euros based on the projected deficits of the scheme and an agreement was reached with the pension fund for nine payments of 4 million euros spread out from 30 June 2017 to 30 June 2025.

In 2021, a new agreement replacing the previous version was entered into with the pension fund, increasing the total payment due to the fund to 38 million euros as of 30 June 2021, with a schedule through to 30 June 2029.

These payments may be adjusted according to possible changes in the future financial position which will be assessed on an annual basis.

The changes in the plan's obligations and assets between 30 June 2020 and 30 June 2021 are as follows:

(in millions of euros)	30 June 2020	30 June 2021
Present value of the obligations at beginning of period	**238.7**	**207.5**
Service cost for the period	-	-
Financial cost	2.8	3.1
Actuarial differences related to financial assumptions: (gains)/losses	(26.9)	(4.6)
Benefits paid	(7.1)	(6.9)
Present value of the obligations at end of period	**207.5**	**199.1**

(in millions of euros)	30 June 2020	30 June 2021
Fair value of plan assets at beginning of period	**134.6**	**123.9**
Expected return on plan assets	1.6	1.8
Actuarial differences related to financial assumptions: gains/(losses)	(13.3)	16.4
Contributions paid	8.0	4.1
Benefits paid	(7.1)	(6.9)
Fair value of plan assets at end of period	**123.9**	**139.3**

The weighted average period of the obligation is 17 years.

The amounts included in the fair value of the plan assets do not include any financial instruments issued by Eutelsat S.A. or any property or movable assets owned or used by Eutelsat S.A. The actual return on the plan's assets amounts to (11.6) million euros and 18.2 million euros as of 30 June 2020 and 30 June 2021 respectively.

The actuarial valuations were realised based on the following assumptions:

	30 June 2020	30 June 2021
Discount rate	1.50%	1.50%
Rate for pension increases	1.75%	1.75%

A 50-basis point decrease in discount rates would result in a 17 million euro increase to the provision.

The changes in provisions over the two financial years were as follows:

(in millions of euros)	30 June 2020	30 June 2021
Provision at beginning of period	**100.1**	**83.7**
Net expense on income statement	1.2	1.2
Actuarial (gains)/losses	(13.6)	(21.0)
Contributions paid	(4.0)	(4.1)
Provision at end of period	**83.7**	**59.8**

7.6.2 Retirement and related benefits

ACCOUNTING PRINCIPLES

The Group's retirement schemes consist of defined contribution plans and defined benefit plans.

Expenses for defined-benefit pension schemes are recognised as "Staff costs" based on the contributions made or outstanding for the financial year for which services are delivered by recipients of the scheme.

The defined-benefit plans are plans for which the Group has contractually agreed to provide a specific amount or level of benefits. These benefits are assessed using the Projected Unit Credit actuarial method, which involves forecasting the amounts of the expected future payments on the basis of demographic (staff turnover, mortality and age at retirement) and financial assumptions (salary growth and discounting). The pension cost for the period consisting of the service cost is posted to "Staff costs" and the discounting effects are recognised in the financial result. The actuarial differences arising from changes in actuarial assumptions or experience differences are recognised as "Other items of comprehensive income".

Defined-benefit pension schemes

The Group's defined-benefit pension scheme commitments mainly include the retirement benefits plan for Eutelsat S.A. staff.

As of 30 June 2020, and 30 June 2021, the position was as follows:

(in millions of euros)	30 June 2020	30 June 2021
Present value of the obligations at beginning of period	**15.3**	**14.6**
Service cost for the period	1.1	1.0
Financial cost	0.2	0.2
Actuarial differences	(0.8)	0.9
Termination indemnities paid	(1.2)	(2.0)
Present value of the obligations at end of period	**14.6**	**14.6**

The weighted average period of the obligation is 13 years.

The actuarial valuations were realised based on the following assumptions:

	30 June 2020	30 June 2021
Discount rate	1.25%	1.25%
Rate for salary growth	0% for 2 years then 2%	0% for 1 year then 2%

The discount rate used in the actuarial valuation is determined based on high-grade corporate bonds (AA and AAA) with maturities consistent with those of the relevant scheme.

Defined-contribution pension schemes

Employer contributions made under the mandatory pension scheme in France during the financial year amounted to a respective 6.6 million euros and 6.3 million euros as of 30 June 2020 and 30 June 2021.

The Group also has a supplementary defined-contribution funded plan for its employees (excluding directors and corporate officers who are employees), which is financed by employee and employer contributions representing 6% of gross annual salary, limited to eight times the French Social Security threshold. The employer contributions paid under these schemes amounted to a respective 1.9 million euros and 2.0 million euros as of 30 June 2020 and 30 June 2021.

7.6.3 Litigation and contingent liabilities

ACCOUNTING PRINCIPLES

In the course of its business activities, the Group is involved in legal actions and commercial disputes. The Group exercises its judgement to assess the risks incurred on a case-by-case basis and a provision is recorded to cover an expected outflow of resources. In cases viewed as unsubstantiated or insufficiently argued, no provision is recognised.

7.7 Tax Assets and Liabilities

7.7.1 Deferred tax assets and liabilities

ACCOUNTING PRINCIPLES

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow the benefit of all or part of these deferred tax assets to be utilised.

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

The changes in the breakdown of the deferred tax balances between 30 June 2020 and 30 June 2021 were as follows:

(in millions of euros)	30 June 2020	Foreign exchange impact and reclassification	Entries to scope	Exits from scope	Net income for the period	Recognised in equity	30 June 2021
Deferred tax assets							
Derivative instruments	28.9	2.2	-	-	8.9	6.3	46.3
Loss carry-forwards	12.4	3.1	-	-	(0.1)	-	15.4
Bad-debt provisions	16.7	(1.1)	-	-	6.8	-	22.3
Financial guarantee granted to the pension fund	16.3	-	-	-	(5.3)	(5.4)	5.6
Provisions for risks and expenses	4.0	3.6	-	-	(1.6)	-	6.0
Tangible and intangible assets	23.2	8.4	-	(0.6)	(2.5)	-	28.5
Others	25.5	(14.7)	-	(0.2)	(0.5)	-	10.1
Total deferred tax assets	**127.0**	**1.4**	-	**(0.8)**	**(5.7)**	**0.9**	**134.2**
Deferred tax liabilities							
Derivative financial instruments	-	(2.2)	-	-	(0.9)	(2.7)	(5.8)
Intangible assets	(68.2)	(0.7)	-	-	13.1	-	(55.9)
Tangible assets	(241.0)	2.4	(1.0)	0.5	14.9	-	(224.3)
Others	(45.7)	3.2	-	2.4	1.7	-	(38.4)
Total deferred tax liabilities	**(355.0)**	**2.6**	**(1.0)**	**2.9**	**28.8**	**(2.7)**	**(324.4)**
Net asset/(liability) position	**(228.0)**	**4.1**	**(1.0)**	**2.1**	**34.4**	**(1.8)**	**(190.3)**
Reflected as follows in the financial statements:							
Deferred tax assets	36.3						7.6
Deferred tax liabilities	(264.2)						(197.9)
Total	**(228.0)**						**(190.3)**

The deferred tax asset or liability corresponds to the aggregate of the consolidated entities' net positions.

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

- the accounting treatment at fair value of customer contracts and relationships and other intangible assets in the context of the acquisitions of Eutelsat S.A. and Satmex.
- the accelerated depreciation of satellites for tax purposes.

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

(in millions of euros)	Amount	Maturity within 1 year	Maturity between 1 and 5 years	Maturity exceeding 5 years	Undefined
Timelines of activated tax loss carry-forwards	63.1	-	-	0.1	63.0
Total	**63.1**	**-**	**-**	**0.1**	**63.0**

Furthermore, the Group has a stock of unrecognised tax loss carry-forwards amounting to 131.6 million euros as of 30 June 2021 (141.5 million euros as of 30 June 2020) with the following maturity dates:

(in millions of euros)	Amount	Maturity within 1 year	Maturity between 1 and 5 years	Maturity exceeding 5 years	Undefined
Maturities of unrecognised tax loss carry-forwards	131.6	-	0.8	-	130.8
Total	**131.6**	**-**	**0.8**	**-**	**130.8**

7.7.2 Tax audit procedure

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 regarding some tax adjustments, for which Eutelsat believes that it can make a strong defensive case.

The company Eutelsat S.A. has also been the subject of a tax audit in respect of the financial years ended 30 June 2016 and 30 June 2017. In December 2019, it received an upwards tax adjustment notification relating to these two financial years. The company has responded to this proposal.

Note 8. 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; and
- key management personnel.

8.1. Key Management Personnel

The Group considers that, in the context of Eutelsat's governance, the notion of “Key management personnel” includes the members of the Executive Committee chaired by the Chief Executive Officer, and the members of the Board of Directors.

The compensation allocated to the members of the Executive Committee breaks down as follows:

(in millions of euros)	30 June 2020	30 June 2021
Compensation (1)	9.2	7.7
Total short-term benefits	**9.2**	**7.7**
Post-employment benefits (2)	0.05	0.06
Share-based payments (3)	0.9	0.4
Total long-term benefits	**0.95**	**0.46**

(1) *Including the gross salaries inclusive of the variable portion, bonuses, benefits in kind, incentive payments, profit sharing and social security contributions paid.*

(2) *Corresponding to the past service costs of defined benefit pension plans.*

(3) *Corresponding to the expense recorded in the income statement for share-based compensation.*

In the event of termination of office for the CEO or the Deputy-CEO, a non-compete clause provides for payment of 50% of their fixed compensation over an 18 month period. Under this clause, the CEO and the Deputy-CEO are required to refrain from working directly or indirectly for any satellite operator.

The fees paid to the members of the Board of Directors in respect of the financial year ended 30 June 2021 amount to 0.8 million euros (1.0 million euros in respect of the financial year ended 30 June 2020).

8.2 Other Related Parties

The transactions with related parties other than key management personnel are summarised as follows:

(in millions of euros)	30 June 2020	30 June 2021
Revenues	22.1	22.0
Financial result	25.7	11.8
Gross receivables (including unbilled revenues)	9.9	10.5
Debt (including deferred payments)	509.1	346.2

Revenues relate to the provision of services related to satellite monitoring and control.

Debts include the leases for the Express AT1, Express AT2, Express AM6 and Eutelsat 36C satellites.

Note 9. SUBSEQUENT EVENTS

None.

Note 10. STATUTORY AUDITORS' FEES

(in thousands of euros)	EY				Mazars			
	Amount N	%	Amount N-1	%	Amount N	%	Amount N-1	%
Statutory audit, certification, review of separate and consolidated financial statements								
Eutelsat Communications	149	28%	219	31%	149	22%	219	30%
Subsidiaries	351	66%	463	66%	482	72%	464	65%
Sub-total	**500**	**94%**	**682**	**97%**	**631**	**94%**	**683**	**95%**
Services other than certification of the financial statements								
Eutelsat Communications	30	6%	10	1%	30	5%	10	1%
Subsidiaries	3	0%	13	2%	7	1%	24	3%
Sub-total	**33**	**6%**	**23**	**3%**	**37**	**6%**	**34**	**5%**
Total	**533**	**100%**	**705**	**100%**	**668**	**100%**	**717**	**100%**

Services other than the certification of financial statements correspond essentially to the services linked with financing transactions (comfort letters).