

Eutelsat Communications
"Société anonyme" with a capital of 232,774,635 euros
Registered office: 70, rue Balard 75015 Paris
481 043 040 R.C.S. Paris

ANNUAL FINANCIAL STATEMENTS AS OF 30 JUNE 2018

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BALANCE SHEET

(In thousands of euros)	Note	Financial year 2017	Financial year 2018
Uncalled subscribed capital			
INTANGIBLE ASSETS			
Setup costs			
Development expenses			
Franchise, patents, trademarks and similar rights			
Goodwill			
Other intangibles			
Advances and prepayments on intangibles			
TANGIBLE ASSETS			
Land			
Buildings			
Technical equipment, plant and machinery			
Other tangibles			
Construction in progress			
Prepayments and advances			
FINANCIAL ASSETS	3		
Equity investments			
Other equity interests		2,942,832	2,942,931
Receivables from equity interests			
Other investments in securities		6,177	5,573
Loans		0	0
Other financial assets		9	20
FIXED ASSETS		2,949,018	2,948,524
STOCKS AND WORK IN PROGRESS			
Raw materials, supplies			
Work-in-progress goods			
Work-in-progress services			
Intermediate and finished goods			
Trading goods			
Advances and payments on accounts		14	6
RECEIVABLES			
Trade debtors and related accounts		297	297
Other debtors	4	224,345	237,224
Subscribed capital called and unpaid			
MISCELLANEOUS			
Marketable securities	5	3,279	3,262
Cash at bank and in hand	5	988	27,862
PREPAID EXPENSES	6		
Prepaid expenses		32	111
CURRENT ASSETS		228,955	268,763
Deferred loan issuance costs	6	2,202	1,739
Bond redemption premiums			
Unrealised exchanged losses			0
GENERAL TOTAL		3,180,175	3,219,026

BALANCE SHEET

(In thousands of euros)	Notes	Financial year 2017	Financial year 2018
Capital Stock - Shares		232,775	232,775
Share or merger premium		1,237,648	1,237,648
Revaluation reserve			
Legal reserve		23,277	23,277
Statutory and legal reserves			
Regulated reserves			
Other reserves			
Retained earnings		834,821	798,461
RESULT FOR THE YEAR (gain or loss)		244,999	312,955
Investment grants			
Tax related provisions		467	467
SHAREHOLDER'S EQUITY	7	2,573,987	2,605,583
Income from issues of equity interests			
Contingent advances			
OTHER SHAREHOLDER'S EQUITY			
Provisions for risks			0
Provisions for expenses		102	102
PROVISIONS	8	102	102
FINANCIAL DEBT			
Convertible debt			
Other bonds *			
Bank loans *	9	600,285	600,300
Borrowings and other financial liabilities			
Advances and payments received on accounts		1	1
OPERATING CHARGES			
Trade creditors and related accounts		2,234	1,955
Tax and social security payable	10	2,904	11,078
MISCELLANEOUS DEBT			
Amounts payable for fixed assets and related accounts			
Other creditors	15.1	650	
PREPAID EXPENSES			
Deferred revenues			
DEBT		606,074	613,335
Unrealised exchange gains		12	6
GENERAL TOTAL		3,180,175	3,219,026

* including portion maturing within 1 year

285

300

INCOME STATEMENTS

(In thousands of euros)	Notes	Financial year 2017	Financial year 2018
Sale of merchandise			
Sales of goods manufactured			
Sales of services rendered		1,790	3,394
NET SALES	12	1,790	3,394
Stocks of finished goods			
Own work capitalised			
Operating subsidies			
Write back of provisions and depreciation, transfers of expenses	6	174	20
Other income		0	1
OPERATING INCOME		1,964	3,415
Purchase of goods (including customs duties)			
Variation of inventories of bought-in goods			
Purchase of raw materials and other supplies			
Change in inventories (raw materials and supplies)			
Other purchases and external charges		6,576	5,611
Income tax, other taxes and assimilated		401	509
Wages	18.2	2,201	2,672
Social charges	18.2	758	909
Operating allowances	6		
• Fixed assets: amortisation		522	463
• Fixed assets: depreciation			0
• Current assets: amortisation and depreciation			0
• Provisions			0
• Other expenses		730	990
OPERATING CHARGES		11,188	11,155
OPERATING RESULT		-9,224	-7,740
JOINT VENTURES			
Share of profit or loss			
Losses incurred or transferred profit			
FINANCIAL INCOME		258,572	306,083
Income from investments		2,103	303,256
Income from other investments and loans		-1	-4
Other interest receivable and similar income		256,468	2,806
Write back of provisions and transfers of expenses			26
Realised exchange gains		1	
Net gains from sales of marketable securities			
FINANCIAL EXPENSES		5,633	5,779
Depreciation, amortisation and provisions		26	0
Interest payable and similar charges		5,597	5,778
Realised exchange losses		9	
Net losses from sales of marketable securities			
FINANCIAL RESULT	13	252,939	300,305
NET RESULT BEFORE TAXES		243,715	292,565
EXCEPTIONAL INCOME		1,937	890
Exceptional income from operations			
Exceptional income from capital transactions		1,812	890
Write back of provisions and transfers of expenses		125	
EXCEPTIONAL EXPENSES		347	1,525
Exceptional expenses from operations		0	0
Exceptional expenses from capital transactions		347	1,525
Exceptional depreciation, amortisation and provisions			
EXCEPTIONAL RESULT	14	1,590	-635
Employees' profit-sharing			
Income tax	15	306	-21,026
TOTAL INCOME		262,473	310,389
TOTAL EXPENSES		17,474	-2,566
NET INCOME OR LOSS		244,999	312,955

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1. GENERAL OVERVIEW

1.1. Business description

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

The Company's fiscal year runs for twelve months and ends on 30 June.

1.2. Key events during the period

The purpose of the company being the holding of equity interests, no particular key event occurred during the financial year.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

The annual financial statements are prepared in accordance with the French Code of commerce (Articles L. 123-12 to L. 123-28) and Regulations 2016-07 and 2015-05 of the "*Autorité des Normes Comptables*" (ANC – French accounting regulation body).

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

- going concern;
- separation of the financial periods;
- consistent accounting methods used from one financial year to the next, and in compliance with the general rules for preparing and presenting annual financial statements.

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

The application of ANC Regulation 2015-05 of 2 July 2015 on Forward Financial Instruments and Hedging transactions as from 1 July 2017 represents a change in method. As the Company did not have any financial instruments during the past two financial years, the only impact of applying this new regulation consists in the non-significant reclassification to operating income of foreign exchange gains and losses on commercial transactions previously recognized within financial income.

There have been no changes in accounting methods during the period apart from changes to the presentation of financial statements pursuant to the new regulation.

The currency used in the presentation of the Company's accounts is the euro.

2.2 Significant judgements and estimates

In preparing the financial statements, Management is required to make judgements and estimates that are likely to affect certain assets and liabilities, the amounts shown for the corresponding income and expenses in these annual financial statements and their accompanying Notes. Eutelsat S.A. constantly updates its estimates and assessments by using past experience and other relevant factors related to the economic environment. The close down of the transactions underpinning these estimates and assumptions could result in significant adjustments to the amounts that are recognised in a subsequent financial period because of the uncertainty that surrounds them.

2.3 Financial assets

Investments are recorded in the balance sheet at acquisition cost, including any acquisition fees. It may include treasury shares acquired under liquidity agreements.

Any excess of cost over fair value, as estimated by Management of the Company based on criteria such as the market value, the expected development and profitability or the shareholders' equity, and taking into account the specific nature of each investment, is recorded as an impairment charge to net income.

A provision for impairment of treasury shares is recognised if their book value is higher than their market value at balance sheet date.

2.4 Cash and marketable securities

Cash and marketable securities consist mainly of treasury shares acquired under share buyback programmes designed to serve free share allocation plans, mutual fund investments, cash at bank and deposit certificates with original maturities of three months or less.

Shares repurchased for the purpose of serving stock plans are recorded at their initial cost until they are delivered to their recipients or reclassified if not attributed. This results in their not being impaired in the event of a drop in the share price.

2.5 Receivables and debt

Receivables and debt have been evaluated at their nominal value.

Receivables are entered with a loss in value, where appropriate, to reflect any difficulties in recovering outstanding amounts.

2.6 Apportionment of loan set-up costs

Loan set-up costs are amortised over the duration of the loan.

2.7 Shareholders' equity

External costs directly related to increases in capital, reduction of capital and share buy-back for reduction

of capital, are allocated to the share premium net of taxes when an income tax benefit is generated.

2.8 Provisions

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

The amount recognised as a provision represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

2.9 Identity of the consolidating parent company

Eutelsat Communications consolidates its accounts and those of its subsidiaries at Eutelsat Communications Group level (“the Group”) under the full consolidation method. Eutelsat Communications, whose registered office is located at 70, rue Balard 75015 Paris, is registered with the Paris Register of Trade and Companies under number 481 043 040. The Group’s consolidated financial statements can be found on its corporate website.

NOTE 3. FINANCIAL ASSETS

Financial assets break down as follows:

(in thousands of euros)	30 June 2017	30 June 2018
Equity investments	2,942,832	2,942,931
Other investments in securities	6,203	5,573
Loans and other financial assets	9	20
Total gross book values	2,949,044	2,948,525
Provisions	-26	0
Total net carrying amounts	2,949,018	2,948,524

The changes in net carrying amounts between beginning and end of period are as follows:

(in thousands of euros)	Equity investments	Other investments in securities ⁽¹⁾	Loans and other financial assets ⁽¹⁾	Total
Net carrying values as of 1 July 2017	2,942,832	6,177	9	2,949,018
Acquisitions	99	51,890	51,901	103,890
Transfers	0	0	0	0
Reimbursement of capital contribution and disposals	0	-52,520	-51,890	-104,410
Reversals/Depreciation, amortisation and provisions	0	26	0	26
Net carrying values as of 30 June 2018	2,942,931	5 573	20	2,948,524
<i>(1) Transactions relating to the liquidity agreement (see Note 3.2 - Other investments in securities).</i>				

3.1 Equity interests

As of 30 June 2017, "Equity investments" included:

- 976,365,626 Eutelsat S.A. shares representing 2,557,929 thousand euros (including 969,115,805 shares arising from the universal transfer of assets and liabilities of Eutelsat Communications Finance representing 2,518,761 thousand euros and 1,865 shares held under the liquidity offer of 12 June 2017 representing 10 thousand euros.
- A merger deficit in the amount of 384,903 thousand euros allocated to Eutelsat S.A. shares, resulting from the universal transfer of Eutelsat Communications Finance assets to Eutelsat Communications on 10 May 2017.

As of 30 June 2018, "Equity investments" includes:

- 976,384,527 Eutelsat S.A. shares representing 2,558,028 thousand euros (including 969,115,805 shares arising from the universal transfer of assets and liabilities of Eutelsat Communications Finance representing 2,518,761 thousand euros and 15,848 shares held under the liquidity offer of 11 December 2017 representing 87 thousand euros and 2,531 shares held under the liquidity offer of 12 June 2018 representing 11 thousand euros.
- A merger deficit in the amount of 384,903 thousand euros allocated to Eutelsat S.A. shares, resulting from the universal transfer of Eutelsat Communications Finance assets to Eutelsat Communications on 10 May 2017.

3.2 Other investments in securities

"Other investments in securities" breaks down as follows:

- Treasury stock held under a liquidity agreement for 5,225 thousand euros corresponding to 232,500 shares as of 30 June 2017 and for 3,367 thousand euros corresponding to 201,000 shares as of 30 June 2018. As of 30 June 2018, treasury shares were not impaired;
- The "SICAV de trésorerie" held under the liquidity agreement for 978 thousand euros corresponding to 42 SICAV BNP Paribas as of 30 June 2017 and for 2,207 thousand euros

corresponding to 95 SICAV BNP Paribas as of 30 June 2018.

3.3 Loans and other financial assets

The “Loans and other financial assets” item includes the cash account related to the liquidity agreement on treasury stock for 9 thousand euros as of 30 June 2017 and 20 thousand euros as of 30 June 2018.

NOTE 4. OTHER DEBTORS

Other debtors (including advances and payments on accounts) break down as follows:

(in thousands of euros)	30 June 2017	30 June 2018
Income tax		
Deductible VAT	84	56
Inter-company accounts within the Group	224,253	237,118
Other debit balances	23	57
Total	224,360	237,231

All other receivables mature within one year.

NOTE 5. CASH AND MARKETABLE SECURITIES

Cash and marketable securities are as follows:

(in thousands of euros)	30 June 2017	30 June 2018
Treasury stock ⁽¹⁾	2,265	2,244
OPCVM		
Cash	987	27,861
Deposit warrants	1,014	1,018
Total	4,266	31,123

(1) See Note 7.2 - Free allocation of Eutelsat Communications shares and Eutelsat Communications' share-based awards.

NOTE 6. PREPAID EXPENSES AND OTHERS

“Prepaid expenses and others” is composed as follows:

(in thousands of euros)	30 June 2017	30 June 2018
Prepaid expenses	32	111
Expenses to be accrued over several years	2,202	1,739
Total	2,234	1,850

As of 30 June 2017 and 30 June 2018, expenses to be accrued relate to loan set-up costs initially amounting to 3,072 thousand euros. They are accrued over a period corresponding to the lifetime of the loan taken out in March 2015.

Amortisation of accrued expenses recorded in the income statement amounted to 522 thousand euros as of 30 June 2017 and 463 thousand euros as of 30 June 2018.

NOTE 7. SHAREHOLDERS' EQUITY

7.1 Statement of changes in shareholders' equity

As of 30 June 2018, the share capital comprised 232,774,635 ordinary shares with a nominal value of 1 euro per share.

On 08 November 2017, the Ordinary and Extraordinary Annual General Meeting of Shareholders was called upon to approve the annual financial statements for the period ended 30 June 2017. Having recognised a 244,999 thousand euro profit, the AGM decided to distribute a 1.21 euro dividend per share for a total amount of 281,360 thousand euros taken from net income and allocate the remaining balance ,i.e. 36,360 thousand euros to retained earnings.

(in thousands of euros)	01/07/2017	Movements affecting the capital		Allocation of result	Distribution of dividends	Other movements	30/06/2018
		Increase	Reduction				
Share capital	232,775						232,775
Additional paid-in capital	704,802						704,802
Merger premium	499,561						499,561
Share premium	33,285						33,285
Legal reserve	23,277						23,277
Retained earnings (+)	834,821				-36,360		798,461
Result 30/06/2017	244,999				-244,999		
Regulated provisions ⁽¹⁾	467						467
Total	2,573,987				-281,360		2,292,628
				Shareholders' equity before result			2,292,628
				Result for the year			312,955
				Total shareholders' equity			2,605,583

(1) Regulated provisions cover the exceptional amortisation ("amortissement dérogatoire") of securities acquisition costs.

7.2 Free allocation of Eutelsat Communications shares and Eutelsat Communications' share-based awards

The Board of Directors meeting on 8 November 2017 decided to implement a Long-Term Incentive Plan based on cash-settled awards. These are calculated on the basis of a theoretical number of Eutelsat Communications shares, which are allocated by reference to the level reached by performance-related objectives.

As of 30 June 2018, the Group ran three plans for the allocation of free shares and Eutelsat Communications' share-based awards, started in February 2016, April 2017 and November 2017 respectively.

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⁾	N/A	N/A
Maximum number of share-based awards at inception	482,211	323,454	319,444
Number of recipients	805	259	287
Features of "Employees Plan":			
- number of shares per recipient	300	N/A	N/A
- performance-related targets	Cumulative EBITDA ⁽³⁾ for 50%	N/A	N/A
	Average ROCE ⁽⁴⁾ for 50%	N/A	N/A
Features of "Managers Plan" at grant date:			
- total number of shares	195,462	260,129	255,268
- performance-related targets	Cumulative EBITDA ⁽³⁾ for 1/3	Revenues for 1/3	Revenues for 30%
	Average ROCE ⁽⁴⁾ for 1/3	Discretionary Free-Cash-Flow for 1/3 ⁽⁶⁾	Discretionary Free-Cash-Flow for 50% ⁽⁶⁾
	Relative TSR ⁽⁵⁾ for 1/3	Cost savings Plan for 1/3	Cost savings Plan for 20%
Features of "Corporate Officers" Plan at grant date:			
- total number of shares	46,119	63,325	64,176
- performance-related targets	Cumulative EBITDA ⁽³⁾ for 1/3	Revenues for 1/4	Revenues for 1/4
	Average ROCE ⁽⁴⁾ for 1/3	Discretionary Free-Cash-Flow for 1/4 ⁽⁶⁾	Discretionary Free-Cash-Flow for 1/4 ⁽⁶⁾
	Relative TSR ⁽⁵⁾ for 1/3	Cost savings Plan for 1/4	Cost savings Plan for 1/4
		Relative TSR ⁽⁵⁾ for 1/4	Relative TSR ⁽⁵⁾ for 1/4
Share price used as taxation basis for calculating social contributions and employer's charges:			
- "Employees" Plan	-	-	-
- "Managers" Plan	-	€16,70	€15,78
- "Corporate Officers" Plan	-	€6,89	€5,19

(1) For foreign subsidiaries, the vesting period is 4 years.

(2) There is no lock-up period for foreign subsidiaries.

(3) EBITDA is defined as the operating result before depreciation and amortisation, impairment of assets, other operating income and charges.

(4) ROCE is Return on Capital Employed = operating result / (shareholders' equity + net debt – goodwill).

(5) 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).

(6) Discretionary free cash flow is defined as net cash flow from operating activities less cash investments as well as interest and other financial costs, net of interest income.

The performance objectives are defined on the basis of the Group’s consolidated financial statements.

Treasury stock

As of 30 June 2017, the Company held 106,022 equity shares for 2,265 thousand euros, recorded as “Cash and marketable securities” (see Note 5 - *Cash and marketable securities*).

As of 30 June 2018, the Company held 105,068 equity shares for 2,244 thousand euros, recorded as “Cash and marketable securities” (see Note 5 - *Cash and marketable securities*).

NOTE 8. PROVISIONS FOR LIABILITIES AND CHARGES

“Provisions for risks and expenses” mainly includes provisions for litigation. The change in the provisions for risks and expenses is as follows:

(in thousands of euros)	30 June 2017	Allowance	Reversals		30 June 2018
			(used provisions)	(unused provisions)	
Operating result		0			102
Financial result					
Exceptional result	102				
Total	102	0			102

NOTE 9. FINANCIAL DEBT

➤ Financial information as of 30 June 2017 and 2018:

Loans and bank debt were granted in 2015. They are denominated in euros with a five-year maturity period and two 1-year extension options, subject to lenders' approval.

In March 2016 and March 2017, the Company received the approval of all lenders on both one-year extensions until March 2022. They are as follows:

(in thousands of euros)	30 June 2017	30 June 2018
Loans and financial debt	600,000	600,000
Accrued interest	285	300
Total	600,285	600,300

Maturities of debts are as follows:

(in thousands of euros)	30 June 2017	30 June 2018
2,022	600,000	600,000
Total	600,000	600,000

Eutelsat Communications has access to the following credit facilities:

- > a term loan of 600 million euros expiring in March 2022 remunerated at a EURIBOR rate plus a margin of between 0.65% and 1.40% ;
- > a 200 million euro revolving credit line (undrawn as of 30 June 2018) entered into in March 2015 with a seven-year maturity.

The credit agreements include neither a guarantee by the Group, nor the pledging of assets to the lenders, but provide for restrictive clauses (subject to the usual exceptions contained in this type of loan agreement) which limit the capacity of Eutelsat Communications and its subsidiaries, in particular to:

- grant security interests or guarantees;
- enter into agreements resulting in additional liabilities;
- sell assets;
- enter into mergers, acquisitions, asset disposals, or lease transactions (excluding those carried out within the Group and expressly provided for in the loan agreement);
- modify the nature of the business of the Company or its subsidiaries.

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

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

The credit facilities are linked to the following financial covenants, calculated on the basis of the Group's

consolidated financial statements presented in accordance with IFRSs, and defined as follows: Eutelsat Communications is required to maintain a total net debt to annualised EBITDA ratio (as defined contractually) which is less than or equal to 4.0 to 1, this ratio being tested as of 30 June and 31 December each year.

As of 30 June 2018, the Company complied with all banking covenants under its credit facilities.

NOTE 10. TAX AND EMPLOYEE-RELATED PAYABLE

Tax and employee-related payable is composed of the following:

(in thousands of euros)	30 June 2017	30 June 2018
State: accrued liabilities	181	191
Income tax	66	7,905
Output VAT	62	61
Staff: accrued liabilities	1,801	2,093
Social charges payable	795	828
Total	2,904	11,078

NOTE 11. PERSONNEL

The Company has no employees.

Compensation paid to senior managers is indicated in Note 18.2 - *Compensation paid to "key management personnel"*.

NOTE 12. REVENUE

Company revenue is generated through re invoicing of services to its equity investments.

Activities mainly include managing their staff, setting up and implementing their industrial and commercial policies, their strategy and their technical, financial and institutional communication.

Revenue breakdown is as follows:

(in thousands of euros)	30 June 2017	30 June 2018
France	1,790	3,394
Export	-	-
Revenue recognition	1,790	3,394

NOTE 13. FINANCIAL RESULT

The financial result is made up as follows:

(in thousands of euros)	30 June 2017	30 June 2018
Interest expense	-5,475	-5,475
Interest income	291	582
Proceeds from equity investments	1,812	302,674
Merger premium	256,465	
Investment earnings	-1	-4
Proceeds from mutual fund investments		
Other	-153	2,528
Total	252,939	300,305

The interest expense corresponds to existing loans (see Note 9 – *Financial debt*), after taking into account interest received or paid on hedging instruments.

As of 30 June 2017 and 2018, income from investments mainly consists of dividends from the subsidiary Eutelsat S.A. for 1,812 thousand euros and 302,674 thousand euros respectively.

During the financial year ended 30 June 2017, Eutelsat Communications decided to wind up its subsidiary Eutelsat Communications Finance through the universal transfer of its assets and liabilities. The dissolution was reflected in Eutelsat Communications' accounts by the recognition of a 756,025 thousand euro merger premium entered under financial result for 256,465 thousand euros.

NOTE 14. EXCEPTIONAL RESULT

The exceptional result comprises the following:

(in thousands of euros)	30 June 2017	30 June 2018
Gain on repurchase of treasury stock	1,812	890
Cost of free share grant invoiced to subsidiaries	57	0
Reversal of provisions for tax risks	68	0
Transfers of exceptional charges	0	0
Exceptional income	1,937	890
Fines and penalties	0	0
Donations	0	0
Loss on repurchase of treasury stock	289	1,505
Cost of purchase of free shares allocated	58	21
Allocation to provisions for tax risks	0	0
Exceptional charges	347	1,525
Exceptional result	1,590	-635

NOTE 15. INCOME TAX

15.1 Tax consolidation

On 28 June 2006, the Company decided to apply a tax consolidation system to a group consisting of itself and its subsidiary Eutelsat Communications Finance.

Under the tax consolidation agreement, the subsidiaries bear corporate income tax, social contributions and an annual lump sum tax expense equal to the amount that they would have had to bear if there had been no tax consolidation agreement applying to the Group, and on the understanding that it is the Company at the head of the tax consolidation group that bears or benefits from any additional tax expense or tax savings resulting from the application of such a system.

The scope of the tax consolidation group includes Eutelsat S.A., Eutelsat Broadband Services S.A.S (formerly Eutelsat VAS S.A.S.) and Fransat S.A.

As of 30 June 2017 and 2018, the tax expense for the tax consolidation group was 152,495 thousand euros and 176,419 thousand euros respectively, and the amount due by the sub-subsidiaries under the tax consolidation agreement was 155,724 million euros and 177,398 thousand euros, which yielded a profit of 3,229 thousand euros and 979 thousand euros as of 30 June 2017 and 30 June 2018 respectively.

As a reminder, Eutelsat Communications' losses prior to the tax consolidation system were 43,304 thousand euros.

15.2 Common law provisions

As of 30 June 2018, the Company's tax liability breaks down between current income and exceptional income as follows:

<i>(in thousands of euros)</i>	Income before tax	Tax due	Net income
Current	292,565	-21,071	313,636
Exceptional	-635	46	-681
Total	291,930	-21,026	312,955

The corporate tax includes the income tax rate estimated at 34.43% pursuant to the general arrangements for business taxation, and results from the application of the 2013 Finance Act ("Loi de finances 2013") which caps deductibility of financial expenses at 75%, and the 2017 Finance Act ("Loi de finances 2017") which introduced an exceptional contribution of 15% on the corporate income tax for financial periods ended on or before 30 December 2018. It also includes a tax income of 20 million relating to the 3% tax rebate on dividends paid.

15.3 Increases and reductions in future tax liability

<i>(in thousands of euros)</i>	30 June 2017	30 June 2018
Reductions in future tax liability:		
Loss carry-forwards (1)	12,524	11,180
Impairment of assets	-	-
Non-deductible provisions	0	0
Total	12,524	11,180
Increases in future tax liability:		
Other	-	-
Total	-	-

(1) Rates used: 28.92% as of 30 June 2017 and 25.82% as of 30 June 2018.

NOTE 16. MARKET 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 Company minimises its exposure to issuer risk and its exposure to execution and credit risk by acquiring financial products from first-rate financial institutions or banks. Exposure to these risks is closely monitored. The Company does not foresee any loss that would result from a failure by its counterparts to respect their commitments under the agreements concluded. The risks to which the Group is exposed are confined neither to the financial sector nor to any particular country. The Company has no exposure to interest rate risk.

NOTE 17. OTHER COMMITMENTS AND CONTINGENCIES

Eutelsat S.A., a company belonging to the tax consolidation group of which Eutelsat Communications S.A. is the integral parent company, underwent an accounting 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.

The company's off-balance sheet purchase commitments stand at 621 million euros.

NOTE 18. RELATED PARTY TRANSACTIONS

Related party transactions consist of the direct and indirect shareholders who have 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 a subsidiary of the Company, the companies other than subsidiaries in which Eutelsat has an equity and “key management personnel”).

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

Article 833-16 of the PCG (French chart of accounts) provides for information to be given on transactions with related parties of material importance which have not been conducted on an arm's length basis.

This information is not required for transactions entered into by the Company with wholly-owned subsidiaries or between wholly-owned subsidiaries.

18.1 Related parties that are not members of the “key management personnel”

During the 2018 financial year, Eutelsat S.A. and its related parties did not enter into any significant unusual transactions.

18.2 Compensation paid to members of the “key management personnel”

Gross compensation (including employer’s contributions) paid by the Company to its Directors and Corporate Officers during the financial period ended 30 June 2018 breaks down as follows:

(in millions of euros)	30 June 2018
Short-term benefits (*)	3.3
Post-employment benefits	See below
Share-based payments	See Note 7.2

(*) Invoiced in full to Eutelsat S.A.

Post-employment benefits

In case of termination of office of the CEO, a non-compete clause provides for payment of 50% of the CEO’s fixed compensation over an 18-month period. Under such clause, the CEO is required to refrain from working directly or indirectly for any satellite operator.

Share-based awards and free share allocation programmes in force as of 30 June 2018

During its meetings of 16 February 2016, 25 April 2017 and 08 November 2017, the Board of Directors approved new free share allocation plans (see Note 7.2 - *Free allocation of Eutelsat Communications shares and Eutelsat Communications’ share-based awards*) and decided to grant a maximum of 173,620 shares in Eutelsat Communications to members of the Company's administrative and management bodies subject to conditions set out in the plans.

The value of the benefit granted as of 30 June 2018 has been estimated at 1,720 thousand euros, spread over a three-year vesting period.

Share-based awards having expired during the financial year ended 30 June 2017

Upon completion of the vesting period of the free share allocation plan of 11 February 2015, the members of the management and administrative bodies acquired an aggregate gross amount of 118 thousand euros paid in August 2017.

Expenses recorded under the free share and share-based awards programmes

The gross income recorded under staff expenses for the financial years ended 30 June 2017 was 510 thousand euros. The gross expense amounting to 256 thousand euros was recorded under staff expenses for the financial years ended 30 June 2018.

NOTE 19. FINANCIAL INFORMATION RELATED TO SUBSIDIARIES AND EQUITY INVESTMENTS

The table below contains the list of investments held by Eutelsat Communications in subsidiaries and other companies as of 30 June 2018:

(in thousands of euros)	Capital	Other components of shareholders' equity as of 30 June (local accounts)	Percentage of ownership (as a %)	Last financial period ended	
				Revenues (local accounts)	Net income (local accounts)
Eutelsat SA RCS no 422 551 176 Paris Headquarters in Paris (financial period ended 30/06/2018)	658,555		100%	1,073,096	323,888

The table below provides aggregated information on all investments held by Eutelsat Communications in subsidiaries and other companies as of 30 June 2018:

(in thousands of euros)	Gross book value of investments held	Provision for impairment	Loans and advances	Pledges and guarantees granted	Dividends received
Subsidiaries and equity interests	2,558,028	-	231,926	-	302,674

NOTE 20. SUBSEQUENT EVENTS

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