MAZARS

ERNST & YOUNG et Autres

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders.
This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Eutelsat Communications

Year ended June 30, 2016

Statutory auditors' report on the financial statements

MAZARS
Tour Exaltis
61, rue Henri Regnault
92400 Courbevoie
S.A. au capital de € 8.320.000

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Eutelsat Communications

Year ended June 30, 2016

Statutory auditors' report
on the financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended June 30, 2016, on:

- the audit of the accompanying financial statements of Eutelsat Communications;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at June 30, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Your company records impairments on financial investments according to the methods described in note 2.3 to the financial statements. Based on available information, we have assessed the methods used by your company and tested on a sample basis the correct application of these methods. As part of the justification of our assessments, we have assessed the data and assumptions used to estimate the value in use of the financial investments.

These assessments were made as part of our audit of the financial statements taken as a whole and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the board of directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French commercial code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or being controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

Courbevoie and Paris-La Défense, July 28, 2016

The statutory auditors
French original signed by

MAZARS	ERNST & YOUNG et Autres
Isabelle Sapet	Pierre-Henri Pagnon

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 2016

BALANCE SHEET

(in thousands of euros)	Notes	30 June 2015	30 June 2016
ASSETS			
Long-term assets			
Financial assets	3	2,446,899	2,445,334
Total long-term assets		**2,446,899**	**2,445,334**
Current assets			
Accounts receivable		127	818
Other receivables	4	79,272	242,635
Cash and marketable securities	5	7,200	4,143
Total current assets		**86,599**	**247,596**
Prepaid expenses	6	3,043	2,653
Total assets		**2,536,541**	**2,695,583**

BALANCE SHEET

(in thousands of euros)	Notes	30 June 2015	30 June 2016
LIABILITIES			
Common stock (232,774,635 ordinary shares as of 30 June 2016 with a nominal value of €1 per share)		226,972	232,775
Additional paid-in-capital		594,075	738,087
Legal reserve		22,697	23,277
Retained earnings		816,656	828,508
Result of the year		259,067	262,141
Regulated provisions		467	467
Total shareholder's equity	**7**	**1,919,935**	**2,085,256**
Provisions for risks		-	-
Provisions for expenses		945	170
Total provisions for risks and expenses	**8**	**945**	**170**
Loans and bank debt [1]	9	600,775	600,315
Other financial debt		-	-
Total financial debt		**600,775**	**600,315**
Accounts payable		2,572	2,287
Tax and employee-related payable	10	10,811	2,202
Fixed assets payable		-	-
Other payables	15.1	1,501	5,341
Total operating debt		**14,885**	**9,829**
Deferred revenues		2	13
Total liabilities and shareholders'equity		**2,536,541**	**2,695,583**
[1] *including part maturing within one year*		*775*	*315*

INCOME STATEMENTS

(in thousands of euros)	Notes	30 June 2015	30 June 2016
Revenues	12	1,595	3,708
Release of provisions and reclassification of costs	6	3,326	370
Other income		-	-
Total operating income		**4,921**	**4,078**
Other purchases and external expenses		10,529	6,631
Taxes and assimilated		23	915
Wages	18.2	1,890	1,769
Social charges	18.2	679	630
Depreciation, amortisation and provisions	6	6,088	528
Other charges		561	564
Total operating charges		**19,771**	**11,036**
Operating result		**(14,850)**	**(6,958)**
Financial income		282,885	273,171
Financial expenses		24,278	9,108
Financial result	**13**	**258,607**	**264,063**
Exceptional income		3,349	2,414
Exceptional charges		3,343	3,462
Exceptional result	**14**	**6**	**(1,048)**
Mandatory employee profit-sharing		-	-
Income tax	15	(15,305)	(6,084)
Net income		**259,067**	**262,141**

STATEMENTS OF CASH FLOWS

(in thousands of euros)	Notes	30 June 2015	30 June 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		259,067	262,141
Adjustments for non-cash items:			
Capital (gain)/loss on disposal of assets		-	-
Depreciation, amortisation and provisions		6,192	(315)
Other non-operating items		(258,363)	(263,703)
Changes in operating assets and liabilities:			
Accounts receivable		76	(691)
Other current assets		22,521	1,095
Accounts payable		126	(142)
Other payables		(30,118)	(4,913)
Net cash flows provided by operating activities		**(499)**	**(6,529)**
NET CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisitions of satellites and other property and equipment		-	-
Changes in other long-term assets		-	-
Equity investments and other movements in financial investments		(498)	1,626
Net cash flows used in investing activities		**(498)**	**1,626**
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Changes in capital		-	-
Distribution	7.1	(77,931)	(96,704)
Dividends received	13	281,812	272,102
Additional long-term and short-term debt	9	600,000	-
Reimbursements of long-term and short-term debt	9	(800,000)	-
Changes in borrowing		16,000	(164,589)
Free share plans		2,569	549
Interest paid		(25,079)	(9,568)
Interest received		1,045	998
Changes in other debt		-	-
Net cash flows provided by (used in) financing activities		**(1,583)**	**2,789**
Impact of exchange rate		2	12
Increase (decrease) in cash and cash equivalents		(2,578)	(2,102)
Cash and cash equivalents, beginning of period		**6,501**	**3,922**
Cash and cash equivalents, end of period	**6**	**3,922**	**1,820**

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

During the financial period, the Company distributed part of the dividend in shares, which resulted in a share capital increase through the issuance of 5,802,297 shares (see Note 7.1 - *Statement of changes in shareholders’ equity*).

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 Rule 2014-03 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.

There have been no changes in accounting methods during the period.

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 lilely 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 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

Stock is recorded in the balance sheet at its acquisition value less incidental expenses. 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.

Under French law, Eutelsat Communications S.A. is required by law to allocate 5% of its net annual result (after deduction of balances brought forward in the red, if any) to a legal reserve. This minimum contribution is no longer mandatory when the legal reserve represents at least 10% of the share capital. The legal reserve can only be distributed when the company is being wound up.

2.8 Provisions

A provision is an item with a negative economic value for the Company, i.e. it is 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 Recognition of interest rate hedging instruments

The use of hedging instruments against the risk of variations in interest rates allows a fixed rate/variable rate distribution of the Company's debt. Where an instrument can be qualified as a hedging instrument, associated exchange gains and losses are recognised in the financial result, and the premium is reported in the financial result on a prorata temporis basis.

Instruments not qualifying as hedges are valued at their market price. If there is a loss, an allowance is entered and the loss reported in the financial result. Premiums paid on these instruments are recognised in full in the financial result for the period.

NOTE 3. FINANCIAL ASSETS

Financial assets break down as follows:

(in thousands of euros)	30 June 2015	30 June 2016
Equity investments	2,440,645	2,440,645
Other investments in securities	6,314	4,553
Loans and other financial assets	2	136
Total gross book values	**2,446,960**	**2,445,334**
Less provisions	(61)	-
Total net carrying amounts	**2,446,899**	**2,445,334**

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 2015	2,440,645	6,253	2	2,446, 899
Acquisitions	-	67,066	67,200	134,267
Transfers	-	-	-	-
Reimbursement of capital contribution and disposals	-	(68,826)	(67,066)	(135,893)
Reversals/Depreciation, amortisation and provisions	-	61	-	61
Net carrying values as of 30 June 2016	**2,440,645**	**4,553**	**136**	**2,445,334**

(1) Transactions relating to the liquidity agreement (see Note 3.2 - Other investments in securities).

3.1 Equity interests

As of 30 June 2015 and 30 June 2016, the "Equity investments" item includes:

- 500,000 shares in Eutelsat Communications Finance for an amount of 2,401,488,322.14 euros,
- 7,248,478 shares in Eutelsat S.A. for an amount of 39,156,817.32 euros (including acquisition costs of 467,000 euros).

3.2 Other investments in securities

"Other investments in securities" breaks down as follows:

- treasury stock held under a liquidity agreement for 1,595 thousand euros corresponding to 53,000 shares as of 30 June 2015 and for 3,557 thousand euros corresponding to 211,560 shares as of 30 June 2016. As of 30 June 2016, treasury shares were not impaired;
- "SICAV de trésorerie" (short-term marketable securities) held under the liquidity agreement for an amount of 4,718 thousand euros corresponding to 2,047 SICAV BNP Paribas as of 30 June 2015 and for an amount of 996 thousand euros corresponding to 43 SICAV BNP Paribas as of 30 June 2016.

3.3 Loans and other financial assets

"Loans and other financial assets" comprises the cash account related to the liquidity agreement on treasury stock for 1.7 thousand euros as of 30 June 2015 and 136 thousand euros as of 30 June 2016.

NOTE 4. OTHER RECEIVABLES

"Other receivables" break down as follows:

(in thousands of euros)	30 June 2015	30 June 2016
Income tax	-	8,263
Deductible VAT	118	89
Inter-company accounts within the Group	79,140	234,257
Other debit balances	14	26
Total	**79,272**	**242,635**

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 2015	30 June 2016
Treasury stock (1)	3,278	2,323
Mutual fund investments	2,914	-
Cash	5	809
Deposit warrants	1,004	1,011
Total	**7,200**	**4,143**
(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 2015	30 June 2016
Prepaid expenses	98	79
Expenses to be accrued over several years	2,944	2,574
Total	**3,043**	**2,653**

As of 30 June 2015 and 30 June 2016, 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 6,059 thousand euros as of 30 June 2015 and 520 thousand euros as of 30 June 2016.

It should be noted that amortisation of expenses to be accrued during the financial period ended 30 June 2015 includes all set-up costs associated with the 2011 loan which were not amortised as of 30 June 2014, following reimbursement of the 800 million euro Term Loan which was due to mature in December 2016.

NOTE 7. SHAREHOLDERS' EQUITY

7.1 Statement of changes in shareholders' equity

As of 30 June 2016, the share capital comprised 232,774,635 ordinary shares with a nominal value of 1 euro per share.

On 05 November 2015, the Ordinary and Extraordinary Annual General Meeting of Shareholders (AGM) was called upon to approve the annual financial statements for the period ended 30 June 2015. Having recognised a 259,067 thousand euro profit, the AGM decided to distribute a 1.09 euro dividend per share for a total amount of 247,215 thousand euros taken from net income and allocate the remaining balance, i.e. 11,852 thousand euros to retained earnings.

Considering that each shareholder may choose to receive payment of the dividend in cash or in shares, the dividend was distributed as follows:

- share capital increase of 5,802,297 new shares with a par value of 1.00 euro per share;
- legal reserve increased by 580 thousand euros;
- additional paid-in capital increased by 144,012 thousand euros after deduction of the costs associated with the capital increase (188 thousand euros) less corporate income tax;
- cash settlements for 96,704 thousand euros.

(in thousands of euros)	01/07/2015	Movements affecting the capital		Allocation of result	Distribution of dividends	Other movements	30/06/2016
		Increase	Reduction				
Share capital	226,972	5,802	-	-	-	-	232,775
Additional paid-in capital	560,790	144,012	-	-	-	-	704,802
Share premium	33,285	-	-	-	-	-	33,285
Legal reserve	22,697	580	-	-	-	-	23,277
Retained earnings (+)	816,656	-	-	11,852	-	-	828,508
Result as of 30/06/2015	259,067	-	-	(11,852)	(247,215)	-	-
Regulated provisions [1]	467	-	-	-	-	-	467
Total	**1,919,935**	**150,395**	**-**	**-**	**(247,215)**	**-**	**1,823,114**
				Shareholders' equity before result			1,823,114
				Result for the year			262,141
				Total shareholders' equity			**2,085,255**

(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

During the financial year ended 30 June 2016, a new free share plan based on Eutelsat Communications shares has been approved. On 16 February 2016, the Board of Directors subsequently decided to introduce:

- a free share allocation plan for some employees of the Group, including the "mandataires sociaux" (directors and corporate officers). The allocation plan should be implemented through the distribution of previously repurchased shares.
- 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 2016, the Group runs four free share allocation plans started in November 2012, February 2014, February 2015 and February 2016 respectively, as broken down in the table below.

Conditions	November 2012 Plan	February 2014 Plan	February 2015 Plan	February 2016 Plan
Vesting period	November 2012 - November 2015 (1)	February 2014 - June 2016	February 2015 - June 2017	February 2016 - February 2019 (1)
Settled in	Shares	Cash	Cash	Shares and cash
Lock-up period	November 2015 - November 2017 (2)	N/A	N/A	February 2019 - February 2021(2)
Maximum number of share-based awards	347,530	448,585	436,639	482,211
Number of recipients	712	781	759	805
Features of "Employees" Plan:				
- number of shares per recipient	200	300	300	300
- performance-related targets	Cumulative EBITDA for 50%	Cumulative EBITDA for 50%	Cumulative EBITDA for 50%	Cumulative EBITDA for 50%
	Average ROCE for 50%	Average ROCE for 50%	Average ROCE for 50%	Average ROCE for 50%
Features of "Managers" Plan:				
- total number of shares	205,530	214,885	208,939	241,581
- performance-related targets	Cumulative EBITDA for 25%	Cumulative EBITDA for 25%	Cumulative EBITDA for 1/3	Cumulative EBITDA for 1/3
	Average ROCE for 25%	Average ROCE for 25%	Average ROCE for 1/3	Average ROCE for 1/3
	Cumulative EPS for 25%	Cumulative EPS for 25%	Relative TSR for 1/3	Relative TSR for 1/3
	TSR for 25%	TSR for 25%		
Share price used as taxation basis for calculating social contributions and employer's charges:				
- "Employees" Plan	€19.73	€23.60	€28.37	-
- "Managers" Plan	€6.88	€13.08	€20.12	-

(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) EPS is defined as the Group's net earnings per share.
(6) 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).

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

Treasury stock

As of 30 June 2015, the Company holds 151,792 equity shares for 3.3 million euros, recorded as “Cash and marketable securities” (see Note 5 - *Cash and marketable securities*).

As of 30 June 2016, the Company holds 108,655 equity shares for 2.3 million euros, recorded as “Cash and marketable securities” (see Note 5 - *Cash and marketable securities*).

NOTE 8. PROVISIONS FOR RISKS AND EXPENSES

“Provisions for risks and expenses” mainly includes the provision for allocating free shares (see Note 7.2 - *Free allocation of Eutelsat Communications shares and Eutelsat Communications' share-based awards*) and provisions for litigation.

The change in the provisions for risks and expenses is as follows:

(in thousands of euros)	30 June 2015	Allowance	Reversals (used provisions)	Reversals (unused provisions)	30 June 2016
Operating result	79	7	86	-	0
Financial result	-	-	-	-	-
Exceptional result	866	170	866	-	170
Total	**945**	**177**	**952**	-	**170**

NOTE 9. FINANCIAL DEBT

➢ Financial information as of 30 June 2015 and 30 June 2016:

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, the Company obtained the approval of all lenders on an initial one-year extension until March 2021. They are as follows:

(in thousands of euros)	30 June 2015	30 June 2016
Loans and financial debt	600,000	600,000
Accrued interest	775	315
Total	**600,775**	**600,315**

Maturities of debts are as follows:

(in thousands of euros)	30 June 2015	30 June 2016
2020	600,000	-
2021	-	600,000
Total	600,000	600,000

Position as of 30 June 2016:

Eutelsat Communications has access to the following credit facilities:

- a term loan of 600 million euros expiring in March 2020 (with two possible extension facilities of one year each subject to lender's approval) remunerated at a EURIBOR rate plus a margin of between 0.65% and 1.40%. The first extension option was obtained in March 2016.
- a 200 million euro revolving credit line (undrawn as of 30 June 2016) entered into in March 2015 with a five-year maturity (with two possible extension facilities of one year each subject to lender’s agreement). The first extension option was obtained in March 2016.

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.

These 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:

- 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.

9.1 Compliance with banking covenants

As of 30 June 2016, the Group was in compliance 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 2015	30 June 2016
State: accrued liabilities	85	39
Income tax	8,774	-
Output VAT	36	67
Staff: accrued liabilities	1,380	1,459
Social charges payable	536	637
Total	**10,811**	**2,202**

All tax and employee related-payable mature within one year.

NOTE 11. PERSONNEL

The Company has no employees.

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

NOTE 12. REVENUE

Company revenue is generated through reinvoicing 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 2015	30 June 2016
France	1,595	3,708
Export	-	-
Revenue recognition	**1,595**	**3,708**

NOTE 13. FINANCIAL RESULT

The financial result is made up as follows:

(in thousands of euros)	30 June 2015	30 June 2016
Interest expense	(24,213)	(9,107)
Interest income	1,045	998
Proceeds from equity investments	281,812	272,102
Investment earnings	2	-
Proceeds from mutual fund investments	16	3
Other	(56)	68
	258,607	**264,063**

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 2016, income from equity investments mainly consists of interim dividends and dividends from the subsidiaries Eutelsat Communications Finance (270 million euros) and Eutelsat S.A. (2.1 million euros).

For the year ended 30 June 2015, income from investments mainly consisted of interim dividends and dividends from the subsidiaries Eutelsat Communications Finance (280 million euros) and Eutelsat S.A. (1.8 million euros).

NOTE 14. EXCEPTIONAL RESULT

The exceptional result comprises the following:

(in thousands of euros)	30 June 2015	30 June 2016
Gain on repurchase of treasury stock	776	710
Cost of free share grant invoiced to subsidiaries	2,574	838
Reversal of provisions for tax risks	-	866
Exceptional income	**3,349**	**2,414**
Fines and penalties	-	-
Loss on repurchase of treasury stock	276	2,337
Cost of purchase of free shares allocated	2,788	955
Allocation to provisions for tax risks	279	170
Exceptional charges	**3,343**	**3,462**
Exceptional result	**6**	**(1,048)**

NOTE 15. TAX ON PROFITS

15.1 Tax consolidation

On 28 June 2006, the Company decided to apply a tax consolidation system to the 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 the entities Eutelsat S.A., Eutelsat Communications Finance S.A.S., Eutelsat Broadband Services S.A.S (formerly Eutelsat VAS SAS), Fransat S.A. and Skylogic France S.A.S.

As of 30 June 2015 and 30 June 2016, the tax expense for the tax consolidation group is 165 million euros and 164 million euros respectively, and the amount due by the sub-subsidiaries under the tax consolidation agreement is 183 million euros and 175 million euros, which yields a profit of 18.6 million euros and 10.6 million euros respectively. As of 30 June 2016, the Company posted current accounts in respect of the tax consolidation system with debit balances for 1.5 million euros and credit balances for 5.3 million euros.

As a reminder, Eutelsat Communications' losses prior to the tax consolidation system were 43.3 million euros.

15.2 Common law provisions

As of 30 June 2016, the Company's estimated tax liability breaks down into current income and exceptional income, as follows:

(in thousands of euros)	Income before tax	Tax due	Net income
Current	257,105	(6,109)	263,214
Exceptional	(1,048)	25	(1,073)
Total	**256,057**	**(6,084)**	**262,141**

The corporate tax includes the income tax rate estimated at 38.0% pursuant to the general arrangements for business taxation, and results from the application of the Amended Finance Act for 2012 ("*Loi de finances rectificative 2012*") which introduced an additional 3% contribution on dividends, and the 2013 Finance Act ("*Loi de finances 2013*") which caps deductibility of financial expenses at 75%.

15.3 Increases and reductions in future tax liability

(in thousands of euros)	30 June 2015	30 June 2016
Reductions in future tax liability:		
Loss carry-forwards [(1)]	14,910	14,910
Impairment of assets	-	-
Non-deductible provisions [(1)]	329	-
Total	**14,519**	**14,910**
Increases in future tax liability:		
Other	-	-
Total	-	-
(1) Rate used: 34.43%		

NOTE 16. MARKET RISK

The Company has exposure to market risks, particularly with regard to interest rates. Such risks are actively managed by Management, and for this purpose the Company employs a certain number of derivatives, the objective of which is to limit, where appropriate, exposure of revenue and cash flows to interest rate risk. The Company's policy is to use derivatives to manage exposure to such risks. Consequently, the Company does not engage in any speculative financial transactions.

Eutelsat Communications S.A.'s exposure to interest-rate risk is managed by hedging its floating rate debt.

In order to hedge the risk on future cash flow changes related to floating rate coupon payments on its debt, the Company had implemented the following interest rate hedging instruments for hedging the Term Loan facility:

- 2 swaps for a notional amount of 350 million euros;
- 2 collars for a notional amount of 350 million euros; and
- 1 cap for a notional amount of 100 million euros.

During the financial year ending 30 June 2016, some instruments were terminated, resulting in the payment of a 1.4 million euro indemnity. The remaining instruments reached maturity without any early termination.

16.1 Financial-counterpart risk

Counterpart 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.

16.2 Financial information as of 30 June 2015 and 30 June 2016

The following table analyses the contractual or notional amounts and fair values of derivatives by type of contract:

	30 June 2015		30 June 2016	
(in thousands of euros)	**Contractual or notional amounts**	**Fair values**	**Contractual or notional amounts**	**Fair values**
INSTRUMENTS				
Repricing swap maturing in 2015	175,000	(1,147)	-	-
Repricing swap maturing in 2015	175,000	(1,147)	-	-
Collar maturing in 2015	175,000	(840)	-	-
Collar maturing in 2015	175,000	(838)	-	-
Cap maturing in 2015	100,000	-	-	-
Total		**(3,972)**		-

NOTE 17. OTHER COMMITMENTS AND CONTINGENCIES

In accordance with the loan agreements referred to in Note 9 - Financial debt, Eutelsat Communications has commitments to perform or not to perform certain actions.

This type of commitment cannot be quantified.

The company's off-balance sheet purchase commitments maturing within less than two years stand at 0.4 million euros.

NOTE 18. RELATED-PARTY TRANSACTIONS

Related parties are defined as any third parties having a direct or indirect capital-based link (not exceeding 99%) with Eutelsat.

More specifically, 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 CEO and the other members of the Board of Directors.

18.1 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 are as follows:

(in thousands of euros)	30 June 2015	30 June 2016
Gross receivables (including unbilled revenues)	5	626
Inter-company accounts: receivables (payables)	10,810	5,132
Debt (including deferred payments)	359	226

Current assets comprise trade receivable balances, inter-company accounts and unbilled revenues, but do not take into account any provisions for bad debts.

Transactions with related parties included in the income statement are as follows:

(in thousands of euros)	30 June 2015	30 June 2016
Revenue	1,595	3,708
Transfer of expenses	2,576	839
Operating charges	2,340	2,614
Financial result	1,814	2,102

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 2016 breaks down as follows:

(in millions of euros)	30 June 2016
Short-term benefits	2.2
Post-employment benefits	See below
Share-based payment	See below

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 2016

During its meetings of 13 February 2014, 11 February 2015 and 16 February 2016, 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 106,510 free shares in Eutelsat Communications to members of the Company's administrative and management bodies subject to conditions set out in the plan. It also decided to determine a 50% holding rate for all fully vested shares during the terms of office of Eutelsat's directors and corporate officers ("mandataires sociaux").

The value of the benefit granted as of 30 June 2016 has been estimated at 458 thousand euros, spread over a three-year vesting period.

Free share allocation plan having expired during the financial year ended 30 June 2016

At the end of the vesting period of the 08 November 2012 free share allocation programme, members of the Company's administrative and management bodies received 5,308 free shares.

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

The expense recorded under staff expenses for the financial year ended 30 June 2015 was 673 thousand euros. Gross income amounting to 392 thousand euros was recorded under staff expenses for the financial year ended 30 June 2016.

In July 2015, attendance fees paid to members of the Board of Directors amounted to 491 thousand euros in respect of the financial year 2014-2015.

No payment was made in respect of the financial year ended 30 June 2016.

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 2016:

(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 Communications Finance RCS no. 490416674 Paris Headquarters in Paris (period ended 30/06/2015)	5,000	2,914,367	100%	-	277,333

The table below provides aggregated information on all investments held by Eutelsat Communications in subsidiaries and other companies as of 30 June 2016:

(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	2,401,488	-	-	-	270,000

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.