Eutelsat S.A. Group

“Société anonyme” with a capital of 658,555,372.80 euros
Registered office: 70, rue Balard 75015 Paris
481 043 040 R.C.S. Paris

CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 June 2018

CONSOLIDATED BALANCE SHEET

(in millions of euros)	Note	30 June 2017 [1]	30 June 2018
ASSETS			
Non-current assets			
Goodwill	5	343.0	389.7
Intangible assets	5	317.2	312.7
Satellites and other property and equipment	6	4,134.0	3,942.3
Construction in progress	6	759.9	819.4
Investments in associates	7	(0.4)	4.3
Non-current financial assets	9, 15	21.0	15.2
Deferred tax assets	22	4.7	4.5
Total non-current assets		**5,579.4**	**5,488.2**
Current assets			
Inventories	10	3.0	2.1
Accounts receivable	11	345.4	330.3
Other current assets	12	46.3	35.5
Current tax receivable		4.5	4.5
Current financial assets	13, 15	29.7	16.9
Cash and cash equivalents	14	406.0	704.6
Total current assets		**834.9**	**1,093.9**
Assets held for sale	8	300.7	-
Total assets		**6,715.0**	**6,582.1**

[1] *Comparative financial statements have been restated for the items shown in Note 3.6."Periods presented and comparatives".*

(in millions of euros)	Note	30 June 2017 [1]	30 June 2018
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	16	658.6	658.6
Additional paid-in capital		8.0	8.0
Reserves and retained earnings		1,432.2	1,374.1
Non-controlling interests		117.9	96.3
Total shareholders' equity		**2,216.7**	**2,136.9**
Non-current liabilities			
Non-current financial debt	17, 19	2,879.3	2,068.4
Other non-current financial liabilities	18, 19	798.1	695.8
Non-current payables to fixed assets' suppliers		27.3	18.0
Non-current deferred revenues	21.1	119.3	101.3
Non-current provisions	23	97.3	107.1
Deferred tax liabilities	22	187.8	167.8
Total non-current liabilities		**4,109.0**	**3,158.4**
Current liabilities			
Current financial debt	17, 19	60.7	860.6
Other current financial liabilities	18, 19	67.6	150.8
Accounts payable	19	52.7	54.7
Current payables to fixed assets' suppliers		40.1	44.7
Taxes payable		2.1	7.9
Other current payables and deferred revenues	21.2	130.7	137.6
Current provisions	23	35.5	30.5
Total current liabilities		**389.3**	**1,286.8**
Total liabilities and shareholders' equity		**6,715.0**	**6,582.1**

(1) Comparative financial statements have been restated for the items shown in Note 3.6."Periods presented and comparatives".

CONSOLIDATED INCOME STATEMENT

(in millions of euros, except per share data)	Note	30 June 2017	30 June 2018
Revenues from operations	24.2	**1,481.3**	**1,410.6**
Operating costs		(98.9)	(96.8)
Selling, general and administrative expenses⁾		(239.9)	(229.8)
Depreciation and amortisation	5, 6	(488.4)	(461.5)
Other operating income (1)		31.1	-
Other operating expenses (2)		(17.1)	(18.5)
Operating income		**668.1**	**604.1**
Cost of debt		(121.6)	(91.0)
Financial income		1.5	1.2
Other financial items		(4.4)	(13.3)
Financial result	**25**	**(124.5)**	**(103.1)**
Income from associates	7	(0.4)	(2.2)
Net income before tax		**543.2**	**498.7**
Income tax expense	22	(144.8)	(186.1)
Net income		**398.4**	**312.6**
Attributable to the Group		400.8	315.5
Attributable to non-controlling interests		(2.5)	(2.8)
Basic and diluted earnings per share attributable to Eutelsat S.A. shareholders (3)	**26**	0.396	0.311

(1) The other operating income is mainly related to proceeds from the disposal of the entities Wins and DHI during the year ended 30 June 2017 (see Note 3.7 – Changes in scope of consolidation).
(2) Other operating expenses mainly include scrapped assets and provisions as of 30 June 2017 and 30 June 2018, as well as a 7.7 million euro expense for pre-existing relationships with Noorsat as of 30 June 2018.
(3) There are no dilutive instruments as of 30 June 2017 and 30 June 2018.

COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Note	30 June 2017 [1]	30 June 2018
Net income		**398.4**	**312.6**
Other recyclable items of gain or loss on comprehensive income			
Translation adjustment	16.5	(35.9)	(26.5)
Tax effect	16.5	(4.9)	(4.9)
Changes in fair value of hedging instruments [2]	16.4	46.9	(33.6)
Tax effect	22.2	(16.1)	11.4
Other non-recyclable items of gain or loss on comprehensive income			
Changes in post-employment benefits		23.4	(2.0)
Tax effect	22.2	(11.5)	(1.2)
Total of other items of gain or loss on comprehensive income		**1.7**	**(56.8)**
Total comprehensive income		**400.1**	**255.8**
Attributable to the Group		402.6	258.7
Attributable to non-controlling interests		(2.5)	(2.7)

(1) Comparative financial statements have been restated for the items shown in Note 3.6."Periods presented and comparatives".
(2) Covers only cash-flow hedges. Net foreign investment hegdes are recorded as translation adjustments.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	Note	30 June 2017	30 June 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		398.4	312.6
Income from associates	7	0.4	2.2
Tax and interest expense, other operating items		258.9	301.0
Depreciation, amortisation and provisions		504.0	484.9
Deferred taxes	22.1	(18.0)	(14.2)
Changes in accounts receivable		53.2	(35.0)
Changes in other assets		0.8	5.8
Changes in accounts payable		(3.6)	5.8
Changes in other debt		(62.8)	(12.1)
Taxes paid		(165.5)	(185.2)
Net cash flows from operating activities		**965.7**	**865.9**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of satellites, other property and equipment and intangible assets	5, 6	(393.0)	(298.8)
Acquisition of subsidiaries	3.7	-	(61.4)
Sale of entities		36.7	302.0
Dividends received from associates and other items	7	4.5	(5.2)
Net cash flows from investing activities		**(351.8)**	**(63.3)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions		(254.5)	(316.7)
Increase in borrowings	17	-	7.7
Repayment of borrowings	17	(912.9)	(23.7)
Repayment of finance lease liabilities (1)		(186.2)	(35.7)
Loan set-up fees		(1.2)	-
Interest and other fees paid		(155.5)	(106.6)
Interest income received		0.7	0.4
Transactions relating to non-controlling interests (2)	3.7	151.0	(28.0)
Other changes		(0.6)	(0.6)
Net cash flows from financing activities		**(1,359.1)**	**(503.4)**
Impact of exchange rates on cash and cash equivalents		0.1	(0.5)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(745.2)**	**298.6**
Cash and cash equivalents, beginning of period		**1,151.2**	**405.9**
Cash and cash equivalents, end of period		**405.9**	**704.5**
Cash and cash equivalents	14	405.9	704.5
Overdraft included under debt	17.1	-	-
Cash and cash equivalents per cash flow statement		**405.9**	**704.5**

(1) Payments during FY 2016-2017 of sums due to RSCC with respect to the EUTELSAT 36C satellite, blocked during FY 2015-16 as a result of the procedure related to Yukos (95.2 million euros).

(2) Transactions related to non-controlling interests are explained by:
- 132.5 million in cash contributed by Viasat Inc in Eurobroadband Infrastructure and 18.5 million euros in cash contributed by Inframed in Broadband4Africa as of 30 June 2017;
- the acquisition of the minority stake in Broadband4Africa for 28 million euros as of 30 June 2018.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros, except share data)	Common stock			Reserves and retained earnings	Shareholders' equity Groupshare	Non-controlling interests	Total
	Number	Amount	Additional paid in capital				
As of 30 June 2016 (1)	**1,013,162,112**	**658.6**	**8.0**	**1,268.8**	**1,935.4**	**1.6**	**1,937.0**
Net income for the period	-	-	-	400.8	400.8	(2.5)	398.4
Other items of gain or loss in comprehensive income	-	-	-	1.7	1.7	-	1.7
Total comprehensive income	-	-	-	402.6	402.6	(2.5)	400.1
Treasury stock	-	-	-	-	-	-	-
Distributions	-	-	-	(253.3)	(253.3)	(1.2)	(254.5)
Benefits for employees upon exercising options and free shares granted	-	-	-	0.2	0.2	-	0.2
Transactions with non-controlling interests and others	-	-	-	14.0	14.0	120.0	133.9
As of 30 June 2017 (1)	**1,013,162 112**	**658.6**	**8.0**	**1,432.3**	**2,098.8**	**117.9**	**2,216.7**
Net income for the period				315.5	315.5	(2.8)	312.6
Other items of gain or loss in comprehensive income (1)				(56.8)	(56.8)	-	(56.8)
Total comprehensive income				258.7	258.7	(2.8)	255.8
Distributions				(314.1)	(314.1)	(2.7)	(316.7)
Benefits for employees upon exercising options and free shares granted				-	-	-	-
Transactions with non-controlling interests and others(2)				(2.7)	(2.7)	(16.1)	(18.8)
As of 30 June 2018	**1,013,162,112**	**658.6**	**8.0**	**1,374.1**	**2,040.6**	**96.2**	**2,136.9**

(1) Comparative financial statements have been restated for the items shown in Note 3.6."Periods presented and comparatives".
(2) Changes in other items of gain and loss on comprehensive income are detailed in Note 16.4 - Change in the revaluation surplus of financial instruments, and Note 16.5 - Translation reserve.
(3) Transactions with non-controlling interests are mainly related to the acquisition of InfraMed's minority stake in Broadband4Africa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE.1 KEY EVENTS DURING THE FINANCIAL PERIOD

1.1 ACQUISITION OF NOORSAT

On 12 October 2017, the Group acquired Noorsat, one of the leading satellite service providers in the Middle East, from Bahrain's Orbit Holding Group for a consideration of 75 million US dollars.

Established in 2004, Noorsat is the main distributor of Eutelsat capacity in the Middle East. The acquisition of Noorsat fits with the Group's strategy of streamlining distribution within selected core video neighbourhoods where it can create value. It allows Eutelsat to strengthen the long term commercial development of its market-leading video positions in the Arabic world and increase its direct access to end-customers, facilitating stimulation of High Definition TV take-up and the upselling of incremental video services.

The impacts of this acquisition are detailed in Note 3.7 - Changes in scope of consolidation.

1.2 COMPLETION OF THE SALE OF THE EQUITY INTEREST IN HISPASAT

On 17 April 2018, the Group completed the sale of its stake in the Spanish satellite operator Hispasat for a consideration of 302 million euros. The transaction concluded an agreement reached in May 2017 between Eutelsat and Abertis on the sale of Eutelsat's 33.69% stake in Hispasat. The transaction was approved by the Spanish Council of Ministers, thereby lifting the last condition precedent to its completion. The divestment of Eutelsat's stake in Hispasat is in line with the Group's strategy of rationalising its portfolio of assets in order to maximise cash generation.

NOTE.2 GENERAL OVERVIEW

2.1 BUSINESS

- The Eutelsat S.A. Group (Eutelsat S.A. and its direct and indirect subsidiaries) is a private telecommunications satellite operator involved in the design, establishment, operation and maintenance of satellite telecommunications systems.
- As of 30 June 2018, the Group operates via Eutelsat S.A. and its direct and indirect subsidiaries 38 satellites in geostationary orbit (including 5 satellites belonging to third parties or to related parties (see Note 30 - *Related party transactions*) on which the Group uses additional capacity) to provide capacity (assignment and grant) to major international telecommunications operators and international broadcasting companies for television and radio broadcasting services (analogue and digital), for business telecommunications services, multimedia applications and messaging and positioning services.

2.2 APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements at 30 June 2018 have been prepared under the responsibility of the Board of Directors, which adopted them at its meeting of 31 July 2018.

They will be submitted for approval to the Ordinary General Meeting of Shareholders to be held on 04 October 2018.

NOTE.3 BASIS OF PREPARATION OF FINANCIAL INFORMATION

3.1 COMPLIANCE WITH IFRSS

The financial statements at 30 June 2018 have been prepared in accordance with the IFRSs as adopted by the European Union and effective as of that date.The relevant texts are available for consultation on the following website:

http://ec.europa.eu/commission/index_fr

3.2 ACCOUNTING PRINCIPLES

Since 01 July 2017, the Group has applied the following standards and interpretations which have been adopted by the European Union:

- Amendment to IAS 7 "Disclosure Initiative": The Group provides a reconciliation between the opening and closing balances of its debt in Note 24.1 to the consolidated financial statements;
- Amendments to IAS 12: "Recognition of Deferred Tax Assets for Unrealised Losses";
- Improvements to IFRSs (2012-2014 cycle) with only the improvement to IFRS 12 "Disclosure of Interests in Other Entities".

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

Furthermore, no standard, interpretation or amendment has been early adopted by the Group.

IFRS 9 "Financial instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" have been adopted in the Group's consolidated financial statements for financial periods beginning on or after 1 July 2018. The Group has decided to apply IFRS 15 retrospectively by restating the disclosed comparative period to 30 June 2018 as published, and IFRS 16 using the simplified retrospective method, without restatement of comparative periods.

The main expected impacts of IFRS 15 relate to the timing of revenue and expense recognition or reclassifications between revenue and expenses for items such as marketing and technical contributions and, in the Fixed Broadband business, terminal sales and customer acquisition costs. The impact of IFRS 15 is estimated at between -15 and -20 million euros on 2017-18 revenues. The estimated impact on the operating income is not material.

Under IFRS 16, operating leases, which were previously recognized as operating expenses, will be capitalized. The expected effects of the adoption of this standard on the Group's consolidated financial statements are non-material.

The Group does not anticipate any significant impact from the adoption of IFRS 9.

3.3 ACCOUNTING PROCEDURES APPLIED BY THE GROUP IN THE ABSENCE OF SPECIFIC ACCOUNTING STANDARDS

The "*Cotisation sur la Valeur Ajoutée des Entreprises*" or CVAE (Business contribution on the added value) was considered by the Group as an operating expense that does not meet the criteria laid down in IAS 12 "Income Taxes" and therefore does not give rise to deferred taxes.

3.4 PRESENTATION OF THE INCOME STATEMENT

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.

3.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In preparing the financial statements for the period ended 30 June 2018, Management has exercised judgement, particularly with regard to the recoverable amounts of assets, contingent liabilities, provisions, customer risk assessment and the functional currency used by the consolidated entities.

3.6 PERIODS PRESENTED AND COMPARATIVES

The financial year of Eutelsat S.A. runs for 12 months and ends on 30 June.

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

The comparative financial statements have been restated in order to adjust the Satelites Mexicanos subsidiary's deferred tax positions to take into account the exchange differences between the Mexican peso (income tax currency) and the US dollar (the subsidiary’s functional currency). The restatements resulted in an increase in deferred tax liabilities of 55.4 million euros and a decrease in deferred tax assets of 0.9 million euros, representing a negative net impact on shareholders' equity of 56.3 million euros as of 1 July 2016. They had no impact on the income statement as of 30 June 2017.

3.7 CHANGES IN SCOPE OF CONSOLIDATION

On 12 October 2017, the Group acquired 100% of Noorsat, one of the leading satellite service providers in the Middle East, from Bahrain’s Orbit Holding Group for a cash consideration of 75 million US dollars (see Note 1 - *Key events during the financial period*).

The provisional allocation of the acquisition price at 30 June 2018 is as follows:

	(In millions of USD)	(in millions of euros) [1]
Intangible assets	31.1	26.1
Tangible fixed assets	3.0	2.5
Other non-current assets	0.2	0.2
Accounts receivable	15.4	12.9
Other current assets	1.5	1.3
Cash and cash equivalents	1.5	1.3
Total Assets	**52.7**	**44.2**
Non-current debt	0.3	0.3
Current debt	3.7	3.1
Other current liabilities [1]	34.1	28.6
Deferred revenues	8.5	7.1
Total Liabilities	**46.6**	**39.1**
Residual goodwill (provisional)	61.7	51.7
Consideration transferred	**67.8**	**56.8**
Pre-existing relationships	9.2	7.7
Acquisition price	**77.0**	**64.6**

(1) Figures converted at exchange rate at acquisition date

Intangible assets comprise Customer contracts and relationships recorded in connection with the acquisition of Noorsat (amortization period of 13 years).

The Group recorded a USD 9.2 million (7.7 million euros) charge for pre-existing relationships with Noorsat shown under "Other operating expenses".

After recognition of a debt of USD 2 million (1.7 million euros) in respect of the contingent consideration payable, the consideration transferred for the acquisition of Noorsat amounts to USD 67.8 million (56.8 million euros).

- **As of 30 June 2017**

➢ Eurobroadband Infrastructure and Eurobroadband Retail

In March 2017, Eutelsat Communications and ViaSat Inc. closed a partnership arrangement combining Eutelsat's established European fixed broadband business with ViaSat's broadband technology and Internet Service Provider (ISP) expertise.

Eutelsat contributed its European broadband activity, including the KA-SAT satellite to a newly established entity owned 49% by ViaSat for a total amount of 132.5 million euros contributed in cash.

The transaction resulted in a 121.0 million euro increase in non-controlling interests within the Group's shareholders' equity.

Eutelsat acquired a 49% stake in Eurobroadband Retail, a newly established entity, accounted for under the equity method in the Group's financial statements as of 30 June 2017.

➢ Wins/ DHI

The Group sold Wins Ltd and its subsidiaries in August 2016. These entities were excluded from the Group's scope of consolidation at the date of loss of control. The corresponding gain or loss is recognised within "Other operating income".

NOTE.4 SIGNIFICANT ACCOUNTING POLICIES

4.1 CONSOLIDATION METHOD

As required under IFRS 10, companies in which the Group holds directly or indirectly more than 50% of voting rights at general meetings of shareholders, at meetings of boards of directors or in any equivalent governing bodies, giving it the power to direct their operational and financial policies, are generally deemed to be controlled and consolidated under the full consolidation method. To determine control, Eutelsat S.A. carries out an in-depth analysis of the established governance arrangements and of the rights held by other shareholders. Where necessary, an analysis is performed in relation to instruments held by the Group or by third parties that, if exercised, could alter the type of influence exerted by each party.

An analysis is performed if a specific event takes place that may affect the level of control exerted by the Group, (e.g. change in an entity's ownership structure or governance, exercise of a dilutive financial instrument, etc.).

A subsidiary's income and expenses are included in the Group's consolidated financial statements from the date the Group gains control until the date the Group loses control of the subsidiary. The portion of equity ownership that is not directly or indirectly attributable to the Group is recorded as non-controlling interests.

Changes in the proportion of equity held in subsidiaries that do not result in change of control are accounted for as equity transactions, as they represent transactions entered into with shareholders in their capacity as such.

Gains or losses arising from these transactions are recognised, net of tax, within equity. Consequently, they have no impact on the Group's consolidated income statement.

The Group's joint arrangements fall into two categories:

- joint ventures: these are joint arrangements whereby the parties (called "joint venturers") that have joint control of the entity have rights to the net assets of this entity . Each joint venturer is required to recognise its right to the net asset of the entity using the equity method;
- joint operations (if any): these are joint arrangements in which the parties (called "joint operators") that have joint control of the arrangement have rights to the assets, and obligations to the liabilities, relating to the arrangement. Each joint operator records 100% of the assets/liabilities, expenses/revenues relating to its interest in the joint operation, as well as the portion of assets held jointly.

Associates are defined as entities over which the Group exerts significant influence. They are consolidated using the equity method. Significant influence is presumed where more than 20% of the shares are held by the Group.

The equity method is a method of accounting by which an investment in an associate or a joint venture is initially recorded at acquisition cost and subsequently adjusted to reflect the Group's share of income and other items of comprehensive income of the associate or the joint venturer. Net income from equity investments is included in the Group's consolidated income statement.

4.2 ACCOUNTING TREATMENT FOR BUSINESS COMBINATIONS

Business combinations are recognised using the purchase accounting method. Under this method, the various components of an acquisition are recognised at their fair values with some exceptions. Accordingly,

- The consideration transferred is measured at fair value. This includes contingent consideration that is also measured at fair value at the acquisition date, which takes into account probabilities of occurrence. Once classified as liabilities or as equity on the basis of their definition, obligations are entered as debts and subsequently remeasured at fair value, with their changes recorded under income.
- Costs directly attributable to the acquisition are expensed in the year during which they are incurred.
- In the event of partial disposal, non-controlling interests are measured on the option determined for each combination, either at fair value, or as their proportionate share of the assets acquired and liabilities assumed.
- In a business combination achieved in stages (step acquisition), the previously held ownership interest is remeasured at its acquisition-date fair value. The difference between the fair value and the carrying amount of the ownership interest is recognised directly in income for the reporting period.
- The identifiable assets, liabilities and contingent liabilities of the entity are recognised at their fair values at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are measured at fair value less costs to sell, tax items and employee benefits which are recognised under IAS 12 and IAS 19 respectively.

Goodwill represents the excess of consideration transferred and the value of non-controlling interests, if any, over the fair value of the acquiree's identifiable net assets and liabilities. Depending on the option retained for the valuation of equity interest in an acquisition, the recognised goodwill represents either the only portion acquired by the Group (partial goodwill) or the aggregate of the Group's portion and the non-controlling interests' portion (full goodwill).

Provisional fair values assigned at the date of acquisition to identifiable assets and liabilities may require adjustment as additional evidence becomes available to assist with the estimation (expert assessments still in progress at the acquisition date or additional analyses). When such adjustments are made prior to the end of a twelve-month period commencing on the date of acquisition, goodwill or negative goodwill is adjusted to the amount that would have been determined if the adjusted fair values had been available at the date of acquisition. When the carrying amounts are adjusted after the end of the twelve-month period, income or expense is recognised rather than an adjustment to goodwill or negative goodwill.

4.3 OPERATIONS IN FOREIGN CURRENCIES

• Transactions in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of the entity at the rate prevailing on the date of the transaction.

Monetary assets and liabilities (including payables and receivables) in foreign currency are translated into the functional currency at end of period using the balance sheet rate. Resulting foreign-exchange gains and losses are recorded in the income statement for the period.

Conversely, foreign exchange gains and losses arising from the translation of capitalisable advances made to foreign subsidiaries and forming part of the net investment in the consolidated subsidiary are recognised directly as "Translation adjustment" within shareholders' equity.

The main foreign currency used is the U.S. dollar. The closing exchange rate used is 1.166 U.S. dollar for 1 euro and the average exchange rate for the period is 1.192 U.S. dollar for 1 euro.

• Translation of foreign subsidiaries' financial statements

Each subsidiary outside the euro zone maintains its accounting records in the currency that is most representative of its economic environment. Their financial statements are translated into euros using the closing-rate method. All assets and liabilities, including goodwill, are translated into euros using the exchange rate prevailing at the balance sheet date. Income and expenses are translated using an average exchange rate for the period, unless the use of such rate becomes inappropriate due to major erratic changes over the period. The resulting translation difference is recorded as a separate item of shareholders' equity under "Translation adjustments".

4.4 INTANGIBLE FIXED ASSETS

• Intangible assets purchased separately or acquired in the context of a business combination

Intangible assets purchased separately are recorded at their acquisition cost and those purchased in a business combination are recorded at fair value on the acquisition date when allocating the acquisition cost of the entity. The fair value is set by referring to the generally accepted methods such as those based on revenues or market value.

Intangible assets consist of certain licences, the Eutelsat brand and customer contracts and relationships. Because their lifetimes are indefinite, the Eutelsat brand and the licences are not amortised but are systematically tested for impairment on a yearly basis.

The customer contracts and relationships assets are amortised on a straight-line basis over their economic life.

This useful life was estimated on the basis of the average length of the contractual relationships existing at the date of acquisition of Eutelsat and taking into account anticipated contract renewal rates.

• Research and development costs

Development costs are recorded as intangible assets if the capitalisation criteria defined under IAS 38 "Intangible Assets" are met. Otherwise, they are expensed in the period in which they are incurred. Research costs are recorded as an item of expenditure.

The Group spent 4.8 million euros on research and development during the financial period ended 30 June 2018, including development costs amounting to 3.0 million euros recorded as intangible assets.

Research costs are recorded in the income statement under "Selling, general and administrative expenses".

4.5 GOODWILL

Goodwill is valued in the functional currency of the acquired entity at the date of the business combination as the difference between the aggregate of the fair value of consideration transferred and the amount of non-controlling interests, and the fair value of identifiable assets acquired and liabilities assumed.

Goodwill arising on the acquisition of a subsidiary is separately identified in the consolidated balance sheet, under "Goodwill". Goodwill arising on the acquisition of an associated company is included within the book value of the investment within the line item "Investments in associates."

After initial recognition at cost, goodwill is measured at cost, less any cumulative impairment losses.

Goodwill is tested for impairment at least annually or whenever events or circumstances indicate that the carrying amount may be impaired. Such events or circumstances arise when there are significant adverse developments that call into question the recoverable amount of goodwill.

4.6 SATELLITE AND OTHER PROPERTY AND EQUIPMENT

Satellites and other property and equipment acquired separately ("Tangible fixed 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.

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 borrowing costs of the Company during the period after taking into account the financing structure of the Group.

Satellites – 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).

Ground equipment – This item comprises the monitoring and control equipment at various locations and equipment at Group headquarters, including technical installations, office furniture and computer equipment.

Depreciation – Depreciation is calculated on a straight-line basis over the estimated useful lives of assets, which are determined on the basis of the expected use of the assets. Depreciation takes into account, as appropriate, the residual value of each asset or group of assets, starting from the date each asset enters into operational use.

The useful lives of the main categories of fixed assets are as follows:

Satellites	12 – 22 years
Traffic monitoring equipment	5 – 10 years
Computer equipment	2 – 5 years
Leasehold arrangements and improvements	3 – 10 years

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. When the useful life is reduced significantly, a depreciation test is performed and depreciation is calculated for the remaining years by taking into account the asset's new remaining useful life.

Construction in progress – "Construction in progress" primarily consists of percentage completion payments for the construction of future satellites and advances paid in respect of launch vehicles and related launch insurance costs. Studies, staff and consultancy costs, interest and other costs incurred directly in connection with satellite acquisition are also capitalised.

Assets under finance leases – Agreements whereby the Group uses specific capacity on all or part of a satellite's transponders are recognised as an asset with its corresponding liability, when the terms and conditions of the contracts are such that they are considered as finance leases in that they transfer substantially to the Group all risks and rewards incidental to ownership for most of the lifetime of the asset. Assets are depreciated over the shorter of their useful lives and the corresponding lease terms.

4.7 IMPAIRMENT OF NON-CURRENT 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.

For tangible fixed assets and intangible assets with finite useful lives such as customer contracts and relationships, 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).

It is not always necessary to estimate both the fair value of an asset net of disposal costs and its value in use. If either of these amounts is higher than the book value of the asset, its value has not been impaired and there is no need to estimate the other amount.

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 and 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" and "Other operating expenses". An impairment of goodwill cannot be reversed.

4.8 INVENTORIES

Inventories are measured at the lower of acquisition cost and net realisable value. Cost corresponds to the purchase price, calculated on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling costs.

4.9 FINANCIAL INSTRUMENTS

Financial assets in respect of which changes in fair value are recorded in the income statement, including trading financial assets and derivatives, are initially recorded at fair value. Other financial assets and liabilities are recorded at cost, which is their fair value plus costs directly attributable to the transaction.

The Group has adopted the following classification for financial assets and liabilities, which is based on the objectives determined by Management at acquisition date. The designation and classification of these instruments are determined at initial recognition.

4.9.1. Financial Assets

Financial assets are classified, reported and measured as follows:

- #### Financial assets measured at fair value through the income statement

Financial assets measured at fair value through the income statement include financial instruments designated as being measured at fair value through the income statement at initial recognition. This category includes derivatives unless they are designated as hedges, and UCITS (managed on the basis of their fair values) measured by applying the fair value option through the income statement.

These financial assets are recognised at fair value. Realised or unrealised gains and losses arising from changes in the fair value of these assets are recorded as financial income or expense.

- #### Loans and receivables

Loans and receivables are mainly composed of employee loans, guarantee deposits and accounts receivable, which generally have a maturity of less than 12 months.

Accounts receivable are recorded initially at their nominal value, on account of the insignificant impact of discounting. Accounts receivable are subsequently recognised at cost less provisions for bad debts, as appropriate, booked as a result of the irrecoverable nature of the amounts in question.

Other loans and receivables are measured at amortised cost, using the effective interest rate method.

- #### Impairment

At each balance sheet date, the Group applies impairment tests to all financial assets in order to determine whether there is an indication of impairment. Impairment is recognised in the income statement when there is objective evidence that the asset is impaired.. Examples of target impairment indicators include defaulting on contractual payment terms, significant financial hardship of the lender or borrower, a likelihood of bankruptcy or an extended or significant decline in the price of the listed shares.

Impairment losses, other than those related to accounts receivable and other debit operator balances, are recorded as financial expenses.

The Group's customers mainly comprise international telecommunications operators, broadcasters and other users of commercial satellite communications. Management regularly monitors its exposure to credit risk and recognises impairment losses on trade and other receivables based on expected cash flows under the heading "Selling, General and Administrative Expenses".

Impairment of investments in equity securities that do not have a quoted market price in an active market and are valued at cost, and of investments in equity instruments classified as held-for-sale financial assets measured at fair value, cannot be reversed.

- #### Assets held for sale

Held-for-sale financial assets are financial assets, other than derivatives, which have been designated as available for sale by Management or which have not been classified in the "Financial assets measured at fair value through the income statement", "Assets held to maturity" or "Loans and receivables" categories. Held-for-sale financial assets include investments other than investments in companies recognised and consolidated as equity investments, which Management intends to hold for an indefinite period of time. These investments are classified as financial assets under "Non-current financial assets".

They are subsequently revalued at fair value, with gains and losses resulting from changes in fair value being recognised under shareholders' equity. When they are sold or when an impairment is recognised, the cumulative gains and losses previously entered under shareholders' equity are recorded in the financial result.

Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably determined are measured at their acquisition cost.

4.9.2 Financial Liabilities

Financial liabilities comprise bank loans and other debt instruments. They are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost, using the effective interest rate method. Any differences between initial capital amounts (net of transaction costs) and repayable amounts are recorded as financial expense over the duration of the loans, using the effective interest rate method.

4.9.3 Derivative Instruments

Derivative instruments that are not designated as hedging instruments are recognised at fair value, and any subsequent changes in fair value are posted to the financial result.

Where a derivative instrument can be qualified as a hedging instrument, it is measured and recorded in accordance with the hedge accounting criteria of IAS 39 "Financial Instruments: Recognition and Measurement". (see Note 4.9.4 - *Hedging transactions*).

4.9.4 Hedging transactions

Hedging transactions are carried out using derivatives. Changes in the fair value of the derivative instrument are used to offset the exposure of the hedged item to changes in fair value.

Derivative instruments are designated as hedging instruments and recorded according to hedge accounting rules when the following conditions are met by the Group: (a) at the inception of the hedge, there is a formal designation and documentation of the hedging relationship and of Management's risk management objective and strategy for undertaking the hedge; (b) Management expects the hedge to be highly effective in offsetting risk; (c) for hedges of forecast transactions, the forecast transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported income; (d) the effectiveness of the hedge should be capable of reliable measurement; and (e) the effectiveness of the hedge is assessed on an ongoing basis and determined to be highly effective throughout the period for which the hedge was designated.

These criteria are applied where the Group uses derivatives designated as cash flow hedging instruments.

Cash flow hedging involves a hedge of the exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable anticipated future transaction that might affect reported income.

Hedging of a net investment in a foreign operation involves a hedge of the foreign currency risk arising from nets assets held in a foreign operation which might affect Group net position.

For these two types of hedges, changes in the fair value of a hedging instrument relating to the effective portion of the hedge are recognised in shareholders' equity, whereas changes in the fair value relating to the ineffective portion of the hedge are recognised in the income statement under financial result.

The cumulative changes in the fair value of a hedging instrument previously recognised in shareholders' equity are reclassified in the income statement when the hedged transaction affects profit or loss. Reclassified gains and losses are recorded under profit and loss, at the level of the hedged item.

Where the anticipated transaction leads to the recognition of a non-financial asset or liability, the cumulative changes in the fair value of the hedging instrument previously recognised in shareholders' equity are incorporated into the initial measurement of the asset or liability concerned.

4.9.5 Fair value of financial instruments

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

The fair value of financial assets and liabilities traded on active markets (this is the case of certain equity interests and certain marketable securities and certain derivative instruments) is determined on the basis of the listed price or at the market value at the balance sheet date.

The fair value of other financial instruments, assets or liabilities that are not listed on an active market is determined by the Group using appropriate valuation methods and assumptions reflecting market conditions at balance sheet date.

The fair value of derivative instruments includes counterpart risk.

4.9.6 Firm or conditional commitments to purchase non-controlling interests

The Group recognises the fair value of firm or conditional commitments to purchase non-controlling interests as financial debt, offset by a reduction in non-controlling interests.

Any change in the fair value of the obligation subsequent to its initial recognition is treated as an adjustment affecting the income statement.

4.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents mainly consist of cash on hand and at bank, as well as short term deposits or investment certificates with original maturities of three months or less, and also 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.

4.11 SHAREHOLDERS' EQUITY

○ 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.

○ Costs for capital increases

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

○ Grant of stock options

Rewards granted to employees under stock-option plans, free share and phantom share allocation plans are measured on the date the plan is granted and represent additional employee compensation. They are recognised under personnel expenses over the vesting period of the rights representing the reward granted to the employee and is offset by increases in equity (equity settled plans) or by recognition of a debt (for cash-settled plans).

Awards granted to employees in the form of public issues or other capital transactions are measured at grant date. They constitute additional compensation, which is recorded during the financial year as an expense recognised over the vesting period.

4.12 REVENUE RECOGNITION

The Group revenues are mainly attributable to the allotment of space segment capacity on the basis of contractual terms and conditions.

These contracts usually cover periods ranging from several months to several years. Contracts usually provide for the right to free-of-charge time in cases of service interruptions caused by under-performing transponders. Some contracts also provide for early termination.

Revenues are recognized over the contractual term of the use of the service, provided a contract exists and the price is set or determinable, and provided that on the date of entry, it is likely that the receivable will be recovered.

Deferred revenues include unearned balances of amounts received in advance from customers. Such amounts are recorded as revenue over the corresponding period of grant of satellite capacity or of the services provided.

4.13 OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses include:

- Significant and infrequent factors such as impairment of tangible and intangible assets, launch failures and their related insurance reimbursements, national and international non-commercial litigations, less the legal costs incurred, as well as restructuring costs;
- The impacts of changes in scope (acquisition costs, divestments) and sales of tangible assets; see Note 3.7 - *Changes in scope of consolidation.*

4.14 DEFERRED INCOME TAX

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, associated companies or joint ventures 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.

The book value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of the deferred tax assets.

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.

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

4.15 EARNINGS PER SHARE

EPS (earnings per share) are calculated by dividing the net income for the period attributable to ordinary shareholders of the entity by the weighted average number of common shares outstanding during the period.

4.16 POST-EMPLOYMENT BENEFITS

The Group’s retirement schemes and other post-employment benefits consist of defined contribution plans and defined benefit plans.

Defined benefit plans are plans for which the Group, or any of its entities, has contractually agreed to provide a specific amount or level of benefits following retirement. The cost of this defined benefit obligation, including lump sum retirement indemnities and other post-employment benefits is entered as a liability on the basis of an actuarial valuation of the obligations to employees at year-end, using the projected unit credit method. This method accrues the employee’s pension benefit by periods of service according to the formula for entitlement to benefits under the plan.

The value of expected future payments is determined on the basis of demographic and financial assumptions such as mortality, staff turnover, salary growth, and age at retirement. The rate used to discount estimated cash flows is determined by reference to an underlying pool of AA-rated corporate bonds with maturities in line with those of the schemes being valued.

A complete assessment of the discounted present value of the benefit is outsourced each year and reviewed at interim periods to identify any significant changes.

The pension cost for the period consisting of service cost is posted to operating income. Discounting and return on assets are recognized in financial result, whereas actuarial gains and losses are recognised in equity.

Management of the defined contribution plans is performed by an independent entity to which the Group has the obligation to make regular contributions. All payments made by the Group with respect to these plans are recognised in operating costs for the period.

4.17 FINANCIAL GUARANTEE GRANTED TO A PENSION FUND

Following the acquisition of Eutelsat S.A. in April 2005, the Group granted a financial guarantee to the pension fund for the obligations that had been assigned to a trust prior to the contribution transactions that led to the creation of Eutelsat. This defined-benefit pension scheme was closed and the vested pension rights were frozen prior to the transfer. The risk resulting from this financial guarantee has been analysed, assessed and reported in the same way as defined benefit plan obligations described in Note 4.16 - *Post-employment benefits*, despite the fact that the Group has not directly assumed the legal commitments entered into by the Intergovernmental Organisation ("IGO") in respect of the pension fund.

4.18 PROVISIONS

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 balance sheet 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.

The discounted value is calculated using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Increases in provisions recorded to reflect the passage of time and the effect of discounting are recognised as financial expenses in the income statement.

NOTE.5 GOODWILL AND OTHER INTANGIBLES

"Goodwill and Other Intangibles" breaks down as follows:

Changes in gross assets, and amortisation

(in millions of euros)	Goodwill	Other intangibles	Total
Gross assets			
Gross value as of 30 June 2016	**358.5**	**477.5**	**836.0**
Acquisitions	-	33.4	33.4
Transfers	-	11.9	11.9
Foreign-exchange variation	(9.0)	(8.0)	(17.0)
Disposals and scrapping of assets	(6.5)	(7.9)	(14.4)
Gross value as of 30 June 2017	**343.0**	**506.9**	**849.9**
Acquisitions	-	-	10.5
Transfers	-	-	6.9
Change in scope of consolidation	51.7	26.1	77.8
Foreign-exchange variation	(5.1)	(3.9)	(10.5)
Disposals and scrapping of assets	-	-	(1.0)
Gross value as of 30 June 2018	**389.7**	**544.0**	**933.7**
Amortization and impairment			
Accumulated amortization as of 30 June 2016	**-**	**(155.3)**	**(155.3)**
Amortization expense	-	(40.3)	(40.3)
Reversals (disposals)	-	4.3	4.3
Foreign-exchange variation	**-**	-	-
Transfers	-	1.7	1.7
Accumulated amortization as of 30 June 2017	**-**	**(189.6)**	**(189.6)**
Amortization expense	-	(58.0)	(43.1)
Reversals (disposals and change in scope of consolidation)	-	-	0.7
Impairment	**-**	-	-
Foreign-exchange variation	-	0.6	0.7
Accumulated amortization as of 30 June 2018			**(231.3)**
Net value as of 30 June 2016	358.5	322.2	680.7
Net value as of 30 June 2017	343.0	317.2	660.3
Net value as of 30 June 2018			**702.4**

NOTE.6 SATELLITES, OTHER PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

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

Changes in gross values, depreciations and impairment

(in millions of euros)	Satellites [1]	Other tangibles	Construction in progress	Total
Gross assets				
Gross value as of 30 June 2016	**6,998.1**	**440.8**	**694.2**	**8,133.1**
Acquisitions	15.0	11.0	407.3	433.3
Disposals and change in scope of consolidation	-	(14.8)	(0.2)	(15.0)
Scrapping of assets	(327.6)	(7.2)	-	(334.8)
Foreign-exchange variation	(47.4)	(0.8)	1.4	(46.8)
Transfers	278.4	18.4	(342.9)	(46.0)
Gross value as of 30 June 2017	**6,916.5**	**447.4**	**759.9**	**8,123.8**
Acquisitions	3.4	10.2	312.2	325.8
Disposals	-	(3.4)	(0.4)	(3.8)
Change in scope of consolidation	-	2.6	-	2.6
Scrapping of assets	(236.3)	(5.2)	-	(241.5)
Foreign-exchange variation	(25.1)	-	(7.1)	(32.2)
Transfers	223.3	13.6	(245.3)	(8.4)
Gross value as of 30 June 2017	**6,881.8**	**465.2**	**819.4**	**8,166.4**
Depreciation and impairment				
Accumulated depreciation as of 30 June 2016	**(2,815.2)**	**(318.5)**	**-**	**(3,133.7)**
Depreciation expense	(414.6)	(33.1)	-	(447.7)
Reversals (disposals and change in scope of consolidation)	-	10.2	-	10.2
Reversals (scrapping of assets)	327.6	3.1	-	330.7
Reclassification	-	1.0	-	1.0
Foreign-exchange variation	9.1	0.3	-	9.4
Accumulated depreciation as of 30 June 2017	**(2,893.1)**	**(337.0)**	**-**	**(3,230.1)**
Depreciation expense	(387.8)	(32.1)	-	(419.9)
Reversals (disposals and change in scope of consolidation)	-	4.9	-	4.9
Reversals (scrapping of assets)	236.3	3.8	-	240.1
Reclassification	(0.4)	(2.3)	-	(2.7)
Foreign-exchange variation	3.0	(0.4)	-	2.6
Accumulated depreciation as of 30 June 2018	**(3,041.7)**	**(363.1)**	**-**	**(3,404.8)**
Net value as of 30 June 2016	4,183.0	122.3	694.2	4,999.4
Net value as of 30 June 2017	4,023.4	110.4	759.9	4,893.7
Net value as of 30 June 2018	**3,840.1**	**102.1**	**819.4**	**4,761.7**

[1] *Including satellites under finance leases*

(in millions of euros)	
Gross value	871.3
Net value as of 30 June 2018	692.7

This item refers to five satellites for which capacity is leased, with the relevant agreements being considered as finance leases and recognised accordingly as assets:

(in millions of euros)	Gross value		
Express AT1	211.3	18 transponders	Agreement covering the satellite's remaining useful life, starting May 2014 and amended in 2015
Express AT2	94.5	9 transponders	Agreement covering the satellite's remaining useful life, starting July 2014 and amended in October 2017
Express AM6	57.7	5 transponders	Agreement dated April 2015 covering the satellite's remaining useful life
EUTELSAT 36C	411.5	53 Ku transponders / 18 Ka transponders	Agreement covering the satellite's remaining useful life, starting February 2016
Astra 2G	96.3	8 transponders	Agreement dated January 2014 covering the satellite's remaining useful life

Satellite-related transfers during the year ended 30 June 2017 correspond to the entry into operational service of the EUTELSAT 117WB satellite and the Ka spotbeams onboard the EUTELSAT 36C satellite which were launched during the financial year ended 30 June 2016.

During the financial year ended 30 June 2017, the Group deorbited the EUTELSAT 70D and the EUTELSAT 48A satellites.

Satellite-related transfers during the financial year ended 30 June 2018 correspond to the entry into operational service of the EUTELSAT 172B satellite which was launched during the financial year ended 30 June 2017.

During the financial year ended 30 June 2018, the Group deorbited the EUTELSAT 31A and the EUTELSAT 16C satellites.

SATELLITES UNDER CONSTRUCTION

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

Projects	Years
EUTELSAT 7C and EUTELSAT 5WB	2018-2019
QUANTUM and KONNECT	2019-2020
KONNECT VHTS	Calendar year 2021

NOTE.7 INVESTMENTS IN ASSOCIATES

Investments in associates consist in equity investments in Eurobroadband Retail, and income from equity investments in the consolidated income statement corresponds to the Group's share of income from Eurobroadband Retail.

NOTE.8 ASSETS HELD FOR SALE

As of 30 June 2017, as a result of the sale process of Eutelsat's interest in Hispasat initiated by the company in July 2016, the amount of the Hispasat portion was shown as assets held for sale.

On 17 April 2018, the Group completed the sale of its stake in the Spanish satellite operator Hispasat for a consideration of 302 million euros (settled in cash) (see Note 1 - *Key events during the financial period*). The divestment had no impact on the income statement for the period.

NOTE.9 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are primarily made up of long-term loans, investments and advances.

NOTE.10 INVENTORIES

Gross and net inventories amounted to 4.4 million euros and 3.0 million euros as of 30 June 2017, and 3.9 million euros and 2.1 million euros as of 30 June 2018. They mainly comprise receive antennas and modems.

NOTE.11 ACCOUNTS RECEIVABLE

Customers are mainly international telecommunications operators, broadcasters and other users of commercial satellite communications.

Credit risk is the risk that a debtor of the Group will not pay when the debt matures. This is a risk that mainly affects the "accounts receivable" category and is followed up for each entity under the supervision of the financial personnel responsible.In the most important cases, the relevant financial personnel are assisted by a credit manager, acting in accordance with the instructions of the Group's debt recovery service. This follow-up activity is based mainly on an analysis of the amounts due and can be accompanied by a more detailed study of the creditworthiness of a number of debtors. Depending on the assessment conducted by the financial staff, the entities concerned may, after validation by the Group, be asked to hedge the credit risk by taking out credit insurance or obtaining guarantees compatible with the evaluation of the risk.

Not-yet-due accounts receivable as of 30 June 2017 and 30 June 2018 are for short-term amounts and bear no interest.

The Group considers that it is not subject to concentration risk, owing to the diversity of its customer portfolio at 30 June 2018 and the fact that no legal entity billed accounts individually for more than 10% of its revenues. Credit risk is managed primarily through bank guarantees with leading financial institutions, deposits and credit insurance.

11.1 ANALYSIS OF ACCOUNTS RECEIVABLE (MATURED AND NON-MATURED)

(in millions of euros)	30 June 2017	30 June 2018
Non-matured receivables	196.6	209.7
Matured receivables between 0 and 90 days	80.9	71.8
Matured receivables for more than 90 days	128.3	132.3
Provision for bad debt	(60.4)	(83.4)
Total	**345.4**	**330.3**

11.2 CHANGE IN PROVISION FOR BAD DEBT:

(in millions of euros)	Total
Value as of 30 June 2016	**71.3**
Net allowance	(2.5)
Reversals (used)	(8,4)
Value at 30 June 2017	60.4
Net allowance	22.1
Reversals (used)	(0.9)
Foreign-exchange variation	(0.2)
Value as of 30 June 2018	**83.4**

11.3 GUARANTEES AND COMMITMENTS RECEIVED, WHICH MITIGATE CREDIT RISK

(in millions of euros)	30 June 2017		30 June 2018	
	Value of accounts receivable	Value of guarantee	Value of accounts receivable	Value of guarantee
Guarantee deposits	73.1	26.8	93.0	26.1
Bank guarantees	67.4	55.7	16.0	17.4
Guarantees from the parent company	17.6	17.6	5.7	5.7
Total	**158.2**	**100.1**	**114.8**	**49.3**

Guarantee deposits are posted to "Other liabilities" (see Note 18 - *Other Financial Liabilities*). Bank guarantees and guarantees from parent companies are not shown on the balance sheet.

NOTE.12 OTHER CURRENT ASSETS

Other current assets are as follows:

(in millions of euros)	30 June 2017	30 June 2018
Prepaid expenses	20.4	17.6
Tax and employee-related receivable	26.1	17.9
Total	**46.3**	**35.5**

NOTE.13 CURRENT FINANCIAL ASSETS

(in millions of euros)	30 June 2017	30 June 2018
Hedging instruments [(1)]	2.0	1.2
Other debtors	27.1	15.7
Total	**29.7**	**16.9**

(1) See Note 27 – Derivative financial instruments.

NOTE.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are detailed as follows:

(in millions of euros)	30 June 2017	30 June 2018
Cash at bank and in hand	322.1	279.4
Cash equivalents	83.9	425.2
Total	**406.0**	**704.6**

Cash equivalents are mainly composed of mutual fund investments qualifying as "cash equivalents" (409.8 million euros as of 30 June 2018) and deposit certificates, which mature less than three months from the date of acquisition.

The Group's cash and cash equivalents are mainly held by subsidiaries located in France, in the rest of Europe and in America.

NOTE.15 FINANCIAL ASSETS

The following tables give a breakdown of each balance sheet item representing financial instruments by category, and indicate its fair value, whether or not the instrument was recognised at fair value when the balance sheet was prepared.

(in millions of euros)	Category of financial instruments	Net carrying amount as of 30 June 2017				
		Total	Instruments measured at amortised cost	Derivative instruments qualified as cash-flow hedges	Instruments measured at fair value through the income statement	Fair value as of 30 June 2017
Assets						
Non-current financial assets						
Long-term loans and advances	Receivables	21.5	21.5	-	-	21.5
Current financial assets						
Accounts receivable	Receivables	345.4	345.4	-	-	345.4
Other debtors	Receivables	27.7	27.7	-	-	27.7
Derivatives financial instruments (1)	N/A					
Qualified as hedges		2.5	2.5	-	-	2.5
Cash and cash equivalents						
Cash	N/A	322.1	322.1	-	-	322.1
Cash equivalent (2)	Fair value	83.8	83.8	-	-	83.8

(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)	Category of financial instruments	Net carrying amount as of 30 June 2018				
		Total	Instruments measured at amortised cost	Derivative instruments qualified as cash-flow hedges	Instruments measured at fair value through the income statement	Fair value as of 30 June 2018
Assets						
Non-current financial assets						
Long-term loans and advances	Receivables	15.2	15.2	-	-	15.2
Current financial assets						
Accounts receivable	Receivables	331.2	331.2			331.2
Other receivables	Receivables	15.7	15.7			15.7
Derivative financial instruments (1)						
Qualified as hedges	N/A	1.2	-	1.2	-	1.2
Cash and cash equivalents						
Cash	N/A	279.4	279.4	-	-	279.4
Cash equivalent (2)	Fair value	425.2	-	-	425.2	425.2

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

(2) *Fair value hierarchy: level 1 (reflecting quoted prices).*

With the exception of financial instruments, the book value of financial assets represents a reasonable approximation of their fair value.

NOTE.16 SHAREHOLDERS' EQUITY

16.1 SHAREHOLDERS' EQUITY

As of 30 June 2018, the share capital of Eutelsat S.A. comprised 1,013,162,112 ordinary shares with a par value of 0.65 euro per share. There were no movements during the financial period ended 30 June 2018.

16.2 DIVIDENDS

On 04 October 2017, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of 0.31 euro per share, i.e. a total of 314.1 million euros, taken from the Group reserves.

The amount of the distribution for the financial year ended 30 June 2018, which is being proposed to the General Meeting of 04 October 2018, is 324.2 million euros, i.e. 0.32 euro per share.

16.3 SHARE-BASED COMPENSATION

During the financial year ending 30 June 2018, the Group has managed three plans set up in February 2016, April 2017 and November 2017 respectively.

Under these three plans, the expense (excluding employer's contributions) recognised for the financial period ended 30 June 2018 was 2.0 million euros, compared to 3.0 million euros for the financial period ended 30 June 2017 (four plans).

These plans concern employees, managers and corporate officers with different performance-related objectives as presented in the table below:

Conditions	2016 Plan	2017 Plan	2018 Plan
Vesting Period	February 2016 – February 2019 [(1)]	July 2016 – June 2019	July 2017 – June 2020
Settled in	Shares and cash	Cash	Cash
Lock-up period	February 2019 – February 2021 [(2)]	Not applicable	Not applicable
Total number of attributable shares at inception	482,211	323,454	255,268
Number of recipients	805	259	284
Features of "Employees Plan":			
Number of shares per recipient	300	Not applicable	Not applicable
Performance-related targets observed during the vesting period	Cumulative EBITDA for 50% Average ROCE for 50%	Not applicable	Not applicable
Features of "Managers" Plan			
Total number of shares	198,542	260,129	255,268
Performance-related targets observed during the vesting period	Cumulative EBITDA for 1/3 Average ROCE for 1/3 Relative [(5)] TSR for 1/3	Revenues for 1/3 Discretionary Free-Cash-Flow for 1/3 Cost savings plan for 1/3	Revenues for 30% Discretionary Free-Cash-Flow for 50% Cost savings plan for 20%
Features of "Corporate Officers" Plan at inception:			
Total number of shares	43,039	63,325	0
Performance-related targets observed during the vesting period	Cumulative EBITDA for 1/3 Average ROCE for 1/3 Relative [(4)] TSR for 1/3	Revenues for 1/4 Discretionary Free-Cash-Flow for 1/4 Cost savings plan for 1/4 Relative [(4)] TSR for 1/4	Revenues for 1/4 Discretionary Free-Cash-Flow for 1/4 Cost savings plan for 1/4 Relative [(4)] TSR for 1/4
Share price used as basis for calculating social contributions and employer's charges:			
- "Employees" and "Managers" Plan (excluding TSR[(4)])	€20.01 - €22.13	€16.70	€15.78
Managers Plan (TSR [(4)])	€17.28 - €19.02	€6.89	€5.19
Expense/(income) over the period (in millions of euros) [(3)]	0.2	0.6	1.2
Aggregate valuation of plan as of 30/06/2018 (in millions of euros) [(3)]	0.9	3.7	3.8

[(1)] *For foreign subsidiaries, the grant period covers February 2016 to February 2020.*
[(2)] *There is no lock-up period for foreign subsidiaries.*
[(3)] *Excluding employer's contributions*
[(4)] *Relative TSR (Total Shareholder Return) is the rate of return on a share against another metric or index over a given period, including dividends received and capital gain earned (i.e. variation in the share price)*

16.4 CHANGE IN THE REVALUATION SURPLUS OF FINANCIAL INSTRUMENTS

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

(in millions of euros)	Total
Balance at 30 June 2017	**(7.4)**
Changes in fair value within equity that can be reclassified to income	(22.2)
Balance at 30 June 2018	**(29.6)**

[(1)] *This amount corresponds to coupons due and matured on the interest rate hedging instruments (see Note 25 – Financial result).*

16.5 TRANSLATION RESERVE

(in millions of euros)	Total
Balance at 30 June 2017 [(1)]	**171.6**
Net change over the period	(31.4)
Balance at 30 June 2018	**140.2**

[(1)] *Comparative financial statements have been restated for the items shown in Note 3.6."Periods presented and comparatives".*

The revaluation reserve includes the value of the Cross Currency Swap used to hedge currency exposure of a net investment in a foreign operation (see Note 27.1 - *Foreign exchange risk*).

The main currency generating translation differences is the US dollar.

NOTE.17 FINANCIAL DEBT

At 30 June 2017 and 2018, all debt was denominated in euros.

17.1 FINANCIAL INFORMATION AS OF 30 JUNE 2017 AND 2018

(in millions of euros)	Rate	30 June 2017	30 June 2018	Maturity
Loan with Holding	Variable	224.3	231.9	
Bond 2019 (1)	5.000%	800.0	-	14 January 2019
Bond 2020 (1)	2.625%	930.0	930.0	13 January 2020
Bond 2021 (1)	1.125%	500.0	500.0	23 June 2021
Bond 2022 (1)	3.125%	300.0	300.0	10 October 2022
ONDD-guaranteed export credit	Variable	142.3	118.6	17 May 2024
Sub-total of debt (non-current portion)		**2,896.6**	**2,080.5**	
Loan set-up fees and premiums		(17.3)	(12.1)	
Total of debt (non-current portion)		**2,879.3**	**2,068.4**	
Bond 2019 (1)	5.000%	-	800.0	14 January 2019
ONDD-guaranteed export credit		23.7	23.7	
Bank overdrafts		-	-	
Accrued interest not yet due		36.9	36.8	
Total debt (current portion)		**60.6**	**860.6**	

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

(in millions of euros)	30 June 2017	30 June 2018
Bond 2019	859.2	821.1
Bond 2020	979.5	959.6
Bond 2021	508.9	508.8
Bond 2022	333.7	330.8

The book values of the term loan and the export credit facilities are reasonably close to their fair values.
Furthermore, the Group has 650 million euros available under its various active lines of undrawn revolving credit as of 30 June 2018.

17.2 DEBT MATURITY ANALYSIS

As of 30 June 2018, the debt maturity analysis is as follows:

(in millions of euros)	Amount	Maturity within 1 year	Maturity between 1 and 5 years	Maturity exceeding 5 years
Loan with Eutelsat Communications S.A.	231.9	-	231.9	-
ONDD-guaranteed export credit	142.3	23.7	94.9	23.7
Bond 2019	800.0	800.0		-
Bond 2020	930.0	-	930.0	-
Bond 2021	500.0	-	500.0	-
Bond 2022	300.0	-	300.0	-
Total	**2,904.2**	**823.7**	**2,056.8**	**23.7**

17.3 COMPLIANCE WITH BANKING COVENANTS

The term loan is linked to the same type of financial covenant as those existing on other agreements (revolvers and export credits), i.e. the total net debt to EBITDA ratio must remain less than or equal to 4.0 to 1.

Under the term loan covenants, each lender may request early repayment of all sums due in case of unregulated downgrading of Eutelsat or bonds issued by Eutelsat respectively, as a result of a change of control of Eutelsat or a change of control of Eutelsat Communications.

The covenants on other financing facilities (ONDD export credit) in place as of 30 June 2018, which require a total net debt to EBITDA ratio below or equal to 3.75 to 1, have not changed since their inception.

As of 30 June 2018, the Group was in compliance with all banking covenants under its credit facilities.

17.4 RISK MANAGEMENT

Information on interest rate risk and liquidity risk is available in Note 18 - *Other Financial Liabilities* and Note 27 – *Derivative financial Instruments*.

NOTE.18 OTHER FINANCIAL LIABILITIES

Other financial liabilities break down as follows:

(in millions of euros)	30 June 2017	30 June 2018
Derivative financial instruments (1)	105.1	125.6
Finance leases	652.6	620.1
Other liabilities	108.0	101.0
Total	**865.7**	**846.7**
- incl. current portion	*67.6*	*150.8*
Incl. non current portion	*798.1*	*695.8*

(1) See Note 27 – Derivative financial instruments.

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

Amounts shown for finance leases include accrued interest totalling 2.0 million euros as of 30 June 2017 and 3.2 million euros as of 30 June 2018.

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

NOTE.19 FINANCIAL LIABILITIES

(in millions of euros)	Category of financial instruments	Net carrying amount as of 30 June 2017				Fair value as of 30 June 2017
		Total	Instruments measured at amortised cost	Derivative instruments qualified as hedges	Instruments measured at fair value through the income statement	
LIABILITIES						
Financial debt						
Eutelsat Communications SA loan	At amortised cost	224.3	224.3	-	-	224.3
Varialble rate loans	At amortised cost	160.3	160.3	-	-	160.3
Bond	At amortised cost	2,518.4	2 518.4	-	-	2,681.3
Fixed rate loans	At amortised cost					
Bank overdrafts	N/A	-	-	-	-	-
Other financial liabilities		-	-	-	-	-
Non-current	At amortised cost	650.1	650.1	-	-	650.1
Current	At amortised cost	110.4	110.4	-	-	110.4
Derivative financial instruments [1]						
Qualified as hedges		105.1	-	105.1	-	105.1
Accounts payable	At amortised cost	52.7	52.7	-	-	52.7
Fixed assets payable	At amortised cost	67.4	67.4	-	-	67.4

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

(in millions of euros)	Category of financial instruments	Net carrying amount as of 30 June 2018				Fair value as of 30 June 2018
		Total	Instruments measured at amortised cost	Derivative instruments qualified as hedges	Instruments measured at fair value through the income statement	
LIABILITIES						
Financial debt						
Eutelsat Communications SA loan	At amortised cost	231.9	231.9	-	-	231.9
Varialble rate loans	At amortised cost	137.5	137.5			137.5
Bond	At amortised cost	2,522.7	2,522.7	-	-	2,620.3
Fixed rate loans	At amortised cost	-	-	-	-	-
Bank overdrafts	N/A	-	-	-	-	-
Other financial liabilities						
Non-current	At amortised cost	615.9	615.9	-	-	615.9
Current	At amortised cost	105.1	105.1	-	-	105.1
Derivative financial instruments (1)						
Qualified as hedges		125.6	-	125.6	-	125.6
Accounts payable	At amortised cost	54.7	54.7	-	-	54.7
Fixed assets payable	At amortised cost	62.7	62.7	-	-	62.7

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

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

NOTE.20 OPERATING AND FINANCE LEASES

20.1 OPERATING LEASES

Future payments with respect to the lease agreement are detailed in the following table:

(in millions of euros)	Total	Less than 1 year	From 1 to 5 years	More than 5 years
Future payments for operating leases	35.0	6.2	22.4	6.3

Eutelsat S.A. mainly pays rent for use of its registered office located in Paris. The operating lease was renewed in advance in June 2014 for a fixed-term nine-year period starting 1 July 2014. The rent expense amounted to 4.0 million euros for the financial years ended 30 June 2017 and 30 June 2018 respectively.

20.2 FINANCE LEASES

The Group operates five satellites under finance leases. None of the finance leases contains a purchase option at the expiry of the lease term. The last finance lease contract will expire in 2031.

Financial expenses for satellites operated under finance leases amounted to 17.5 million euros at 30 June 2017 and 16.3 million euros at 30 June 2017.

Finance lease contracts mature as follows:

(in millions of euros)	Amount	Maturity within 1 year	Maturity between 1 and 5 years	Maturity exceeding 5 years
Finance leases	748.0	88.2	289.0	370.8
Total	**748.0**	**88.2**	**289.0**	**370.8**

NOTE.21 OTHER PAYABLES AND DEFERRED REVENUES

21.1 NON-CURRENT PORTION

Other non-current debts only include deferred revenue.

21.2 CURRENT PORTION

Other current payables and deferred revenues were as follows as of 30 June 2017 and 2018:

(in millions of euros)	30 June 2017	30 June 2018
Deferred revenues	67.4	76.5
Tax liabilities	18.8	10.7
Liabilities for social contributions	44.5	50.4
Total	**130.7**	**137.6**

Deferred revenues mainly include prepayments made by clients for the provision of telecommunication and frequency coordination services.

NOTE.22 INCOME TAX

22.1 INCOME-STATEMENT TAX BALANCES

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

(in millions of euros)	30 June 2017	30 June 2018
Current tax expense	(162.8)	(200.3)
Deferred tax income (expense)	18.0	14.2
Total income tax expense	**(144.8)**	**(186.1)**

The theoretical income tax expense, based on application to the pre-tax result (excluding the share of net income from equity investments) of the standard French corporate tax rate, can be reconciled to the actual expense as follows:

(in millions of euros)	30 June 2017	30 June 2018
Income before tax and income from equity investments	543.6	501.0
Standard French corporate tax rate	34.43%	34.43%
Theoretical income-tax expense	(187.2)	(172.5)
Differences in corporate tax rates	42.2	6.1
Use of tax losses	-	0.6
Deferred tax generated during the previous period and recognised for the period	13.5	1.9
Other permanent differences	(13.3)	(22.2)
Corporate tax expense in the income statement	**(144.8)**	**(186.1)**
Actual corporate tax rate	*26.6%*	*37.2%*

Differences in income tax rates as of 30 June 2017 include the effects (amounting to €25.0 million) of the 2017 French Finance Act ("Loi de finances 2017), which provided for a decrease to 28.92% of the standard corporate income tax for financial years beginning on or after 1 January 2020. As of 30 June 2018, they include the effects of the 2018 French Finance Act for 2018, which provides for an additional progressive decrease in corporate income tax until 1 January 2022 for 20.2 million euros, as well as an exceptional contribution of 14.3 million euros on corporate income tax in France.

As of 30 June 2017, other permanent differences are mainly composed of a 3% additional contribution on dividends, and the effects of the French 2013 Finance Act ("Loi de finances 2013") which caps the deductibility of financial expenses at 75%. As of 30 June 2018, other permanent differences mainly the effect of capping the deduction of financial expenses for 8.4 million euros, the impacts of exchange rate differences and inflation effects on the deferred tax positions of the Satellites Mexicanios subsidiary of (5.8) million euros.

22.2 BALANCE-SHEET TAX BALANCES

Deferred tax assets and liabilities correspond to the aggregate net financial positions of the consolidated entities. Changes in the deferred tax balances between 30 June 2017 and 30 June 2018 were as follows:

(in millions of euros)	30 June 2017 (1)	Foreign exchange impact and reclassification	Net income for the period	Recognised in equity	30 June 2018
Deferred tax assets					
Financial Instruments	33.7	-	(0.7)	6.6	39.6
Loss carry-forwards	28.8	-	1.9	-	30.7
Bad-debt provisions	19.4	-	5.8	-	25.2
Financial guarantee granted to the pension fund	13.5	-	0.6	(1.1)	13.0
Provisions for risks and expenses	8.0	-	(1.1)	-	6.9
Other	11.5	-	(4.1)	(0.1)	7.3
Sub-total (a)	**114.9**	**-**	**2.4**	**5.4**	**122.7**
Deferred tax liabilities					
Intangible assets	16.0	-	(7.2)	-	8.8
Tangible assets	(310.7)	0.4	14.8	-	(295.5)
Other	(3.3)	(0.2)	4.2	(0.1)	0.6
Sub-total (b)	**(298.0)**	**0.2**	**11.8**	**(0.1)**	**(286.1)**
Total = (a) + (b)	**(183.1)**	**0.2**	**14.2**	**5.3**	**(163.3)**
Reflected as follows in the financial statements:					
Deferred tax assets	4.7				4.5
Deferred tax liabilities	(187.8)				(167.8)
Total	**(183.1)**				**(163.3)**

[(1)] *Comparative financial statements have been restated for the items shown in Note 3.6."Periods presented and comparatives".*

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

- the accounting treatment at fair value of “Customer contracts and relationships” and other intangible assets in the context of the acquisition of Eutelsat S.A., Satmex and Noorsat;
- the accelerated depreciation of satellites for tax purposes.

22.3 TAX LOSSES

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 carryforwards	152.5	-	-	-	152.5
Total	**152.5**	**-**	**-**	**-**	**152.5**

Furthermore, the Group has a stock of unrecognised tax loss carryforwards amounting to 38.4 million euros as of 30 June 2018, 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 carryforwards	38.4	-	-	-	38.4
Total	**38.4**			**-**	**38.4**

NOTE.23 PROVISIONS

(in millions of euros)	30 June 2017	Allowance	Reversal		Recognised in equity	30 June 2018
			Used	Unused		
Financial guarantee granted to a pension fund	71.6	1.4	-	-	2.4	75.5
Retirement indemnities	14.8	1.2	(0.4)	-	(0.4)	15.3
Post-employment benefits [(1)]	14.3	0.3	(5.9)	(1.5)	-	7.2
Total post-employment benefits	**100.7**	**3.0**	**(6.2)**	**(1.5)**	**2.0**	**98.0**
Commercial, employee-related and tax litigation	25.5	14.0	(7.0)	(3.1)	0.1	29.8
Other	6.5	5.0	(1.7)	-	-	9.9
Total provisions	**132.8**	**22.0**	**(14.9)**	**(4.6)**	**2.1**	**137.6**
Incl. non current portion	97.3					107.1
- incl. current portion	35.5					30.5

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

23.1 FINANCIAL GUARANTEE GRANTED TO A PENSION FUND

As a result of the transfer by the IGO of its operational business as of 2 July 2001, Eutelsat S.A. granted its financial guarantee to the Trust managing the pension plan established by the IGO. Before this date, the pension fund was closed and the accrued rights frozen.

This guarantee can be called under certain conditions to compensate for future under-funding of the plan.

During the period ended 30 June 2017, the financial guarantee was called on for 35.9 million euros. This amount was measured on the basis of the Trust's projections of future market developments. In March 2017, an agreement was reached with the Trust over nine annual instalments of 4.0 million euros to be paid between 30 June 2017 and 30 June 2025. These payments may be adjusted according to possible changes in the future financial position which will be assessed on an annual basis.

The actuarial valuations performed as of 30 June 2017 and 30 June 2018 were based on the following assumptions:

	30 June 2017	30 June 2018
Discount rate	1.85%	1.75%
Rate for pension increases	1.75%	1.75%
Inflation rate	1.25%	1.25%
Overall expenses (as a % of assets)	0.58%	0.58%
Mortality table	TGH2005-TGF2005	TGH2005-TGF2005
Pensionable age	62 years	62 years

A 50 base point decrease in discount rates would result in an increase in commitments totalling 20.1 million euros.

A 50 base point decrease in prospective yield rates would result in a decline in assets and in the expected fund yield by 0.7 million euros.

As of 30 June 2017 and 2018, the position was as follows:

Reconciliation between the present value of obligations at beginning and end of period:

(in millions of euros)	30 June 2017	30 June 2018
Present value of the obligations at beginning of period	**241.2**	**216.5**
Financial cost	4.1	4.0
Actuarial differences related to financial assumptions: (gains)/losses	(21.7)	1.7
Benefits paid	(7.1)	(6.3)
Present value of the obligations at end of period	**216.5**	**215.8**

Reconciliation between the fair value of plan assets at beginning and end of period

(in millions of euros)	30 June 2017	30 June 2018
Fair value of plan assets at beginning of period	**139.3**	**136.9**
Expected return on plan assets	2.4	2.5
Actuarial differences: gains/(losses)	(2.5)	(0.7)
Contributions paid	4.8	4.0
Benefits paid	(7.1)	(6.3)
Fair value of plan assets at end of period	**136.9**	**136.4**

The amounts included in the fair value of plan assets do not include any financial instruments issued by Eutelsat S.A. or any property or movable assets held or used by Eutelsat S.A.

The actual return on the plan's assets was (0.1) million euros and 1.8 million euros as of 30 June 2017 and 30 June 2018 respectively.

Net expense (net gains) recognised in the income statement

(in millions of euros)	30 June 2017	30 June 2018
Service cost for the period	-	-
Financial cost	4.1	4.0
Expected return on plan assets	(2.4)	(2.5)
Net expense (net gains) recognised in the income statement	**1.7**	**1.4**

The absence of service costs is explained by the fact that rights were frozen and that the IGO pension fund was closed prior to the transfer of business on 2 July 2001.

Reconciliation of assets and obligations recognised in the balance sheet

(in millions of euros)	30 June 2017	30 June 2018
Provision at beginning of period	**101.9**	**71.6**
Net expense / (net gains) recognised in the income statement	1.7	1.4
Actuarial differences: (gains)/losses	(19.2)	2.4
Contributions paid	(4.8)	(4.0)
Current and non-current debt	(8.0)	4.0
Provisions at end of period	**71.6**	**75.5**

23.2 POST-EMPLOYMENT BENEFITS

a) Retirement indemnities

French law requires payment of a lump sum retirement indemnity, where appropriate. This indemnity is paid to employees based upon years of service and compensation at retirement. Benefits only vest when an employee retires from Eutelsat. This scheme is not funded.

The actuarial valuations performed at 30 June 2016 and 30 June 2017 were based on the following assumptions:

	30 June 2017	30 June 2018
Discount rate	1.45%	1.45%
Salary growth rate	2.0%	2.0%
Mortality table	TH/TF00-02	TH/TF00-02
Retirement age	65 years	65 years
Type of retirement	Voluntary retirement	Voluntary retirement
Rate of employer's contributions	52%	52%

Staff turnover per age bracket is based on the history of experience within EUTELSAT S.A. The last valuation was performed during the financial year 2015-2016.

Age (years)	2017 Turnover	2018 Turnover
25	11.52	11.52
30	8.09	8.09
35	5.50	5.50
40	3.55	3.55
45	2.09	2.09
50	0.98	0.98
55	0.14	0.14
60	0.00	0.00

As of 30 June 2016 and 2017, the position was as follows:

Reconciliation between the present value of obligations at beginning and end of period:

(in millions of euros)	30 June 2017	30 June 2018
Present value of the obligations at beginning of period	**17.9**	**14.8**
Service cost for the period	1.2	1.0
Financial cost	0.2	0.2
Actuarial differences related to financial assumptions: (gains)/losses	(1.0)	-
Actuarial differences related to demographic assumptions: (gains)/losses	(3.0)	(0.7)
Termination indemnities paid	(0.5)	(0.4)
Present value of the obligations at end of period	**14.8**	**15.3**

Net expense recognised in the income statement

(in millions of euros)	30 June 2017	30 June 2018
Service cost for the period	1.2	1.0
Financial cost	0.2	0.2
Net expense recognised in the income statement	**1.4**	**1.2**

History of experience and changes in assumptions

(in millions of euros)	30 June 2017	30 June 2018
History of experience regarding the value of obligations: (gains)/losses	(1.0)	-
Impact of changes in assumptions	(3.0)	(0.7)
History of experience and changes in assumptions	**(4.0)**	**(0.7)**

b) Mandatory schemes

In accordance with French law, the Group meets its obligations to finance pensions for employees in France by paying contributions based on salaries to the relevant entities that manage mandatory pension schemes. There are no other commitments in relation to these contributions. The employer's contributions paid under these schemes were 8.4 million euros and 8.2 million euros at 30 June 2017 and 2018 respectively.

c) Supplementary schemes

The Group also has a supplementary defined-contribution funded plan for its employees in France (excluding directors and corporate officers who are employees), financed by employees' and employer's contributions of 6% of gross annual salary, limited to eight times the French Social Security threshold. There are no other commitments in relation to these contributions. The employer's contributions paid under these schemes were 2.1 million euros and 2.3 million euros at 30 June 2017 and 30 June 2018 respectively.

NOTE.24 SEGMENT INFORMATION AND PERFORMANCE INDICATORS

24.1 SEGMENT REPORTING

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

The information presented below is intended for the Chief Executive Officer, the Deputy Chief Executive Officers and the Chief Financial Officer who together make up the Group's main operational decision-making body.

Management data is presented according to IFRS principles applied by the Group for its consolidated financial statements as described in the Notes to the financial statements.

The performance indicators that are monitored by the decision making body include turnover, EBITDA (EBITDA is defined as the operating result before amortisation and depreciation, impairment of assets and other operating income and expense), financial expense, cash flow for investment in tangibles and equity interests and net consolidated Group debt (net debt includes all bank debt and all liabilities from long-term lease agreements, less cash and cash equivalents (net of bank credit balances).

Internal reporting is a presentation of the Group's consolidated income statement according to a different breakdown of items than the one used in the consolidated financial statements in order to highlight performance indicators for which the main aggregates are identical to those included in the Group's consolidated accounts, such as the operating result, net result, the share attributable to non-controlling interests and the share attributable to the Group.

24.2 PERFORMANCE INDICATORS

(in millions of euros)	30 June 2017	30 June 2018
Total revenues	**1,477.9**	**1,407.9**
Total operating costs	(344.4)	(331.0)
EBITDA	**1,133.6**	**1,076.9**
Depreciation and amortisation	(532.9)	(506.0)
Other operating income (expenses), net	14.1	(18.5)
Operating income	**614.8**	**552.5**
Total interest	(127.2)	(96.4)
Income tax	(120.1)	(142.9)
Other financial income (expenses)	(3.7)	(9.0)
Net income before income from equity investments and non-controlling interests	**363.7**	**304.4**
Income from equity investments	(0.4)	(2.2)
Net income	**363.4**	**302.2**
Non-controlling interests	(11.6)	(12.1)
Net income attributable to the Group	**351.8**	**290.1**
Tangible investments (cash flow)	393.0	298.7
Net debt (including finance leases)	**3,640.7**	**3,241.5**

Net income reconciliation

(in millions of euros)	30 June 2017	30 June 2018
Net income Eutelsat Communications Group	**363.4**	**303.0**
Net contributions from holding	35.0	9.3
Intercompany transactions, net	-	1.2
Net income Eutelsat S.A. Group	**398.4**	**313.5**

Net debt reconciliation

(in millions of euros)	30 June 2017	30 June 2018
Eutelsat Communications Group net debt	**3,640.7**	**3,241.5**
Net debt from holding	(598.0)	(571.1)
Intercompany loan	224.3	231.9
Eutelsat S.A. Group net debt	**3,266.9**	**2,902.4**

Changes in the debt position between 30 June 2017 and 30 June 2018 are presented below:

(in millions of euros)	30 June 2017	Cash flow	Non-cash flow			30 June 2018
			Acquisition	Currency effect	Fair value change	
Loan with Holding	224.3	7.6	-		-	231.9
Bonds	2,530.0	-	-	-	-	2,530.0
Export credit	166.0	(23.7)	-	-	-	142.3
"Change" portion of the cross-currency swap	102.0	-	-	-	(16.1)	85.9
Finance leases	650.5	(35.7)	2.0	-	-	616.8
Total	**3,672.8**	**(51.8)**	**2.0**		**(16,1)**	**3,606.9**

24.3 INFORMATION PER GEOGRAPHICAL ZONE

Group revenues by geographical zone, based on invoice addresses, for the twelve-month periods ended 30 June 2017 and 30 June 2018 were as follows:

(in millions of euros and as a percentage)	30 June 2017		30 June 2018	
Regions	**Amount**	**%**	**Amount**	**%**
France	115.2	7.8	105.4	7.5
Italy	163.6	11.0	154.2	10.9
United Kingdom	98.2	6.6	87.4	6.2
Europe (other)	398.6	26.9	371.8	26.4
Americas	330.1	22.3	298.2	21.1
Middle-East	233.1	15.7	258.3	18.3
Africa	106.0	7.2	98.0	6.9
Asia	36.4	2.5	34.2	2.4
Other	0.1	0.0	3.2	0.2
Total	**1,481.3**	**100.0**	**1,410.6**	**100.0**

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

NOTE.25 FINANCIAL RESULT

The financial result is made up as follows:

(in millions of euros)	30 June 2017	30 June 2018
Interest expense after hedging (1)	(126.2)	(98.3)
Loan set-up fees and commissions (2)	(10.3)	(6.0)
Capitalised interest (3)	15.0	13.3
Cost of gross debt	**(121.6)**	**(91.0)**
Financial income	1.5	1.2
Cost of net debt	**(120.1)**	**(89.8)**
Changes in derivative financial instruments (4)	(0.3)	(6.1)
Foreign-exchange impact	(2.1)	(2.9)
Other	(2.0)	(4.3)
Financial result	**(124.5)**	**(103.1)**

(1) The interest expense was not impacted by instruments qualified as interest-rate hedges during the financial years ended 30 June 2017 and 30 June 2018.

(2) Loan set-up fees include amortisation of all loan issuing costs and premiums.

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

The interest rates used to determine the amount of interest expense eligible for capitalisation were 3.46 % at 30 June 2017 and 3.32 % at 30 June 2018.

(4) Changes in fair value of derivative financial instruments mainly include:

- changes in fair value of derivatives not qualified as hedges;

- the ineffective portion of qualifying derivatives in a hedging relationship;

- the de-qualifications/sales of hedging instruments (see Note 27 – Derivative financial Instruments).

NOTE.26 EARNINGS PER SHARE

The following table shows the reconciliation between net income and net earnings attributable to shareholders (basic and diluted) used to compute earnings per share (basic and diluted): There were no dilutive instruments as of 30 June 2017 and 2018.

(in millions of euros)	30 June 2017	30 June 2018
Net income	**398.4**	**312.6**
Income from subsidiaries attributable to non-controlling interests	2.5	2.8
Net earnings used to compute earnings per share	**400.8**	**315.5**
Average number of shares	**1,013,162,112**	**1,013,162,112**

NOTE.27 DERIVATIVE FINANCIAL INSTRUMENTS

The Group is exposed to market risks, principally in terms of currency and interest-rates. Exposure to such risks is actively managed by Management, and for this purpose, the Group employs a certain number of derivatives, the objective of which is to limit, where appropriate, the fluctuation of revenues and cash-flows due to variations in interest rates and foreign-exchange rates. The Group's policy is to use derivatives to hedge such exposure and comply with its financial covenants. 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 possess, or about which it is uncertain whether it will subsequently possess them.

27.1 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.

Due to the geographic diversification of its activities, the Group is exposed to conversion risk, which means that its balance sheet and income statement are impacted by fluctuations in exchange parities upon consolidation of the financial statements of its foreign subsidiaries outside the euro zone (translation risk). For investments in currencies not included in the euro zone, the Group's translational risk hedging policy consists of creating liabilities denominated in the same currency as the cash flows generated by these assets. Hedging instruments used by the Group include currency derivatives (cross-currency swaps) documented as net foreign investment hedges.

Given its exposure to foreign currency risk, the Group believes that a 15% increase in the US dollar/euro exchange rate (excluding foreign exchange derivatives) would generate a decline in Group income of 70 million euros and a decrease in operational/commercial/administrative costs of 7 million euros, and would result in a negative change of 213 million euros in the Group translation reserve and a change of 76 million euros in the Group translation reserve in relation with the cross currency swap.

27.2 INTEREST RATE RISK

Interest rate risk management

During the financial year ended 30 June 2018 and in accordance with its hedging policy, the Group hedges its exposure to changes in interest rates by using two anticipatory hedging instruments (forward swap) of 800 million euros and 500 million euros.

Sensitivity to interest-rate risk

Considering the full range of financial instruments available to the Group as of 30 June 2018, an increase of ten base points (+ 0.10%) over the EURIBOR interest rate would have an insignificant effect on the interest expense and the revaluation of financial instruments in the income statement. It would involve a positive change of 11.3 million euros in equity related to the effective portion of the change in the fair value of hedging instruments qualified as cash flow hedges.

27.3 FINANCIAL INFORMATION AS OF 30 JUNE 2017 AND 2018

The following tables analyse the contractual or notional amounts and fair value of the Group's derivatives by type of contract as of 30 June 2017 and 2018. The derivative financial instruments are valued by an independent expert and this valuation is verified/validated in valuations provided by the Group's banking counterparts.

(in millions of euros)	Notional		Fair value		Change in fair value over the period	Impact on income (excl. coupons)	Impact on equity (excl. coupons)
	30 June 2017	30 June 2018	30 June 2017	30 June 2018			
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	87.8	255.4	2.5	(8.0)	(10.5)	(6.1)	(4.4)
Cross currency swap	500.0	500.0	(90.1)	(72.1)	18.0	-	18.0
Total forex derivatives	**587.8**	**755.4**	**(87.6)**	**(80.1)**	**7.5**	**(6.1)**	**13.6**
Pre-hedging swap	1,300.0	1,300.0	(15.0)	(44.2)	(29.2)	-	(29.2)
Total interest rate derivatives	**1,300.0**	**1300,0**	**(15.0)**	**(44.2)**	**(29.2)**	**-**	**(29.2)**
Total derivative instruments			**(102.6)**	**(124.3)**	**(21.7)**	**(6.1)**	**(15.6)**

At 30 June 2018, the cumulative fair value of the derivative financial instruments was positive at 1.2 million euros and negative at 125.5 million euros (see Note 9 - *Non-current financial assets* and Note 18 - *Other financial liabilities*).

Impact on income statement and equity

The impact on the income statement and equity of changes in fair value of derivatives qualified as hedges is as follows:

- - The coupons on interest derivatives that qualify as cash flow hedges are directly recognised under income. Changes recognised in equity with respect to these instruments correspond to changes in fair value excluding coupons ("clean fair value").
- - The coupons on the cross currency swap that qualifies as net investment hedge, as well as its fair value excluding coupons ("clean fair value") are recognised directly in equity.

27.4 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 loss resulting from a failure by its counterparts to respect their commitments under the agreements it has concluded.

As of 30 June 2018, counterpart risk associated with these operations is not considered as significant.

27.5 LIQUIDITY RISK

The Group manages liquidity risk by using a tool that enables it to monitor and manage its recurring requirements and liquidity needs. This tool takes into account the maturity of financial investments, financial assets and estimated future cash flows from operating activities.

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

The Group's debt maturity is reflected in the table below.

Breakdown of net financial liabilities by maturity (in millions of euros)

As of 30 June 2017	Balance-sheet value	Total contractual cash flows	06/2018	06/2019	06/2020	06/2021	06/2022	More than 5 years
Loan with Eutelsat Communications S.A.	(224.3)	(224.3)		(224.3)	-	-	-	-
Eutelsat S.A. bond	(2,518.4)	(2,762.0)	(79.4)	(879.4)	(969.4)	(515.0)	(9.4)	(309.4)
ONDD-guaranteed export credit	(160.4)	(174.1)	(25.8)	(25.5)	(25.2)	(24.9)	(24.6)	(48.2)
Finance leases	(650.6)	(764.4)	(54.6)	(82.7)	(82.0)	(67.4)	(53.9)	(423.8)
Qualified interest rate derivatives (1)	(105.1)	(105.1)	-	(16.5)	(88.6)	-	-	-
Total financial debt	**(3,658.8)**	**(4,029.9)**	**(159.8)**	**(1,228.4)**	**(1,165.2)**	**(607.3)**	**(87.8)**	**(781.4)**
Other financial liabilities	(109.9)	(109.9)	(28.5)	(81.4)	-	-	-	-
Total financial liabilities	**(3,768.7)**	**(4,139.8)**	**(188.3)**	**(1,309.8)**	**(1,165.2)**	**(607.3)**	**(87.8)**	**(781.4)**
Foreign exchange derivatives (1)	2.4	2.4	2.0	0.4	-	-	-	-
Financial Assets	48.3	48.3	27.7	20.6	-	-	-	-
Cash	322.1	322.1	322.1	-	-	-	-	-
Cash equivalents	83.8	83.8	83.8	-	-	-	-	-
Total financial assets	**456.6**	**456.6**	**435.6**	**21.0**	**-**	**-**	**-**	
Net position	**(3,312.1)**	**(3,683.2)**	**247.3**	**(1,288.8)**	**(1,165.2)**	**(607.3)**	**(87.8)**	**(781.4)**

(1) Amounts broken down under derivative instruments are recognised at fair value (not as contractual cash flows).

As of 30 June 2018	Balance-sheet value	Total contractual cash flows	06/2019	06/2020	06/2021	06/2022	06/2023	More than 5 years
Loan with Eutelsat Communications SA	(231.9)	(231.9)	-	(231.9)	-	-	-	-
Eutelsat S.A. bond	(2,522.7)	(2,682.6)	(879.4)	(969.4)	(515.0)	(9.4)	(309.4)	-
ONDD-guaranteed export credit	(137.5)	(148.7)	(25.9)	(25.2)	(24.9)	(24.6)	(24.3)	(24.0)
Finance leases	(616.8)	(748.0)	(88.2)	(82.6)	(67.4)	(85.2)	(53.8)	(370.8)
Qualified interest rate derivatives (1)	(125.5)	(125.5)	(45.7)	(79.8)	-	-	-	-
Total financial debt	**(3,634.4)**	**(3,936.7)**	**(1,039.2)**	**(1,388.9)**	**(607.3)**	**(119.1)**	**(387.4)**	**(394.8)**
Other financial liabilities	(104.3)	(104.3)	(16.9)	(87.4)	-	-	-	-
Total financial liabilities	**(3,738.7)**	**(4,041.0)**	**(1,056.1)**	**(1,476.3)**	**(607.3)**	**(119.1)**	**(387.4)**	**(394.8)**
Foreign exchange derivatives (1)	1.2	1.2	1.2	-	-	-	-	-
Financial Assets	30.9	30.9	15.7	15.2	-	-	-	-
Cash	279.4	279.4	279.4					
Cash equivalents	425.2	425.2	425.2					
Total financial assets	**736.7**	**736.7**	**721.5**	**15.2**	**-**	**-**	**-**	**-**
Net position	**(3,002.2)**	**(3,304.3)**	**(334.6)**	**(1,461.1)**	**(607.3)**	**(119.1)**	**(387.4)**	**(394.8)**

(1) Amounts broken down under derivative instruments are recognised at fair value (not as contractual cash flows).

Cash-flow hedges – Fair value recognised in equity, to be reclassified to income

(in millions of euros)	Fair value recognised in equity and to be reclassified to income						
	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	(80.1)	(8.0)	(72.1)	-	-	-	-
Interest rate risk hedges	(44.2)	(36.4)	(7.7)	-	-	-	-
Net total at 30 June 2017	**(124.3)**	**(44.4)**	**(79.8)**	**-**	**-**	**-**	**-**

Furthermore, the amendment to IFRS 7 on the offsetting of assets and liabilities has no impact: there was no offsetting agreement which could have an impact for Eutelsat as of 30 June 2018 (neither on the balance sheet under IAS 32, nor on net exposure).

NOTE.28 PURCHASE COMMITMENTS

As of 30 June 2018, Management considers that, to the best of its knowledge, no commitments exist that may have an impact on the Group's present or future financial standing with the exception of the following items:

28.1 PURCHASE COMMITMENTS

The Company has entered into commitments with certain suppliers for the acquisition of assets (satellites and other assets) and the provision of services for 429 million euros as of 30 June 2017 and 538 million euros as of 30 June 2018.

The following table lists future payments for these services and acquisitions as of 30 June 2017 and 30 June 2018:

(in millions of euros)	As of 30 June 2017	As of 30 June 2018
2018	175	-
2019	151	238
2020	38	146
2021	18	66
2022 and beyond(1)	47	27
2023 and beyond	-	61
Total	**429**	**538**

(1) For the period reported in respect of the financial year ended 30 June 2017

The Group may receive penalty payments related to incidents affecting the performance of its operational satellites.

NOTE.29 LITIGATION AND CONTINGENT LIABILITIES

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.

Eutelsat S.A., a company belonging to the tax consolidation group of which Eutelsat Communications S.A. is the integral parent company, underwent a tax audit in respect of the financial years ended 30 June 2012, 2013 and 2014. In December 2016, the company received a tax adjustment notification in respect of the financial periods ended 30 June 2013 and 30 June 2014. As a result of the pre-litigation appeals and subsequent discussions, the amounts claimed by the tax authorities were significantly reduced. There is still disagreement on certain tax enhancements, on which Eutelsat believes that it has solid defences. As a result, as of 30 June 2018, no provision had been recorded for these two tax reassessments.

NOTE.30 RELATED-PARTY TRANSACTIONS

Related parties consist of:

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

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

Excluding key management personnel, Eutelsat Group considers as related parties only those relationships having an interest in associates as defined under IFRS 12 (non-controlling interests). The other relationships are not considered as significant.

Amounts concerning related party transactions are shown in the tables below:

30.1 RELATED PARTIES THAT ARE NOT MEMBERS OF THE “KEY MANAGEMENT PERSONNEL”

Amounts due by or owed to related parties and included on the balance sheet within current assets and liabilities as of 30 June 2017 and 30 June 2017 are as follows:

(in millions of euros)	30 June 2017	30 June 2018
Gross receivables (including unbilled revenues) (1)	1.0	0.6
Debt (including deferred payments)	793.9	772.5

As of 30 June 2017 and 30 June 2018, debt (exclusively to entities having non-controlling interests) included finance lease agreements entered into in respect of the EXPRESS AT1, EXPRESS AT2, EXPRESS AM6 and EUTELSAT 36C satellites.

Related party transactions included in the income statements for the periods ended 30 June 2017 and 30 June 2017 are as follows:

(in millions of euros)	30 June 2017	30 June 2018
Revenues	30.9	16.5
Operating costs, selling, general and administrative expenses	1.8	3.4
Financial result	16.3	15.5

For the financial periods ended 30 June 2017 and 30 June 2018, no related party transaction accounts individually for more than 10% of revenues.

Furthermore, the Group has entered into transactions with certain shareholders for the provision of services related to the monitoring and control of its satellites.

30.2 COMPENSATION PAID TO MEMBERS OF THE “KEY MANAGEMENT PERSONNEL”

(in millions of euros)	30 June 2017	30 June 2018
Post-employment benefits	Nil	Nil
Other long-term benefits (indemnity payment for unintended termination of activity)	Nil	Nil
Share-based payment	See below	See below

Share-based payment

Members of Eutelsat S.A.’s administrative and management bodies are not eligible to the free share allocation plans (see Note 16.3 - *Share-based compensation*) in connection with their duties as directors and corporate officers ("mandataires sociaux") of the company.

Members of the Company’s Board of Directors received no attendance fees.

NOTE.31 STAFF COSTS

Staff costs (including mandatory employee profit-sharing and employee-related fiscal charges) are as follows:

(in millions of euros)	30 June 2017	30 June 2018
Operating costs	52.8	56.4
Selling, general and administrative expenses	97.4	83.0
Total (1)	**150.2**	**139.4**

(1) Including (3.0) million euros and (2.0) million euros at 30 June 2017 and 30 June 2018 respectively for expenses related to share-based payments.

The average number of employees (in full time equivalents) is as follows:

	30 June 2017	30 June 2018
Operations	455	484
Selling, general and administrative	534	523
Total	**990**	**1,007**

As of 30 June 2018, the Group has 998 employees in full time equivalents, against 985 as of 30 June 2017.

Members of the Board of Directors receive neither compensation nor attendance fees.

The Group has a corporate savings plan (plan d'épargne d'entreprise or PEE) reserved for Eutelsat S.A. employees with more than three months of service, funded through voluntary contributions by employees.

Via Eutelsat S.A., the Group has an employee incentive scheme ("*accord d'intéressement*"), which was set up for a three-year period. The incentive scheme is based on objectives renewable each year.

NOTE.32 SCOPE OF CONSOLIDATION

As of 30 June 2018, the list of companies included in the scope of consolidation is as follows:

Company	Country	Consolidation method	% interest as of 30 June 2018	% interest as of 30 June 2018
Eutelsat S.A.	France	FC	100.00%	100.00%
Eutelsat S.A. Sub-Group				
Eutelsat Broadband Services	France	FC	100.00%	100.00%
Fransat S.A.	France	FC	100.00%	100.00%
Eutelsat do Brasil S.A. (1)	Brazil	FC	100.00%	100.00%
Eutelsat Participaoes (1)	Brazil	FC	100.00%	100.00%
Satmex Holding BV	Netherlands	FC	100.00%	100.00%
Satelites Mexicanos SMVS (1)	Mexico	FC	100.00%	100.00%
EAS Delaware Corp. (1)	USA	FC	100.00%	100.00%
Satelites Mexicanos Administracion SMVS	Mexico	FC	100.00%	100.00%
Satelites Mexicanos Tecnicios SMVS	Mexico	FC	100.00%	100.00%
Satmex US LLC (1)	USA	FC	100.00%	100.00%
Eutelsat Serivicos de Telecom. do Brasil Ltd (1)	Brazil	FC	100.00%	100.00%
Eutelsat Latam Corp. (1)	USA	FC	100.00%	100.00%
Eutelsat Italia S.r.l.	Italy	FC	100.00%	100.00%
Skylogic S.p.A	Italy	FC	100.00%	100.00%
Eutelsat Latin America	Panama	FC	100.00%	100.00%
Eutelsat Russia	Russia	FC	100.00%	100.00%
Eutelsat Services und Beteiligungen GmbH	Germany	FC	100.00%	100.00%
Eutelsat Inc.	USA	FC	100.00%	100.00%
Eutelsat America Corp.	USA	FC	100.00%	100.00%
Eutelsat UK Ltd	United Kingdom	FC	100.00%	100.00%
Eutelsat Polska spZoo	Poland	FC	100.00%	100.00%
Skylogic Finland Oy	Finland	FC	51.00%	51.00%
Skylogic France SAS	France	FC	51.00%	51.00%
Skylogic Germany GmbH	Germany	FC	51.00%	51.00%
Skylogic Mediterraneo S.r.l	Italy	FC	100.00%	100.00%
Irish Space Gateways	Ireland	FC	51.00%	51.00%
CSG Cyprus Space Gateways	Cyprus	FC	51.00%	51.00%
Skylogic Eurasia	Turkey	FC	51.00%	51.00%
Skylogic Greece	Greece	FC	51.00%	51.00%
Skylogic Espana S.A.U.	Spain	FC	51.00%	51.00%
Skylogic Croatia d.o.o.	Croatia	FC	51.00%	51.00%
Eutelsat Madeira Unipessoal Lda	Madeira	FC	100.00%	100.00%
Eutelsat Asia	Singapore	FC	100.00%	100.00%
ES172 LLC	USA	FC	100.00%	100.00%
EA172 UK	United Kingdom	FC	100.00%	100.00%
ES 174E LTD	Cyprus	FC	100.00%	100.00%
Eutelsat UK Ltd	Australia	FC	100.00%	100.00%
Eutelsat Middle-East	Dubai	FC	100.00%	100.00%
Eutelsat International	Cyprus	FC	51.00%	51.00%
Eutelsat Network	Russia	FC	51.00%	51.00%
Taurus Satellite Holding	United Kingdom	FC	100.00%	100.00%
Broadband4Africa Limited	United Kingdom	FC	100.00%	100.00%
Broadband4Africa France SAS	France	FC	100.00%	100.00%
Broadband4Africa Italy Srl	Italy	FC	100.00%	100.00%
Broadband4Africa Israel Ltd	Israel	FC	100.00%	100.00%
Broadband4Africa Côte d’Ivoire SARL	Côte d’Ivoire	FC	100.00%	100.00%

Broadband4Africa South Africa Ltd	South Africa	IG	100.00%	100.00%
Eurobroadband Infrastructure SARL	Switzerland	FC	51.00%	51.00%
Eurobroadband Services	Italy	FC	51.00%	51.00%
Eurobroadband Retail	Switzerland	EM	49.00%	49.00%
Eutelsat MENA FZ-LLC	Dubai	FC	100.0%	100.00%
Noorsat Media City	Cyprus	FC	100.00%	100.00%
Noor Al Sharq	Jordan	FC	100.00%	100.00%
Eutelsat UK Ltd	Cyprus	FC	100.00%	100.00%

FC: Full consolidation method

EM: Equity method

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

NB: The other companies' financial year ends on 30 June.

These subsidiaries were consolidated under the full consolidation method using financial statements prepared as of 30 June 2018.

NOTE.33 SUBSEQUENT EVENTS

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

NOTE.34 STATUTORY AUDITORS' FEES

(in thousands of euros)	Ernst & Young				Mazars			
	Amount		Amount		Amount		Amount	
	N	%	"N-1"	%	N	%	"N-1"	%
AUDIT								
Statutory audit, certification, review of separate and consolidated financial statements								
Eutelsat S.A.	156	31%	150	19%	138	31%	150	65%
Other subsidiaries	337	67%	549	67%	292	66%	80	35%
Sub-total	**493**	**98%**	**699**	**86%**	**430**	**97%**	**230**	**100%**
Services other than certification of financial statements								
Eutelsat S.A.	-	-	3	-	13	3%	-	-
Other subsidiaries	12	2%	108	14%	-	-	-	-
Sub-total	**12**	**2%**	**111**	**14%**	**13**	**3%**	**-**	**-**
Total	**505**	**100%**	**810**	**100%**	**442**	**100%**	**230**	**100%**