SES

SES, Société Anonyme

Interim results for the six-month period ended

30 June 2023

Contents

Operational and financial review

Key business and financial highlights (at constant FX unless explained otherwise)

SES regularly uses Alternative Performance Measures (APM) to present the performance of the Group and believes that these APMs are relevant to enhance understanding of the financial performance and financial position.

€million	H1 2023	H1 2022	Δ as reported	Δ at constant FX and like for like[1]
Average €/$ FX rate	***1.08***	*1.10*		
Revenue	**987**	899	+9.8%	-1.2%
Adjusted EBITDA	**530**	545	-2.7%	-5.7%
Adjusted Net Profit	**116**	168	-31.0%	n/a
Adjusted Net Debt / Adjusted EBITDA	**3.6x**	3.0x	n/a	n/a

"At constant FX" refers to comparative figures restated at the current period FX, to neutralise currency variations. 1) "Like for like" which refers to as if DRS Global Enterprise Solutions had been acquired on 31 December 2021 (acquired on 1 August 2022).

Networks revenue of €501 million represented a growth of 3.1% compared with H1 2022, with growth in Mobility (of +13.8%), complemented by robust performance in Fixed Data (+0.2%), which included periodic revenue of €7 million in Q1 2023, as well as Government (-0.7%).

Video revenue of €486 million represents a reduction of 5.2% compared with H1 2022, or a 3.5% reduction excluding periodic revenue of €10 million which was recognised in Q1 2022.

Adjusted EBITDA of €530 million represented an Adjusted EBITDA margin of 54% (H1 2022: 61% and 56% on a like for like basis, assuming DRS Global Enterprise Solutions had been acquired on 31 December 2021).

Adjusted EBITDA excludes significant special items of €31 million (H1 2022: €16 million), comprising net U.S. C-band expenses of €10 million (H1 2022: €13 million) and other significant special items of €21 million (H1 2022: €3 million) related to acquisition costs and restructuring expenses.

Adjusted Net Profit of €116 million included a net foreign exchange (FX) loss of €2 million (H1 2022: gain of €26 million) which was partly offset by higher year on year reported capitalised interest and lower year-on-year reported income tax expense. Adjusted Net Profit excludes significant special items (highlighted above) and their related net tax benefit of €7 million (H1 2022: €27 million).

At 30 June 2023, Adjusted Net Debt (including 50% of the €1,175 million of hybrid bonds as debt) was €3,932 million and represented an Adjusted Net Debt to Adjusted EBITDA ratio of 3.6 times, compared with 3.5 times at 31 December 2022. At 30 June 2023, the total amount of remaining U.S. C-band clearing cost reimbursements expected to be received in the future was approximately $500 million.

Contract backlog at 30 June 2023 was €4.7 billion (€5.7 billion gross backlog including backlog with contractual break clauses).

2023 group revenue and Adjusted EBITDA outlook (assuming an FX rate of €1=$1.09, nominal satellite health, and nominal launch schedule) remains on track and expected to be between €1,950 - 2,000 million and between €1,010 - 1,050 million respectively.

Capital expenditure (net cash absorbed by investing activities excluding acquisitions, financial investments, U.S. C-band repurposing, and assuming an FX rate of €1=$1.09) is also unchanged and expected to be around €550 million in 2023.

SES is, today, announcing a share buyback programme of up to €150 million expected to be executed by 30 June 2024 under the authorisation given by the Annual General Meeting of shareholders held on 6 April 2023. SES will purchase up to 20 million A-shares and up to 10 million B-shares in equal proportion to maintain the ratio of two A-shares to one B-share, as required by the Articles of Association. The aggregate value of the programme shall not exceed €150 million, and the shares acquired under the programme are intended to be cancelled to reduce the total number of voting and economic shares.

Operational performance

REVENUE BY BUSINESS UNIT

	Revenue (€ million) as reported			Like for like[1] change (YOY) at constant FX		
	Q1 2023	Q2 2023	H1 2023	Q1 2023	Q2 2023	H1 2023
Average €/$ FX rate	*1.07*	*1.08*	*1.08*			
Video	**242**	**244**	**486**	**-5.0% / -8.3%[2]**	**-2.0%**	**-3.5% / -5.2%[2]**
Networks	**248**	**252**	**501**	**+2.9%[3]**	**+3.4%**	**+3.1%[3]**
Government	120	117	237	-0.6%	-0.9%	-0.7%
Fixed Data	60[3]	65	125[3]	-1.6%[3]	+1.9%	+0.2%[3]
Mobility	68	70	139	+14.4%	+13.1%	+13.8%
Other	-	1	1	n/m	n/m	n/m
Group Total	**490**	**497**	**987**	**-3.0%**	**+0.7%**	**-1.2%**

1) As if DRS Global Enterprise Solutions had been acquired on 31 December 2021 (acquired on 1 August 2022) – see page 5. "At constant FX" refers to comparative figures restated at the current period FX, to neutralise currency variations. 2) Including periodic revenue (Q1 2023: nil; Q1 2022: €10 million). 3) Including periodic revenue of €7 million in Q1 2023 (Q1 2022: nil).

Future satellite launches

Satellite	Region	Application	Launch Date
SES-18 & SES-19	North America	Video (US C-band accelerated clearing)	Launched
O3b mPOWER (satellites 3-4)	Global	Fixed Data, Mobility, Government	Launched
O3b mPOWER (satellites 5-6)	Global	Fixed Data, Mobility, Government	Q3 2023
O3b mPOWER (satellites 7-8)	Global	Fixed Data, Mobility, Government	H2 2023
O3b mPOWER (satellites 9-11)	Global	Fixed Data, Mobility, Government	2024
ASTRA 1P	Europe	Video	2024
ASTRA 1Q	Europe	Video, Fixed Data, Mobility, Government	2024
SES-26	Africa, Asia, Europe, Middle East	Video, Fixed Data, Mobility, Government	2024
EAGLE-1	Europe	Government	2024

Final launch dates are subject to confirmation by launch providers

Business risks and their mitigation

For the remaining six months of the financial year, SES does not envisage any additional risks compared to the risk assessment performed for the year-end 31 December 2022, which are disclosed in full in the Annual Report 2022.

Related party transactions

Refer to note 9 - Related party transactions.

Responsibility statement

The Board of Directors and the executive management of the company reaffirm their responsibility to ensure the maintenance of proper accounting records disclosing the financial position of the group with reasonable accuracy at any time and ensuring that an appropriate system of internal controls is in place to ensure that the group's business operations are carried on efficiently and transparently.

In accordance with Article 4 of the law of 11 January 2008 on the harmonization of transparency requirements in relation to information about issuer whose securities are admitted to trading on a regulated market, we declare that, to the best of our knowledge, the interim condensed consolidated financial statements for the half year ended 30 June 2023, prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted for use by the European Union give a true and fair view of the assets, liabilities, financial position and profit of the year of SES and its subsidiaries included in the consolidated taken as a whole.

In addition, the management's report includes a fair view of the development and performance of the business and the position of SES and its subsidiaries included in the consolidated taken as a whole, together with a description of the principal risks and uncertainties that they face.

Frank Esser
Chairman of the Board of Directors

Ruy Pinto
Chief Executive Officer

Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of
SES S.A.

We have reviewed the accompanying interim condensed consolidated financial statements of SES S.A. (the “Company”), which comprise the interim condensed consolidated statement of financial position as at 30 June 2023, and the interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors’ responsibility for the interim condensed consolidated financial statements

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the “Réviseur d’entreprises agréé”

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410 “Review of interim financial information performed by the independent auditor of the entity”) as adopted for Luxembourg by the “Institut des Réviseurs d’Entreprises”. This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of condensed interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. The “Réviseur d’entreprises agréé” performs procedures, primarily consisting of making inquiries of management and others within the Company, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 2 August 2023

Electronically signed by:
François Mousel

François Mousel

Interim condensed consolidated income statement

For the six-month period ended 30 June 2023

€ million		**2023**	2022
Revenue	Note 4	**987**	899
C-band repurposing income	Note 10	**3**	4
Operating expenses		**(491)**	(374)
EBITDA	Note 13	**499**	529
Depreciation expense		**(294)**	(296)
Property, plant and equipment impairment	Note 11	**-**	(24)
Amortisation expense		**(46)**	(24)
Operating profit		**159**	185
Net financing costs		**(47)**	(30)
Profit before tax		**112**	155
Income tax expense	Note 7	**(20)**	(54)
Profit for the period		**92**	101
Attributable to owners of the parent		**92**	101
Attributable to non-controlling interests		**-**	-

Basic and diluted earnings per share (in euro)	Note 8	**2023**	2022
Class A shares		**0.17**	0.19
Class B shares		**0.07**	0.08

The notes are an integral part of the interim condensed consolidated financial statements.

Interim condensed consolidated statement of comprehensive income

For the six-month period ended 30 June 2023

€ million	2023	2022
Profit for the period	**92**	**101**
Other comprehensive income ***Items that will not be reclassified to profit or loss***		
Income tax relating to treasury shares impairment reversal or charge	**1**	**(2)**
Total items that will not be reclassified to profit or loss	**1**	**(2)**
Items that may be reclassified subsequently to profit or loss		
Impact of currency translation	**(116)**	**507**
Income tax effect	**11**	**(48)**
Total impact of currency translation, net of tax	**(105)**	**459**
Net investment hedge	**18**	**(113)**
Income tax effect	**(5)**	**31**
Total net investment hedge, net of tax	**13**	**(82)**
Total items that may be reclassified subsequently to profit or loss	**(92)**	**377**
Total other comprehensive income for the period, net of tax	**(91)**	**375**
Total comprehensive income for the period, net of tax	**1**	**476**
Attributable to:		
Owners of the parent	**1**	**474**
Non-controlling interests	**-**	**2**

The notes are an integral part of the interim condensed consolidated financial statements.

Interim condensed consolidated statement of financial position

As at 30 June 2023

€ million		**30 June 2023**	31 December 2022
Non-current assets			
Property, plant and equipment		**3,345**	3,630
Assets in the course of construction		**1,948**	1,859
Total property, plant and equipment		**5,293**	5,489
Intangible assets		**4,190**	4,291
Other financial assets		**20**	20
Trade and other receivables		**109**	111
Deferred customer contract costs		**3**	7
Deferred tax assets		**522**	499
Total non-current assets		**10,137**	10,417
Current assets			
Inventories		**39**	34
Trade and other receivables		**849**	1,033
Deferred customer contract costs		**2**	4
Prepayments		**51**	47
Income tax receivable		**32**	25
Cash and cash equivalents		**333**	1,047
Total current assets		**1,306**	2,190
Total assets		**11,443**	12,607
Equity			
Attributable to the owners of the parent		**5,363**	5,596
Non-controlling interests		**57**	62
Total equity		**5,420**	5,658
Non-current liabilities			
Borrowings	**Note 5**	**3,460**	3,629
Provisions		**7**	7
Deferred income		**330**	359
Deferred tax liabilities		**427**	434
Other long-term liabilities		**83**	107
Lease liabilities		**31**	30
Fixed assets suppliers		**375**	740
Total non-current liabilities		**4,713**	5,306
Current liabilities			
Borrowings	**Note 5**	**217**	719
Provisions		**80**	67
Deferred income		**191**	189
Trade and other payables		**303**	367
Lease liabilities		**21**	15
Fixed assets suppliers		**479**	264
Income tax liabilities		**19**	22
Total current liabilities		**1,310**	1,643
Total liabilities		**6,023**	6,949
Total equity and liabilities		**11,443**	12,607

The notes are an integral part of the interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows

For the six-month period ended 30 June 2023

€ million		**2023**	2022
Profit before tax		**112**	155
Taxes paid during the period		**(38)**	(169)
Adjustment for non-cash items		**367**	371
Consolidated operating profit adjusted for non-cash items and tax payments and before working capital changes		**441**	357
Changes in working capital		**26**	423
Net cash generated by operating activities		**467**	780
Cash flow from investing activities			
Payments for purchases of intangible assets		**(13)**	(25)
Payments for purchases of tangible assets		**(209)**	(555)
Other investing activities		**(5)**	(1)
Net cash absorbed by investing activities		**(227)**	(581)
Free cash flow before financing activities		**240**	199
Cash flow from financing activities			
Proceeds from borrowings		**50**	745
Repayment of borrowings	**Note 5**	**(698)**	(49)
Coupon paid on perpetual bond		**(31)**	(31)
Dividends paid on ordinary shares[1]	**Note 6**	**(220)**	(219)
Interest paid on borrowings		**(67)**	(48)
Proceeds from treasury shares sold and exercise of stock options		**3**	4
Lease payments		**(10)**	(9)
Net cash absorbed by financing activities		**(973)**	393
Net foreign exchange movements		**19**	28
Net increase / (decrease) in cash		**(714)**	620
Cash and cash equivalents at beginning of the period		**1,047**	1,049
Cash and cash equivalents at end of the period		**333**	1,669

[1] Dividends are presented net of dividends received on treasury shares of EUR 3 million (2022: EUR 4 million)

The notes are an integral part of the interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in shareholders' equity

For the six-month period ended 30 June 2023

€ million	Attributable to owners of the parent									
	Issued capital	Share premium	Treasury shares	Perpetual bond	Other reserves	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
At 1 January 2023	**696**	**1,564**	**(80)**	**1,175**	**2,428**	**(34)**	**(153)**	**5,596**	**62**	**5,658**
Result of the period	-	-	-	-	-	92	-	92	-	92
Other comprehensive income	-	-	-	-	1	-	(92)	(91)	-	(91)
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**1**	**92**	**(92)**	**1**	**-**	**1**
Allocation of 2022 result	-	-	-	-	(34)	34	-	-	-	-
Coupon on perpetual bond	-	-	-	-	(31)	-	-	(31)	-	(31)
Tax on perpetual bond coupon	-	-	-	-	7	-	-	7	-	7
Dividends provided for or paid[1]	-	-	-	-	(220)	-	-	(220)	-	(220)
Share-based compensation expense	-	-	-	-	5	-	-	5	-	5
Exercise of share-based compensation	-	-	10	-	(7)	-	-	3	-	3
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	(5)	(5)
Other movements	-	-	-	-	2	-	-	2	-	2
At 30 June 2023	**696**	**1,564**	**(70)**	**1,175**	**2,151**	**92**	**(245)**	**5,363**	**57**	**5,420**

[1] Dividends are presented net of dividends received on treasury shares of EUR 3 million (Note 6)

The notes are an integral part of the interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in shareholders' equity

For the six-month period ended 30 June 2022

€ million	Issued capital	Share premium	Treasury shares	Perpetual bond	Other reserves	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	Attributable to owners of the parent									
At 1 January 2022	**719**	**1,636**	**(189)**	**1,175**	**2,227**	**453**	**(351)**	**5,670**	**63**	**5,733**
Result of the period	-	-	-	-	-	101	-	101	-	101
Other comprehensive income	-	-	-	-	(2)	-	375	373	2	375
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**(2)**	**101**	**375**	**474**	**2**	**476**
Allocation of 2021 result	-	-	-	-	453	(453)	-	-	-	-
Coupon on perpetual bond	-	-	-	-	(31)	-	-	(31)	-	(31)
Tax on perpetual bond coupon	-	-	-	-	7	-	-	7	-	7
Dividends provided for or paid[1]	-	-	-	-	(219)	-	-	(219)	-	(219)
Share-based compensation expense	-	-	-	-	4	-	-	4	-	4
Exercise of share-based compensation	-	-	14	-	(11)	-	-	3	-	3
At 30 June 2022	**719**	**1,636**	**(175)**	**1,175**	**2,428**	**101**	**24**	**5,908**	**65**	**5,973**

[1] Dividends are presented net of dividends received on treasury shares of EUR 4 million

The notes are an integral part of the interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

As at 30 June 2023

(€ million unless indicated otherwise)

Note 1 - Corporate information

SES S.A. (“the Company”) was incorporated on 16 March 2001 as a limited liability company (Société Anonyme) under Luxembourg law. References to “the Group” in the following notes are to the Company and its subsidiaries. SES trades under “SESG” on both the Luxembourg and Euronext Paris stock exchanges.

The Group’s interim condensed consolidated financial statements as at, and for the six-month period ended, 30 June 2023 (‘the Interim Financial Statements’) were authorised for issue in accordance with a resolution of the directors on 31 July 2023 and have been reviewed but not audited.

Note 2 - Basis of preparation and accounting policies

Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34 (‘Interim Financial Reporting’) as adopted by the European Union and hence do not include all the information and disclosures required in the Group’s annual consolidated financial statements. The Interim Financial Statements do not include all the note disclosures normally included in the annual consolidated financial statements and should therefore be read in conjunction with the Group’s annual consolidated financial statements as at, and for the year ended, 31 December 2022.

Significant accounting policies

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements as at, and for the year ended, 31 December 2022.

New standards and interpretations not yet adopted

There are no new IFRSs and amendments to standards except the ones disclosed in the annual consolidated financial statements as at, and for the year ended, 31 December 2022 applicable for the first time to financial reporting periods commencing on or after 1 January 2023 that would be expected to have a material impact on the Group. The Group does not expect any significant impact on its consolidated financial statements of new accounting pronouncements issued but not mandatory for annual reporting periods ending on 31 December 2023.

Note 3 - Significant accounting judgements and estimates

The preparation of the Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at, and for the year ended, 31 December 2022.

Note 4 - Segmental information

The Group continues to report its activities as a single reportable operating segment in 2023. When analysing the performance of the operating segment, the comparative prior year figures are analysed both 'as reported' and at 'constant FX' - recomputed using the exchange rates applying for each month in the current period.

The segment's financial results for the six-month period ended 30 June 2023 and the comparative prior period figures as reported and at 'constant FX', are set out below:

€ million (comparatives 'as reported')	**2023**	2022	Change: favourable / (adverse)
Revenue	**987**	899	+88
C-band repurposing income	**3**	4	-1
Operating expenses	**(491)**	(374)	-117
EBITDA	**499**	529	-30
EBITDA margin (%)	**50.6%**	58.6%	-8 points
Property, plant and equipment depreciation	**(294)**	(296)	+2
Property, plant and equipment impairment	**--**	(24)	+24
Amortisation and impairment of intangible assets	**(46)**	(24)	-22
Operating profit	**159**	185	-26

€ million (comparatives at 'constant FX')	**2023**	2022	Change: favourable / (adverse)
Revenue	**987**	908	+79
C-band repurposing income	**3**	5	-2
Operating expenses	**(491)**	(378)	-113
EBITDA	**499**	534	-35
EBITDA margin (%)	**50.6%**	58.8%	-8 points
Property, plant and equipment depreciation	**(294)**	(299)	+5
Property, plant and equipment impairment	**--**	(24)	+24
Amortisation and impairment of intangible assets	**(46)**	(24)	-22
Operating profit	**159**	187	-28

Note 5 - Fair value management of financial instruments

The carrying amount of financial assets and liabilities (other than borrowings) approximate to their fair value.

Differences were identified in the following category of financial instruments at 30 June 2023:

Borrowings: € million	Fair value hierarchy	Carrying amount	Fair value
Eurobond 2026 (EUR 650 million)	1	654	613
Eurobond 2027 (EUR 500 million)	1	498	427
Eurobond 2028 (EUR 400 million)	1	396	346
Eurobond 2029 (EUR 750 million)	1	745	689
US Bond 2043 (USD 250 million)	1	224	161
US Bond 2044 (USD 500 million)	1	446	323
Euro Private Placement 2027 (EUR 140 million) issued under EMTN	1	140	135
German Bond 2032 (EUR 50 million)	2	50	46
German Bond 2024 (EUR 150 million)	1	150	145
German Bond 2025 (EUR 250 million)	1	250	235
Fixed Term Loan Facility (LuxGovSat)	2	74	67
Commercial Paper	2	50	50
Total borrowings		**3,677**	**3,237**

On 4 April 2023 SES repaid at par value its USD 750.0 million 10-year bond with a coupon of 3.6%. Commercial Paper was added in the period with a closing nominal amount of EUR 50 million.

As of 30 June 2023, the Group did not have any financial derivatives outstanding.

Note 6 - Dividends declared and paid during the period

Dividends declared are paid net of withholding tax (2023: EUR 25 million, 2022: EUR 24 million).

Gross dividends declared and paid during the period were:

	Six-month period ended 30 June	
€ million	**2023**	**2022**
Class A dividend EUR 0.50 (2022: EUR 0.50)	182	192
Class B dividend EUR 0.20 (2022: EUR 0.20)	38	38
Total	220	230

Note 7 - Income tax

The income tax expense of EUR 20 million recognised for the period ended 30 June 2023 comprises the current income tax expense for the period of EUR 44 million and the net deferred tax income of EUR 24 million. The current income tax expense mainly represents tax on profits of the current year (EUR 40 million) and withholding tax charges in various jurisdictions (EUR 4 million). The deferred tax income is a combination of recognition of new deferred tax assets for investment tax credits and net operating losses for a total of EUR 27 million and the recognition of deferred tax liabilities for temporary differences for a total of EUR 3 million.

Note that taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss on a full-year basis.

Luxembourg fiscal unity

The investments made by the Group in the period, mainly in the framework of the procurement programmes for the mPOWER constellation and 19.2°E replacement satellites, gave rise to investment tax credits of EUR 11 million. Given the availability of tax losses to be carried forward in Luxembourg, these investment tax credits are not being utilised against Luxembourg current income tax during the period but have been recognised as a deferred tax asset available for offset against future corporate income taxes. SES believes that it is probable that sufficient taxable profits will be available in the Luxembourg fiscal unity in the future to use all investment tax credits for which deferred tax assets have been recorded, noting that a valuation adjustment of EUR 110 million was already taken on the recoverability of these items in 2022.

In addition, the Company is liable to Luxembourg Net Wealth Tax of EUR 5 million (2022: EUR 3 million) which is included within operating expenses.

Tax paid during the period of EUR 38 million was significantly lower than in the prior period (2022: EUR 169 million) mainly due to tax paid in 2022 on income arising in connection with C-Band repurposing activities (see Note 10).

Note 8 - Earnings per share

Earnings per share and diluted earnings per share have been computed consistently with the prior period.

For the period ended 30 June 2023, basic earnings per share of EUR 0.17 per Class A share (2022: EUR 0.19), and EUR 0.07 per Class B share (2022: EUR 0.08) have been calculated on the following basis.

Profit attributable to the owners of the parent for calculating basic earnings per share:

€ million	Six-month period ended 30 June	
	2023	**2022**
Profit attributable to owners of the parent	**92**	101
Assumed coupon on perpetual bond (net of tax)	**(18)**	(18)
Total	**74**	83

Assumed coupon accruals of EUR 18 million (net of tax) for the period ended 30 June 2023 (2022: EUR 18 million) related to the perpetual securities in issue have been considered for the calculation of the basic and diluted earnings available for distribution.

Weighted average number of shares, net of own shares held, for calculating basic earnings per share:

	Six-month period ended 30 June	
	2023	2022
Class A shares (in million)	**364.7**	363.7
Class B shares (in million)	**185.7**	185.7
Total	**550.4**	549.4

For the period ended 30 June 2023, diluted earnings per share of EUR 0.17 per Class A share (2022: EUR 0.19), and EUR 0.07 per Class B share (2022: EUR 0.08) have been calculated on the following basis:

Profit attributable to the owners of the parent for calculating diluted earnings per share is consistent with the one above for calculating basic earnings per share. Weighted average number of shares, net of own shares held, for calculating diluted earnings per share:

	Six-month period ended 30 June	
	2023	2022
Class A shares (in million)	**367.3**	367.1
Class B shares (in million)	**185.7**	185.7
Total	**553.0**	552.8

Note 9 - Related party transactions

No related party transactions have occurred during the six-month period ended 30 June 2023 which have a significant impact on the financial position or results of the Group.

Note 10 - C-Band repurposing

The Company continues to execute on its plan to clear the 300 MHz band of C-band downlink spectrum between 3,700 and 4,000 MHz by December 2025 to comply fully with the Report and Order and Order of Proposed Modification issued by the U.S. Federal Communications Commission ("the FCC") in the first quarter of 2020, which is performed in two phases.

The Company met all required submission milestones and completed the Phase I clearing in October 2021, for which the Company received EUR 839 million (USD 977 million) of Accelerated Relocation Payments in December 2021 and January 2022.

The Company has completed all Phase II submission milestones and has submitted its certification to the FCC on 10 July 2023, which is currently under review. Upon an approved certification, the Company will be entitled to additional Accelerated Relocation Payments of EUR 2,753 million (USD 2,991 million), which it would expect to receive 60 days after the approval of the certification.

In the first half of 2023 the Group incurred EUR 40 million of payments for purchases of tangible assets which were offset by EUR 127 million of reimbursements received from prior years' spending. The EUR 87 million net cash inflow is presented under 'Payments for purchases of tangible assets' in the interim condensed consolidated statement of cash flows.

Income of EUR 3 million (2022: EUR 4 million) and costs of EUR 13 million (2022: EUR 17 million) were recognised in the period in connection with these activities.

Note 11 - Analysis of impairment indicators

In reviewing the valuations of assets in the framework of its analysis of impairment indicators as of 30 June 2023, management reviewed the results of operations, specific transactions and events of the period, and more general changes in conditions in the Group's markets. Management also considered the impact of internal and external factors on the discount rates used to discount the Group's future cash flows.

The conclusion of this analysis was that there were indicators of asset impairment in connection with certain of the Group's GEO satellites requiring a more detailed analysis as to the recoverable amount of those assets. As a result of this analysis, none of these indicators would lead to an impairment of the underlying assets, and thus no impairment charges were recorded during the six-month period ended 30 June 2023.

No impairment tests were required to be performed on indefinite-life intangible assets, and there were no additional impairment indicators for those assets which were subject to impairment charges as at 31 December 2022, namely on goodwill, orbital slot rights and satellites.

Note 12 – Events occuring after the reporting date

There were no material events occurring between the reporting date and the date when the Interim Financial Statements were authorised by the Board of Directors.

Note 13 - Alternative performance measures

SES regularly uses alternative performance measures to present the performance of the Group.

These measures may not be comparable to similarly titled measures used by other companies and are not measurements under IFRS or any other body of generally accepted accounting principles, and thus should not be considered substitutes for the information contained in the Group's financial statements.

i. *Net debt*

The following table reconciles net debt to the relevant balance sheet line items:

€ million	**30 June 2023**	30 June 2022
Borrowings - non-current	**3,460**	3,653
Borrowings - current	**217**	738
Borrowings, *less*	**3,677**	4,391
Cash and equivalents	**(333)**	(1,669)
Net debt	**3,344**	2,722

ii. *EBITDA and EBITDA Margin*

The following table reconciles EBITDA to the income statement line items from which it is derived:

€ million	**30 June 2023**	30 June 2022
Profit before tax	**112**	155
Add: Depreciation expense	**294**	296
Add: Property, plant and equipment impairment	**--**	*24*
Add: Amortisation expense	**46**	24
Add: Net financing costs	**47**	30
EBITDA	**499**	529

The following table provides a reconciliation of EBITDA Margin:

€ million	**30 June 2023**	30 June 2022
Revenue	**987**	899
C-band repurposing income	**3**	4
EBITDA	**499**	529
EBITDA Margin (%)	**50.6%**	58.6%

iii. *Adjusted EBITDA and Adjusted EBITDA Margin*

Adjusted EBITDA is defined as EBITDA adjusted to exclude 'significant special items'. Significant special items exceeding the threshold of EUR 5 million at first recognition need to be approved by management and primarily comprise:

- the net income statement impact of the repurposing of US C-band spectrum;
- restructuring expenses relating to the reorganisation of the Group's operations, mainly in the framework of the Group's 'Simplify & Amplify' programme (of which EUR 23 million [2022: EUR 2 million] provided for at the end of the period); and
- costs associated with the potential or realised acquisition and integration of new subsidiaries.

The following table reconciles Adjusted EBITDA to the income statement line items from which it is derived:

€ million	**30 June 2023**	30 June 2022
EBITDA	**499**	529
Adjust for significant special items		
Deduct: C-band repurposing income (Note 10)	**(3)**	(4)
Add: C-Band repurposing expenses (Note 10)	**13**	17
Add: Restructuring expenses	**13**	1
Add: Acquisition and integration costs	**8**	2
Adjusted EBITDA	**530**	545

Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue. The following table provides a reconciliation of the Adjusted EBITDA Margin:

€ million	**30 June 2023**	30 June 2022
Revenue	**987**	899
Adjusted EBITDA	**530**	545
Adjusted EBITDA Margin (%)	**53.7%**	60.6%

iv. *Operating Profit and Operating Profit Margin*

The following table reconciles Operating Profit to the income statement line items from which it is derived:

€ million	**30 June 2023**	30 June 2022
Profit before tax	**112**	155
Add back: Net financing costs	**47**	30
Operating Profit	**159**	185

The following table provides a reconciliation of Operating Profit Margin:

€ million	**30 June 2023**	30 June 2022
Revenue	**987**	899
Operating Profit	**159**	185
Operating Profit Margin (%)	**16.2%**	20.5%

v. *Adjusted Net Debt*

The following table reconciles Adjusted Net Debt to the relevant line items on the statement of financial position from which it is derived:

€ million	**30 June 2023**	30 June 2022
Borrowings – non-current	**3,460**	3,653
Borrowings – current	**217**	738
Total borrowings	**3,677**	4,391
50% of the Group’s EUR 1.2 billion of perpetual bonds	**588**	588
Less: Cash and cash equivalents	**(333)**	(1,669)
Adjusted Net Debt	**3,932**	3,310

vi. Adjusted Net Debt to Adjusted EBITDA ratio

€ million	**30 June 2023**	30 June 2022
Adjusted Net Debt	**3,932**	3,310
Twelve-month rolling Adjusted EBITDA*	**1,090**	1,092
Adjusted Net debt to Adjusted EBITDA ratio	**3.61 times**	3.03 times

* Rolling Adjusted EBITDA was calculated as follows:

€ million	**30 June 2023**	30 June 2022
Adjusted EBITDA for current half-year period	**530**	545
Add: Adjusted EBITDA for previous calendar year	**1,105**	1,091
Less: Adjusted EBITDA for prior half-year period	**(545)**	(544)
Twelve-month rolling Adjusted EBITDA	**1,090**	1,092

vii. Adjusted Net Profit and Adjusted Earnings per Share

Adjusted Net Profit is defined as profit or loss of the period attributable to shareholders of the group adjusted to exclude the after-tax impact of significant special items. Significant special items exceeding the threshold of EUR 5 million on first recognition need to be approved by management and primarily consist of the net impact of the repurposing of US C-band spectrum, restructuring charges, and costs associated with the acquisition and integration of new subsidiaries, as well as the impairment expenses, including the tax impact of impairment charges on shareholdings arising at SES S.A. or at the subsidiary level.

The tax rate applied to the pre-tax impact of the C-band operating expenses is the US tax rate and the tax rate applied to the restructuring expenses and impairment expenses represents the computed weighted average tax rate of the jurisdictions where the expenses occurred:

€ million	**30 June 2023**	30 June 2022
Profit of the group attributable to shareholders of the parent	**92**	101
Significant special items	**31**	16
Impairment expenses	**-**	24
Add: Total material exceptional items	**31**	40
Tax on impairment expenses, at 26%	**-**	(6)
Tax on significant special items	**(7)**	(4)
Less: Tax on material exceptional items	**(7)**	(10)
Add: *Tax expense in respect of reversal of impairment expenses on the carrying value of subsidiary investments eliminated at consolidation level*	**-**	37
Adjusted Net Profit	**116**	168

For the first half of 2023, Adjusted Earnings per Share of EUR 0.22 per Class A share (2022: EUR 0.34), and EUR 0.09 per Class B share (2022: EUR 0.14) have been calculated on the following basis:

€ million	**30 June 2023**	30 June 2022
Adjusted Net Profit	**116**	168
Assumed coupon on perpetual bond (net of tax)	**(18)**	(18)
Total	**98**	150

The weighted average number of shares, net of own shares held, for calculating Adjusted Earnings per Share – unchanged from the numbers of shares applied in the calculation of basic earnings per share (Note 8):

Earnings per Share	**30 June 2023**	30 June 2022
Class A shares	**0.17**	0.19
Class B shares	**0.07**	0.08

Adjusted Earnings per Share	**30 June 2023**	30 June 2022
Class A shares	**0.22**	0.34
Class B shares	**0.09**	0.14

viii. *Free cash flow before equity distributions and treasury activities*

€ million	**30 June 2023**	30 June 2022
Net cash generated by operating activities	**467**	780
Net cash absorbed by investing activities	**(227)**	(581)
Free cash flow before financing activities	**240**	199
Interest paid on borrowings	**(67)**	(48)
Lease payments	**(10)**	(9)
Free cash flow before equity distributions and treasury activities	**163**	142