EUTELSAT Communications

2023-2024 HALF-YEAR FINANCIAL REPORT

(July-December 2023)

2023-24 HALF-YEAR FINANCIAL REPORT

(July-December 2023)

SUMMARY

THIS INTERIM FINANCIAL REPORT INCLUDES A STATEMENT OF INDIVIDUALS RESPONSIBLE FOR THIS DOCUMENT, AN INTERIM MANAGEMENT REPORT, INTERIM CONSOLIDATED ACCOUNTS AND THEIR APPENDIX FOR THE PAST SIX MONTHS AND THE REPORT OF THE AUDITORS ON THE REVIEW OF THE ABOVE.

PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

I certify that, to my knowledge, the consolidated financial statements for the half year are prepared in accordance with applicable accounting standards and present fairly the assets, financial condition and results of the company and the entities included in consolidation, and that the interim management report includes a fair review of significant events occurring during the first six months of the year, their impact on the accounts, the main transactions between related parties and a description of major risks and uncertainties for the remaining six months of the year.

Eva Berneke

Chief Executive Officer

1 KEY EVENTS AND BUSINESS OVERVIEW

1.1 Highlights

- Eutelsat OneWeb combination effective since late September 2023.

- Operational successes including entry into service of KONNECT VHTS and EUTELSAT 10B as well as completion of space-segment of OneWeb Constellation.

- First Half Operating Vertical revenues of €571.1 million up 1.2% on a like-for-like basis.

- Second Quarter Operating Vertical revenues up +3.9% on like-for-like basis and by 5.4% quarter-on-quarter.

- Eutelsat legacy businesses return to growth in FY 2024 thanks notably to availability of EUTELSAT 10B and KONNECT VHTS incremental capacity.

- OneWeb LEO business behind schedule due to ground segment delays but expected to accelerate in coming months as gateway installations increase, with 90% coverage targeted by mid-2024.

- Design of Next Generation OneWeb constellation focused on progressive extension of current in-orbit assets, leading to reduction in expected capital expenditure for the period 2025-30.

1.2. Key figures

Key Financial Data	6M to Dec. 2022	6M to Dec. 2023[1]	*Change*	*Change Pro Forma*[2]
P&L				
Revenues - €m	573.8	**572.6**	**-0.2%**	**1.0%**
"Operating Verticals" revenues reported - €m	581.9	**571.1**	**-1.9%**	**1.2%**
Adjusted EBITDA - €m	419.0	**365.6**	**-12.7%**	**-**
Adjusted EBITDA - %	73.0%	**63.8%**	**-9.2pt**	**-**
Operating income - €m	151.2	**-134.4**	**n.a.**	**-**
Group share of net income - €m	51.9	**-191.3**	**n.a.**	**-**
Financial structure				
Net debt - €m	2,996.0	**2,619.1**	**-376.9 M€**	**-**
Net debt/ Adjusted EBITDA - X	3.55	**4.13**	**+0.58 pt**	**-**
Backlog - €bn	3.7	**3.9**	**6.1%**	

[1] Including OneWeb participation from October 1st, 2023
[2] Unaudited change at constant currency and constant perimeter. The variation is calculated as follows: i) H1 2023-24 USD revenues are converted at H1 2022-23 rates; ii) the contribution of the BigBlu retail broadband operations from 1st July 2022 to 30 December 2022 is excluded from H1 2022-23 revenues iii) H1 2022-23 and H1 2023-24 revenues are restated to include the contribution of OneWeb as if the operation had been completed from July 1st, 2022; iv) Hedging revenues are excluded.

1.3. Revenues[3]

In € millions	6M to Dec 2022	6M to Dec 2023 [1]	Change	
			Reported	Like-for-like[2]
Video	365.9	331.1	-9.5%	-8.0%
Government Services	66.9	74.2	11.0%	10.5%
Mobile Connectivity	55.9	71.2	27.2%	35.6%
Fixed Connectivity	93.2	94.6	+1.5%	9.2%
Total Operating Verticals	**581.9**	**571.1**	**-1.9%**	**1.2%**
Other Revenues	-8.1	1.6	n.a.	n.a.
Total	**573.8**	**572.6**	**-0.2%**	**1.0%**
EUR/USD exchange rate	*1.01*	*1.08*		

Total revenues for the **First Half of FY 2023-24** stood at €572.6 million, down by 0.2% on a reported basis and up by 1.0% like-for-like. Revenues of the four Operating Verticals (i.e., excluding 'Other Revenues') stood at €571.1 million. They were up 1.2% on a like-for-like basis, excluding a negative currency impact of €18 million.

Second Quarter revenues stood at €298.7 million up 3.7% like-for-like. Revenues of the four Operating Verticals stood at €298.6 million, up 3.9% year-on-year on a like-for-like basis, and up 5.4% quarter-on-quarter.

In € millions	Q2 2022-23	Q2 2023-24[1]	Change	
			Reported	Like-for-like[2]
Video	182.4	167.6	-8.1%	-6.4%
Government Services	32.2	40.7	26.6%	17.4%
Mobile Connectivity	30.0	36.0	20.1%	28.2%
Fixed Connectivity	46.8	54.3	16.1%	17.6%
Total Operating Verticals	**291.4**	**298.6**	**2.5%**	**3.9%**
Other Revenues	-5.0	0.1	n.a.	n.a.
Total	**286.4**	**298.7**	**4.3%**	**3.7%**
EUR/USD exchange rate	*1.00*	*1.07*		

Unless otherwise stated, all variations indicated below are on an unaudited like-for-like basis, ie, at constant currency and perimeter. The variation is calculated as follows: i) H1 2023-24 USD revenues are converted at H1 2022-23 rates; ii) the contribution of the BigBlu retail broadband operations from 1st July 2022 to 31 December 2022 is excluded from H1 2022-23 revenues iii) H1 2022-23 and H1 2023-24 revenues are restated include the contribution of OneWeb as if the operation had been completed from July 1st, 2022; iv) Hedging revenues are excluded.

Video (58% of revenues)

First Half Video revenues were down by 8.0% to €331.1 million, reflecting the impact of the early non-renewal of a capacity contract with Digitürk from mid-November 2022 as well as lower revenues in Europe related to volume reductions with certain resellers. They were also impacted by the effect of sanctions against some Russian and Iranian channels.

Second Quarter revenues stood at €167.6 million down by 6.4% year-on-year, and up 1.9% on a sequential basis. This increase was partly due to a one-off contract of c. €3 million in Latin America related to technical assistance for a customer.

Professional Video revenues, which account for less than 10% of the Video vertical, also decreased, reflecting ongoing structural headwinds.

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

The Second Half basis of comparison will no longer reflect the impact of sanctions against Russian and Iranian channels nor the Digitürk non-renewal, and revenues are expected broadly in line with the wider market trend of a mid-single digit decline.

Government Services (13% of revenues)

First Half Government Services revenues stood at €74.2 million, up by 10.5% year-on-year, reflecting the slightly better renewal rate of the Fall US DoD campaign (above 80%) as well as the contribution of the EGNOS GEO-4 contract on HOTBIRD 13G. Revenues also included a contribution from OneWeb.

Second Quarter revenues stood at €40.7 million, up by 17.4% year-on-year and by 4.2% quarter-on-quarter.

The Second Half will benefit from the full period contribution from OneWeb's LEO-enabled connectivity solutions, as well as the contribution from the abovementioned EGNOS GEO-4 contract on HOTBIRD 13G (generating €100m in revenues over 15 years).

Mobile Connectivity (12% of revenues)

First Half Mobile Connectivity revenues stood at €71.2 million, up 35.6% year-on-year, underpinned by the entry into service of the high-throughput satellite, EUTELSAT 10B, with significant pre-commitments and the commercialization of the final beam on EUTELSAT QUANTUM for a maritime mobility client.

Second Quarter revenues stood at €36.0 million, up 28.2% year-on-year and up by 0.2% quarter-on-quarter, reflecting the tougher basis of comparison due to the above-mentioned entry into service of incremental capacity during the First Quarter.

Over the Full Year, Mobile Connectivity is expected to see double-digit growth driven by strong demand for both GEO and LEO-based connectivity solutions.

Fixed Connectivity (17% of revenues)

First Half Fixed Connectivity revenues stood at €94.6 million, up 9.2% year-on-year, mainly reflecting the entry into service of KONNECT VHTS, as well as a contribution from LEO connectivity.

Second Quarter revenues stood at €54.3 million, up 17.6% year-on-year and by 23.7% on a sequential basis, mainly reflecting contracts that started from mid-October following the entry into service of KONNECT VHTS.

This positive dynamic is expected to translate into double digit-growth for the Full Year on the back of KONNECT VHTS as well as the contribution from the LEO connectivity offer.

Other Revenues

In the First Half, Other Revenues amounted to €1.6 million versus -€8.1 million a year earlier. They included a €2 million negative impact from hedging operations versus a negative impact of €12 million a year earlier.

1.4. Order Backlog

The backlog stood at €3.9 billion on 31 December 2023 versus €3.7 billion a year earlier. This increase reflects the contribution of OneWeb's backlog, now standing at €700[4] million, up 23% over the last quarter, partly offset by natural erosion of the backlog, especially in the Video segment, in the absence of major renewals.

The backlog was equivalent to 3.5 times FY 2022-23 revenues, with Video representing 46% of the total. This reflects the increasing momentum of the telecom pivot.

	31 Dec. 2022	30 June 2023	**31 Dec. 2023**
Value of contracts (in billions of euros)	**3.7**	3.4	**3.9**
In years of annual revenues based on previous fiscal year	***3.2***	*3.0*	***3.5***
Share of Video application	**59%**	59%	**46%**

Note: The backlog represents future revenues from capacity or service agreements and can include contracts for satellites under procurement. Managed services are not included in the backlog.

[4] Converted into Euros and excluding intercompany agreements.

2 PROFITABILITY

2.1. Profitability

Adjusted EBITDA stood at €365.6 million on 31 December 2023 compared with €419.0 million a year earlier, down by 12.7%. The **Adjusted EBITDA margin** stood at 64.1% at constant currency (63.8% reported) versus 73.0% a year earlier. This Adjusted EBITDA margin is reflective of the progressive rebalancing of our business towards connectivity applications.

Operating costs were €52.2 million higher than last fiscal year reflecting the impact of the consolidation of OneWeb. This was partially offset by a positive perimeter effect from the disposal of the BigBlu retail broadband operations, as well as lower Bad Debt especially in Video.

Group share of net income stood at -€191.3 million versus +€51.9 million a year earlier. This reflected:

- **Other operating expenses** of -€183.9 million, compared to -€34.0 million last year, mainly due to fair value adjustment of shares owned by Eutelsat before the combination.
- Higher **depreciation** of -€316.1 million versus -€233.8 million a year earlier, reflecting the perimeter effect from OneWeb as well as higher in-orbit and on-ground depreciation. (Four satellites, HOTBIRD 13F, HOTBIRD 13G, EUTELSAT 10B and KONNECT VHTS entered service between April and October 2023).
- A **net financial result** of -€60.7 million versus -€56.0 million a year earlier, reflecting the higher interest rates, partly offset by favourable evolution of foreign exchange gains and losses.
- **Corporate Income Tax**: gain of €28.5 million versus tax cost of €0.8 million last year mainly driven by the positive deferred tax recognized due to the Satmex arc assets impairments.
- Losses **from associates** of -€23.0 million, reflecting the contribution of the stake in OneWeb in the First Quarter, which in FY 2022-23 was from July 2022 onwards.

2.2. Cash Capex

Cash Capex amounted to €224 million, versus €194 last year; this increase reflects the perimeter effect from the consolidation of OneWeb, and is not representative of the decrease in Capex, for both Eutelsat and OneWeb, due to the phasing of satellite program delivery and launch last year during the first semester.

2.3. Financial structure

On 31 December 2023, net debt stood at €2,619.1 million, down €146.6 million versus end of June 2023. It reflected: i) receipt of phase II C-Band proceeds net of tax of €330.4 million; ii) a negative impact from our financing activities mostly related to structured debt combined with iii) a decrease in cash flow from operating activities due to the consolidation with OneWeb.

The net debt to Adjusted EBITDA ratio stood at 4.13 times, compared to 3.55 times at end-December 2022 and 3.35 times at end-June 2023.

The average cost of debt after hedging stood at 3.16% (2.7% in H1 2022-23). The weighted average maturity of the Group's debt stood at 3.0 years, compared to 4.1 years at end-December 2022.

Undrawn credit lines and cash stood at around €1.8 billion.

3 RISK FACTORS

Information contained in this report expresses the objectives set on the basis of the Group's current estimates or assessments. However, the said information is subject to risks and uncertainties as set out below.

The main risks which the Group is likely to face during the second half of the financial year are similar by nature to those described in Chapter 4 – Risk Factors – of the Company's Universal Registration Document as registered with the "Autorité des marchés financiers" (French securities regulator) and filed on 12 September 2023 under number D.23-0691.

The nature of these risks has not changed substantially during the First Half of the financial year.

However, it is worth noting that the Group's activity, in particular its development and ability to meet the objectives described in this half-year report, is likely to be impacted by a number of identified or unknown risks. A significant example of the risks pertaining to the Group's activity is the technical risk associated with the total or partial loss of all or part of an operational satellite or with a launch or launch-related operations.

4 CHANGES WITHIN THE GROUP

4.1. Governance and Social Responsability

Changes to Eutelsat Group Executive Committee

David Bertolotti, Secretary General & Company Secretary, will leave Eutelsat Group at the end of February 2024 to return to French Ministry of Europe and Foreign Affairs. Following David's departure, the teams he currently leads will be joining new departments: Institutional affairs will join the Strategy and Resources Department (Jean-Hubert Lenotte), CISO, Security, Legal, Compliance will be regrouped with HR, Transformation, and Internal Coms to form a new General Secretary Department (Anne Carron).

Joanna Darlington was appointed as Chief Communications and Investor Relations Officer on 2nd January 2024, replacing Vanessa Mahoney.

Annual General Meeting

The Annual General Meeting of Shareholders of Eutelsat Communications was held on 23 November, in Paris. All the resolutions were approved. They included notably:

- Approval of the accounts.
- Compensation report and policy of corporate officers.
- Authorization to the Board of Directors to purchase the Company's shares.

Corporate Social Responsibility

On 12th September 2023, Eutelsat publicly released its Extra-Financial Performance Statement for the fiscal year 2022, integrated into the Universal Registration Document. This statement highlights the environmental, social, and governance issues, providing details on the Group's CSR policy, its carbon footprint, and a report on its ESG (Environmental, Social, and Governance) indicators.

On 19th October, the Group announced its environmental roadmap with ambitious objectives to reduce its carbon impact and combat climate change, in line with the requirements of the Paris Agreement. By 2030, Eutelsat commits to a 50% reduction in its greenhouse gas emissions related to energy consumption (Scopes 1+2) compared to the 2021 reference year. The Group will submit these objectives to the Science Based Targets initiative (SBTi) this year to obtain an independent assessment and validation of these goals.

Following the integration of OneWeb into its activities, Eutelsat Group will expand the scope of its Scope 3 emissions calculation to include the Low Earth Orbit (LEO) satellite constellation and associated ground infrastructure.

4.2. Udpatde on OneWeb integration

The combination between Eutelsat and OneWeb has been effective since end September 2023. Since then, we have been fully focused on the integration of the two companies, as well as driving the operational and commercial momentum of OneWeb:

The space segment of the constellation is fully up and running and delivering proven performance.

OneWeb's order backlog continues to grow, now standing at €700m[4], up by 23% over one quarter, while we are seeing strong commercial traction with several deals activated with major customers. We are making progress on the ground roll-out following recently reported delays and we are on track for 90% network coverage by mid-2024.

The progress of the integration enables us to confirm the synergies expected from the operation. In particular, cost synergies[5] are fully on track, and we have scope to exceed our original plan.

Capex synergies also confirmed. Eutelsat Group is progressing as planned in its evaluation of the requirements for the Next Generation OneWeb constellation, with potential solutions focused on service continuity and a stepwise enhancement of the OneWeb services. This focus is informed by operational and commercial in-market experience now that the constellation is in service.

The Next Gen will progressively embark additional capacity and enhanced performances compared to Gen 1, with the scope to upgrade both constellation services and performances progressively.

The cost of this approach is lower than previous estimates for the build-out of the OneWeb Next Generation.

Thus, we are adjusting our mid-term capex estimates: Cash capex for FY 2024 remains expected in a range between €600m and €650m. For the period FY 2025 to FY 2030, cash capex[6] after synergies is now expected in a range of €600m to €700m on average per annum (versus €725m to €875m per annum previously).

[5] annual expected run-rate in pre-tax cost synergies of over €80m by Year 5 of the merger.
[6] Based on nominal deployment plan for the GEO fleet and LEO constellation; excluding uncommitted projects.

5 RECENT EVENTS AND SATELLITE FLEET EVOLUTION

5.1. Satellite fleet evolution

Nominal deployment programme

The nominal deployment plan is as follows:

Satellite	Orbital position	Estimated entry into service (calendar year)	Main applications	Main geographic coverage	Capacity	Of which expansion
EUTELSAT 36D	36° East	*H2 2024*	Video Government	Africa, Russia, Europe, Middle East	70 transponders in Ku-band UHF payload	UHF payload
FLEXSAT AMERICAS	-	*2026 (delivery)*	Connectivity	Americas	>100 Gbps	-

Changes in the fleet since 30 June 2023

- EUTELSAT 10B entered service in July 2023
- EUTELSAT 33F, formerly HOTBIRD 13Bc started operation at 33°E in September 2023 replacing EUTELSAT 33E, which is being relocated to the American arc.
- KONNECT VHTS entered operational service in October 2023.
- HOTBIRD 13F entered service at 13°E in September 2023
- EUTELSAT 12WE was deorbited in July 2023
- EUTELSAT 10A was deorbited in November 2023
- EUTELSAT 113 West A ceased operation in January 2024

Following these operations, the geostationary fleet stands at 35 satellites.

6 CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS AS OF 31 DECEMBER 2023

Eutelsat Communications S.A.

“Société anonyme” with a capital of 475,178,378 euros
Registered office: 32, boulevard Gallieni - 92130 Issy Les Moulineaux
481 043 040 R.C.S. Nanterre

CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS AS OF 31 DECEMBER 2023

CONSOLIDATED INCOME STATEMENT

(in millions of euros, except per-share data)	Note	31 December 2022	31 December 2023
Revenues from operations	5.1	**573.8**	**572.6**
Operating costs	5.2	(51.1)	(89.2)
Selling, general and administrative expenses	5.2	(103.7)	(117.8)
Depreciation expense	6.1	(233.8)	(316.1)
Other operating income and expenses	5.4	(34.0)	(183.9)
Operating income		**151.2**	**(134.4)**
Cost of net debt	5.5	(33.8)	(55.1)
Other financial items	5.5	(22.2)	(5.6)
Financial result	**5.5**	**(56.0)**	**(60.7)**
Net income before tax		**95.2**	**(195)**
Income tax	5.6	(0.8)	28.5
Share of result from associates	6.2	(39.1)	(23)
Net income		**55.3**	**(189.5)**
Attributable to the Group		51.9	(191.3)
Attributable to non-controlling interests		3.4	(1.8)
Basic and diluted earnings per share attributable to Eutelsat Communications S.A. shareholders	**5.7**	0.215	(0.529)

COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Note	31 December 2022	31 December 2023
Net income		**55.3**	**(189.5)**
Other recyclable items of gain or loss on comprehensive income			
Translation adjustment	6.7.4	(15.7)	0.7
Tax effect	6.7.4	(0.7)	(1.0)
Changes in fair value of hedging instruments (1)	6.7.3	28.9	0.3
Tax effect	6.7.3	(7.3)	(0.1)
Other non-recyclable items of gain or loss on comprehensive income			
Changes in post-employment benefits		(11.4)	(10.2)
Tax effect		3.0	2.6
Total of other items of gain or loss on comprehensive income	6.7.5	**(3.3)**	**(7.6)**
Total comprehensive income		**52.0**	**(197.1)**
Attributable to the Group		48.8	(198.4)
Attributable to non-controlling interests (2)		3.2	1.2

(1) Changes in the fair value of hedging instruments concern only cash-flow hedges, net foreign investment hedges, the impact of unwinding documented forwards and the amortisation of termination indemnities.

(2) The portion attributable to non-controlling interests breaks down as follows:
- A net result of 1.8 million euros as of 31 December 2023 and 3.4 million euros as of 31 December 2022.
- 0.1 million euros of other recyclable items of gain or loss on comprehensive income as of 31 December 2023 and 0.1 million as of 31 December 2022.
- (0.7) million euros of other non-recyclable items of gain or loss on comprehensive income as of 31 December 2023 and (0.3) million euros as of 31 December 2022.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of euros)	Note	30 June 2023	31 December 2023
Assets			
Goodwill	6.1.1	1,280.1	1,276.4
Intangible assets	6.1.1	302.2	488.7
Tangible assets and construction in progress	6.1.2	3,587.0	4,998.6
Rights of use in respect of leases	6.1.3	345.1	404.5
Investments in associates	6.2	501.2	11.9
Non-current financial assets	6.4.4	163.9	98.9
Non-current assets associated with customer contracts and costs to obtain or fulfil a contract	6.3	31.8	32.1
Deferred tax assets		15.3	25.6
Total non-current assets		**6,226.5**	**7,336.7**
Inventories		13.0	99.3
Accounts receivable	6.3	207.5	235.6
Current assets associated with customer contracts and costs to obtain or fulfil a contract	6.3	13.3	14.4
Other current assets		39.0	125.6
Current tax receivable		40.6	11.7
Current financial assets	6.4.4	388.8	15.7
Cash and cash equivalents	6.4.1	482.2	897.3
Investments held for sale	6.5	-	69.4
Total current assets		**1,184.3**	**1,469.2**
Total assets		**7,410.8**	**8,805.9**

(in millions of euros)	Note	30 June 2023	31 December 2023
Liabilities			
Share capital	6.7.1	248.9	475.2
Additional paid-in capital		831.3	3,111.8
Reserves and retained earnings		1,895.1	466.5
Non-controlling interests		96.8	84.6
Total shareholders' equity		**3,072.1**	**4,138.1**
Non-current financial debt (1)	6.4.2	2,841.8	2,954.2
Non-current lease liabilities (1)	6.4.4	272.5	366.2
Other non-current financial liabilities	6.4.4	54.7	54.6
Non-current payables to fixed asset suppliers	6.4.4	1.2	0.3
Non-current liabilities associated with customer contracts	6.3	269.0	286.3
Non-current provisions	6.7	29.2	39.9
Deferred tax liabilities		157.9	156.2
Total non-current liabilities		**3,626.2**	**3,857.7**
Current financial debt (1)	6.4.2	97.6	142.7
Current lease liabilities (1)	6.4.4	47.0	57.4
Other current payables and financial liabilities	6.4.4	113.0	92.2
Accounts payable		93.5	131.2
Current payables to fixed asset suppliers	6.4.4	188.5	51.9
Tax payable		99.5	58.0
Current liabilities associated with customer contracts	6.3	68.5	269.8
Current provisions	6.8	5.1	6.8
Total current liabilities		**712.5**	**810.1**
Total liabilities and shareholders' equity		**7,410.8**	**8,805.9**

(1) The net debt calculation used for the covernant includes these debts (see Note 6.4.3).

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	Note	31 December 2022	31 December 2023
Cash flow from operating activities			
Net income		55.3	(189.5)
Result from associates		39.1	23.0
Tax and interest expenses, other operating items (1)		57.8	111.7
Depreciation, amortisation and provisions		246.8	413.3
Deferred taxes		(15.8)	(30.2)
Changes in accounts receivable		6.3	(9.1)
Changes in assets held under customer contracts and other assets		8.1	(36.3)
Changes in accounts payable		5.1	(15.1)
Changes in liabilities associated with customer contracts and other liabilities		(37.0)	3.5
Taxes paid		(12.4)	15.3
Net cash flows from operating activities		**353.3**	**286.5**
Cash flow from investing activities			
Acquisitions of satellites, other property and equipment, and intangible assets		(166.5)	(139.7)
Proceeds from release of the C band			330.4
Acquisitions of equity investments and other movements (2)		(29.2)	143.1
Net cash flows from investing activities		**(195.7)**	**333.8**
Cash flow from financing activities			
Distributions		(80.6)	0.0
Repayment of borrowings (3)		(300.0)	(164)
Repayment of lease liabilities		(27.8)	(19.0)
Loan set-up fees		-	(2.4)
Interest and other fees paid		(77.4)	(85.6)
Transactions with non-controlling interests (4)		(15.5)	(26.0)
Premiums and termination indemnities on derivatives settled		(31.0)	-
Increase in debt and others		-	90.0
Net cash flow from financing activities		**(532.2)**	**(207.1)**
Impact of exchange rate on cash and cash equivalents		1.7	1.7
Increase/(Decrease) in cash and cash equivalents		**(373.0)**	**415.0**
Cash and cash equivalents, beginning of period		**680.5**	**482.2**
Cash and cash equivalents, end of period		**307.4**	**897.2**
Including Cash and cash equivalents, end of period	*6.4.1*	*307.4*	**897.2**
Including Overdrafts included under debt, end of period		-	-

(1) As of 31 December 2023, "Tax and interest expenses, other operating items" mainly include the impact of the purchase price allocation relating to the fair value adjustment of the investment previously held in OneWeb (77.6 million euros). There is no cash impact.

(2) As of 31 December 2023, "Acquisitions of equity investments and other movements" include cash acquired from OneWeb as of 28 September 2023 in the amount of 138.2 million euros.

(3) As of 31 December 2023, "Repayment of borrowings" includes the redemption of the Eutelsat SA and OneWeb Holding Ltd facilities in July and November 2023 for 65.1 million euros and 93.0 million euros respectively.

(4) As of 31 December 2023, "Transactions with non-controlling interests" include an earn-out payment of 6 million euros on the acquisition of non-controlling interests in Eutelsat International and 20 million euros for Euro Broadband Services.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros, except share data)	Share capital			Reserves and retained earnings	Shareholders' equity Group share	Non-controlling interests	Total
	Number	Amount	Additional paid in capital				
As of 30 June 2022	**230,544,995**	**230.5**	**718.0**	**1,828.8**	**2,777.3**	**83.5**	**2,860.9**
Net income for the period	-	-	-	51.9	51.9	3.4	55.3
Other items of gain or loss in comprehensive income (1)	-	-	-	(3.1)	(3.1)	(0.2)	(3.3)
Total comprehensive income	-	-	-	**48.8**	**48.8**	**3.2**	**52.0**
Treasury stocks	-	-	-	(0.7)	(0.7)	-	(0.7)
Dividend distributions	-	-	-	(80.6)	(80.6)	-	(80.6)
Capital increase (2)	18,381,330	18.4	113.3	(131.6)	-	-	-
Benefits for employees upon exercising options and free shares granted	-	-	-	0.4	0.4	-	0.4
Others	-	-	-	(0.1)	(0.1)	-	(0.1)
As of 31 December 2022	**248,926,325**	**248.9**	**831.3**	**1,664.8**	**2,745.0**	**86.7**	**2,831.7**
As of 30 June 2023	**248,926,325**	**248.9**	**831.3**	**1,895.2**	**2,975.4**	**96.7**	**3,072.1**
Net income for the period	-	-	-	(191.3)	(191.3)	1.8	(189.5)
Other items of gain or loss in comprehensive income (1)	-	-	-	(7.1)	(7.1)	(0.6)	(7.6)
Total comprehensive income	-	-	-	**(198.4)**	**(198.4)**	**1.2**	**(197.1)**
Capital increase (2)	226,252,0,53	226.3	-	-	226.3	-	226.3
Issue premium (3)	-	-	2,280.6	-	2,280.6		2,280.6
OneWeb entry into scope			-	(1,223.4)	(1,223.4)	(17.7)	(1,241.1)
Treasury stock	-	-	-	(0.8)	(0.8)	-	(0.8)
Benefits for employees from share subscriptions and free share grants	-	-	-	1.3	1.3	-	1.3
Others	-	-	-	(7.3)	(7.3)	4.3	(3.0)
As of 31 December 2023	**475,178,378**	**475.2**	**3,111,9**	**466.6**	**4,053.6**	**84.5**	**4,138.1**

(1) Changes in other items of gain or loss in comprehensive income include actuarial gains and losses recognised on post-employment benefits, and changes in the revaluation surplus of derivative instruments (see Note 6.6.3) and the translation reserve (see Note 6.6.4), net of the associated tax effects.

(2) The capital increase is linked to the issuance of Eutelsat shares to compensate the equity contribution from OneWeb.

(3) Issue premium relating to the share capital increase in consideration for OneWeb's equity contribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: GENERAL OVERVIEW

1.1 BUSINESS

Eutelsat Communications S.A. is one of the world's leading satellite operators, specialised in the global supply of connectivity and broadcasting services. Resulting from the business combination between Eutelsat and OneWeb effective as of 28 September 2023, the Group is the number one operator of fully integrated GEO-LEO satellites, with a fleet of 36 geostationary satellites and a low orbit constellation (LEO) composed of more than 600 satellites. The Group meets the needs of its customers who are present in four key market segments: Video Services, where it broadcasts more than 6,500 television channels, and the fast-growing markets of Fixed Connectivity, Mobile Connectivity and Government Services.

The Group is committed to providing secure and resilient connectivity services that respect the environment, aimed at contributing to closing the digital divide. The Company is listed for trading on the Paris (Euronext Paris) and London (London Stock Exchange) stock exchanges under the ticker ETL.

1.2 APPROVAL OF ACCOUNTS

The condensed consolidated half-year accounts as of 31 December 2023 have been prepared under the responsibility of the Board of Directors, which approved them at its meeting held on 15 February 2024.

NOTE 2: KEY EVENTS DURING THE PERIOD

2.1 EUTELSAT-ONEWEB BUSINESS COMBINATION

On 28 September 2023, Eutelsat Communications S.A. announced that its business combination with OneWeb, the global Low Earth Orbit (LEO) satellite communications network, was effective following its approval by the Ordinary and Extraordinary General Meeting of Eutelsat shareholders held on the same day. The Group's registered office is located in Issy-Les-Moulineaux, France. Eutelsat Communications S.A. employs more than 1,700 people from 50 different nationalities.

OneWeb shareholders received around 226 million newly issued Eutelsat shares. The transaction is structured as an exchange of OneWeb shares by their holders (other than Eutelsat) for newly issued Eutelsat shares. (see Note 3.4)

2.2 ENTRY INTO SERVICE OF EUTELSAT KONNECT VHTS AND EUTELSAT 10B SATELLITES, AND END OF SERVICE OF EUTELSAT 10A

The Konnect VHTS and Eutelsat 10B satellites were successfully launched in the final quarter of 2022 and their entry into service took place on 1 September 2023 for Konnect VHTS and 19 July 2023 for Eutelsat 10B.

The first satellite will deliver high speed broadband and mobile connectivity services across Europe.

The second satellite is equipped with two new multi-beam HTS (High-Throughput Satellite) Ku-band payloads: a high-capacity payload, covering the North Atlantic corridor, Europe, the Mediterranean basin and the Middle East, offering significant throughput in some of the world's busiest air and sea traffic routes; and a second payload designed to extend coverage across the Atlantic Ocean, Africa and the Indian Ocean.

The Eutelsat 10A satellite was successfully decommissioned and deorbited on 29 November 2023 after 14 years of service. It has been replaced by Eutelsat 10B.

The twin Eutelsat HOTBIRD 13F and HOTBIRD 13G satellites launched in 2023 entered operational service in September 2023. Located at Eutelsat's flagship video neighbourhood at 13° East, the two satellites will further consolidate and enhance the high-quality broadcasting of more than 900 television channels serving more than 160 million homes across Europe, North Africa and the Middle East (EMEA).

2.3 IMPACTS OF THE RUSSIAN-UKRAINIAN CONFLICT AND RESTRICTIVE MEASURES LINKED TO THE SITUATION IN THE MIDDLE EAST

Within the context of the Russian-Ukrainian crisis, the Eutelsat Group generated 6.7% of its revenues in Russia during the fiscal year ended 30 June 2022 and 6.8% during the fiscal year ended 30 June 2023. Pursuant to a decision by the French Regulatory Authority for Audiovisual and Digital Communication (ARCOM) in December 2022, Eutelsat suspended the broadcasting of four Russian television programmes (Rossiya One, Pervyi Kanal, RenTV and NTV) which it had been distributing using capacity on three satellites operated by RSCC (Eutelsat 36C, Express AT1 and Express AT2).

Moreover, in compliance with international sanctions against Iran, the Eutelsat Group also ceased all broadcasts linked to the national broadcasting company of the Islamic Republic of Iran (IRIB) on 12 December 2022.

For the 2022-23 fiscal year, the application of these sanctions had a total negative impact of around 8 million euros on the Eutelsat Group's revenues. The impact on the Eutelsat Group's adjusted discretionary free cash flow for the 2022-23 fiscal year is estimated at around 8 million euros. The Eutelsat Group has also restructured and downsized its capacity lease contracts on satellites belonging to RSCC.

In addition, following a decision by ARCOM in December 2023, Eutelsat suspended the broadcasting of the Al Aqsa television channel, also known as Al Aqsa Live and Yarmmouk 2, which had been distributed via the television bouquet of one of the Group's customers. This suspension had no financial impact on the first half of the 2023-24 fiscal year.

For the 2023-24 fiscal year, in the first half, the application of new sanctions had no impact on the Group's revenues or adjusted discretionary free cash flow.

2.4 C-BAND RELEASE PROCESS

Following the release of the 3.7-4 GHz frequencies (C-band) in the United States pursuant to a federal decision issued by the Federal Communication Commission (FCC - the US communications regulator) on 3 March 2020, the Group implemented a transition plan composed of two phases, each corresponding to the release of certain frequencies and resulting in the payment of financial incentives of 125 million US dollars for Phase 1 and 382 million US dollars for Phase 2.

In October 2021, the FCC approved the certification of the first phase of the Group's transition plan. Proceeds of 125 million US dollars were booked to Other operating income for the 2021-22 fiscal year. The corresponding funds were received in December 2021.

On 15 May 2023, the FCC announced guidelines for the certification of the second phase of the C-band. The Group filed its transition plan and certification on 1 June 2023, At the end of the 30-day public comment period, the FCC approved the certification of the Phase II transition plan on 30 June 2023. Proceeds of 382 million US dollars were booked to Other operating income for the 2022-23 fiscal year. The corresponding sums were received in August 2023.

NOTE 3: ACCOUNTING PRINCIPLES AND VALUATION METHODS

3.1 BASIS OF PREPARATION OF FINANCIAL INFORMATION

The condensed consolidated half-year financial statements as of 31 December 2023 have been prepared in accordance with IAS 34 "Interim Financial Reporting" in a condensed format. The accounts as presented do not contain all the information and Notes required under IFRS for the preparation of consolidated full-year financial statements and must be read in conjunction with the consolidated full-year financial statements for the fiscal year ended 30 June 2023.

The accounting methods and rules used in preparing these condensed interim accounts are identical to those used for the consolidated full-year financial statements for the fiscal year ended 30 June 2023, with the exception of the application, as of 1 July 2023, of the new standards and interpretations adopted by the European Union.

- Amendments to IAS 1 "Presentation of Financial Statements": description of accounting methods.
- Amendments to IAS 8 "Accounting Principles" – definition of accounting estimates.
- Amendments to IAS 12 "International Tax Reform" - OECD Pillar Two model rules.

The application of these amended standards had no significant impact on the Group's financial statements.

3.2 FINANCIAL REPORTING RULES

3.2.1 Translation of financial statements and foreign currency transactions

The reference currency and the presentation currency used to prepare the financial statements are the euro. For OneWeb, the functional currency is the US dollar.

The rules for translating items in financial statements and foreign currency transactions remain unchanged relative to 30 June 2023.

The main foreign currency used is the U.S. dollar. The closing exchange rate used is 1.105 US dollars for 1 euro and the average exchange rate for the period is 1.08 US dollars for 1 euro.

3.2.2 Presentation of current and non-current assets and liabilities

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

3.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

In preparing the condensed consolidated half-year financial statements for the period ended 31 December 2023, Management has exercised judgement, particularly with regard to the recoverable amounts of assets, the recognition of revenues, the assessment of customer risk, the estimation of provisions and contingent liabilities, the recognition of tax assets and liabilities, and the assessment of the allocation of OneWeb's preliminary purchase price.

3.4 MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

Period ended 31 December 2023

On 26 July 2022, Eutelsat Communications S.A. and OneWeb's main shareholders signed a memorandum of understanding aimed at combining the two companies through an exchange of shares. On 28 September 2023, Eutelsat Communications S.A. announced that its combination with OneWeb was effective, after receiving approval from the Ordinary and Extraordinary General Meeting of Eutelsat shareholders held on the same day.

Prior to the transaction, Eutelsat S.A. held a 22.91% stake in OneWeb (via its subsidiary Eutelsat S.A.) and its stake in OneWeb was accounted for under the equity method. After the transaction, Eutelsat holds 100% of OneWeb's Class A shares (directly and indirectly via its Eutelsat S.A. subsidiary).

By way of exemption, there remains one B share in the capital of OneWeb Holding held by the Secretary of State for Science, Innovation and Technology. The rights attached to the B share have been analysed as protective rights.

For the purposes of IFRS 3 "Business Combinations" ("IFRS 3"), the Management of Eutelsat Communications S.A. has designated Eutelsat as the accounting acquirer of OneWeb based on:

i) the estimated relative voting rights of Eutelsat and OneWeb shareholders in the Combined Group: following the transaction, Eutelsat Communications S.A.'s historical shareholders hold a majority stake, with no OneWeb shareholder representing more than 30% of the voting rights, which would give the latter substantial power in the Combined Group;
ii) the structure of the governance and management bodies of the Combined Group as agreed between the parties: the Chairman of the Board of Directors and the Chief Executive Officer of Eutelsat have retained their tenure after the transaction and the directors proposed by Eutelsat and its reference shareholders and those proposed by OneWeb and its main shareholders have eight and seven voting rights respectively, including a casting vote for the Chairman of Eutelsat's Board of Directors;
iii) the relative size of the Eutelsat Group and the OneWeb Group;
iv) Eutelsat's gradual equity investment in OneWeb since 2021;
v) The fact that Eutelsat's assets, revenues and net income are greater than those of OneWeb over the last financial year of the two Groups;
vi) The fact that the head office remains based in France, in Issy-Les-Moulineaux.

In accordance with the principles of IFRS 3 on business combinations achieved in stages, the following two transactions were recognised on the Completion Date:

First transaction: remeasurement at fair value of the OneWeb investment previously accounted for under the equity method, which resulted in a 77.6 million-euro loss recognised under Other exceptional income and expenses.

Second transaction: recognition of the acquisition of control of all of OneWeb.

These two transactions have been recorded in the financial statements of Eutelsat Communications S.A. for the period ended 31 December 2023.

OneWeb is therefore fully consolidated as of 31 December 2023. The capital increase performed to compensate OneWeb shareholders for their contributions amounts to 2,506.8 million euros, including 226.3 million euros in capital.

Between 1 July 2023 and 28 September 2023, OneWeb's shareholding was accounted for using the equity method, and the Group's share of net income showed a net loss of 28 million euros.

OneWeb's acquisition price stands at 1,605 million euros. The price was determined on the basis of Eutelsat Communications S.A.'s share price on the day of the acquisition and the fair value of the stake previously held in OneWeb:

- 1,227 million euros for the 77.09% stake acquired as part of this transaction [226,252,053 new shares issued at a price corresponding to the 28 September trading share price of 5.425€/share]
- 365 million euros for the 22.91% at fair value [1227 x 22.91/77.09]: this corresponds to the fair value of the OneWeb shares already held by Eutelsat Communications S.A.
- 13 million euros representing the fair value of stock options already vested at the balance sheet date.

Work on the purchase price allocation is in progress as of 31 December 2023. At this stage, the allocation of the preliminary purchase price has not led to the recognition of any goodwill or badwill.

Preliminary purchase price allocation as of 31 December 2023:

OneWeb balance sheet (100%)	(in millions of euros)
Non-current assets	1,970.0
Current assets	331.0
Total assets	**2,301.0**
Non-current liabilities	176.0
Current liabilities	519.0
Total liabilities	**695.0**
Net position (100%)	**1,605.0**
Purchase price	**1,605.0**

The main assets acquired consist of a constellation of 620 satellites.

The final purchase price allocation will be determined within 12 months of the acquisition of control.

If Eutelsat Communications S.A. had acquired OneWeb on 1 July 2023, the Group's revenues would have increased by 8.1 million euros and net income would have decreased by (-124.4 million euros).

NOTE 4: SEGMENT INFORMATION

Before taking control of OneWeb, the Group considered that it operated in a single operational sector. The Group's analysis was based on an assessment of the services provided and the nature of the associated risks, rather than on their purpose. This was the provision of satellite communications services for video, corporate and broadband networks, and for mobile services, primarily to international telecommunications operators and broadcasters, corporate network integrators and companies for their own needs.

The acquisition of OneWeb on 28 September 2023 marks a strategic turning point for the Group. Its ambition is to be a world leader in space-based telecommunications, offering customers fully integrated connectivity services across the globe. The network density and high throughput capacity of Eutelsat's low-latency GEO satellites combined with the extensive coverage of OneWeb's LEO constellation will open up new markets and applications for customers.

The integration of OneWeb is underway, with a number of changes expected in the coming months that will affect the Group's internal organisation and ultimately the performance indicators monitored by the Chief Executive Officer and the Chief Financial Officer, who together form the Group's key operational decision-making body. Integrated customer offerings will increasingly include synergies between the two businesses in the areas of technology, sales and finance.

At this stage, the performance indicators monitored by the key decision-makers remain as follows:

- Revenues
- Adjusted EBITDA defined as the operating result before amortisation and depreciation, impairment of assets and other operating income and expense, and the adjusted EBITDA profit margin on revenues
- Cash Capex covering the acquisition of satellites and other tangible or intangible assets as well as payments in respect of export credit facilities and lease liabilities
- Discretionary free cash flow defined as Net cash flow from operating activities less Cash Capex as well as interest and other financial costs, net of interest received
- Net debt to adjusted EBITDA ratio (see Note 6.4.3 “Net Debt”).

Six months ended 31 December (in millions of euros)	2022	2023	Change
Operating income	573.8	572.6	-0.2%
Operating expense	(154.8)	(207.0)	33.7%
Adjusted EBITDA	**419.0**	**365.6**	**-12.7%**
Amortisation and depreciation	(233.8)	(316.1)	35.2%
Other operating income and expenses	(34.0)	(183.9)	n.a.
Operating result	**151.2**	**(134.4)**	**n.a.**
Financial result	(56.0)	(60.7)	8.4%
Income tax	(0.8)	28.5	n.a.
Share of result from associates	(39.1)	(23.0)	-41.2%
Share attributable to non-controlling interests	(3.4)	(1.8)	n.a.
Share attributable to the Group	**51.9**	**(191.3)**	**n.a.**

Six months ended 31 December (in millions of euros)	2022	2023
Net debt at balance sheet date	2,996.0	2,619.1

Six months ended 31 December (in millions of euros)	2022	2023
Acquisitions of satellites, other property and equipment and intangible assets	(166.5)	(139.8)
Repayment of ECA loans, rental debt and other bank credit lines	(27.8)	(84.1)
Discretionary cash flow	**(194.3)**	**(223.9)**

NOTE 5: NOTES TO THE INCOME STATEMENT

5.1 REVENUES

5.1.1 Revenues by application

As of 31 December 2023, the revenue breakdown by application changed to better reflect the respective end markets they serve.

The new framework has been streamlined from from five applications (broadcasting, data and professional video, government services, fixed broadband and mobile connectivity) to four:

1. Video for professional broadcasting and production of visual content.
2. Government Services, including offers tailored to the needs of public authorities.
3. Fixed Connectivity, concerning data and stable broadband internet access.
4. Mobile Connectivity for wifi connectivity

The revenue breakdown by application presented according to the new format is as follows:

(in millions of euros)	31 December 2022	31 December 2023
Video	365.9	331.1
Government Services	66.9	74.2
Fixed Connectivity	93.2	94.6
Mobile Connectivity	55.9	71.2
Total Operating Verticals	**581.9**	**571.1**
Other revenue	(8.1)	1.6
Total	**573.8**	**572.6**
EUR/USD exchange rate	*1.007*	*1.08*

Other revenues include the impact of EURO/USD currency hedging which stood at (1.5) million euros for the period ended 31 December 2023 versus (12.4) million for the period ended 31 December 2022.

Revenue by application under the previous breakdown, used for reporting revenue as of 31 December 2022, is as follows:

(in millions of euros)	31 December 2022	31 December 2023
Broadcast	338.5	308.1
Data and Professional Video	83.3	78.8
Government Services	66.9	74.2
Fixed Broadband	37.2	38.8
Mobile Connectivity	55.9	71.2
Total Operating Verticals	**581.9**	**571.1**
Other Revenues	(8.1)	1.6
Total	**573.8**	**572.6**
EUR/USD exchange rate	*1.007*	1.08

5.1.2 Revenues by geographical region

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

(in millions of euros and as a percentage)	31 December 2022		31 December 2023	
Regions	Amount	%	Amount	%
France	31.5	5.5	35.4	6.2
Italy	63.9	11.1	61.5	10.7
United Kingdom	31.6	5.5	36.1	6.3
Europe (other)	168.3	29.3	160.4	28.0
Americas	117.6	20.5	124.9	21.8
Middle East	102.3	17.8	86.9	15.2
Africa	55.7	9.7	53.7	9.4
Asia	14.7	2.6	14.8	2.6
Other	(11.8)	(2.0)	(1.0)	(0.2)
Total	**573.8**	**100.0**	**572.6**	**100.0**

5.2 OPERATING COSTS

Operating costs of (89.2) million euros mainly include personnel costs and the other costs linked to satellite operation and control, as well as satellite in-orbit insurance premiums. Costs attributable to OneWeb amounted to (35.5) million euros.

Selling, general and administrative expenses of (117.8) million euros mainly include administrative and sales staff costs, all marketing and advertising expenses and related overheads. Costs attributable to OneWeb amounted to (22.3) million euros.

Operating costs relating to the impairment of trade receivables and assets on customer contracts amount to 7 million euros as of 31 December 2023 (versus 12.8 million euros for the period ended 31 December 2022).

5.3 SHARE-BASED COMPENSATION

In addition to the plans in force within the Group as of 30 June 2023, the Group granted two new share plans on 11 November 2023, one settled in cash and the other in shares. Vesting of these shares is subject to the achievement of performance-related conditions and to the condition that the employee be still with the Group.

The expense relating to share-based compensation (excluding social contributions) amounted to 1 million euros for the first half ended 31 December 2023 versus 0.9 million euros for the first half ended 31 December 2022.

5.4 OTHER OPERATING INCOME AND EXPENSES

(in millions of euros)	31 December 2022	31 December 2023
Other operating income	6.8	9.2
Other operating expenses	(40.9)	(193.1)
Total	**(34.0)**	**(183.9)**

As of 31 December 2022, Other operating income includes the proceeds from the reduced lease of Russian satellite capacity for 5.0 million euros (see Note 2.3). Other operating expenses mainly include the costs relating to the combination deal with OneWeb for 28.9 million euros (see Note 2.1), impairment losses on satellites for 4.2 million euros and business restructuring expenses of 3.4 million euros.

As of 31 December 2023, Other operating income includes 7.2 million euros in impairment reversals on the value of the AT1, AT2, 53A and 65WA satellites and on the disposal of BBO as of 30 June 2023, and an additional 1.7 million euros in respect of the C band. Other operating expenses mainly include the costs relating to the combination and integration with OneWeb for 28.5 million euros (see Note 2.1), impairments on satellites amounting to 84.2 million euros, restructuring costs for 2.8 million euros, and the fair value adjustment of the 22.91% stake held by Eutelsat SA for 77.6 million euros.

5.5 FINANCIAL RESULT

(in millions of euros)	31 December 2022	31 December 2023
Interest expense after hedging	(38.8)	(53.4)
Of which interest on lease liabilities	(5.2)	(9.8)
Loan set-up fees and commissions	(3.5)	(7.7)
Capitalised interest	8.7	3.3
Cost of gross debt	**(33.6)**	**(57.8)**
Financial income	(0.3)	2.7
Cost of net debt	**(33.9)**	**(55.1)**
Changes in derivative financial instruments	-	1.2
Foreign-exchange impact	(17.0)	3.8
Other	(5.2)	(10.5)
Financial result	**(56.0)**	**(60.7)**

The interest expense as of 31 December 2023 includes 4.8 million euros of expenses related to the execution and termination of hedging instruments used to secure the interest rate on the October 2018, June 2019 and October 2021 bond issues. As of 31 December 2022, this amount stood at 4.8 million euros.

The amount of capitalised interest depends on the state of progress and number of satellite construction programmes recorded during the reporting period. The interest rate used to determine the amount of interest expense eligible for capitalisation stood at 3.39% as of 31 December 2023 versus 2.67% as of 31 December 2022.

The "Other" item mainly includes 10 million euros of financial costs arising from the discounting of the Egnos, Multichoice, HNS and Neom agreements for OneWeb as of 31 December 2023.

5.6 INCOME TAX

The “Income tax" expense comprises the current and deferred tax expenses of the consolidated entities. For Eutelsat’s historical scope, and in accordance with IAS 34, the income tax expense for the interim period ended 31 December is calculated by applying the average annual effective income tax rate estimated for the fiscal year to the pre-tax income of the interim period. However, given the low materiality of the tax due to the non-recognition of a deferred tax asset on tax losses recognized in the UK, the impacts of the OneWeb sub-tier have been taken on the basis of actual amounts at the end of December.

As of 31 December 2023, the effective income tax rate stood at 14.6% (versus 0.8% as of 31 December 2022). This rate includes the effect of the exoneration of the portion of Eutelsat S.A.'s profit attributable to the company's satellites operated outside France (article 247 of the French General Tax Code introduced by the 2019 Finance Bill), the non-recognition of deferred tax assets in respect of OneWeb's losses, the effect of taxation rates for foreign subsidiaries, exchange rate differences and the inflation effects on the deferred tax positions of the Satellites Mexicanos subsidiary, together with the impact of impairments on Satmex arc satellites. As of 31 December 2023, the effective income tax rate includes a material effect related to the fair value recognition of the stake previously held by the Group in OneWeb prior to its takeover, for which no tax effect is associated.

The OECD's Pillar Two agreement aims to ensure that multinational companies pay a minimum effective tax rate of 15% depending on the jurisdiction and numerous countries have launched national legislative procedures to enact these global minimum tax rules. France transposed the Minimum Tax Directive (2022/2523) into domestic law in its Finance Law for 2024 published on 30 December 2023 as part of Act No. 2023-1322, making the Pillar Two legislation applicable from 1 January 2024.

Since France is the jurisdiction of Eutelsat Communications S.A., the ultimate parent company of the Eutelsat Group, the French Pillar Two rules are in force for the Group's fiscal year beginning 1 July 2024. As there was no Pillar Two legislation in force at the balance sheet date, there are no current tax liabilities or deferred tax liabilities to be recorded in our half-year financial statements for the six months ended 31 December 2023. The Company applies the mandatory temporary exception to the recognition and disclosure of deferred tax assets and liabilities related to Pillar Two income taxes, as set out in International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12 published in May 2023.

The Group is in the process of assessing the impact of the French Pillar Two model rules and other national legislation on its operations as the rules come into force. The Group’s assessment includes analyzing the interaction of the French tax rules with the new Pillar Two legislation (including the forthcoming new OECD guidelines), and whether the jurisdictions in which the Group operates have an effective Pillar Two tax rate of less than 15%. The Company continues to make progress on the impacts of this reform and expects to complete this before the 30 June 2024 accounting year end.

5.7 EARNINGS PER SHARE

The following table shows the reconciliation between net income and net earnings attributable to shareholders (basic and diluted) used to determine earnings per share (basic and diluted):

(in millions of euros)	31 December 2022	31 December 2023
Net income	**55.3**	**(189.5)**
Income from subsidiaries attributable to non-controlling interests	(3.4)	(1.8)
Net earnings used to compute earnings per share	**51.9**	**(191.3)**
Average number of basic shares	**248,618,550**	**361,629,294**
Basic and diluted earnings per share	**0.215**	**(0.529)**

Stock options would have a dilutive impact if the Group had recorded a profit. Stock options are not dilutive over the period, and basic and diluted earnings per share are the same as the Group has recorded a loss.

NOTE 6: NOTES TO THE BALANCE SHEET

6.1 FIXED ASSETS

6.1.1 Goodwill and other intangibles

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

(in millions of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
Gross assets					
Gross value as of 30 June 2023	**1,280.1**	**1,132.0**	**40.8**	**420.6**	**2,873.6**
Acquisitions	-	-	-	16.5	16.5
Transfers	-	-	-	5.3	5.3
Foreign exchange variation	(3.7)	(2.4)	-	(0.8)	(6.9)
Disposals and scrapping of assets	-	-	-	(2.0)	(2.0)
Net entry into scope [(1)]	-	-	-	520.9	520.9
Exit from scope	-	-	-	-	-
Gross value as of 31 December 2023	**1,276.4**	**1,129.6**	**40.8**	**960.6**	**3 407.4**
Amortisation and impairment					
Accumulated amortisation as of 30 June 2023	-	**(969.6)**	-	**(321.8)**	**(1,291.3)**
Amortisation expense	-	(31.8)	-	(31.4)	(63.2)
Impairments	-	(58.8)	-	(238.9)	(297.7)
Reversals (disposals and scrapping of assets)	-	-	-	2.0	2.0
Foreign exchange variation	-	3.1	-	5.9	9
Transfers and others	-	-	-	(1.1)	(1.1)
Accumulated amortisation as of 31 December 2023	-	**(1,057.1)**	-	**(585.2)**	**(1,642.3)**
Net value as of 30 June 2023	**1,280.1**	**162.5**	**40.8**	**98.9**	**1,582.3**
Net value as of 31 December 2023	**1,276.4**	**72.5**	**40.8**	**375.4**	**1,765.1**

[(1)] *The entry into scope is related to the software, rights of use, concessions and patents contributed by OneWeb.*

Goodwill

Before the Group took control of OneWeb, goodwill was monitored solely at the level of its operating segment. The integration of OneWeb is in progress. In the near future, the Group will carry out an analysis to identify the operating segments and the level at which goodwill should be tested in the future.

The stock market valuation of Eutelsat Communications S.A. as of 31 December 2023 is lower than the book value of its shareholders' equity. This impairment risk indicator prompted the Group to test the recoverable value of the Group's goodwill.

Pending the aforementioned analysis, the Group has carried out two recoverable value tests:

- an initial test based on the assets and value in use of the Group's operations, excluding those of OneWeb, and
- a second test based on the assets and value in use of the Group as a whole, i.e. including those of OneWeb.

The values in use for these two tests were determined on the basis of discounted future cash flows. These analyses involve a significant degree of judgement on the part of the Group's management.

The main operating assumptions that could have an impact on the recoverable amount of assets are the level of EBITDA and the amount of capital expenditure. The operational assumptions of the long-term plan are based on internal market models for each of the Group's business segments and on independent strategic reviews.

The cash flows used for the two tests are based on an updated version of the Group's five-year business plan approved by the Board of Directors on 15 February 2024 covering the periods up to the 2027-2028 fiscal year, on the long-term plan defined on an ongoing basis over a horizon covering the periods up to the 2034-2035 fiscal year, and on a terminal value. The Group considers it relevant to use projections beyond five years given the long-term visibility it has on a significant portion of its business activity and on its expected growth profile which is more accurately reflected in the long-term plan.

With regard to financial indicators such as the WACC (assumed at 8.7%) and the long-term growth rate used in the terminal value, sensitivity analyses show that a 25 bp increase in the WACC or a 52 bp decrease in the long-term growth rate would not result in a value in use lower than the carrying amount of the net assets tested as of 31 December 2023. A zero perpetual growth rate would not result in a value in use below the carrying amount of the net assets tested.

Sensitivity analyses also show that a 1.4% decrease in EBITDA for each year covered by the plans used and in the terminal value would not lead to the recognition of an impairment loss on goodwill.

The impairment tests performed as of 31 December 2023 on the basis of discounted cash flow forecasts did not result in the recognition of any impairment charges.

Depreciable assets

With regard to the GEO satellite impairment tests performed as of 31 December 2023, the cash flows used are based on the five-year business plan period approved by the Board of Directors on 15 February 2024, and subsequently on cash flows projected until the end of the life of each satellite using a normative growth rate. These tests were carried out using the same methodology as in the previous years.

As a result of these tests, an impairment charge of 84 million euros was recognised for company-owned satellites as of 31 December 2023. No impairment charge had been recognised for company-owned satellites as of 31 December 2022. The impairment charge for rights of use was nil as of 31 December 2023, whereas it stood at 4.2 million euros as of 31 December 2022.

With respect to LEO satellites, the Group has not performed any specific tests on satellites whose fair value is currently being measured as part of the analysis for allocating the acquisition price. Instead, the Group tested the value in use of OneWeb's activities as a whole. The test did not identify any risk of impairment.

6.1.2 Tangible assets and construction in progress

Changes in tangible fixed assets and construction in progress during the period are presented below:

(in millions of euros)	Satellites	Other tangibles	Construction in progress	Total
Gross assets				
Gross value as of 30 June 2023	**6,018.4**	**517.6**	**1,106.1**	**7,642.1**
Acquisitions	26.7	54.2	47.8	128.7
Disposals	-	(4.4)	-	(4.4)
Scrapping of assets	(281.3)	(0.2)	-	(281.5)
Foreign exchange variation	(13.3)	(2.2)	0.2	(15.3)
Net entry into scope (1)	987.9	552.8		1,540.6
Transfer and others (2)	753.0	47.4	(781.9)	18.4
Gross value as of 31 December 2023	**7,491.4**	**1,165.1**	**372.1**	**9,028.6**
Depreciation and impairment				
Accumulated depreciation as of 30 June 2023	**(3,649.6)**	**(400.0)**	**(6.5)**	**4,055.2**
Depreciation expense	(203.8)	(51.2)	-	(255)
Impairment expense	(20.7)	-	-	(20.7)

Reversals (disposals)		4.1	-	4.1
Reversals (scrapping of assets)	281.3	0.2	-	281.5
Foreign exchange variation	(14.9)	26.1	-	11.3
Transfer and others	(2.1)	(0.4)	6.5	4.0
Accumulated depreciation as of 31 December 2023	**(3,609.8)**	**(421.1)**	**0.0**	**(4,030.0)**
Net value as of 30 June 2023	**2,369.8**	**117.6**	**1,099.6**	**3,586.9**
Net value as of 31 December 2023	**3,881.9**	**744.2**	**372.1**	**4,998.6**

(1) *The entry into the scope concerns OneWeb. The amounts shown represent the net entry value of assets as of 28 September 2023, i.e. the satellites, the assets related to ground antennas and the associated tangible assets.*
(2) *Transfers and other amounts relate to the Eutelsat KVHTS and Eutelsat 10B satellites. Scrapping relates to the decommissioning of the E10A satellite (see Note 2.2).*

The satellites listed below are under construction at the balance sheet date and are expected to enter service as follows.

Projects	Years
Eutelsat 36D	Calendar year 2024
Flexsat Americas 113WX	Calendar year 2029

6.1.3 Rights of use in respect of leases

During the financial period ended 31 December 2023, the rights of use evolved as follows:

(in millions of euros)	Satellites	Other tangible assets	Total
Gross assets			
Gross value as of 30 June 2023	**749.1**	**58.1**	**807.0**
New contracts	-	4.6	4.6
Contract modifications and terminations	-	2.5	2.5
Net entries into scope (1)	-	79.1	79.1
Foreign exchange variation	-	(1.3)	(1.3)
Gross value as of 31 December 2023	**749.1**	**143.0**	**892.0**
Depreciation and impairment			
Accumulated depreciation and impairment as of 30 June 2023	**(433.2)**	**(28.8)**	**(462.0)**
Depreciation expense	(22.8)	(6.2)	(29.0)
Contract modifications and terminations	-	3.0	3.0
Foreign exchange variation	-	0.4	0.4
Impairment	-	-	-
Accumulated depreciation and impairment as of 31 December 2023	**(456.0)**	**(31.5)**	**(487.5)**
Net value as of 30 June 2023	**315.9**	**29.3**	**345.1**
Net value as of 31 December 2023	**293.0**	**111.5**	**404.5**

(1) *The entries into scope reflect the consolidation of OneWeb.*

The satellite rights of use mainly concern the Express AT1, Express AT2, Express AM6, Express 36C and Astra 2G lease contracts. The lease terms on these contracts cover the expected life of this type of contract and none of them include purchase options at the end of the contract. No renewal options have been used to determine the lease terms.

6.1.4 Purchase commitments (off-balance sheet)

In addition to the items posted to the balance sheet, the Group has commitments with suppliers for the acquisition of assets (satellites and other assets) and the provision of services for an aggregate amount of 435.5 million euros as of 31 December 2023.

As of 31 December 2023, the future payments in respect of these commitments are scheduled as follows:

(in millions of euros)	As of 31 December 2023
Maturity within 1 year	217.7
From 1 to 2 years	33.0
From 2 to 3 years	67.1
From 3 to 4 years	15.0
Maturity exceeding 4 years	120.7
Total	**453.5**

6.2 INVESTMENTS IN ASSOCIATES

From 1 July 2023 to 28 September 2023, investments in associates only reflect the equity-accounted value of OneWeb Holdings Ltd. The equity accounted company is fully consolidated from 28 September 2023 further to the acquisition of the remaining 77.09%. As from 28 September 2023, income from associates relates to the Group's share in First Tech Web, which is 50%-held by OneWeb.

(in millions of euros)	30 June 2023	31 December 2023
Equity interests at the opening date	605.7	501.2
Changes in scope	-	(489.3)
Purchases of shares	-	-
Entries into the scope		12.2
Share of result of associates	(87.3)	(27.4)
Translation adjustment	(17.3)	15.4
Equity interests at the closing date	**501.2**	**11.9**

Airbus OneWeb Satellite, a joint venture between OneWeb and Airbus, was accounted for as an investment held for sale (see Note 6.5).

The translation adjustment mainly relates to the Group's share in the OneWeb investment held by Eutelsat SA during the first quarter prior to full consolidation.

6.3 RECEIVABLES, ASSETS AND LIABILITIES FROM CUSTOMER CONTRACTS, COSTS TO OBTAIN OR FULFIL CONTRACTS

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

(in millions of euros)	30 June 2023	31 December 2023
Assets		
Accounts receivable	207.5	235.6
Assets associated with customer contracts	40.1	41.7
Costs to fulfil contracts	-	-
Costs to obtain contracts	4.9	4.8
Total current and non-current assets	**252.5**	**282.1**
Incl. non-current portion	*31.7*	*32.1*
Incl. current portion	*220.8*	*250.0*
Liabilities		
Financial liabilities - Guarantees and commitments received	31.2	23.1
Current contract liabilities	337.5	556.1
Total current and non-current liabilities	368.7	**579.3**
Incl. non-current portion	*289.7*	*307.5*
Incl. current portion	*78.9*	*271.8*

The 556.1 million euros under “Current contract liabilities” consist mainly of 313.3 million euros in respect of Eutelsat SA and 191.8 million euros related to deferred income on the NEOM agreement arising from OneWeb’s full consolidation.

6.3.1 Accounts receivable

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

(in millions of euros)	30 June 2023	31 December 2023
Non-matured receivables	120.1	110.5
Matured receivables between 0 and 90 days	25.6	50.9
Matured receivables between 90 and 365 days	26.0	32.4
Matured receivables for more than 365 days	136.8	148.4
Provision for bad debt	(101.0)	(106.6)
Total	**207.5**	**235.6**

The changes in impairment of trade receivables over the period are as follows:

(in millions of euros)	Total
Value as of 30 June 2023	**101.0**
Net allowance (reversals)	7.1
Reversals used	(1.5)
Foreign exchange variation	(0.2)
Value as of 31 December 2023	**106.6**

The provision for trade receivables amounts to 106.6 million euros as of 31 December 2023. The 5.6 million euro increase in the provision is mainly due to an additional provision of 7.1 million euros, less a reversal of 1.5 million euros on use.

6.4 FINANCIAL ASSETS AND LIABILITIES

6.4.1 Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

(in millions of euros)	30 June 2023	31 December 2023
Cash at bank and in hand	**468.6**	**685.3**
Cash equivalents [1]	13.6	161.9
Term deposits		50.0
Cash equivalents and deposits	**13.6**	**211.9**
Total	**482.2**	**897.3**

[1] *As of 31 December 2023, cash and cash equivalents include 161 million euros in subscriptions to open-ended investment companies (sociétés d'investissement à capital variable) and 50 million euros in fixed-term deposits.*

6.4.2 Financial debt

Financial debt breaks down as follows:

(in millions of euros)	Rate	30 June 2023	31 December 2023	Maturity
EIB term loan	0.49 %	200.0	200.0	December 2028
Term loan 2027	Variable	400.0	400.0	June 2026
Bond 2025	2.00%	800.0	800,0	October 2025
Bond 2027	2.25%	600.0	600.0	July 2027
Bond 2028	1.50%	600.0	600.0	October 2028
Exim India loan	Variable		85.0	November 2029
Structured debt				
	0.90%	53.0	-	June 2024
	1.87%	75.0	-	June 2024
	2.15%	50.0	50.0	June 2025
	2.55%	75.0	75.0	June 2026
	5.60%		53.0	June 2025
	5.70%		53.0	June 2026
	6.05%		48.9	June 2027
Sub-total of debt (non-current portion)		**2,853.0**	**2,965.3**	
Loan set-up fees and premiums		(11.2)	(8.3)	
Total of debt (non-current portion)		**2,841.8**	**2,957.0**	
Structured debt	0.75%	65.0	-	July 2023
	0.90%		53.0	June 2024
	1.87%		75.0	June 2024
Accrued interest not yet due		32.5	12.5	
Total debt (current portion)		**97.5**	**140.5**	
Total		**2,939.3**	**3,097.5**	

All debt is denominated in euros, except the Export-Import Bank of India ("Exim India") loan to Network Access Associate Ltd. This loan is denominated in US dollars for 94.4 million, which gives no exposure to currency exchange risk, since the functional currency of Network Access Associates Ltd. is the US dollar.

The term loans and structured debt are subject to a financial covenant which initially provided for a net total debt to EBITDA ratio not exceeding 4.0:1. The Group also agreed with an increase in the net debt to adjusted EBITDA ratio from 4 to 4.75 for the test periods from 30 June 2023 to 31 December 2024, and then at 4.50 for the test periods from 30 June 2025 to 31 December 2025.

As of 30 June 2023, these increases were conditional on completion of the OneWeb transaction. Now that the transaction has been completed, the new ratio levels are fully applicable.

In the first half of the 2022-23 fiscal year, the Group agreed with its lenders that the calculation of the total net debt to EBITDA ratio should take early account of the after-tax proceeds on the C-Band release for the test periods up to 30 June 2024. The C-Band proceeds were received in the first half of the 2023-24 fiscal year.

Under the term loan covenants, each lender may also request early repayment of all sums due in the event of a change of control of Eutelsat S.A. or Eutelsat Communications S.A.

The bonds are also subject to a banking covenant which provides each lender with the possibility to request early repayment of all sums due in the event of a change of control of Eutelsat S.A. or Eutelsat Communications S.A. involving a downgrading of Eutelsat S.A.'s credit rating.

As of 31 December 2023, the Group was in compliance with all banking covenants.

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

It should be noted that the 94.4-million US dollar loan granted by the Export-Import Bank of India ("Exim India") to Network Access Associates Ltd. is backed by a parent company guarantee granted to the lender by Eutelsat Communications S.A.

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

As of 31 December 2023, the Group also has active credit lines for an aggregate undrawn amount of 856 million euros (1,009 million euros less 154 million euros drawn down between 1 July 2023 and 31 December 2023). These lines of credit are backed by the same type of increased covenants as those covering the existing term loan and structured debt facilities. The Group has also obtained a two-year extension until June 2025 of the term of the 200 million euros credit facility of its subsidiary Eutelsat S.A., the last year being subject to the agreement of the lenders.

The schedule of debt maturities, excluding issue costs and premiums and accrued interest not yet due as of 31 December 2023, is as follows:

(in millions of euros)	Amount	Maturity within 1 year	Maturity between 1 and 5 years	Maturity exceeding 5 years
Term loan 2026	400.0	-	400.0	-
EIB term loan	200.0	-	200.0	-
Structured debt	407.9	128.0	279.9	-
Exim India loan	85.0	-	64.0	21.0
Bond 2025	800.0	-	800.0	-
Bond 2027	600.0	-	600.0	-
Bond 2028	600.0	-	600.0	-
Total	**3,093.3**	**128.0**	**2,944.3**	**21.0**

6.4.3 Net debt

The breakdown of the net debt is as follows:

(in millions of euros)	30 June 2023	31 December 2023
Term loan	400.0	400.0
EIB term loan	200.0	200.0
Bonds	2,000.0	2,000.0
Structured debt	318.0	407.9
Exim India loan	0.0	85.4
Currency portion of the cross-currency swap	13.6	3.6
Lease liabilities	316.2	419.5
Gross debt	**3,247.8**	**3,516.5**
Cash and cash equivalents	(482.2)	(897.3)
Net debt	**2,765.6**	**2,619.1**

The changes in the debt position between 30 June 2023 and 31 December 2023 are presented below:

(in millions of euros)	30 June 2023	Cash flow	Non-cash flow	Entries into the scope	Fair value change and other	31 December 2023
Term loan	400.0	-	-	-	-	400.0
EIB term loan	200.0	-	-	-	-	200.0
Bonds	2,000.0	-	-	-	-	2,000
Structured debt	318.0	90.0	-	-	-	407.9
Exim India loan	0.0	88.6	-	-	(3.2)	85.4
Foreign exchange portion of cross currency swap	13.6	-	-	-	(10.0)	3.6
Lease debt	316.2	(14.4)	-	118.4	(0.8)	419.5
Total	**3,247.8**	**164.2**	**-**	**118.4**	**(14.0)**	**3,516.5**

Cash flow of 72.4 million euros mainly results from a structured debt drawdown of 154 million euros, offset by the repayment of a credit line amounting to 65 million euros.

6.4.4 Other financial assets and liabilities

Other financial assets break down as follows:

(in millions of euros)	30 June 2023	31 December 2023
Non-consolidated equity investments	11.5	6.5
Financial Instruments	13.7	2.5
Other financial assets	527.4	105.9
Total	**552.6**	**114.9**
Incl. current portion	*388.8*	*15.6*
Incl. non-current portion	*163.8*	*99.0*

Other financial liabilities break down as follows:

(in millions of euros)	30 June 2023	31 December 2023
Lease liabilities	319.5	423.6
Other liabilities	69.8	52.6
Payables to fixed asset suppliers	189.6	52.2
Derivative financial instruments	32.4	14.6
Social contributions and payroll liabilities	49.1	56.0
Tax liabilities	16.4	23.7
Total	**676.8**	**622.7**
Incl. current portion	*348.4*	*201.5*
Incl. non-current portion	*328.4*	*421.1*

As the construction of certain satellites progresses, the acceptance of milestone payments result in the recognition of an asset under construction and an account payable. As of 30 June 2023, non-current payables to fixed asset suppliers amount to 1.2 million euros and did not include any acceptance of satellite construction milestones. As of 31 December 2023, the current and non-current payables to fixed asset suppliers represent 51.9 million euros and 0.3 million euros respectively.

Under "Other current financial assets" as of 30 June 2023, the receivable of 330 million euros for the C band indemnity was settled in August 2023.

6.4.5 Derivative financial instruments

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

(in millions of euros)	Notional		Fair value		Change in fair value over the period	Impact on income (excl. coupons)	Impact on equity (excl. coupons)
	30 June 2023	31 Dec 2023	30 June 2023	31 Dec 2023			
Synthetic forward sale with knock-in option	354.7	356.1	13.2	1.5	(11.7)	-	(12.9)
Cross currency swap	621.9	615.7	(31.9)	(13.5)	18.4	-	18.4
Forex swap		25.7					
Total forex derivatives	**976.6**	**997.5**	**(18.7)**	**(12.0)**	**6.7**		**5.5**

The coupons on interest rate instruments qualifying as hedges of future cash flows are recognized directly in income. The change recognized in equity in respect of these instruments corresponds to the change in fair value excluding coupons. The coupons on cross-currency swaps and forwards qualifying as hedges of net foreign investments, as well as changes in fair value excluding coupons, are recognized directly in equity. Coupons on forex swap derivatives are recognised directly in the income statement.

6.5 INVESTMENTS HELD FOR SALE

On 16 January 2024, the investment in the Airbus OneWeb Satellite joint venture was sold to Airbus for a gross consideration of 75.0 million dollars. As the sale of this investment was envisaged at the time of the acquisition of OneWeb, as part of the provisional purchase price allocation, the investment was measured at fair value and classified as an 'asset held for sale' in accordance with IFRS 5.

6.6 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

(in millions of euros)	30 June 2023	31 December 2023
Bond 2025	724.2	745.4
Bond 2027	498.1	518.2
Bond 2028	442.1	445.5
Total	**1,664.4**	**1,709.1**

6.7 SHAREHOLDERS’ EQUITY

6.7.1 Share capital and additional paid-in capital

As of 30 June 2023, the share capital of Eutelsat Communications S.A. was made up of 248,926,325 ordinary shares with a par value of 1 euro per share.

As of 31 December 2023, the share capital of Eutelsat Communications S.A.was composed of 475,178,378 ordinary shares with a par value of 1 euro per share.

The share capital increase reflects the issuance of 226,252,053 Eutelsat shares in consideration for the contribution of OneWeb's equity.

As of the same date, the Group held 432,879 treasury shares amounting to 1.2 million euros acquired under a liquidity contract (356,061 treasury shares amounting to 2.2 million euros as of 30 June 2023). The aggregate amount of treasury shares is deducted from shareholders’ equity.

Additional paid-in capital increased by 2.3 billion euros following the OneWeb deal.

6.7.2 Dividends

The Group did not propose any dividend payment to the Annual General Meeting of Shareholders on 23 November 2023.

6.7.3 Change in the revaluation surplus of financial instruments

The changes in the revaluation reserve for derivative instruments qualified as hedging instruments during the fiscal year break down as follows:

(in millions of euros)	Total
Balance as of 30 June 2023	**(43.8)**
Changes in fair value within equity that can be reclassified to income net of tax	0.3
Balance as of 31 December 2023	**(43.5)**

The derivatives revaluation reserve includes (22.2) million euros for the unwinding of forwards documented as hedges of net foreign investments.

6.7.4 Translation reserve

The changes in the translation reserve during the financial period were as follows:

(in millions of euros)	Total
Balance as of 30 June 2023	**191.8**
Net change over the period	(0.3)
Balance as of 31 December 2023	**191.5**

The main currency generating translation differencies is the US dollar.

As of 31 December 2023, the translation reserve includes (155.2) million euros in respect of the Cross Currency Swap used to hedge currency exposure of a net investment in a foreign operation and the Cross Currency Swap having matured during a previous financial year.

6.7.5 Actuarial gains and losses

The reference interest rates used to determine the discounted value of retirement benefits and the guarantee given to a pension fund have been changed from, respectively, 4.05% and 4.10% as of 30 June 2023 to 3.5% and 3.55% as of 31 December 2023. This change in the discount rate has led to commitments totalling 10 million euros during the period.

6.8 PROVISIONS

The changes in provisions between 30 June 2023 and 31 December 2023 are presented below:

(en millions d'euros)	30 June 2023	Entry into scope	Allowance	Reversal		Reclassification	Change in scope	Recognised in equity	Currency variation	31 Dec 2023
(in millions of euros)				Used	Unused					
Financial guarantee granted to a pension fund	15.7		0.3	0.0	0.0	0.0	0.0	9.8	0.0	25.7
Retirement indemnities	9.0		0.6	(0.5)	0.0	0.0	0.0	0.5	0.0	9.5
Other post-employment benefits [1]	4.4		0.0	0.0	0.0	0.0	0.0	0.0	0.1	4.5
Total post-employment benefits	**29.2**		0.8	(0.5)	0.0	0.0	0.0	10.2	0.1	**39.8**
Commercial, employee-related and tax litigation	5.1		2.4	(0.1)	(0.5)		0.0	0.0	0.0	7.0
Others	-									
Total provisions	**34.4**	0.0	3.3	(0.6)	(0.5)	0.0	0.0	10.2	0.1	**46.7**
Incl. non-current portion	29.2									39.89
Incl. current portion	5.1									6.84

[1] *Other post-retirement benefits mainly include termination benefits in various subsidiaries.*

6.8.1 Litigation and contingent liabilities

Several accounting audit procedures have been carried out on Eutelsat SA by the tax authorities covering the period from 1 July 2012 to 30 June 2020.

As of 31 December, the following procedures were underway:

An initial audit procedure covered the fiscal years ended 30 June 2012, 2013 and 2014, for which a proposed tax increase was received in December 2016. Following pre-litigation appeals and subsequent discussions, the amounts claimed by the tax authorities have been reduced. There is still disagreement over one tax increase, which will be referred to the courts in 2024.

A second audit procedure covered the fiscal years ended 30 June 2018, 2019 and 2020, for which two proposed tax increases were received in December 2021, and then in December 2022. Responses to the observations were received at the end of May 2023. There is still disagreement over a limited number of proposed adjustments for which the Company has initiated the applicable administrative remedies.

NOTE 7: RELATED-PARTY TRANSACTIONS

Related-party transactions include:

- direct or indirect shareholders and their subsidiaries, as well as entities on which they have significant influence, which is considered to exist when the Group controls more than 20% of the entity or when the investor serves on the Board of Directors of a Group entity;
- non-controlling interests in entities fully consolidated by the Group; and
- key management personnel.

Subsequent to the acquisition of OneWeb on 28 September 2023 through an all-share exchange, new shareholders have joined Eutelsat Group, including Sunil Bharti Mittal, Bharti Space Limited and the UK Secretary of State for Science, Innovation and Technology.

There were no transactions with related parties in the first half of the financial year other than those carried out in the financial year ended 30 June 2023.

NOTE 8: SUBSEQUENT EVENTS

8.1 SALE OF AOS JOINT-VENTURE HELD BY ONEWEB

In 2015, Airbus OneWeb Satellites LLC ("AOS") was formed as a 50/50 joint venture between OneWeb and Airbus. The purpose of the joint venture was to manufacture OneWeb Generation 1 ("Gen.1") satellites and this was the core business of the joint venture until 2023, when the satellites were delivered to OneWeb. In 2023, AOS also entered into agreements with its other shareholder, Airbus, for the delivery of satellites.

In January 2024, AOS was sold to Airbus for a gross consideration of 75 million US dollars. The historical value of this investment stood at 10.4 million US dollars. Under IFRS 5, as part of the preliminary purchase price allocation, this investment was reclassified as an 'asset held for sale' and recognised at fair value as of 31 December 2023.

8.2 EUTELSAT 113 WEST A SATELLITE

An anomaly affecting the EUTELSAT 113 West A satellite on 31 January this year led to the satellite's operations being discontinued. Launched in 2006 and operating in inclined orbit at 113° West, EUTELSAT 113 West A's mission was to provide C- and Ku-band coverage of the Americas, serving video, data and government customers across 18 operational locations. Mitigation is underway to minimise disruption of service for affected customers, including accelerated transfer of service to alternative capacity on Eutelsat's satellites at 115° and 117° West. No impact has been recognised given the lack of certainty in determining the impact of the action plans put in place to mitigate the risk of service disruption at the balance sheet date.

The net value of this asset stands at 0.2 million euros, with an expected end-of-life date of September 2031. In the Group's business plans, this satellite was expected to contribute a further 17.5 million euros of income.

RESPONSIBILITY STATEMENT

We hereby confirm that to the best of our knowledge:

a) the condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting";

b) the interim management report includes a fair presentation of the information required by DTR 4.2.7R (indication of significant events during the first six months and description of the main risks and uncertainties for the remaining six months of the year);

c) the half-year management report and Note 9 include a fair presentation of the information required by DTR 4.2.8R (disclosure of related party transactions and changes thereto).

At the Board's request,

Eva Berneke

Chief Executive Officer

7 OUTLOOK

The legacy Eutelsat business remains on track with expected performance and confirms a return to top line growth for FY 2023-24, mainly driven by the entry into service of satellites EUTELSAT 10B and KONNECT VHTS.

The results of the LEO activities of OneWeb, while progressing well, with 100% of the satellites in place and a growing backlog at the end of the last quarter. As reported in our Trading Update of 29th January 2024, they are running behind schedule relative to the original roadmap. This reflects delays in the availability of the ground network, impacting revenues, especially in mobility and in certain geographies where market access is still outstanding, as well as a revenue mix more oriented than expected towards the sale of user terminals, which impacts margins.

The deployment of the ground network is progressing well, towards a 90% completion rate in Q2 2024. We continue to see strong momentum in the take-up of pre-signed commitments with major customers, and we believe we are on track towards our longer-term targets.

Nevertheless, this dynamic will not suffice to close the gap relative to our near-term expectations, and in consequence we are adjusting our financial objectives for FY 2023-24 as follows (at a €/$ rate of 1.00)[7]:

- Revenues are now expected in a range of €1.25bn to €1.3bn (versus €1.32bn to €1.42bn previously).
- Adjusted EBITDA is expected in a range of €650m to €680m (versus €725m to €825m previously).
- Cash capex for FY 2024 remains expected in a range between €600m and €650m after synergies; for the period FY 2025 to FY 2030, the integration of the revised capex budget for OneWeb NextGen means cash capex[6] is now expected between €600m to €700m on average per annum (versus €725m to €875m per annum previously).
- We also continue to target leverage of c.3x in the medium term.

To allow for a more accurate assessment of prospects in the context of the rapid development of OneWeb's business, financial objectives for FY 2024-25 will be reviewed and shared at Eutelsat Group's FY 2023-24 Results on August 2nd, 2024; previously communicated objectives for FY 2024-25 are meanwhile suspended.

Management remains confident in the prospects of OneWeb and the potential of Eutelsat Group's unique combined GEO-LEO offer. As the constellation achieves full global operational coverage, we anticipate an acceleration in revenues and continue to target double-digit CAGR in revenues and Adjusted EBITDA between FY 2024 and FY 2028.

[7] Pro-forma figures with 12 months' OW figures (actual consolidation as of 1st October 2023).

APPENDIX

Appendix 1: Additional financial data

Extract from the consolidated income statement (€ millions)

Six months ended December 31	2022	2023[1]	Change (%)
Revenues	573.8	572.6	-0.2%
Operating expenses	(154.8)	(207.0)	33.7%
Adjusted EBITDA	419.0	365.6	-12.7%
Depreciation and amortisation	(233.8)	(316.1)	35.2%
Other operating income (expenses)	(34.0)	(183.9)	n.a.
Operating income	151.2	(134.4)	n.a.
Financial result	(56.0)	(60.7)	-8.4%
Income tax expense	(0.8)	28.5	n.a.
Income / (loss) from associates	(39.1)	(23.0)	-41.2%
Portion of net income attributable to non-controlling interests	(3.4)	(1.8)	n.a.
Group share of net income	51.9	(191.3)	n.a.

Extract from the consolidated statement of cash flows (€millions)

Six months ended December 31	2022	2023[1]
Net income	55.3	-189.5
Result from associates	39.1	23.0
Tax and interest expenses, other operating items	57.8	111.7[8]
Depreciation, amortisation and provisions	246.8	413.3
Deferred taxes	-15.8	-30.2
Changes in accounts receivable	6.3	-9.1
Changes in assets held under customer contracts and other assets	8.1	-36.3
Changes in accounts payable	5.1	-15.1
Changes in liabilities associated with customer contracts and other liabilities	-37.0	3.5
Taxes paid	-12.4	15.3
Net cash flows from operating activities	**353.3**	**286.5**
Acquisitions of satellites, other property and equipment, and intangible assets	-166.5	-139.7
Proceeds from release of the C band	-	330.4
Acquisitions of equity investments and other movements	-29.2	143.1[9]
Net cash flows from investing activities	**-195.7**	**333.8**
Distributions	-80.6	0.0
Repayment of borrowings	-300.0	-164.0[10]
Repayment of lease liabilities	-27.8	-19.0
Loan set-up fees	-	-2.4
Interest and other fees paid	-77.4	-85.6
Transactions with non-controlling interests	-15.5	-26.0[11]
Premiums and termination indemnities on derivatives settled	-31.0	-
Increase in debt and others	-	90.0
Net cash flow from financing activities	**-532.2**	**-207.1**
Impact of exchange rate on cash and cash equivalents	1.7	1.7
Increase/(Decrease) in cash and cash equivalents	**-373.0**	**415.0**
Cash and cash equivalents, beginning of period	**680.5**	**482.2**
Cash and cash equivalents, end of period	**307.4**	**897.2**

[8] Includes the impact of the fair value adjustment of OneWeb investment for €78m.
[9] Includes a credit facility drawdown of €155.0m and cash from OneWeb for €138.2m.
[10] Includes the redemption of the Eutelsat SA and OneWeb Holding Ltd facilities in July and November 2023 for €65.1m and €93.0m respectively.
[11] Include earn-out payments for €26m.

Appendix 2: Quarterly revenues by application

Quarterly Reported revenues FY 2022-23 and FY 2023-24

The table below shows quarterly reported revenues.

In € millions	Q1 2022-23	Q2 2022-23	Q3 2022-23	Q4 2022-23	FY 2022-23	Q1 2023-24	Q2[1] 2023-24
Video	183.5	182.4	169.3	169.5	704.8	163.5	167.6
Government Services	34.7	32.2	31.4	45.1	143.4	33.5	40.7
Mobile Connectivity	25.9	30.0	26.9	27.3	110.1	35.2	36.0
Fixed Connectivity	46.4	46.8	44.0	40.6	177.8	40.2	54.3
Total Operating Verticals	**290.5**	**291.4**	**271.6**	**282.6**	**1,136.1**	**272.5**	**298.6**
Other Revenues	-3.1	-5.0	0.4	3.0	-4.8	1.5	0.1
Total	**287.4**	**286.4**	**272.0**	**285.5**	**1,131.3**	**274.0**	**298.7**

Appendix 3: Alternative performance indicators

In addition to the data published in its accounts, the Group communicates on three alternative performance indicators which it deems relevant for measuring its financial performance: Adjusted EBITDA, Net Debt to Adjusted EBITDA and Cash Capex. These indicators are the object of reconciliation with the consolidated accounts.

Adjusted EBITDA, Adjusted EBITDA margin and Net debt / Adjusted EBITDA ratio

In compliance with ESMA recommendations, as of 30 June 2023, Eutelsat's "EBITDA" will evolve to "Adjusted EBITDA". This change of terminology does not affect the calculation of this indicator.

Adjusted EBITDA reflects the profitability of the Group before Interest, Tax, Depreciation and Amortisation. It is a frequently used indicator in the Fixed Satellite Services Sector and more generally the Telecom industry. The table below shows the calculation of Adjusted EBITDA based on the consolidated P&L accounts for H1 2022-23 and H1 2023-24:

Six months ended December 31 (€ millions)	2022	2023[1]
Operating income	151.2	(134.4)
+ Depreciation and Amortisation	233.8	316.1
- Other operating income and expenses	34.0	183.9
Adjusted EBITDA	**419.0**	**365.6**

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

Six months ended December 31 (€ millions)	2022	2023[1]
Adjusted EBITDA	419.0	365.6
Revenues	573.8	572.6
Adjusted EBITDA margin (as a % of revenues)	**73.0**	**63.8**

At constant currency, the adjusted EBITDA margin stood at 64.1% as of 31 December 2023.

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

Six months ended December 31 (€ millions)	2022	2023[1]
Last twelve months adjusted EBITDA	844.9	634.2
Closing net debt[12]	2,996.0	2,619.1
Net debt / adjusted EBITDA	**3.55x**	**4.13x**

[12] Net debt includes all bank debt, bonds and all liabilities from lease agreements and structured debt as well as Forex portion of the cross-currency swap, less cash and cash equivalents (net of bank overdraft). Net Debt calculation will be available in the Note 6.4.3 of the appendices to the financial accounts.

Cash Capex

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

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

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

The table below shows the calculation of Cash Capex for H1 2022-23 and H1 2023-24:

Six months ended December 31 (€ millions)	**2022**	**2023[1]**
Acquisitions of satellites, other property and equipment and intangible assets	(166.5)	(139.8)
Insurance proceeds	-	-
Repayments of ECA loans, lease liabilities and other bank facilities [13]	(27.8)	(84.1)
Cash Capex	**(194.3)**	**(223.9)**

[13] Included in lines "Repayment of borrowings" and of "Repayment of lease liabilities" of cash-flow statement.

STATUTORY AUDITOR'S REVIEW REPORT ON THE FIRST HALF-YEARLY FINANCIAL INFORMATION (FRENCH VERSION)

MAZARS ERNST & YOUNG et Autres

Eutelsat Communications

Période du 1er juillet au 31 décembre 2023

Rapport des commissaires aux comptes
sur l'information financière semestrielle

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Membre de la compagnie
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Eutelsat Communications

Période du 1er juillet au 31 décembre 2023

Rapport des commissaires aux comptes sur l'information financière semestrielle

Aux Actionnaires,

En exécution de la mission qui nous a été confiée par vos assemblées générales et en application de l'article L. 451-1-2 III du Code monétaire et financier, nous avons procédé à :

- l'examen limité des comptes consolidés semestriels condensés de la société Eutelsat Communications, relatifs à la période du 1er juillet au 31 décembre 2023, tels qu'ils sont joints au présent rapport ;
- la vérification des informations données dans le rapport semestriel d'activité.

Ces comptes consolidés semestriels condensés ont été établis sous la responsabilité du conseil d'administration. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

1. Conclusion sur les comptes

Nous avons effectué notre examen limité selon les normes d'exercice professionnel applicables en France.

Un examen limité consiste essentiellement à s'entretenir avec les membres de la direction en charge des aspects comptables et financiers et à mettre en œuvre des procédures analytiques. Ces travaux sont moins étendus que ceux requis pour un audit effectué selon les normes d'exercice professionnel applicables en France. En conséquence, l'assurance que les comptes, pris dans leur ensemble, ne comportent pas d'anomalies significatives obtenue dans le cadre d'un examen limité est une assurance modérée, moins élevée que celle obtenue dans le cadre d'un audit.

Sur la base de notre examen limité, nous n'avons pas relevé d'anomalies significatives de nature à remettre en cause la conformité des comptes consolidés semestriels condensés avec la norme IAS 34, norme du référentiel IFRS tel qu'adopté dans l'Union européenne relative à l'information financière intermédiaire.

2. Vérification spécifique

Nous avons également procédé à la vérification des informations données dans le rapport semestriel d'activité commentant les comptes consolidés semestriels condensés sur lesquels a porté notre examen limité.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés semestriels condensés.

Paris-La Défense, le 4 mars 2024

Les Commissaires aux Comptes

MAZARS	ERNST & YOUNG et Autres
Erwan Candau	Nicolas Macé

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