06
ANNUAL REPORT
07

eutelsat
COMMUNICATIONS

This document is an unofficial translation of the french language *Document de référence* of Eutelsat Communications dated november 8, 2007. In the event of any ambiguity or discrepancy between this unofficial translation and the french *Document de référence*, the french version shall prevail.

eutelsat
COMMUNICATIONS

A *société anonyme* [a limited Company] with capital of 218,392,414 euros
Registered offices: 70, rue Balard – 75015 Paris [France]

Paris Trade and Corporate Register No. 481 043 040

>> REFERENCE DOCUMENT 2006/2007

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

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Copies of this reference document are available free of charge at the registered office of Eutelsat Communications S.A., 70, rue Balard – 75015 Paris, or on the Eutelsat S.A. or the AMF websites, (www.eutelsat.com and www.amf-france.org respectively).

1 PERSON RESPONSIBLE

In this reference document, the expressions "Eutelsat Communications" and the "Company" mean Eutelsat Communications S. A. "Eutelsat S. A." means the Eutelsat S.A. Company, the main operating subsidiary of the Company. "Group" or "Eutelsat Group" means the group of companies consisting of the Company and all its subsidiaries. "IGO" means the European Telecommunications Satellite Organisation before the transformation (the "Transformation") (see Section 5.1.5, "Key Events" and Section 6.8, paragraph "Other provisions applicable to the Group") and "Role of Eutelsat IGO" means the same organisation after the Transformation. A glossary defining the main terms in this reference document is provided at the end of this document.

>> 1.1 Name and function of the person responsible for the Reference Document

Giuliano Berretta, Chairman of the Board of Directors and Chief Executive Officer of Eutelsat Communications.

>> 1.2 Certification by the person responsible for the Reference Document

I hereby certify, after having taken all reasonable care to ensure that such is the case, that the information contained in this reference document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby certify that, to the best of my knowledge, the accounts have been drawn up in accordance with applicable accounting standards and that they constitute a true and fair view of the assets and liabilities, the financial position and results of the Company and of all the companies included in the consolidation, and that the management report presents a true image of developments in the business, results and financial position of the Company and of all companies included in the consolidation as well as a description of the principal risks and uncertainties they face.

I have received a letter from the statutory auditors certifying that they have verified the financial and accounting information given in this reference document and that they have read the document in its entirely.

The historical and *pro forma* financial information presented in this reference document has been covered in the auditors' reports, as given in Chapter 20 of this reference document.

Paris, November 8, 2007

Mr Giuliano Berretta
Chairman & CEO

2 AUDITORS

>> 2.1 Statutory Auditors

Ernst & Young Audit Member of the *Compagnie régionale des commissaires aux comptes de Versailles* (Versailles Regional Association of Statutory Auditors). Tour Ernst & Young 92037 Paris-La Défense Cedex	**Mazars & Guérard** Member of the *Compagnie régionale des commissaires aux comptes de Paris* (Paris Regional Association of Statutory Auditors). 61, rue Henri Regnault 92075 Paris La Défense Cedex
Appointed in the By-laws as the Company's first auditors for a term of office of six financial years. This appointment expires at the end of the Ordinary General Meeting which will approve the accounts for the financial year ending June 30, 2009.	Appointed as statutory auditors of the Company for a term of six financial years at the meeting of the partners of July 20, 2005. This appointment expires at the end of the Ordinary General Meeting which will approve the accounts for the financial year ending June 30, 2011.

>> 2.2 Alternate Auditors

Mr Thierry Gorlin 41, rue Ibry 92576 Neuilly-sur-Seine	**Mr Gilles Rainaut** 61, rue Henri Regnault 92075 Paris La Défense Cedex
Appointed in the By-laws as the Company's first alternate auditors for a term of office of six financial years. This appointment expires at the end of the Ordinary General Meeting which will approve the accounts for the financial year ending June 30, 2009.	Appointed as alternate auditors of the Company for a term of office of six financial years at the meeting of the partners of July 20, 2005. This appointment expires at the end of the Ordinary General Meeting which will approve on the accounts for the financial year ending June 30, 2011.

3 SELECTED FINANCIAL INFORMATION AND DATA

This reference document presents consolidated financial statements and data for the Group for the financial years ended 30 June 2005, 2006 and 2007, expressed in compliance with IFRS (International Financial Reporting Standards). Because the results of Eutelsat Communications at 30 June 2005 covered a period of only three months, an unaudited *pro forma* consolidated income statement was drawn up in compliance with IFRS to cover the 12 month period to 30 June 2005. This was based on the consolidated *pro forma* financial statements of Eutelsat Communications expressed in compliance with IFRS for the three-month period ended 30 June 2005 and the consolidated financial statements of Eutelsat S.A., also expressed in compliance with IFRS, for the 12 - month period ended 30 June 2005. The *pro forma* income statement takes into account adjustments deemed significant. However, it is not representative of what the Company's financial position and results would have been if the Company had carried out its business activity as a separate autonomous entity during the 2005 financial year.

Unless otherwise stated, the figures presented in this reference document have been prepared on the basis of the consolidated *pro forma* financial information expressed in compliance with IFRS for the year ended 30 June 2005 and on the basis of the consolidated financial statements expressed in compliance with IFRS for the years ended 30 June 2006 and 2007, respectively.

>> Summary overview of the Eutelsat Group

With 24 satellites in geostationary orbit (GEO), located between 15° West and 70.5° East, the Group's fleet covers the European continent, the Middle East and North Africa ("Extended Europe"), Sub-Saharan Africa and a substantial portion of Asia and America, giving it potential access to 90% of the world's population.

With a 30% market share in Extended Europe and almost 14% in the world, the Group is the co-leader in Europe and number 3 in the world for Fixed Satellite Services (FSS) (source: Euroconsult).

The Group's service portfolio includes television-broadcasting services for the general public (broadcasting) and for professional users (professional video services), Professional Data Networks, Value-Added Services (satellite broadband Internet access) and Multi-Usage Services.

Leading European and international media and telecommunications operators are among the users of the Group's capacity, e.g.:

- private and public broadcasters, including the European Broadcasting Union (EBU), RAI, France Télévisions, Deutsche Welle, BBC, Mediaset, TVN, TF1, RTL, France 24, ARD and ZDF, NHK, Discovery Channel, CCTV, Eurosport and Euronews;
- major pay-TV digital television operators, including Sky Italia, the Canal + Group, BskyB, ABSat, ART, Orbit, Multichoice Africa, Gateway, Cyfra+, Polsat, n, Digiturk, NTV+ and Tricolor;
- international groups such as Renault, Shell, Total, General Motors, Volkswagen, Euronext, Reuters, Schlumberger and Associated Press;
- corporate network service providers or network operators such as Hughes Network Systems, Algérie Télécom, Orascom, AT&T, Siemens Business Services, Atrexx and Bentley Walker;
- operators of satellite services such as Nilesat and Noorsat in the Middle East.

The Group offers its services to broadcasters and network operators either directly or via distributors including the leading European telecommunications providers such as France Télécom/Globecast, Telespazio, British Telecom, Deutsche Telekom/T-Systems, RSCC in Russia and Belgacom.

The activities of the Group in the FSS sector have many similarities with the activities of terrestrial operators.

The FSS sector is marked by:

- major barriers to entry, due firstly to the limited number of commercially viable orbital positions in the world and Extended Europe and the complex international regulatory framework; secondly to the significant investment and high level of technical expertise required to develop and operate a fleet of GEO satellites; and thirdly to the substantial and sustained commercial effort needed to develop the various orbital positions;

- a limited risk of replacement and loss of customers, because GEO satellites represent the most efficient and economical broadcasting technology for distributing content over a wide geographical area to a large number of receive antennas (point-to-multipoint), the terrestrial networks having only limited reach and capacity. Moreover, transferring the broadcasting services of the operators of television platforms to other satellite operators would involve a significant economic cost, due to the need to re-point the installed basis of receiving antennas to another orbital position;
- a sound economic model, with a customer backlog that gives the Group a high degree of visibility over future revenues, significant economies of scale in terms of costs and investments, and a high level of recurring operating cash flow.

As a satellite operator, the Group has significant assets:

- a large number of orbital positions, with 20 in operation over the European orbital arc (15° West to 70.5° East) serving Extended Europe;
- a privileged position on the growing and highly profitable Video Applications market, which represents 72.2% of 2007 turnover, thanks to:
  - flagship orbital positions for Video, particularly the HOT BIRD™ position at 13° East, the leading orbital position in Extended Europe with almost 1,100 television channels broadcast to nearly 121 million satellite and cable households and also the EUROBIRD™ 1 position at 28.5° East, which broadcasts more than 280 channels to the United kingdom and Ireland,
  - major positions for Video, serving geographical areas where the digital television markets are showing strong growth, e.g. Russia (36° East), central and Eastern Europe (16° East), the Middle East and North Africa (25.5° East, 7° West, 5° West), Turkey (7° East) and Sub-Saharan Africa (36° East and 7° East);
- a constant policy of secured in-orbit resources. This is seen first in the high number of redundant systems and equipment of its satellites and in the implementation of a policy for fully secured satellite resources leased by customers at the HOT BIRD™ position (representing almost 40% of the Group's revenues), the future launches of HOT BIRD™ 9 and HOT BIRD™ 10 and a dynamic approach to satellite resource management;
- a backlog of 3.7 billion euros with an average remaining lifetime of 7.3 years as of June 30, 2007, thus affording high visibility over future operating cash flow and revenues.

The Group has successfully pursued implementation of its development strategy. This aims at maximising revenues per transponder in use by positioning services to target the most profitable applications. This is why the Group has focused its satellite resources on Video applications and Value-Added Services, not only in the countries of the European Union but also in the emerging markets in Sub-Saharan Africa, North Africa and the Middle East, Russia and central Asia.

To achieve this, the Group has undertaken:

- *the renewal of its flagship orbital position HOT BIRD™ at 13° East,* which is designed to provide video-broadcasting services in Europe. Available resources were renewed with the launches of HOT BIRD™ 7A in February 2006 and HOT BIRD™ 8 in August 2006 and the commissioning of HOT BIRD™ 9 (ordered the previous year) and HOT BIRD™ 10. When HOT BIRD™ 9 and HOT BIRD™ 10 begin service in 2008-2009, the Group will be in a position to offer to its customers fully secured capacity at the HOT BIRD™ position.

  At June 30, 2007, there were close to 1,100 television channels being broadcasted to more than 121 million cable and satellite homes, nearly 48 million of which were equipped for Direct-to-Home (DTH) reception. The HOT BIRD™ position has therefore confirmed its ranking this financial year as the first satellite position in terms of number of channels;
- *The development of its major Video positions, with:*
  - the introduction of a new orbital position for Video applications at 7° West (ATLANTIC BIRD™ 4) for the markets of North Africa and the Middle East. And the introduction of the 9° East orbital position where EUROBIRD™ 9 will allow homes with dual-feed antennas to receive also programmes broadcast from the HOT BIRD™ location at 13° East, as well as enabling our customers to benefit from capacity in addition to HOT BIRD™ to support their growth in Europe, notably for High-Definition Television (HDTV) or for broadcasting to specific language communities,
  - support for the growth of the TV channel offerings of our customers in the Russian-speaking markets, which has seen the introduction of the NTV+ and Tricolor platforms at 36° East; in the Sub-Saharan African market, which has seen the arrival of MultiChoice Africa at 36° East, the launch of the Gateway platform at 7° East; in the Turkish-speaking markets, which has seen the expansion of Digiturk at 7° East; and in central Europe with the availability of the W2 satellite at 16° East,
  - the increase in the number of homes receiving the domestic French channels in analog mode in shadow areas where there is no reception from the terrestrial broadcasting networks, with nearly 2.04 million homes equipped for DTH satellite distribution.

The Group's commercial success is demonstrated by the fact that, as of June 30, 2007, its major Video positions were broadcasting 1,113 television channels, an increase of 47% on the year ended June 30, 2006;

- *The development of Value-Added Services, notably the D-STAR service* for broadband access by corporate users and territorial groupings in areas with little or no coverage by terrestrial networks, and the launch of broadband Internet access services for mobile users, particularly on business aircraft, cruise liners, and, more recently, tests by SNCF (the French national railway company) of Internet access offered via the Group's resources on its Eastern region High Speed Trains (TGV);

- *an opportunistic approach to Multi-Usage Services* designed to meet the requirements of governments, which demonstrates the particularly versatile and flexible character of our satellite infrastructure. Upon the expiry of the contracts with the operator Arabsat, the capacity it had previously been using for Multi-Usage Services was allocated to customers of Video applications;
- *an active policy of technical innovation with a) the commissioning of a payload in S Band* on the W2A satellite which will be operated by a joint venture with SES to offer bidirectional services notably to vehicles as a complement to the services provided by the Galileo system and, for the first time in Europe, the direct reception by mobile terminals of television and radio services broadcast by satellite, and b) the introduction of a broadband Internet access service in Ka band in September 2007 and the forthcoming order for a telecommunications satellite in Ka band;
- *an investment programme of 350 million euros* for the year ended June 30, 2007, with orders placed for HOT BIRD™ 10, W2A and W7, and the on-going construction of HOT BIRD™ 9 and W2M. This will allow the Group to renew and increase its in-orbit resources as from 2008-2009.

This strategy has led to a constant growth of its turnover (+5.4% at June 30, 2006 and +4.8% at June 30, 2007) and in the increased share of Video applications in the Group's service portfolio. Video applications now represent more than 72% of total revenues (excluding non-recurring revenues) compared with 68% last financial year, and average revenue per leased transponder is maintained at approximately 2 million euros on the entire fleet.

With an EBITDA margin of 77.7% at June 30, 2006 and 78.7% at June 30, 2007, the Group confirms its rank of world N°1 in terms of profitability among the major FSS operators (source: Eutelsat Communications).

The Group's operating performance is reflected in financial terms by an improvement in all the intermediate key operating indicators. Combined with the substantial reduction in the Group's financial expenses following radical simplification of debt structure and the significant reduction in the effective rate of tax, this saw the Group record an improvement of almost € 130 million in its consolidated net income (170 million euros).

>> Key Figures

The tables below present extracts from the Group's consolidated balance sheets, income statements and tables of cash flows, as expressed in compliance with IFRS, for the three financial years ended June 30, 2005, 2006 and 2007. The financial information shown for the year ended June 30, 2005 relating to the income statement and EBITDA is taken from or calculated on the basis of the consolidated *pro forma* income statement (unaudited) for the twelve-month period, expressed in compliance with IFRS, on the basis of the consolidated financial statements presented under such standards for the three-month period of Eutelsat Communications ended June 30, 2005. The main accounting principles used by Eutelsat Communications are detailed in Note 2 to Eutelsat Communications' consolidated financial statements. Extracts from these financial statements are shown in the following tables for reference (See Chapter 9 "Review of financial position and results" for further details).

EXTRACTS FROM THE CONSOLIDATED BALANCE SHEETS OF EUTELSAT COMMUNICATIONS

	3-month period ended 30 June	12-month period ended June 30	
(In millions of euros)	2005	2006	2007
Total current assets	3,868.8	3,824.8	3,884.1
Total current assets	281.9	564.5	441.4
Total Assets	**4,150.7**	**4,389.3**	**4,325.5**
Total shareholders' equity	378.4	1,210.3	1,311.5
Total non-current liabilities	3,459.1	2,933.7	2,758.3
Total current liabilities	313.2	245.3	255.7
Total Liabilities	**4,150.7**	**4,389.3**	**4,325.5**
NET DEBT(1)	**3,156.9**	**2,228.5**	**2,295.4**

(1) Net debt includes all bank debt as well as debt associated with long-term leases, minus cash and marketable securities (net of credit balances with banks).

EXTRACTS FROM THE CONSOLIDATED INCOME STATEMENTS OF EUTELSAT COMMUNICATIONS

	3-month period ended 30 June	12-month period ended 30 June		
(In millions of euros)	2005	2005 (*pro forma* unaudited)	2006	2007
Revenues	**188.6**	**750.4**	**791.1**	**829.1**
Operating costs	(19.3)	(69.0)	(72.7)	(62.5)
Selling, general and administrative expenses	(32.9)	(102.1)	(101.9)	(113.9)
Depreciation and amortisation	**(73.0)**	**(306.8)**	**(285.8)**	**(300.8)**
Other operating revenues	-	-	-	37.5
Other operating costs	(0.7)	(84.7)	(27.0)	(26.7)
OPERATING INCOME	**62.6**	**187.7**	**303.7**	**362.5**
Financial result	(55.8)	(198.4)	(179.6)	(108.2)
CONSOLIDATED NET RESULT	**(7.3)**	**(44.9)**	**40.2**	**170.0**

EXTRACTS FROM THE CONSOLIDATED CASH-FLOW STATEMENTS OF EUTELSAT COMMUNICATIONS

	3-month period ended 30 June	12-month period ended 30 June	
(In millions of euros)	2005	2006	2007
Net cash flows provided by operating activities	132.0	501.1	527.7
Cash Flow used in Investing Activities	(1,883.0)	(299.0)	(370.0)
Net cash flows provided by (used in) financing activities	1,783.4	28.3	(383.9)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**32.6**	**230.4**	**(226.3)**

EBITDA *(under IFRS)*

	12-month period ended 30 June		
(In millions of euros)	2005 (*pro forma* unaudited)	2006	2007
Revenues	750.4	791.1	829.1
Operating costs*	(171.9)	(174.6)	(176.5)
EBITDA**	**578.5**	**616.5**	**652.6**
EBITDA Margin *(as a percentage of revenues)*	*77.1%*	*77.9%*	*78.7%*

* *Operating expenses are defined as operating costs plus selling, general and administrative expenses.*
** *EBITDA is defined as the operating result before depreciation and amortisation and other operating income and expenses (impairment of assets, dilution profits (losses), launch indemnities, etc.).*

Combined with the commercial performance over the year, the rigorous management applied by the Group saw an increase in consolidated EBITDA of nearly 6.5% between June 30, 2005 and June 30, 2006 and of nearly 5.9% between June 30, 2006 and June 30, 2007.

Excluding exceptional income, the EBITDA margin at June 30, 2007 was 78.4% and 77.4% at June 30, 2006.

With an EBITDA margin of 77.9% and 78.7% as of June 30, 2006 and 2007 respectively, the Group confirms its position as leading major global FSS operator in terms of profitability (source: Eutelsat Communications).

EBITDA is not an item defined by French accounting principles and does not constitute a measure of financial performance. It should not be compared to operating income, net income or cash flow from operating activities. Nor should it be used as an indicator of profitability or liquidity. Likewise, it should not be used as an indicator of past or future operating results. EBITDA is calculated differently from one company to another, and accordingly the information given in this reference document about EBITDA should not be compared to EBITDA information reported by other companies.

>> Evolution of the backlog

The Group's backlog represents future revenues from current allotment agreements in force, including contracts for satellites still being manufactured. These lease capacity agreements can be for the entire useful operational life of the satellites.

Backlog varies over time, based on the progressive recognition of the revenues from these contracts, the increase in the age of the fleet and signature of new contracts.

At 30 June	2005	2006	2007
Value of the agreements *(in billions of euros)*	3.1	4.0	3.7
Weighted remaining duration of the agreements	7.0	7.7	7.3
Share of Video Applications	87%	92%	92%

At June 30, 2007, the Group's backlog was at 3.7 billion euros or 4.5 times the annual revenues (excluding non-recurring revenues), compared to 4 billion euros at June 30, 2006. The 7.5% reduction in the backlog between June 30, 2006 and June 30, 2007 is mainly due to natural erosion with the increase in the average age of the fleet, as most of the order backlog is composed of agreements entered into for satellite lives.

The share of agreements relating to Video Applications in the backlog at June 30, 2007 has been maintained at 92% compared to June 30, 2006, giving the Group high visibility over future revenues. Indeed, the operators of broadcasting platforms have a recurring requirement for long-term capacity. The average remaining duration of the contracts that the backlog represents as of June 30, 2007 (weighted for the amount came to) was therefore 7.3 years (compared to 7.7 years at June 30, 2006.)

Breakdown of the backlog by year at June 30, 2007 is as follows:

Year ended 30 June	**Backlog** *(unaudited, in millions of euros)*
2008	695.5
2009	595.5
2010	490.1
2011 and later	1,909.3
TOTAL	**3,690.4**

The majority of the Group's backlog is made up of contracts that can be terminated by payment of a penalty. The backlog is not adjusted for any terminations and resulting penalties. Long-term lease capacity agreements can generally be terminated after two years, subject to an additional notice period of one year and the payment of a penalty for early termination. The early termination penalties are calculated based on the length of time the contract has been in force and the remaining contract duration. No capacity allotment agreement generating the payment of an indemnity for early termination was ended during the year.

4 RISK FACTORS

Before making their investment decision, investors and shareholders are invited to read all the information contained in this reference document, including the risks described below.

On the registration date of this reference document, these risks are those which occurrence is liable to have a significant negative impact on the Group, its business, its financial position and/or its performance, and which are important in making an investment decision.

However, investors' attention is drawn to the fact that the list of risks included in this section is not exhaustive and that other risks (unknown, or which occurrence is not considered, on the registration date of this reference document, as being likely to have a significant negative impact on the Group, its business, its financial position and/or its performance) may exist.

>> 4.1 Special note on the statements made in this document

This reference document contains indications about the Group's objectives as well as forward-looking statements. These indications are sometimes identified by the use of the future or conditional tense, or terms such as "believe", "expect", "may", "consider", "intend", "plan", "anticipate", "should" or other similar terms. The reader's attention is drawn to the fact that the realisation of these objectives and forward-looking statements depends on circumstances or events that are expected to occur in the future. These objectives and statements are not historical data and should not be interpreted as guarantees that the facts and data listed will occur, that the assumptions will be verified or that the objectives will be achieved. By their very nature, these objectives may not be realised, the predictions made may not come true, and the projections on which they are based may prove to be mistaken.

>> 4.2 Risks inherent in the Group's business

The satellites operated by the Group may experience failures or malfunctions in orbit

The satellites are sophisticated and sensitive to the external environment. Once in orbit, malfunctions may occur for various reasons and reduce their remaining operating life and/or permanently or intermittently reduce their transmission capacity, which could have a significant negative impact on the Group's business, financial position and results.

Over the course of the financial year, and the previous financial year, some of the Group's satellites experienced incidents in orbit which resulted in a significant reduction in their transmission capacity or their estimated remaining life. Similarly, some of the Group's satellites have lost some equipment in the past, and are operating by using onboard redundancy equipment (see Section 6.4.3, "Equipment failures and losses").

Although the Group can use a satellite's redundant equipment or emergency capacity in the event of a failure or malfunction in orbit, it cannot guarantee that it would be capable of providing uninterrupted service for its customers, notably due to a potential lack of available satellite capacity necessary for the needs of the customers concerned.

In such circumstances, the Group may have difficulties to keep its customers (who could terminate or renegotiate their capacity allotment agreement) and might not be able to enter into new capacity allotment agreements on satisfactory terms. Consequently, such failures or malfunctions could have a significant negative impact on the Group's business, financial position and results.

The Group is dependent on several major clients

The Group generates a significant portion of its business from a limited number of customers, including distributors, most of whom are telecommunications operators. At June 30, 2007, the Group's top ten customers represented 56% of its revenues (the breakdown for the Group's top ten customers at June 30, 2006 and 2007 is shown in Section 6.5 "Commercial and Distribution Policy"). The Group's major clients could decide (i) to terminate their contracts, (ii) not to renew them, or (iii) to renew them on terms, particularly price terms, less favourable to the Group, which could have a significant negative impact on its business, financial position and results.

Moreover, the Group's major customers, in terms of capacity and revenues, and those located in particular in emerging markets, may encounter or are encountering financial difficulties likely to lead to late payments, unpaid debts, or their bankruptcy, which may lead to termination of the corresponding capacity contracts, where the Group might not be capable of replacing the defaulting customers with new customers and/or recovering any or all of the monies owed by such customers, which could also have a significant negative impact on the Group's business, financial position and results.

The Group has not taken out insurance policies for all the satellites in orbit owned by it and such policies might not protect the group against all damages suffered by its satellites

Currently, the Group has implemented an annual orbit lifetime insurance programme covering 16 of its satellites for their net book value, which will be renewed in November 2007. The policies cover the partial losses and/or deemed-total losses of the insured satellites under certain conditions. In spite of this total or partial insurance coverage, a failure or the loss of one or more of the Group's satellites could have a significant negative impact on its business, financial position and results.

Moreover, the in-orbit lifetime insurance policies taken out by the Group contain typical exclusion clauses as well as specific exclusion clauses for the risks of potential failures for certain satellites. In the event of losses resulting from an event or piece of equipment not covered by these policies, the damage suffered will not be compensated. In addition, under these insurance policies, the Group would not be compensated in the event of losses on its satellites of an annual aggregate amount of less than 80 million euros. Thus, some partial losses or constructive total losses may not be fully compensated under the insurance programme in effect.

This insurance programme does not protect against certain damages, such as opportunity loss, interruption of business, delayed activations or loss of revenues. In addition, insurance companies could challenge the causes for the failures or malfunctions or the amount of damages incurred by the Group. The Group cannot guarantee that in the event of a proven failure or malfunction on any of its satellites covered under past insurance programmes, insurance will compensate the Group within a reasonable time frame or for the amount claimed in compensation by the Group. The lack of compensation, late compensation or partial compensation of losses suffered could have a significant negative impact on the Group's business, financial position and results.

The insurance policy premiums for satellites in orbit and satellite launches are taken out for one year. It could be more expensive and more difficult to obtain or renew these insurance policies in the future

During the financial year ending June 30, 2007, insurance premiums represented approximately 1.79% of total operating costs.

The main insurance policies taken out by the Group are in-orbit lifetime insurance policies, renewable annually, and launch insurance policies covering the risk of loss of all or part of the satellite during the launch phase, plus one year. The orbit lifetime insurance plan taken out by the Group will be renewed in November 2007.

Generally, insurance companies do not offer insurance policies for terms longer than one year, for launch risks with an extension to in-orbit risks or for in-orbit risks. Many factors, some of which are outside the Group's control, may affect the amount of the launch insurance or in-orbit lifetime insurance premiums, mainly statistics on satellite failures and launch failures throughout the sector.

The Group might not be able to renew its in-orbit insurance plan on comparable terms in the future. A downturn in the in-orbit lifetime insurance market or an increase in insurance premiums could lead the Group to reduce its coverage of partial losses or total constructive losses, which could result in an increase in the Group's exposure to the consequences of a failure or malfunction in orbit.

Due notably to the recent launch failures by Sea Launch and ILS launch vehicles, the space insurance market could deteriorate, for launch insurance and orbit lifetime insurance alike, which would probably result in an increase in insurance premiums for the Group. This development could have a significant negative impact on the Group's business, financial position and results.

In addition to higher premiums, insurance policies could, in the future, contain (i) larger franchises, (ii) shorter coverage periods, (iii) higher loss percentages for establishing a claim of total or partial loss, and (iv) additional coverage exclusions related to the condition of the satellite. These factors could have a significant negative impact on the Group's business, financial position and results.

In addition, the Group intends to take out a launch insurance programme for the future W2M, HOT BIRD™ 9, HOT BIRD™ 10, W2A and W7 satellites during construction. The Group might not be able to obtain a launch insurance covering all its insurance needs on satisfactory terms, due notably to a reduction in insurance products and services or to a substantial increase in launch insurance premiums, which could have a significant negative impact on the Group's business, financial position and results.

The Group might not be able to meet its launch or activation timetables for its new satellites

The Group plans to launch five new satellites (HOT BIRD™ 9, HOT BIRD™ 10, W2M, W2A and W7) during the next two financial years. The purpose of these satellites is to ensure service continuity for some satellites in operation as well as to increase the number of its satellite transponders in fixed orbit and, for the HOT BIRD™ 9 and HOT BIRD™ 10 satellites, to increase back-up capacity at the HOT BIRD™ position and enable it to redeploy some satellites to other orbital positions. The Group may not be able to meet the planned timetable for the launch of these satellites, or their launches may fail. Due to the limited number of launch operators, a satellite's launch failure, which generally results in a significant delay in satellite launch periods, could make it more difficult for the Group to implement its deployment programme within the desired timeframe. In addition, the limited number of launch service operators could reduce the Group's flexibility and options to transfer planned launches from one supplier to another.

A significant delay or launch failure of one of these satellites could impair the Group's ability to meet its contractual service continuity commitments for its customers or final users and to meet its growth objectives. Any significant delay or launch failure of any of its satellites could thus have a significant negative impact on the Group's business, financial position and results.

Delays for any reason in the Group's satellite deployment plan caused by launch failures or launch delays may prevent the Group from finding new business opportunities and thereby impair its ability to achieve its growth strategy, which could have a significant negative impact on its business, financial position and results.

Some of the Group's revenues comes from Multi-Usage Services, which depend heavily on the global political and economic context

Over the last few years, the Group has made some of its revenues (7.2% excluding non-recurring revenues) for the financial year ended June 30, 2007) in the Multi-Usage segment. Among other things, this segment includes the direct or indirect supply of services to governments, especially in the United States, on the basis of annual capacity allotment agreements. Obtaining and/or renewing capacity allotment agreements for this segment depends to a great extent on the global political and economic context. As a result, the Group cannot be certain that it will be capable of continuing to earn revenues from such contracts, notably in the United States, on the basis of capacity allotment agreements.

Any failure to obtain new contracts or any termination, non-renewal or renewal under less favourable conditions of such contracts may have a significant negative impact on the Group's business, financial position and results.

A growing portion of the Group's customers consists of final users and the demand for capacity is increasingly fragmented

For several years now, a growing percentage of the Group's customers has consisted of final users. And some distributors could ask the Group to take over final-user contracts. These customers could have less extensive financial resources than traditional distributor clients, which could increase the risk of unpaid debts and thereby have a significant negative impact on the Group's business, financial position and earnings.

Moreover, final-user customers need satellite capacity that may be less than that requested by distributor customers. Thus, a larger proportion of the Group's new capacity allotment agreements may only cover use of a fraction of a transponder and not an entire transponder. If a final-user customer of a fraction of a transponder did not pay his invoices or did not comply with any other contractual commitment vis-à-vis the Group, the Group might not be able to discontinue the services provided to that customer without interrupting service for all customers using that same transponder. This fragmented capacity demand could thus have a significant negative impact on the Group's business, financial position and earnings.

The Group is exposed to risks inherent to the international feature of its customer base and business

The Group provides satellite telecommunications services to customers in about 150 countries and could potentially develop its activities in other countries. Accordingly, the Group is exposed to geopolitical, economic or other risks inherent in the global nature of its operational activities. Tariff, tax, regulatory and customs policies pertaining to the services provided by the Group, the business practices of some countries and their political or economic instability, could prevent the Group from implementing its development strategy and thereby have a significant negative impact on its business, financial position and results.

In addition, if the Group had to bring legal action against its customers or commercial partners located outside the European Union, it could be difficult to assert its rights, which could have a significant negative impact on its business, financial position and results.

The Group's development strategy depends partly on expanding into geographical areas in which it has little or no experience and where pressure could pull the prices

The Group's future development depends, in part, on its ability to develop in geographical areas in which it has little or no experience and where there could be substantial competitive and price pressure, resulting notably in prices being often lower than in Europe. This competitive context could limit the Group's ability to penetrate these markets or be competitive within them.

Additionally, in order to facilitate distribution and marketing of its services in those areas, the Group could seek to enter into agreements with other companies (e.g. joint ventures or partnerships). However, it might not be able to identify or enter into an agreement with appropriate partners. Furthermore, these agreements could bear certain risks, notably in the lack of control over projects, any conflicts of interest between the partners, the possibility that any one of them does not meet any one of its obligations (including in regard to its equity investment) and the difficulty for the Group to maintain standards, control procedures and uniform policies.

The Group's inability to penetrate these markets in satisfactory economic conditions or, as the case may be, with appropriate partners, could prevent the Group from implementing its development strategy, which could have a significant negative impact on its business, financial position and results.

The Group's development depends on the outlook for growth in demand for satellite services. This demand might not become reality or the Group might not be in a position to meet it

The Group's development depends on the prospects for growth in the demand for video services, partly linked to the expected development of Direct-to-Home (DTH) television broadcasting in emerging countries and to high-definition television (HDTV). This demand might not become reality and the Group might not be in a position to make the investments necessary at the appropriate time to meet this demand. In particular, with HDTV consuming more satellite capacity than the current satellite television broadcast standard, the Group might not be in a position to invest in additional satellites at the right time, or in proportions enabling it to meet market demand. If demand for video services does not increase or the Group is not in a position to meet this demand, this could have a significant negative impact on its business, financial position and results.

Another axis of the Group's strategy is developing Value-Added Services (especially IP access solutions). This will depend, in part, on the continuity of demand growth for broadband Internet services, which is not a certainty and which is hard to predict. Demand for broadband Internet services could decrease or not continue to grow as quickly as over the last few years. Moreover, even if this demand does continue to grow, the Group cannot guarantee that such growth will result in increased demand for satellite services, because of the cost of access to satellite capacity. Furthermore, the Group might not be able to provide broadband Internet services corresponding to market demand or at competitive prices. If the demand for broadband Internet services does not increase as predicted or the Group is not able to meet it adequately, this could have a significant negative impact on its business, financial position and results.

Development of the Group's operations also depends on its available capacity in the various frequency bands requested by customers. Poor availability for some frequency bands could have a significant negative impact on the Group's ability to satisfy its customers who have needs for these bands.

The Group might not be in a position to meet demand for leasing satellite capacity at certain orbital positions

Available satellite capacity is currently substantially less than demand in some frequency bands (Ku and C bands) and/or in Extended Europe. This situation, which could persist, is a result of the gap between the long investment and operation cycles of satellites and the cyclical variations in demand.

Given the current use of its satellite capacity, the Group might not be in a position to meet the additional lease and capacity demands of existing customers at certain orbital positions. These customers could then lease additional capacity from other operators and/or choose to terminate their contracts with the Group and transfer their entire capacity leased from the Group to other satellite operators with available capacity, which could have a significant negative impact on the Group's business, financial position and results.

Due to the extent to which its satellite capacity is used, and given the limited number of customers and/or end users of satellite capacity, the Group might not be in a position to satisfy demand from new customers if lack of capacity continues, which could have a significant negative impact on the Group's outlook and its ability to achieve its growth objectives.

The Group is exposed to specific risks from the capacity it uses on satellites in stable orbit belonging to third parties

The Group uses capacity on five satellites belonging to third parties, appearing in assets of its consolidated balance sheet.

In the event of failures or malfunctions affecting these satellites, the Group cannot guarantee that it will be in a position to obtain compensation and equivalent capacity at equivalent conditions. The Group cannot guarantee that a dispute resulting from these failures or malfunctions will be resolved in its favour.

The Group may also be exposed to the risk of bankruptcy of the owners of such satellites, which could result in the termination or interruption of its capacity leases.

Such situations could lead to a write-down of these assets in the Group's consolidated accounts and have a significant negative impact on its business, financial position and results.

The Group could be exposed to additional risks in the event of acquisitions

The Group could make acquisitions in the future. These acquisitions could be paid for in cash or in shares, which, in the latter case, could have a dilutive effect for existing shareholders. Furthermore, such transactions imply a certain number of risks from the integration of operations or personnel, customer retention, dispersion of managerial attention, the appearance of unforeseen liabilities or costs, or regulations applicable to such transactions. Acquisitions could therefore have a significant negative impact on the Group's business, financial position and results.

>> 4.3 Risks inherent in the FSS (Fixed-Satellite Services) sector

The Group's operations are sensitive to changes in video service user demand

The audiovisual industry is a market sensitive to variations in advertising budgets and household expenditures, which are in turn affected by the economy as a whole. Over the last few years, television stations, TV broadcasting platform operators and cable operators have had financial difficulties due to the drop in their advertising revenue and an overall economic slowdown. Some have gone bankrupt or had to reorganise themselves. The Group cannot guarantee that the audiovisual industry, which is a large part of its user base, will not be once again affected by an economic slowdown, which could result in decreased demand or increased price pressure. Such a downturn could have a significant negative impact on the Group's business, financial position and results.

The consolidation of satellite TV broadcast platform operators and/or cable operators that has already taken place in Spain, Poland and Italy has continued in Europe, notably with the completed merger between the Canal + Group and TPS in France. In addition, this consolidation of satellite TV broadcast operators could result in a reduction in allocated capacity or termination of satellite capacity leases to switch to other operators.

Continuing the move towards consolidation could also offer TV broadcasting platform operators or cable operators more room for negotiation with satellite operators or their distributors, thereby creating additional pricing pressure. Such consolidation could have a significant negative impact on the Group's business, financial position and results. The implementation of new broadcasting standards, which has resulted and could continue to result in the future in an increase in the signal compression rate, has reduced already and could continue to reduce in the future the level of transponder demand for a given number of channels. If this decrease is not offset by an increase in the number of channels broadcasted, overall transponder demand could be reduced, and this could have a significant negative impact on the Group's business, financial position and results.

The Group is facing substantial competition from satellite operators and terrestrial network operators

The Group is facing substantial competition from international, national and regional satellite operators. The Group's main competitors are the other global satellite operators, such as SES Global and Intelsat. These competitors have greater satellite capacity or geographic coverage than the Group, and greater financial resources. The Group is also in competition with regional and national satellite operators, some of which enjoy advantages (e.g. tax or regulatory advantages) in their domestic markets. The heightened competition between satellite operators could lead to accrued price pressure, which could have a significant negative impact on the Group's business, financial position and results.

The Group is also in competition with terrestrial network operators (cable, optic fiber, DSL, radio multiplex transmission and VHF/UHF transmission, especially digital) for many transmission services and Value-Added Services, and particularly for broadband IP access, but also for transmitting audiovisual programmes (ADSL TV, DVB). This intensified competition could result in greater pricing pressure on satellite radio transmission and telecommunications services. In addition, any improvement or increase in the geographic penetration of terrestrial network operators could lead the Group's customers to choose telecommunications solutions proposed by these operators, thereby making it more difficult for the Group to keep or increase its customer portfolio. Finally, some technological innovations that could be developed in the future with alternatives to satellites could make satellite technology obsolete. Stronger competition with terrestrial network operators could thus have a significant negative impact on the Group's business, financial position and results.

The Group may face the departure of key employees or be unable to hire the employees necessary for its operations

For its management as well as its operations, the Group depends on a number of key employees who have very specialised skills and ample experience in their respective fields. If these employees should leave, the Group might have trouble replacing them. In addition, the Group's business, characterised by constantly-evolving technology, requires the ability to attract new, highly technically qualified employees on a permanent basis. In the future, the Group's inability to retain or replace these employees, or its inability to attract new, highly-qualified employees, could have a significant negative impact on its business, financial position and results.

Changes in technology could make the Group's satellite telecommunications system obsolete

The telecommunications industry is subject to rapid technological changes. If the Group were not in a position to adapt to these changes quickly and efficiently, its satellite telecommunications system could become obsolete. As such, the Group's competitive position could be weakened, especially if its competitors were capable of incorporating these new technologies. If the Group's satellite telecommunications system became obsolete, demand for its services could decrease, which would have a significant negative impact on its business, financial position and results.

The Group's operations are exposed to the risk of sabotage, including terrorist acts or piracy

The Group's operations are exposed to the risk of sabotage, including terrorist acts and intrusions into the control system of its satellites. If the Group's facilities and equipment were disabled, the Group might not be able to prevent a temporary or permanent interruption in service. Such disturbances in the satellite network could result in the loss of customers.

Furthermore, the Group's insurance policies, as is customary in the space industry, automatically provide exclusions in the event of damages caused by acts of sabotage, piracy or terrorism.

Any act of terrorism, sabotage or piracy could thus have a significant negative impact on the Group's business, financial position and results.

The Group is dependent on several large suppliers

The number of constructors capable of designing and building satellites in compliance with technical specifications and the quality demanded by the Group is limited, as is the number launch agencies likely to launch these satellites, due to the regulatory constraints applicable to them. The reduced number of these suppliers could reduce the Group's negotiating power and make its satellite-deployment plan more burdensome.

Additionally, pricing terms for launch services vary according to the number of satellites to be launched around the world, and to the launch failure rate, so recent launch failures of the ILS and Sea Launch could result in a sharp increase in launch service prices.

Moreover, the Group is exposed to the risk that its suppliers experience operational or financial difficulties, or that they are bankrupt or exposed to lawsuits related to intellectual property rights.

The limited number of suppliers could have a significant negative impact on the Group's business, financial position and results.

>> 4.4 Financial risks

The Company is a holding company that depends on its subsidiaries to have the resources necessary for any payment of dividends and/or to service its debt

The Company is a holding company that has only a reduced capacity to produce revenues. Therefore, the Company depends on its subsidiaries to have the resources necessary for any payment of dividends or any other form of distribution to its shareholders and/or to service and repay its debt.

As such, the Company is highly leveraged, with (at June 30, 2007) 1.615 billion euros in borrowings under the Refinancing Contract (see Section 10.3, paragraph "Eutelsat Communications Refinancing Loan"). This Refinancing Contract carries no guarantee from Eutelsat Communications subsidiaries, nor any pledge of assets to the lenders.

The distributable funds of its principal operating subsidiary, Eutelsat SA., could be dramatically affected by its costs, whether or not they result in a disbursement, and in particular by any depreciations of assets in Eutelsat S.A.'s accounts. In the past, Eutelsat S.A. recorded substantial write-down of its assets, and may record such write-down in the future, reducing its net profit. The fact that its subsidiaries' distribution capacity may be reduced could have a significant negative impact on the Company's activity, financial position and results.

The Group is highly leveraged

The Group has a high level of debt. At June 30, 2007, the Group's net consolidated debt totalled 2.295 billion euros, including: (i) 1.615 billion euros in borrowings under the Company's Refinancing Loan (see Section 10.3, paragraph "Eutelsat Communications Refinancing Loan"), (ii) 710 million euros under Eutelsat S.A.'s bank debt, (iii) 6 million euros in debt related to the TELECOM 2C satellite, and (iv) 36.8 million euros in cash assets and marketable securities (net of banks' credit balances).

The Group's high leverage could have the following consequences:

- make it difficult for the Group to meet its commitments relative to its debt;
- limit the Group's ability to obtain loans or raise additional equity capital;
- increase the Group's vulnerability in an unfavourable economy or industry;
- limit the Group's ability to follow the changes in its competitive and technological environment;
- limit the Group's ability to make certain types of investments.

All of the consequences related to the Group's high debt level, including those mentioned above, could affect the Group's ability to meet its debt-related obligations and thereby have a significant negative impact on the Group's business, financial position and results.

In order to service its debt, the Group will need substantial capital resources, which it might not be in a position to raise. The Group's ability to have the necessary capital depends on many factors, some of which are outside its control

If the Group was not able to meet its debt-related obligations, it could be forced to refinance or restructure its debt. The Group's ability to restructure or refinance its debt will depend on many factors, some of which are outside its control. Any refinancing of its debt could be done under less favourable terms, which could restrict the Group's operational and financial flexibility. The Group's inability to service its debt or refinance under financially-acceptable terms could have a significant negative impact on its business, financial position and results.

Moreover, the Group's ability to achieve its strategy and generate cash flow depends on economic, financial, competitive, legal, regulatory, commercial and other factors, which are outside its control and will determine its future performance. If the Group's operating cash flow is not sufficient to cover its investment expenses and debt servicing, it could be forced to:

- carry forward or reduce its investment expenses;
- assign assets;
- relinquish commercial opportunities or opportunities for external growth (notably acquisitions);
- obtain loans or additional equity; or
- restructure or refinance all or part of its debt.

The Group might not be in a position to perform any of these transactions or succeed in performing them in the time required or under satisfactory economic terms, which could have a significant negative impact on its business, financial position and results.

A change in the Group's debt rating could affect the cost and terms of its debt as well as its ability to fund

The Group's debt instruments are rated by independent rating agencies Moody's Investor Service and Standard & Poor's. These ratings affect the cost and terms of the Group's credit lines. Future rating downgrades, should they occur, would probably affect the Group's ability to obtain financing and the terms associated with that financing.

The Group cannot guarantee that it will be able to take measures enabling it to improve or maintain its ratings, nor that agencies will consider such measures are sufficient. Additionally, factors outside the Group's control, such as those related to its industry segment or the geographical areas in which it operates, may affect its rating by the agencies.

Accordingly, the Group cannot guarantee that its debt rating will not be downgraded in the future, which could have a significant negative impact on its business, financial position and results.

Eutelsat S.A., the Group's main operating subsidiary, could be subject to new financing requests related to the financial guarantee it grants to IGO's Closed Pension Fund

Before the creation of Eutelsat S.A., IGO managed a pension fund (the "Closed Pension Fund") for its staff members. The rights of the Closed Pension Fund's beneficiaries were fixed, and management of the fund and the corresponding assets assigned to a Trust (which was also charged with managing the corresponding pension commitments).

At June 30, 2007, the present value of the trust's obligations under the pension undertakings amounts to nearly 152.8 million euros in Eutelsat S.A.'s consolidated accounts and the fair value of its assets to approximately 138.4 million euros (see Note 19 to the consolidated financial statements for the year ended June 30, 2007, as given in Section 20.1.2 of this reference document). The calculation of total pension obligations is based on actuarial assumptions, including the discount rate, the long-term yield on assets invested, and the estimated life expectancy of the Closed Pension Fund's beneficiaries. The estimate of the total pension obligations may be higher or lower depending on the scenario applied.

Pursuant to the Transfer Agreement dated July 2, 2001, Eutelsat S.A. accepted the unlimited financial guarantee underwritten by IGO to cover any financing shortfall in the Closed Pension Fund. This may be activated under certain conditions so as to make up any such future insufficiency. During the financial year ended June 30, 2005, the financial guarantee, as a result of the sharp drop in long-term interest rates, was called for a total of 22.3 million euros. This was appraised on the basis of projections made by the Trust, which took future market developments into account. No payment had yet been made as of June 30, 2005.

In November 2005, an agreement was reached with the trust for incremental payment of the amount called – 4.46 million euros upon signature of the agreement, followed by 4.46 million euros as of June 30, 2006, 2007, 2008 and 2009.

Pursuant to the agreements governing the Closed Pension Fund, the Trust's administrators have the power to liquidate the Closed Pension Fund if certain events should occur, notably if they deem that the Closed Pension Fund cannot continue to be effectively managed. In the event that administrators of the trust liquidate the Closed Pension Fund, they would appoint an actuary to determine any shortfall between the value of the assets and the value of the liabilities of the Closed Pension Fund and the Group would be obliged to pay the difference, which could be substantial.

The Group cannot predict with certainty what amount it will potentially have to pay if the guarantee should be enforced. Any financing shortfall in the Closed Pension Fund could create new obligations for Eutelsat SA. pursuant to the financial guarantee, which could have a significant negative impact on the Group's business, financial position and results.

The Group is not exposed to any substantial liquidity risk

At June 30, 2007, available cash assets amounted to nearly 45.5 million euros, to which were added 890 million euros in lines of credit with banks, not drawn as of that date. The Group considers that it is not exposed to any significant liquidity risk. At June 30, 2007, the Group was meeting all of the covenants provided by its various lines of credit as described in paragraph 10.3, "Changes in indebtedness and the Group's financing structure" of this reference document.

>> 4.5 Regulatory risks

Eutelsat S.A., the Group's main operating subsidiary, is subject to the Amended Agreement of Eutelsat IGO and Eutelsat Communications is subject to the Letter-Agreement

The By-laws of Eutelsat S.A. stipulate that the international treaty establishing Eutelsat IGO of July 15, 1982, as amended on May 20, 1999 (hereinafter the "Amended Agreement"), is a "reference document" for the conduct of Eutelsat S.A.'s business activities.

The reciprocal rights and obligations of Eutelsat S.A. and Eutelsat IGO are defined in an agreement made in application of the Amended Agreement (the "Arrangement") dated July 2, 2001.

The rights that Eutelsat IGO enjoys under the Arrangement are intended to allow Eutelsat IGO to ensure that Eutelsat S.A. respects the Basic Principles defined in the Amended Agreement, namely: the public service/universal service obligation for telephony services connected to the international public switched network; the provision of audiovisual services in keeping with relevant international agreements, including the European Convention on Transfrontier Television and national regulations; the pan-European coverage of the satellite system and compliance with the principles of non-discrimination and fair competition (see Section 6.8, paragraph "Other provisions applicable to the Group" for more information on the Basic Principles) in defining its strategy and conducting its business.

In particular, Eutelsat S.A. is required to inform Eutelsat IGO in the event of major changes to its operational, technical, commercial or financial policy that could affect compliance with the Basic Principles and to obtain the prior written agreement of Eutelsat IGO if it intends to proceed with voluntary liquidation, including for a merger or consolidation with another entity.

Additionally, Eutelsat S.A. is obliged to finance the operating costs of Eutelsat IGO. For a complete description of Eutelsat S.A.'s obligations under the Arrangement (see Section 6.8, paragraph "Other provisions applicable to the Group").

In order to enable the Company to proceed to an initial public offering of its shares, Eutelsat Communications and Eutelsat IGO signed a letter-agreement dated September 2, 2005 (the "Letter-Agreement") by which the Company made certain commitments to Eutelsat IGO (see Section 6.8, paragraph "Other provisions applicable to the Group").

In particular, the Company undertook not to propose and/or vote for any decision to distribute Eutelsat S.A. dividends in excess of the total net annual profits of Eutelsat S.A. and/or the aggregate of the net annual profit(s) of Eutelsat S.A. that may have been allocated to the reserve and/or that could have resulted in bringing Eutelsat S.A.'s net debt/EBITDA ratio up to a value higher than 3.75/1; to take all measures such as to ensure that the obligations entered into by the Company, or that the Company might enter into, shall in no way result in default by Eutelsat S. A. in terms of its own financing; to maintain in Eutelsat S. A. a minimum amount of equity in accordance with a sound financial management of Eutelsat S.A. and such as to make it possible for it to keep its ability to comply with the Basic Principles; and to maintain a level of consolidated Group debt that is not contrary to market practices and to the sound management of the Group.

Moreover, in order to facilitate the information to Eutelsat IGO on the Company's operations, the Executive Secretary of Eutelsat IGO takes part in meetings of the Eutelsat S.A. Board of Directors and, since Eutelsat S.A.'s IPO, has attended meetings of Eutelsat S.A.'s Board of Directors as a *censeur*, without the right to vote.

Eutelsat IGO's assessment of Eutelsat S.A.'s operations and strategy, in terms of the obligation to observe the Basic Principles, and the Group's financial policy, could be different from that of the Group. Compliance with Eutelsat IGO's recommendations or requests could result in reducing the Group's reactivity and flexibility in conducting its business, managing its debt structure and equity and its distribution policy, and could have a significant negative impact on the Group's business, financial position and results.

Application of international regulations on coordinating frequency assignments could make it more difficult for the Group to implement its deployment plan

Frequency assignments are coordinated internationally via the International Telecommunication Union's (ITU's) "Radio Regulations". The purpose of this organisation is to limit the risks of interference between broadcasts (see Section 6.8, paragraph "Frequency assignments and international coordination" for a description of the frequency assignment coordination procedure).

Eutelsat S.A. has a number of frequency assignments for which the international coordination procedure, via the general regime defined by the ITU's Radio Regulations (see Section 6.8, paragraph "Frequency assignment and international coordination") is not yet complete and/or is not yet in operation with any of the Group's satellites. For the first type, the priorities for these assignments, and for third parties involved in the coordination, could mean that coordination restricts the Group's capacity to fully operate some of these assignments. For the second type, the Group might not be in a position to activate them within the deadlines set by Radio Regulations, which would result in a loss of their current priorities. Both situations could have a significant negative impact on the Group's activities, financial position and results.

The Group also has certain frequency assignments governed by one of the two special regulations (see Section 6.8, "Regulation"). If any states decided to exercise their rights under these systems, or if these special regimes were amended, the Group could be forced to change or discontinue the current use of its assignments, which could have a significant negative impact on its business, financial position and results.

Finally, the ITU's Radio Regulations provide only for voluntary resolution of disputes in the event of disagreements between the ITU's Member States over non-compliance with international regulations governing coordination of their frequency assignments. The Group could be forced to accept the result of a negative transaction between ITU Member States relating to certain frequency assignments it uses, which could have a significant negative impact on the Group's business, financial position and results.

The Group's provision of satellite telecommunications services is subject to certain specific legislative and regulatory provisions

The satellite telecommunications industry in which the Group operates is the subject of extensive regulation (see Section 6.8, "Regulation"). Changes in policy or regulation – on a global level under the International Telecommunication Union, in the European Union, in France or in the other countries in which the Group does business – could have a significant negative impact on its activities, notably if such changes increase the costs and regulatory restrictions of the Group's services. These changes could have a significant negative impact on the Group's business, financial position and results.

The Group has to continue to receive the existing frequency assignments at the orbital positions at which it operates or it may need to redeploy some of its satellites. It must also be able to obtain new frequency assignments, at the same or new orbital positions, for the future expansion of its business. In France, new regulations for obtaining and operating frequency assignments for a satellite system are expected in the near future (see Section 6.8, "Regulation"). This could restrict the Group's ability to obtain new frequency assignments from the French authorities or to use them as it wishes. Such a situation could have a significant negative impact on the Group's business, financial position and results.

The Group could be subject, as part of the development of new business, to regulatory requirements related in particular to radio broadcasting (of content) and earth stations. Compliance with these new regulatory requirements could involve considerable investments of time and resources. Furthermore, the Group cannot guarantee that it will be able to obtain or maintain the necessary authorisations, which could delay or interfere with the provision of services to customers in the affected countries or the implementation of its development strategy, thereby having a significant negative impact on its business, financial position and results.

The amendment of applicable regulations could also limit or prevent the obtaining or retaining of the necessary authorisations relating to the Group's current business or to its development strategy, which could have a significant negative impact on the Group's business, financial position and results.

Furthermore, some States could decide to impose a system of taxation on satellite operators for satellite broadcast reception in their territory. Such a development could have a significant negative impact on the Group's business, financial position and results.

The Group is subject to strict regulations on the content of the programmes broadcast via its satellites

Regulations on the broadcasting of television programmes in the European Union specify that each Member State must ensure that the programmes transmitted comply with applicable laws on broadcasts to the general public, especially for the purpose of protecting children and prohibiting the promotion of hate and racial discrimination. As a French satellite operator, the Group could be given formal notice to cease broadcasting a television channel from outside the European Union whose programming does not comply with French laws and regulations or might jeopardise public order (see Section 6.8, "Regulation", paragraph "Regulation in terms of content"). However, the Group might not be technically able to cease that transmission without being forced to interrupt the transmission of other television programmes that are part of a single package on the same transponder. These television channels might then terminate the contracts for that capacity and demand compensation, which could have a significant negative impact on its business, financial position and results.

In the years to come, the French authorities could order that the broadcasting of non-European channels be discontinued. Consequently, it could become more and more difficult for the Group to continue its policy of long-term contracts for the transmission of television channels with foreign customers, if governmental or legal decisions can at any time prevent it from providing its transmission services, and thereby bring some customers to use the services of competing operators, which would have a significant negative impact on the Group's business, financial position and results.

French laws could be supplemented or modified, especially with respect to non-European television channels, and prohibit French satellite operators from carrying television channels that do not have an authorisation or licence from the CSA (see Section 6.8, paragraph "Regulation in terms of content" for a description of the regulations on this point), which could have a significant negative impact on the Group's business, financial position and results.

>> 4.6 Market risks

Market risks include foreign exchange risks and interest-rate risks.

The following paragraphs contain amounts estimated on the basis of sensitivity analyses that are, by nature, projections based on assumptions that are subject to uncertainties. Consequently, actual performance could be substantially different from anticipated performance, due in particular to actual developments in the financial markets. Uncertainties related to country, legal or political risks are not covered in the following paragraphs.

Foreign exchange risk

The euro is the currency used by the Group in its accounts. However, since a portion of the Group's activities is carried out beyond the euro zone, and as some of its principal suppliers are located outside the euro zone, the Group must contend with the risk of changes in foreign exchange rates when conducting its business.

Thus, a portion of the Group's revenues, costs and investments is in other currencies, mainly the U.S. dollar. As a result, fluctuating exchange rates may have negative effects on the Group's performance.

Moreover, because development of the Group's business outside the euro zone is a key factor in its business strategy, its exposure to fluctuating exchange rates could increase. This geographic expansion could result in an increase in the U.S. dollar/euro exchange risks.

The Group is also exposed to U.S. dollar/euro exchange risks because of the purchase of satellites and/or the launch services are payable in U.S. dollars. These contracts are for significant amounts (generally more than 50 million U.S. dollars), which can be paid in instalments. At June 30, 2007, the Group was due to pay three instalments representing a total of 70.4 million U.S. dollars during the financial year 2008.

Fluctuating exchange rates could lead to an increase in the price of the Group's capacity and services when they are paid in currencies other than the euro. These fluctuations could then reduce demand from customers paying in currencies other than euro. Even in the absence of fluctuating demand, fluctuations in the exchange rate could have an impact on the Group's revenues, because a portion of its revenues is in a currency other than the euro.

Also, the Group's customers located in emerging countries could face difficulties in obtaining euros or U.S. dollars (because of currency controls), which could significantly affect their ability to pay in euros or in U.S. dollars, thereby exposing the Group to additional exchange risks.

To cover itself against the risks of fluctuating exchange rates, the Group uses the following hedging instruments:

- U.S. dollar/euro forward contracts; and
- U.S. dollar/euro call options, exercised or not, depending on the exchange rate on their expiry date.

The Group does not automatically hedge all its contracts in U.S. dollars.

At June 30, 2007, the fair value of the Group's foreign exchange risk hedges was 2.8 million euros. At June 30, 2006 and June 30, 2005, the fair value of the Group's exchange risk hedges was 4.8 and 1.5 million euros respectively.

In view of the existence of hedging instruments for its exchange risk, the Group deems that a 1% reduction in the value of the U.S. dollar against the euro would have an insignificant impact on its net profits for the financial year ended June 30, 2007.

The table below shows the situation in thousands of euro for all existing currency-hedging instruments at June 30, 2007.

	Notional Amounts		
	2005	2006	2007
Exchange Options (USD puts/euro calls)	82,400	104,000	140,741

The net exchange position at June 30, 2007 is as follows:

(In millions of euros)	USD
Assets	40,299
Liabilities	16,017
Net position before management	24,282
Off-balance sheet position (EUR calls USD puts)	140,741

The net position after management is not mentioned, since off-balance sheet items (options) at June 30, 2007 are destined for hedging future earnings in U.S. dollars.

Interest rate risk

The Group manages its exposure to variations in the interest rate with a policy of hedging its variable-rate debt.

As a result of refinancing the debt related to the acquisition of Eutelsat S.A. during the financial year ended June 30, 2006, the Group implemented the following interest-rate hedging instruments:

- a three-year collar (purchase of a cap and sale of a floor) until April 29, 2008 for a notional amount of 1.7 billion euros destined to hedge Eutelsat Communications' long-term bullet loan. This collar's notional amount was reduced on April 12, 2007, going from 1.7 billion euros to 1.615 billion euros in order to correspond to the exact credit amount. This partial sale generated a termination balance of 1.3 million euros;
- with a deferred start, for two years (years 4 and 5), a pay-fixed, receive-variable interest-rate swap, for a notional amount of 850 million euros and the purchase of a cap for a notional amount of 850 million euros, to hedge Eutelsat Communications' long-term bullet loan. The Group also made a partial sale, bringing the notional amount for these instruments from 1.7 billion euros to 1.615 billion euros (i.e.; for each one, from, 850 million euros to 807.5 million euros) and generating a termination balance of 0.9 million euros.

At the end of September 2006, a new deferred-start interest-rate hedge (years 6 and 7) was concluded:

- a pay-fixed, receive-variable interest-rate swap for a notional amount of 1.615 billion euros to hedge Eutelsat Communications' long-term bullet loan.

  After concluding the syndicated loan at the level of the Eutelsat S.A. sub-group (notional amount 1.3 billion euros) in November 2004, derivatives linked to this loan were immediately implemented. These consist of:

  - a pay-fixed, receive-variable interest-rate swap on the long-term bullet loan portion of 650 million euros over 7 years until maturity, and
  - a three-year collar (purchase of a cap and sale of a floor) over five years for a notional amount of 450 million euros linked to the 650 million euros revolving credit line.

On March 12, 2007, the collar was cancelled, generating a balance of 0.7 billion euros and new transactions, linked with the 650 million euros revolving credit line, were undertaken:

- a pay-fixed, receive-variable interest-rate swap for the notional amount of 250 million euros over four years until maturity of the revolving loan;
- a cap purchase against payment of a two- million-euros premium for a notional amount of 200 million euros over four years until the maturity of the revolving loan.

The table below shows the situation for all existing interest-rate hedging instruments at June 30, 2007:

(In thousands of euros)	Contractual/ notional values	Fair values June 30, 2007	Variation in fair value over FY	Impact on result	Impact on equity
Instant hedge					
Swap (Eutelsat S.A.)	650,000	31,654	14,654	-	14,654
Collar (Eutelsat Communications)	1,615,000	21,425	3,039	3,774	(735)
Purchased cap (Eutelsat S.A.)	200,000	5,172	3,172	3,172	-
Swap (Eutelsat S.A.)	250,000	5,467	5,467	5,467	-
Collar (Eutelsat S.A.)	450,000	assigned	(1,271)	(1,271)	-
Subtotal		**63,718**	**25,061**	**11,142**	**13,919**
Deferred hedge					
Forward swap (Eutelsat Communications)	807,500	21,427	9,876	673	9,203
Purchased forward cap (Eutelsat Communications)	807,500	11,632	4,920	(4,574)	9,494
Forward swap (Eutelsat Communications)	1,615,000	36,263	36,263	-	36,263
TOTAL		**133,040**	**76,120**	**7,241**	**68,879**

At June 30, 2007, an increase of 10 basis points (0.1%) of the EURIBOR interest rate would create an impact, on a yearly basis, of about 2.3 million euros on the Group's financial expenses for 12 months.

The net interest rate position at June 30, 2007 appears as follows:

Maturity *(In thousands of euros)*	< 1 year	1-5 years	> 5 years	Total
Financial liabilities	60,754	650,379	1,615,000	2,326,133
Financial assets*	66,904	75,352	36,263	178,519
Net position before management	(6,150)	575,027	1,578,737	2,147,614
Off-balance sheet (fixed-rate swaps, caps, collar)	-	1,100,000	1,615,000	2,715,000
Net position after management	(6,150)	(524,973)	(36,263)	(567,386)

* *Cash position and financial instruments.*

Although the Group applies an active interest rate management policy, any large increase in interest rates could have a negative impact on its business, financial position and results.

Equity risk

At June 30, 2007, the Group does not hold any of its treasury stock (except for shares held under the liquidity contract entered into with Société Générale), nor does it have any interests in listed companies. It therefore runs no significant risks in this respect.

>> 4.7 Risk management

4.7.1 Risk management policy

In conducting its activities, the Group is exposed to a number of operating risks, and more specifically to risks liable to affect its satellite fleet.

The Group has therefore set a number of internal control procedures in place, in order to control the risks inherent in its business and operating environment to the maximum possible extent (see the report from the Chairman of the Eutelsat Communications' Board of Directors, prepared in accordance with Article L. 225-37 of the Commercial Code in Annex 1 to this reference document).

Eutelsat Communications is a holding company, and the operating procedures that have been set up for the Group are implemented by the Group's operating companies: i.e. Eutelsat S.A. and its subsidiaries.

Satellite risk management

Procedures for the protection and integrity of the satellite fleet

The purpose here is to enable continuity for the telecommunications service provided to customers and final users.

Administration and control of the satellite system is the responsibility of the Technical Department, which is in charge of controlling the satellites, and also of the Operations Department, which is in charge of controlling the quality of the signals the satellites send and receive.

These activities are carried out from Eutelsat S.A.'s control centres in Paris and Rambouillet, which are in charge of satellite control and station-keeping, satellite protection, and continuity of signal production to meet the needs of the Group's customers in accordance with the technical recommendations and procedures for each satellite. The control centres have back-up systems and redundant equipment to guard against any problem of operational unavailability or interruption. Exercises are carried out regularly at the principal control centres, involving evacuation of the premises and system recovery by the back-up facilities.

Operational procedures for the control centres, especially the control centre responsible for the satellite fleet, exist in written form and cover the manoeuvres and configuration changes needed in a nominal situation as well as a situation where there is a technical incident or crisis situation. These procedures are periodically reviewed and tested and activated to ensure *inter alia* that the controllers are kept continuously up-to-date

An incident of any nature that affects a satellite or one of the signals transported (e.g. a technical failure or interruption of the signal) is dealt with internally by the Technical and Operations Departments under escalation procedures. These procedures provide for internal expertise to be available immediately as well as the expertise of the satellite manufacturer where necessary. All incidents affecting either a satellite or the control system are properly logged and followed up under the authority of the person responsible for ensuring quality of service with the aim of identifying the causes of the incident and proposing and implementing the necessary corrective measures.

Any material incident liable to affect the quality or continuity of the telecommunications service is (i) communicated to members of the Group's Senior Management, (ii) reviewed internally at Eutelsat S.A. by its Technical Departments, and, where appropriate, (iii) reviewed by a panel of independent experts depending on the nature of the incidents that have occurred.

Satellite control system certification

The Group was ISO 9001 certified in 2005. Certification of satellite-control activities under the ISO 9001 Standard is valid until the end of June 2008. It covers satellite control and operation, satellite launch and orbiting operations, the satellite control system on the ground (definition, development, procurement, deployment, operation and maintenance).

An audit conducted in 2006 and 2007 at Eutelsat S.A.'s initiative confirmed that ISO 9001 is being properly applied.

As well as technical reviews and procedures performed under the direction of the Technical Department or the Operations Department, the following other Departments are involved:

- *the Commercial Department:* This Department is in charge of commercialising capacity on the satellites of the Eutelsat fleet and handling customer relations.

  It deals with all technical requests from the Company's customers (commercial and technical) and works with the Operations Department and with Coordination, Missions & Programmes to validate the requests, as well as the technical solutions that the customer can be offered in response to its needs, having due regard to satellite performance levels;
- *the Finance Department:* In conjunction with the Technical Department, this Department is responsible for managing the risk related to the Group's activities. This is done by taking out in-orbit or launch insurance contracts or, should there be a definitive partial loss of a satellite's capacity or a permanent reduction in its expected operational lifetime, by performing tests on the value of the relevant satellites on a case-by-case basis.

Management of the Group's other operating risks

Introduction of a continuity plan for the Company

At the start of 2006, Eutelsat S.A. initiated a continuity plan for its activities in order to reduce the strategic, economic and financial risks in the event of prolonged non-availability of its registered office located in rue Balard, Paris.

Under the responsibility of the Information Systems Department, this project seeks to define the conditions for continuity of commercial, financial & administrative, legal, corporate communications, information systems management and human resources activities.

Activities directly linked to management of the satellite fleet (in particular satellite and communications control centre activities) are covered by specific security procedures described above under *"Procedures for the protection and integrity of the satellite fleet"*.

After an initial phase of identifying critical activities and defining the procedures to be introduced, procedures were put in place covering for the Group's most critical activities in June 2007, namely: the allocation and sale of satellite resources (a cross-disciplinary process involving activities in many departments and including management engineering of transponder capacity, contracts administration and customer support), management of partners and of commercial projects, and cash management.

The recovery procedures required for the continuity of our activities beyond the first week of a crisis are still to be drawn up in detail in the course of the next fiscal year. The continuity plan will be tested periodically through simulation exercises once all the plans for the recovery of activities have been finalised.

Operating risks related to the security of the information systems

The desire to address the operating risks related to the security of the Company's information systems can be seen in the post created in January 2007 for an Information Systems Security Manager. This cross-department function considers all the information systems of Eutelsat S. A.: Operation of the management information and terrestrial networks necessary for corporate activities, satellite control.

The objectives associated with this function at Eutelsat are as follows:

- map the risks related to the security of the information systems and assess their impact on the operation of the Company;
- introduce a policy and standards adapted to the security requirements of the Company;
- evaluate the protective measures in place (organisational and technical).

Management of the principal financial risks of the Group

The Group has introduced a centralised system of cash management for its operating subsidiary Eutelsat S.A. Under service agreements between Eutelsat S.A. and the various entities within the Group (including the Company), the Treasury function at Eutelsat S.A. manages foreign-currency exchange risk and interest-rate risk on behalf of all entities in the Group.

To meet such risks the Group employs a certain number of derivatives, the objective of which is to limit, where appropriate, the fluctuation of revenues and cash-flows due to variations in interest rates and foreign-exchange values. The Group's policy is to use derivatives to manage such exposure. The Group does not engage in financial transactions whose associated risk cannot be quantified at their outset, i.e. the Group never sells assets it does not possess or does not know it will subsequently possess.

Foreign exchange risk

The Group's functional currency is the euro and the Group is therefore principally exposed to fluctuations in the value of the U.S. dollar. The instruments used by the Group to hedge certain future income in dollars are described in Section 4.6, "Foreign Exchange Risk".

Interest rate risk

The Group's exposure to interest-rate risk is managed by apportioning its borrowings between fixed and variable interest rates. To hedge its debt, the Group set up interest-rate hedges during the year both for the Company and for Eutelsat S.A.

4.7.2 Insurance

The Group has an insurance programme that covers both phases of a satellite's life: the actual launch (launch insurance) and its life in orbit (in-orbit insurance). Under this insurance programme, the Group has also taken out on-ground and in-orbit third-party liability insurance.

In addition, the Group has taken out other customary commercial insurance for its operations.

During the financial year ended June 30, 2007, the Group's total insurance premiums represented approximately 1.79% of its total operating costs. However, insurance premiums can vary from one financial year to another. The factors influencing launch and in-orbit insurance premiums when an insurance policy is first taken out are, principally, statistics on failures and accidents that have occurred throughout the sector as a whole and, to a lesser extent, certain specific features of the satellite and of the launcher being used: (i) the satellite's design and construction, (ii) the transponder availability rate for a specific satellite belonging to the Group, or for a similar satellite belonging to another operator, (iii) the failure or degradation of one of the satellites in orbit belonging to the Group, or of a similar satellite belonging to another operator and, for launch insurance, (iv) the success rate of the launch services agency.

The Group's launch and in-orbit lifetime insurance policies include the provisions and exclusions customary to space insurance, including loss or damage caused by *force majeure* events (such as armed conflict), natural occurrences related to a satellite's environment in space, intentional acts by the Group and damage to third-parties.

"Launch + one year" insurance

"Launch + one year" insurance policies cover the net book value of the insured satellite, as recognised in the Group's accounts, i.e. the costs of the satellite's construction, the launch and the launch insurance policy, and also the capitalised costs related to the procurement programme for the satellite in question.

This type of policy covers the damages sustained by the Group for a period of one year after launch, up to the net book value of the insured satellite, due to:

- loss of the satellite at launch, namely between ignition of the launch vehicle's engines and separation of the satellite from the launch vehicle;
- failure of the insured satellite to reach its designated orbital position; or
- malfunctions of the satellite or its on-board equipment in relation to the technical specifications for the first year of the satellite's life in orbit.

At June 30, 2007, only one satellite (HOT BIRD™ 8) was covered by Launch + one year insurance. This insurance expired on August 4, 2007 and the satellite is now covered under the in-orbit lifetime insurance programme.

The Group intends to take out launch + one year insurance for its HOT BIRD™ 9, HOT BIRD™ 10, W2M, W2A and W7 satellites. The Group has already begun discussions with insurers in the space market with a view to taking out the insurance before the first of these satellites is launched.

In-orbit lifetime insurance

In-orbit lifetime insurance covers damages that occur in orbit after the "launch + one year" insurance policy has expired (except for third-party damages – see "In-orbit third-party liability insurance – spacecraft third-party liability policy" below).

The Group's in-orbit lifetime insurance plan, which will be renewed in November 2007, is included under a single policy. Under this programme, virtually all the satellites (16 satellites at June 30, 2007) belonging to the Group are covered by insurance, except for ATLANTIC BIRD™ 1, W1 and HOT BIRD™ 3, which have been affected by incidents in orbit.

Subject to the general or specific exclusions that can be included in the insurance policies, the damages covered under this type of policy are:

- constructive total loss of the satellite, defined (i) as the loss or complete destruction of the satellite, (ii) impossibility of permanently controlling a satellite in its orbital position, or (iii) reduction below a certain threshold of the estimated remaining life span of the satellite or of its transmission capacity during the insured period; and
- partial loss of the satellite, defined as a reduction below a certain threshold of the estimated remaining life or its transmission capacity during the insured period, without this reduction constituting a total loss.

The cost of protective measures for the satellite that are requested by insurers are paid for by them.

The majority of in-orbit lifetime insurance policies are taken out for periods of one year, renewable, under current space-insurance market practices.

In-orbit lifetime insurance policies cover partial and/or constructive total losses up to the net book value of the 16 insured satellites (amortised over the financial year).

The in-orbit lifetime insurance policy carries a cumulative basic deductible of 80 million euros for the year covered. Beyond this deductible, a maximum of 390 million euros in compensation is provided with a limit of 165 million euros per damaged satellite.

In-orbit third-party liability insurance – spacecraft third-party liability policy

The Group has taken out a spacecraft third-party liability insurance policy for a period of one year, renewable, which covers damages caused to third parties by the Group as a satellite system operator. Under the current policy, relocations of Eutelsat satellites are covered against damage to third parties for 200 million U.S. dollars per incident.

Other insurance

The Group has taken out third-party liability insurance covering its corporate officers, directors and senior managers, as well as the senior managers of its subsidiaries, in the performance of their duties. The Group has also taken out standard third-party liability insurance covering its ground operations, for a maximum of about 15 million euros per incident. These policies are automatically renewable each year by tacit agreement.

In 2007, the Group took out an insurance policy to minimise the credit risk related to unpaid accounts receivable in 2007 and 2008.

In addition, the Group has standard comprehensive insurance for its on-ground equipment, and various "assistance" insurance for its employees and "guests".

5 INFORMATION ON THE ISSUER

>> 5.1 Group history and developments

5.1.1 Corporate name and brand name

Eutelsat Communications.

5.1.2 Commercial and Corporate Registry

Eutelsat Communications is registered with the French *Registre du Commerce et des Sociétés de Paris* (Commercial and Corporate Registry of Paris) under the number 481 043 040.

5.1.3 Incorporation date and duration

The Company was incorporated on February 15, 2005 as a French *société par actions simplifiée* (simplified joint-stock company) and subsequently transformed into a *société anonyme* (limited company) on August 31, 2005. It has been registered on February 25, 2005 for a period of 99 years, expiring on February 25, 2104.

5.1.4 Registered head offices, legal form and applicable legislation

Head offices
70, rue Balard
75015 Paris
France
Telephone: 01.53.98.47.47

Legal form and applicable legislation
A *société anonyme* with a Board of Directors, governed by the provisions of Book II of the French Commercial Code.

5.1.5 Key events

Initially, Eutelsat S.A.'s activities were conducted by an intergovernmental organisation, the European Telecommunications Satellite Organisation (the "IGO"). The IGO was founded by a number of countries in Western Europe to develop and operate a satellite telecommunications system for trans-European telecommunications purposes. On July 2, 2001, all the IGO's operating activities were transferred to Eutelsat S.A. (the "Transformation").

The Transformation was motivated mainly by the liberalisation of the telecommunications industry in Europe, under the more specific framework laid out by the European Commission in its 1990 Green Paper. This recommended that the international satellite telecommunications organisations, including Eutelsat, should be reformed in order to liberalise final-user access to satellite capacity and ensure it could be freely commercialised by operators. The main purpose of the Transformation, therefore, was to position the IGO's operating activity in a competitive environment with a view to an open satellite telecommunications market.

Eutelsat IGO was retained as an intergovernmental organisation and currently has 48 member European countries.

Eutelsat S.A. was the first satellite operator in Europe to directly broadcast television to households, and, in the mid-1990s, the Company began to construct a premium satellite neighbourhood made up of the HOT BIRD™ satellites at 13° East, with the aim of providing capacity that could host several hundred channels at that orbital position, thereby amassing very large audiences in terms of the general public.

On April 4, 2005, Eutelsat Communications acquired Eutelsat S.A. and as of June 30, 2007 indirectly holds 95.24% of Eutelsat S.A.'s share capital.

On June 30, 2005, Eutelsat Communications bought back part of Eutelsat S.A.'s minority holdings.

On December 2, 2005, Eutelsat Communications opened up its capital under the IPO of its shares.

In January and February 2007, some of Eutelsat Communications' historic shareholders transferred their shares to Abertis Telecom at the unit price of 15.50 euros per share, and to the *Caisse des Dépôts et Consignations* (French Deposit & Consignment Office) at 15.70 euros per share. As of June 30, 2007, these two shareholders held 31.74% and 25.94%, respectively, of the Company's capital.

During financial year 2007, the Group's organisational chart was simplified as part of internal restructurings that are described in Section 7, "Organisational Chart", of this reference document.

>> 5.2 Main investments

The Group's main investments essentially involve acquisitions of satellites and ground equipments.

Satellite acquisitions reflect the costs of satellite construction, launch, and entry into operational service. These comprise construction costs (including performance-related incentive payments), launch costs, "launch + one year" insurance premiums, capitalised interests, and other costs associated with programme supervision and deployment (studies, staff costs and consultancy) (see Section 10.2, paragraph "Cash-flow from investing activities" for more information on the Group's investments as of June 30, 2007).

5.2.1 The Group's main investments

During the financial years 2005-2006 and 2006-2007, the Group's capital investments reflected the orders placed for five new satellites. Since these satellites are still under construction, they are shown in Section 5.2.2 "Main investments in progress" below.

5.2.2 Main investments in progress

During the financial year ended June 30, 2006, Eutelsat S.A., the Group's main operating subsidiary, ordered the W2M satellite from a consortium comprising EADS Space and ISRO (the Indian Space Research Organisation), and also the HOT BIRD™ 9 satellite from EADS Space.

During the financial year ended June 30, 2007, Eutelsat S.A. ordered the W2A and W7 satellites from Thales Alenia Space and the HOT BIRD™ 10 satellite from EADS Astrium.

These five satellites represent a total investment of 980 million euros for the 2006, 2007, 2008 and 2009 financial years. They are financed by Eutelsat S.A. operating cash flows and by the credit facilities to which the Group has access. These satellites are expected to be launched in 2008 and 2009, and are described in Section 6.4.1.3, "Satellites ordered and in course of construction" of this reference document.

5.2.3 Main scheduled capital investments and external growth policy

As a result of a decision by its Board of Directors, Eutelsat S.A., the Group's main operating subsidiary, has begun the process of procuring a Ka band telecommunications satellite for the purpose of providing satellite capacity for broadband Internet services in the areas located at the edge of the terrestrial broadband networks or for the local/regional television market.

For future fiscal years, and in view of the length of satellite procurement and launch cycles, Eutelsat S.A. will have to initiate the first investments for the progressive renewal of part of its in-orbit resources, mainly the satellites launched during the 1998-2000 period. No decision on the amounts of the investments necessary or the procurement of these satellites has been made as of the registration date of this reference document.

The Group has also begun thinking about the future development of its in-orbit infrastructure, looking to take a new step in its strategy of securing and reinforcing some of its orbital positions.

Therefore given current investments, described in Section 5.2.2 above, and also future investments, the Group's objective is to invest a yearly average amount of 420 million euros during the 2007-2010 period (for more information on the Group's investment objectives, see Section 12.2, "Future prospects" in this reference document).

At the same time, the Group is attentive to changes in its economic model and competitive environment. With substantial financial resources, Eutelsat Communications could be required, as part of its profitable growth strategy, to make acquisitions, increase its equity investments, or partner with certain regional players, thereby taking a part in the industry's moves towards consolidation.

6 BUSINESS OVERVIEW

>> 6.1 Presentation

With a 30% market share in Extended Europe and operating a fleet of 24 satellites in geostationary orbit (GEO), the Group is No. 3 in the world and European leader in the field of Fixed Satellite Services (FSS) in terms of the number of satellite television channels. It offers a portfolio of services that includes video services for the general public (broadcasting) and professionals (professional video services), Professional Data Network solutions, Value-Added Services and Multi-Usage Services.

The Group owns 19 GEO satellites and operates capacity on five additional satellites belonging to third parties. With its fleet of satellites located at 20 orbital positions extending from 15° West to 70.5° East, the Group covers the whole of the continent of Europe, the Middle East, Russia, central Asia and North Africa, Sub-Saharan Africa ("Extended Europe"), and a major part of the Asian and American continents, potentially giving it access to 90% of the world's population.

As of June 30, 2007, the Group was broadcasting close to 2,608 television channels and 1,114 radio stations to more than 164 million cable and satellite households.

Leading European and international media and telecommunications operators are among the users of the Group's capacity, e.g.:

- private and public broadcasters, including the European Broadcasting Union (EBU), RAI, France Télévisions, Deutsche Welle, BBC, Mediaset, TVN, TF1, RTL, France 24, ARD and ZDF, NHK, Discovery Channel, CCTV, Eurosport and Euronews;
- major pay-TV digital television operators, including Sky Italia, the Canal + Group, BskyB, ABSat, Orbit, Multichoice Africa, Gateway, Cyfra+, Polsat, n, Digiturk, NTV+ and Tricolor;
- International groups such as Renault, Shell, Total, General Motors, Volkswagen, Euronext, Reuters, Schlumberger and Associated Press;
- corporate network service providers or network operators such as Hughes Network Systems, Algérie Télécom, Orascom, AT&T, Siemens Business Services, Atrexx and Bentley Walker;
- operators of satellite services such as Nilesat and Noorsat in the Middle East.

The Group offers its services to broadcasters and network operators either directly or via distributors. Those include the leading European telecommunications providers such as France Telecom/Globecast, Telespazio, British Telecom, Deutsche Telekom/T-Systems, RSCC in Russia and Belgacom.

The Group has over 30 years of experience and carried out the first digital television transmissions by satellite in Europe using the DVB (Digital Video Broadcast) standard, today recognised as the standard format for video transmission.

During the year ended June 30, 2007, the Group generated consolidated revenues of 829.1 million euros and a consolidated EBITDA[1] of 652.6 million euros. At June 30, 2007, the Group's backlog was 3.7 billion euros, which is 4.5 times the consolidated revenues for the year ended June 30, 2007 (excluding non-recurring revenues).

(1) EBITDA is defined as the operating result before depreciation and amortisation and other operating income and expenses (impairment of assets, dilution profits (losses), launch indemnities, etc.). EBITDA is not an aggregate defined by the accounting principles and does not constitute a measure of financial performance. It should not be compared to operating income, net income or cash flow from operating activities. Nor should it be used as an indicator of profitability or liquidity. Likewise, it should not be used as an indicator of past or future operating results. EBITDA is calculated differently from one company to another, and accordingly the information given in this reference document about EBITDA should not be compared to EBITDA information reported by other companies.

>> 6.2 Group Strengths and Strategy

6.2.1 Group Strengths

The Group believes that its business is characterised by the following strengths:

A leading position in the European market for satellite broadcasting

The Group is the leading operator in the European market for broadcasting by satellite in terms of number of channels transmitted and number of transponders, with 2,608 television channels and 1,114 radio stations broadcast to more than 164 million cable and satellite households.

A major part of the Group's video business is carried out in Europe. The European market for satellite broadcasting has attractive features compared to other geographical areas, particularly in terms of tariff conditions. Euroconsult estimates that the average revenue per transponder was more than 3.15 million of U.S. dollars in 2006 in Western Europe.

A large portfolio of attractive orbital positions

With twenty orbital positions in service, the Group is the satellite operator with the greatest number of orbital positions used for the transmission of video programming over the European arc from 15° West to 70° East. The Group has developed two of the orbital positions in its portfolio as premium satellite neighbourhoods, and has 8 major orbital positions to meet the demand for broadcasting television channels in Extended Europe.

The Group has successfully developed the orbital position located at 13° East, which is particularly suitable for transmitting audiovisual programmes to the European Union.

The orbital position located at 13° East today represents the leading television programme transmission array in Europe. In fact, the three HOT BIRD™ satellites were transmitting close to 1,100 channels as of June 30, 2007 (more than any other orbital position in Europe) to over 121 million cable and satellite households, including more than 48 million that are equipped for direct reception via satellite. The Group has also developed the 28.5° East position, providing excellent coverage of the United Kingdom and Ireland with the EUROBIRD™ 1 satellite which was transmitting approximately 285 channels as of June 30, 2007 to more than nine million cable and satellite households. The Group estimates that the channels broadcast at these two flagship positions are received by more than 56 million homes via satellite dishes for individual or community reception (source: Research institute, Eutelsat Communications, 2006 edition).

Over and above these two flagship positions, the Group is developing major specialised orbital positions according to geographical area. These positions allow the Group to transmit close to 1,100 television channels to nearly 34 million cable and satellite households and to take advantage of the strong progression in the number of digital television channels emanating from geographical areas such as central and Eastern Europe, Russia, North Africa, the Middle East and Sub-Saharan Africa (via its positions at 5° West, 7° West, 7° East, 9° East, 16° East, 25.5° East and 36° East).

The Group considers that the orbital positions constitute a rare resource with a strategic advantage for developing its business. Almost all orbital positions and associated frequency rights for the Ku band have in fact already been allocated to the existing operators by the International Telecommunication Union (ITU), thus making it all but impossible for a new operator to access an orbital position in Ku band under current ITU rules (see Section 6.8 "Regulation" for further details). Thanks to its current portfolio of usage rights for orbital positions and its active policy of managing its rights, the Group considers that it is able to adapt rapidly to any changes in demand and to seize new market opportunities that may arise in the future.

A business portfolio that favours the most profitable applications

As part of its development strategy, the Group focuses its satellite resources on Video Applications and Value-Added Services, both in Europe and in the countries of central Europe, Russia, the Middle East, North Africa and Sub-Saharan Africa.

Video Applications thus represent the major part of the Group's business. The leasing of transponders used for Video Applications represented 72.2% of the Group's revenues (excluding non-recurring revenues) for the year ended June 30, 2007 compared with 67.7% for the year ended June 30, 2006.

Video Applications are considered to be the most stable source of revenues in the sector, due both to the large and recurring need for capacity of audiovisual platform operators and the number of installed dish antennas, making it difficult to change operator. These operators are therefore willing to sign long-term contracts (often for the operating life of the satellite concerned, generally 12 to 15 years), which give the Group a stable customer base and regular cash flows.

The stability of this source of revenues is strengthened by the fact that the Group has little exposure to any potential reduction in demand for capacity resulting from a transition from analog format to digital. The Group is only broadcasting 13 analog format channels (8 of which are

French channels for reception in "shadow" areas of mainland French territory from the 5° West orbital position) compared to 41 still for SES Astra (source: SES Global, Results for first half-year 2007). Moreover, the growth of Video Applications has benefited from the strong development of digital TV in emerging markets (central Europe, Russia, the Middle East, North Africa and Sub-Saharan Africa where the number of television channels has grown by 40%). During the financial year, the first HDTV channels were launched in Extended Europe. As of June 30, 2007, the Group was already broadcasting 22 HDTV channels, of which 17 were commercial channels. High definition is thus a genuine growth driver, because a high-definition digital television channel in MPEG 4 format requires 2.5 times more capacity than standard digital television in MPEG 2 format.

As a complement to its Video Applications, the Group is also present on the market for data and Value-Added Services. This represented 19.4% of the Group's revenues (non-recurring revenues excluded) for the year ended June 30, 2007, down by 10 million euros on the year ended June 30, 2006, mainly due to (i) a reallocation of expiring agreements in favour of professional video services, and (ii) the transformation of certain short-term agreements into long-term agreements, with lower tariff conditions but for a longer period of time. Value-Added Services, on the other hand, show continuing progression, up by 5% compared with the year ended June 30, 2006 and by more than 10% in the case of the broadband Internet access service D-STAR. Furthermore, the Group has begun to introduce broadband Internet access services by satellite for households located at the edge of the broadband terrestrial networks (Tooway™ in Ka band) largely as a result of an increased demand for broadband Internet access services in these areas.

This balanced business portfolio is based on a very effective distribution network, essentially made up of historical telecommunications operators, which are both customers and distributors and have a strong position in their respective markets, and with which the Group has special relationships. In addition to this network of historical distributors, and in order to respond to requests from a number of customers, the Group has developed a targeted commercial and direct marketing strategy, and actively manages its relations with its major clients.

Potential for significant growth

The Group's leading position on the digital markets places it in a special position, where it can seize opportunities for growth on the TV and Value-Added Services markets.

In the video services market, the Group considers that several factors should continue to stimulate growth in its business, particularly:

- the strong increase in the number of channels being transmitted, which should continue;
- strong growth in demand from emerging markets (such as central and Eastern Europe, Russia, North Africa, the Middle East and Sub-Saharan Africa); and
- the take-off of HDTV in Extended Europe, for which the Group is particularly well positioned, especially due to its capacity and its premium orbital positions which it can immediately assign to this type of application. The Group also considers that it could benefit from its position as European leader because its existing customer base includes several potential players in the HDTV market with which the Group has long-standing and close relations.

In the Professional Data-networks and Value-Added Services market, the Group takes the view that the development of its business should be facilitated by a number of factors, especially:

- the rapid development of broadband satellite applications: as an illustration, demand for satellite capacity for broadband services increased at an average annual rate of 9% between 2002 and 2006 (source: Euroconsult);
- strong growth in demand from emerging markets (such as central and Eastern Europe, Russia, North Africa, the Middle East and Sub-Saharan Africa); and
- the development of new services and applications associated with mobile communications, which could constitute an additional source of growth: the Group currently has significant expertise in this segment, particularly through its services provided to the land, maritime and air transport sectors;
- the development of new services and applications related to broadband Internet access in new frequency bands such as the Ka band, which is expected to lead to a significant reduction in the cost of accessing satellite segment capacity for regions with little or no coverage by the terrestrial networks.

The Group's potential for growth is also associated with its substantial ability to innovate, which has always been the focus of its strategy. Historically, the Group has demonstrated its ability to develop new technologies and Value-Added Services, which currently constitute significant sources of revenues and growth (D-STAR), and should continue to promote the Group's growth in the future (Tooway™).

Accordingly, during the year ended June 30, 2007, 3.8% of the total revenues (non-recurring revenues excluded) were generated by Value-Added Services, which were making no contribution to revenues five years earlier. In particular, with 7,424 terminals deployed, the Group has successfully developed the D-STAR product, which offers an economical and effective broadband IP access solution, mainly aimed at companies or territorial groupings in areas with little or no coverage by the terrestrial networks (both in Europe and in the emerging markets).

An orbital satellite infrastructure which constitutes one of the Group's major strategic advantages

The Group's fleet of satellites is made up of 24 satellites in geostationary orbit (as of June 30, 2007) and has the following major advantages:

- a recently deployed and renewed satellite infrastructure, which gives the fleet an average number of years in operation of 5.3[(2)] years as of June 30, 2007 and almost two years at the HOT BIRD™ position. As a reference, the operating life of satellites in stable orbit is usually 12 to 15 years;

(2) Weighted average by number of transponders (equivalent to 36 MHz).

- an excellent configuration flexibility, which allows the Group to reallocate capacity within the geographical areas covered by a particular satellite to meet demand more effectively. In particular, approximately half the Group's satellites are equipped with steerable antennas, which can be reconfigured to meet any future coverage needs in targeted geographical areas;
- a substantial on-board redundancy and back-up capacity. With the planned launch of the HOT BIRD™ 9 and HOT BIRD™ 10 satellites during the 2008 and 2009 financial years, the Group will be in a position where it has a fully secured configuration for its flagship orbital HOT BIRD™ position (13° East);
- the proximity of the satellites (linked to the spread of the orbital positions over a relatively short arc) strengthens operational flexibility and the fleet's sparing capacity;
- an excellent operating reliability, illustrated by the absence of total loss in orbit of any satellite.

One of the best financial performances in the Fixed Satellite Services (FSS) sector

The Group's economic performance over the last three years has been especially solid:

- an average annualised growth in revenues over the last three financial years of 5.1% (for the financial years ended June 30, 2005, 2006 and 2007);
- a very high level of profitability, as shown by its EBITDA margin between 77% and 78.7% over the last three financial years, making the Group the world's leader of the major FSS operators in terms of profitability (source: Eutelsat Communications). This high level of profitability for the Group reflects the relevance of its strategy to maximise revenues per transponder and to exercise strict containment of costs.

Significant and predictable cash flows

In recent financial years, the Group has generated consistent cash flow in relation to significant operating activities, representing 64% of its revenues, which were 501 million euros and 528 million euros for the financial years ended June 30, 2006 and 2007 respectively.

Cash flows from operating activities are largely predictable, due to the nature and size of the Group's backlog and the average remaining lifetime of the allotment agreements (weighted by amount came to), which was 7.3 years at June 30, 2007. The backlog contains a majority of long-term contracts (often corresponding to satellite operational lives) entered into on the basis of predetermined tariff conditions. As of June 30, 2007, the Group's total backlog was 3.7 billion euros or 4.5 times the consolidated revenues for the year ended June 30, 2007 (excluding non-recurring revenues).

A management team with recognised leadership

The Group's management team has wide experience in the FSS market and in-depth knowledge of the technical requirements came to.

6.2.2 Strategy

The Group's strategy is based on the provision of outstanding satellite capacity (in terms of technical characteristics and antenna arrays and/or associated terminals), along with Value-Added Services. The Group therefore concentrates its business on the most profitable segments and services in the FSS sector in order to combine growth and maximisation of its revenues per transponder and the overall return on its assets.

The implementation of this Group strategy is based on the following concepts:

Reinforcing its leadership in the European satellite video broadcasting market

The Group intends to strengthen its leading position in the audiovisual programme transmission market by:

- consolidating the flagship orbital location at 13° East, which has led to the renewal of its resources with the launches of HOT BIRD™ 7A in March 2006 and HOT BIRD™ 8 in August 2006, and commissioning of HOT BIRD™ 9 and HOT BIRD™ 10, which are scheduled for launch during the 2008-2009 financial year;
- strengthening and developing its major orbital video positions (36° East, 25.5° East, 16° East, 9° East, 7° East, 5° West and 7° West), which notably cover certain emerging markets such as central and Eastern Europe, Russia, North Africa, the Middle East and Sub-Saharan Africa. Opening up the 7° West orbital position, which addresses the North Africa and Middle East markets with the entry into service of the ATLANTIC BIRD™ 4 satellite in July 2006, followed by opening up the 9° East position to serve Western Europe with the relocation of EUROBIRD™ 9 in May 2007, thereby offer new capacity for the development of these services.

Developing innovative solutions for Professional Data Networks and Value-Added Services to meet the growing demand for broadband Internet applications

The Group intends to continue the development of Value-Added Services for broadband IP applications, particularly by:

- the development of the D-STAR service, which enables it to offer an economical and effective solution for broadband networks and services, aimed especially at companies and territorial groupings operating in areas with little or no coverage from the terrestrial networks (both in Europe and in the emerging markets); and
- strengthening the range of services for mobile communications, particularly aimed at the ground, maritime and air transport sectors.

The Group also intends to strengthen its competitive position in the Professional Data Network segment, notably by developing new solutions based on IP technology and use of the Ka band. The Group also considers that development of Internet usage and strong growth in demand for broadband access (particularly in emerging markets) will support the growth of its Internet connection services.

Capitalising on proven and profitable yield management of available transponder capacity

The Group intends to continue to make its available satellite resources as profitable as possible by optimising its allocation (taking into account the utilisation rates reported by geographical areas and by application, as well as the expected expansion in demand). Accordingly, the Group intends to continue to seize all opportunities in segments that are not its core business (particularly services to the Civil Services) as long as the capacity allocated to this type of contract does not undermine the development of more profitable applications.

Maintaining a high-quality flexible fleet that can be adapted to the Group's strategy requirements

The Group intends to maintain a premium satellite capacity, especially by:

- strengthening technological advantages, on-board redundancy and back-up capacity in the satellite fleet;
- maintaining flexibility in the fleet's operating and technical configuration; and
- executing targeted investments aimed at increasing satellite capacity (when these are necessary to implement the Group's growth strategy).

Maintaining rigorous cost control over operating costs

The Group intends to maintain strict control over its operating costs, as it has done in recent years. In particular, the Group regularly re-examines its policy for insuring its fleet in orbit, and especially studies solutions that could enable it to reduce the associated costs in the future, while continuing to maintain satisfactory coverage for the fleet.

Pursue an active policy of technical innovation

The Group has ordered a payload in S band on the W2A satellite. This payload will be operated jointly under a joint venture with SES to offer for the first time in Europe bidirectional services and direct reception, by mobile terminals, of satellite television and radio services directed at France, Germany, Italy, Poland, Spain and the United Kingdom. It will enable the deployment of a hybrid infrastructure combining satellite and terrestrial networks to ensure universal coverage for mobile television services at the same time as reception in buildings.

The Group has also ordered a satellite in Ka band to meet requirements for broadband services of population groups with little or poor coverage by the terrestrial broadband networks.

>> 6.3 Description of the activities

Diversity of services offered

The Group designs and operates satellites intended to provide capacity for video services, Professional Data Networks and Value-Added Services, as well as for Multi-Usage Services. The services offered by the Group have a wide variety of speeds (from 4.8 kbit/s to 155 Mbit/s and more).

In geographical terms, the Group has extended its presence beyond its original market to include central and Eastern Europe, North and Sub-Saharan Africa to take advantage of the strong demand in such markets.

In terms of applications, video services are the main activities and represent 72.2% of revenues for the financial year ended June 30, 2007 (excluding non-recurring revenues). Additionally, the Group has a strong presence in the data services and value-added-services segment which represent 19.4% of its revenues (non-recurring revenues excluded) for the financial year ended June 30, 2007, and the Group also offers Multi-Usage Services, which represented 7.2% of its revenues (non-recurring revenues excluded) as of June 30, 2007.

Summary of services offered by the Group by application

The following table gives a summary of the services offered by the Group by application:

Video Applications (72.2% of revenues)	**Professional Data Networks and Value-Added Services** (19.4% of revenues)	**Multi-Usage** (7.2% of revenues)
Broadcast • Direct broadcasting of TV and radio to satellite-dish equipped households (Direct-to-Home) • Distribution of TV channels and radio stations to cable operator head-ends and to DTT terrestrial retransmitters	**Professional Data Networks** • VSAT networks/data exchanges • Connection to the Internet backbone for Internet Service Providers (ISPs) • Supply of capacity to integrators of telecom and Internet services for business companies and institutions	• Lease of capacity to other satellite operators • Supply of capacity for government services
Professional Video Networks • Point to point connections for routing TV channels to the teleport enabling them to pick up from broadcasting satellites • Live reports and retransmissions of events to TV channel production studios • Permanent connections constituting a mesh network for programme exchanges between broadcasters	**Value-Added Services** • IP access solutions (D-STAR/D-SAT/IP Broadcast), including mobile solutions (ships, trains, aircrafts) and extending the mobile telephone network (GSM) • Mobile communications services (EutelTRACS) • Broadband access service in Ka band in areas located outside from the terrestrial broadband networks	

6.3.1 Video (72.2% of revenues for the financial year ended June 30, 2007)

With revenues of approximately 590.4 million euros for the financial year ended June 30, 2007, video services represent the Group's main area of business. This business is made up of two segments:

> the broadcasting business which consists of:

- direct broadcasting of television channels and radio stations to households equipped with satellite dishes (Direct to Home – DTH). These satellite dishes are permanently pointed at the satellites, and any repositioning to competing satellites would be an expensive operation, and
- distribution of television channels and radio stations to cable operator network head-ends and terrestrial DTT re-transmitters;

> professional video services which consist of:

- point-to-point connections to route television channels to the dedicated teleport so that they can be picked up by the broadcasting satellites,
- connections to TV broadcast centres in real time for occasional use (satellite newsgathering and special events), and
- permanent links constituting a mesh network for programme exchanges between television channels.

The Group's satellite capacity is namely used by public and private television channels (the European Broadcasting Union (EBU), RAI, France Télévisions, Deutsche Welle, BBC, Mediaset, TVN, TF1, RTL, France 24, ARD and ZDF, and also by NHK, Discovery Channel, CCTV, Eurosport and Euronews), by digital broadcast platforms (including Sky Italia, the Canal + Group, BSkyB, ABSat, Orbit, Multichoice Africa, Gateway, Cyfra+, Polsat, n, Digiturk, NTV+ and Tricolor) and by international media groups (such as Reuters and Associated Press) as well as professional video network operators.

Broadcasting

With more than 2,600 television channels being broadcast as of June 30, 2007 compared with 2,121 channels as of June 30, 2006, growth of almost 23%, the Group is the leading broadcaster of audiovisual programmes by satellite in Extended Europe (source: Eutelsat Communications).

The three HOT BIRD™ satellites located at the 13° East orbital position constitute the leading transmission array in Europe with nearly 1,100 channels transmitted as of June 30, 2007 (source: Lyngsat and Eutelsat) to more than 121 million homes. One of the Group's priorities is to strengthen this flagship position by maintaining a flexible and high-performance fleet able to meet users' needs and provide back-up capacity for its customers. The foreseen launches of HOT BIRD™ 9 and HOT BIRD™ 10 will therefore make it possible to fully secure the transponders commercialised at this orbital position.

This premium position is strengthened by the EUROBIRD™ 1 satellite, located at the 28.5° East orbital position, which was transmitting more than 280 television channels as of June 30, 2007 (source: Lyngsat) to more than 9 million homes in the United Kingdom and Ireland (source: Eutelsat Communications). The BSkyB broadcast platform uses EUROBIRD™ 1 to broadcast its programmes.

Almost 130 million homes receive television channels transmitted from these two orbital positions (either via direct reception or cable networks), which corresponds to a penetration rate of 77% of homes equipped with cable or satellite in approximately 40 countries in Europe, the Middle East and North Africa (Source: Research Institutes 2006 and Eutelsat Communications).

In addition to these flagship positions situated at 13° East and 28.5° East, the Group take the view that some of the orbital positions it operates are likely to become new premium transmission arrays. Therefore, to take advantage of growth in certain markets, the Group operates from different orbital positions located at:

- 36° East with the SESAT 1 and W4 satellites, used today by the digital broadcasting platforms Multichoice Africa and Gateway (aimed at Sub-Saharan Africa) and the Russian broadcast platforms NTV Plus and Tricolor;
- 16° East with the W2 satellite, used by digital broadcasting platforms such as CanalSatellite Réunion and Parabole Réunion as well as by regional broadcasting platforms in central Europe and the Balkans (notably Digitals in Albania, ITV and Max TV in Romania, and Total TV in Serbia;
- 7° East with the W3A satellite, used by the digital broadcast platform Digiturk (leading pay-TV platform in Turkey with approximately 1.5 million subscribers);
- 5° West with the ATLANTIC BIRD™ 3 satellite, which transmits all the French national television channels to homes that cannot receive these channels because of terrestrial shadow zones. This satellite has also been used since March 2005 to broadcast terrestrial digital channels to head-ends of DTT re-transmitter networks in France;
- 25.5° East with the EUROBIRD™ 2 satellite, which covers the Middle East and today transmits 162 television channels;
- 9° East with the EUROBIRD™ 9 satellite, which is used to offer customers dual reception (9° East/13° East); and
- 7° West with the ATLANTIC BIRD™ 4 satellite for North Africa. This satellite is co-located with the two satellites of the operator Nilesat, and broadcasts 173 television channels to almost 17 million cable and satellite households.

In addition, due to its Eutelsat Digital Platforms (EDP) platforms, which mean multiplexing costs on the ground can be shared, the Group can offer an economical solution for access to its capacity by small channels. In addition, the Skyplex solution developed and marketed by the Group means the same multiplexing service can be offered on board the satellites (service currently available on W3A and HOT BIRD™ 6). These two services make it possible for broadcasters to lease transponder capacity as well as a technical multiplexing service without needing to invest in expensive transmission facilities.

Professional video services

The Group provides television channels or broadcasting platforms with point-to-point links, allowing them to route their programmes to dedicated teleports so they can be picked up on satellites offering broadcasting services for television channels.

Professional video links are also used to broadcast current events, sports and entertainment in real time or in pre-recorded mode. Such links are generally set up on a temporary basis, but can also be permanent, particularly for connecting overseas offices and television broadcast centres.

Professional video links can also be used to establish mesh networks used for exchanging television programmes between channels within the framework of the European Broadcasting Union.

Professional video links can be offered on all the satellites, and the Group is thus able to decide on the optimal solution for its users based on the required technical parameters.

The Group's customers for these types of services include namely the European Broadcasting Union, television stations (BBC, CBS, Mediaset, NBC, NHK, RAI, TF1), and video reporting professionals such as APTN and Enex.

6.3.2 Professional Data Networks and Value-Added Services (approximately 19.4% of revenues for the financial year ended June 30, 2007)

Data services and Value-Added Services accounted for revenues of approximately 159 million euros for the financial year ended June 30, 2007.

The capacity used for these services is mostly offered on the W1, W3A, SESAT 2, and ATLANTIC BIRD™ 3 satellites, as well as on EUROBIRD™ 3 (specially designed for satellite Internet services).

6.3.2.1 Professional Data Networks

Professional VSAT-type networks

For this segment, the Group offers satellite capacity enabling companies to connect their numerous sites, by using terminals with small antennas (VSAT – Very Small Aperture Terminal). These VSAT network services are used by companies in the finance, energy or automobile manufacturing industries for example (such as Reuters, Euronext, Volkswagen, General Motors, Schlumberger, Shell and Total). Rather than signing a contract with a local operator in each country where these companies operate, they prefer to use a unified and private communications network that allows them to transmit any kind of content (video and data). These networks are used, for example, to set up Intranet/Extranet, videoconferencing, credit card authorisation systems, and distance learning. The Group estimates that it offers capacity to more than 750 private networks in 70 different countries.

These VSAT networks mostly use capacity in the Ku band, which is available on satellites in the W and Sesat series and on ATLANTIC BIRD™ 2 and ATLANTIC BIRD™ 3. In addition, since the deployment of the ATLANTIC BIRD™ 3 satellite, the Group has been able to offer VSAT network users capacity in band C and an extension of coverage both in Africa and for connections between the east coast of North America, Europe and Africa. Network operators such as Cable & Wireless, BT, Telespazio, T-Systems, Belgacom and Hughes Network Systems lease capacity on these satellites.

Internet backbone connectivity

The Group offers Internet Service Providers (ISPs) a satellite connection to the Internet backbone. This capacity is used by ISPs operating in areas with few or poor facilities for connection to the Internet backbone by terrestrial networks, including namely Cable & Wireless, IABG and Horizon Satellite Services.

Lease of capacity for network integrators offering IP access solutions

The Group offers capacity for satellite IP access solutions to private digital network integrators. These integrators operate these private digital networks from their own platforms and provide their services mainly in geographical areas with little or poor service by broadband terrestrial networks (for example North Africa, the Middle East, central and Eastern Europe). The Group therefore only provides suitable satellite capacity for the integrator's needs, which designs and operates itself the IP access solutions for its own customers.

The Group's main customers are private digital network integrators such as Hughes Network Systems, Caprock, Emperion, Orascom and Algérie Télécom.

6.3.2.2 Value-Added Services

Value-Added Services generated revenues of approximately 31.4 million euros for the financial year ended June 30, 2007.

The Value-Added Services offered by the Group enable customers to enjoy turnkey solutions combining leasing capacity and specific services. These Value-Added Services include IP access solutions designed and developed by the Group (D-STAR, D-SAT, IP Broadcast, Skyplex Data, Tooway™) as well as mobile communications services such as EutelTRACS and D-STAR maritime with its subsidiary WINS.

After having monitored not only the launch and development in North America of Value-Added Services in Ka band by the companies WildBlue and Telesat Canada based on the DOCSIS standard, but also the use of satellites in Ka band by DirecTV to offer services for the broadcasting of high-definition television channels to local network head-ends in this particular market, the Group has decided to procure a satellite in Ka band, which is expected to be in operational service from 2010.

By offering a geographical coverage based on relatively small spot-beams and the possibility of re-using unallocated frequencies between certain spots, the Ka band satellite should allow a 6 to 8-fold reduction in the cost of access to Ka band satellite capacity. And combined with a relatively low price for the equipment to be paid for by final-users (in the order of 200 to 400 U.S. dollars per terminal), the new satellite should make it possible to offer a broadband Internet access solution at more competitive tariff conditions for households located in areas that are not covered by the terrestrial broadband networks.

IP access solutions

The main IP access solutions offered by the Group are as follows:

D-STAR service: This service offers a bidirectional satellite IP access solution so that a user with a terminal connected to a small antenna (less than one metre) can have a permanent broadband connection to the Internet or to the networks of the customer's company. This service enables companies or terrestrial groupings in Europe or the emerging countries that have little or no service by the terrestrial networks to set up "star" networks, where data streams pass through a central communications node (hub). These hubs are operated directly by the Group using its platform in Turin. As an example, the D-STAR service is used by the Irish Ministry of National Education to connect Irish schools to its information network. The service is also used to connect remote communities in the Piedmont area of Italy to the Internet and to connect branches of the Algerian public banking network to each other. This service is operated and commercialised by the Skylogic subsidiary.

As of June 30, 2007, the number of D-STAR terminals in operation was 7,424, up by 40% on the financial year ended June 30, 2006, especially in Africa which accounted for almost 1,300 additional terminals.

The potential applications of this broadband Internet access service are considerable. The Group has launched satellite IP access solutions for users who are travelling, so that they can access the Internet from business aircraft, boats and trains. For trains, in particular, the SNCF will be trailing broadband Internet access facilities as from autumn 2007 on its TGV East line in order to validate operationally the project's technical and commercial viability. New-generation high-performance D-STAR terminals are currently being deployed for ships. As far as business aircraft are concerned, as of June 30, 2007 there were 40 planes equipped with D-STAR service (deployment by Arinc). On boats, in partnership with Maltasat, Skylogic has launched a service for cruise vessels, making available a GSM network on board and a broadband Internet access facility (See the paragraph on "WINS" below).

D-SAT service: This satellite IP access solution allows the creation of mesh networks to transfer high volumes of data at high speed, payment being based on actual usage. This service uses higher volume and more expensive terminals than the D-STAR service, and is used in particular on cruise ships and ferries. At June 30, 2007, the number of D-SAT terminals in operation was 180.

IP Broadcast: This service is used for the unidirectional satellite distribution (Opensky™) of large amounts of data (files or continuous data streams) using IP technologies. The principal applications of such solutions are the following: the transmission of television channels in MPEG 4 format, the transmission of corporate television channels and video content (in multicast mode) at points-of-sale, and distance learning, and also Internet connections via a hybrid link (satellite/telephony networks).

Skyplex Data service: Skyplex-Data is a new technology intended for Professional Data Networks offering in-orbit multiplexing, thereby enabling customers to avoid having to invest in terrestrial digital platforms.

Tooway™ service: As from September 2007, the Group has been offering a satellite Internet access service for the general consumer. Tooway™ is a new-generation service specifically developed to offer, via a network of distributors private individuals or small companies located beyond the reach of the terrestrial broadband networks a quality broadband access solution via satellite that uses the DOCSIS standard, making it possible to bring down the cost of the equipment (or terminal) significantly in comparison with satellite broadband services for corporate use. This service, which uses capacity in Ka band on HOT BIRD™ 6, was first introduced in a limited number of countries, pending the deployment in orbit of the new Ka band satellite. This should allow European households located in rural areas or at the edge of the terrestrial broadband networks to have access to a broadband solution that offers an attractive price/quality ratio.

Mobile services

The Group has developed turnkey services to meet the specific needs of the road haulage and maritime transport industries.

EutelTRACS

EutelTRACS was the first European satellite mobile messaging and positioning service developed for managing and securing vehicle fleets. EutelTRACS offers a closed secure network between the central office of a road haulage operator and its vehicle fleet for localisation and data communication. The service is operated in cooperation with Qualcomm and uses the capacity of the SESAT™ 1 satellite, which serves Europe, North Africa, the Middle East and central Asia. Each EutelTRACS mobile unit is equipped with a small antenna and a terminal connecting the mobile unit to the customer's operations centre. The flexibility of the EutelTRACS system also allows customers to develop additional solutions specific to their needs.

The Group estimates that the number of EutelTRACS terminals activated is approximately 30,000 as of June 30, 2007.

WINS

This subsidiary commercialises the D-STAR maritime service. This adaptation of the D-STAR service is a fully turn-key solution, which makes it possible to provide passengers on-board large ships and yachts with access to the Internet and the telephone networks (traditional and VoIP) and allows them also to use their own mobile phone. WINS is based on D-STAR technology, which establishes a bidirectional broadband satellite link between the boat and the teleport in Turin, Italy. For GSM connections, a platform for routing purposes links the local GSM network of the boat with the global GSM network, using a leased line via the Vodaphone Malta platform.

The equipment on-board the boat consists of an antenna measuring 120 cm in diameter, which is installed on the upper deck and contains an antenna with automatic pointing towards Eutelsat's ATLANTIC BIRD™ 1 satellite. This satellite antenna is connected to a modem, and this serves as the interface with, on the one hand, a local distribution network providing Internet access by wire and Wi-Fi and, on the other hand, a set of four cellular relays to give optimum coverage of the areas on-board the boat for GSM communications.

When the boat leaves the port and loses contact with the terrestrial GSM networks, the satellite network takes over and is displayed on the screen of the mobile phones in accordance with the usual international routing principle for calls between operators.

6.3.3 Multi-Usage Services (7.2% of consolidated revenues for the financial year ended June 30, 2007)

Multi-Usage Services generated revenues of approximately 59.1 million euros for the financial year ended June 30, 2007. These services mostly include the provision of capacity to other satellite operators and to suppliers of services to governments services, particularly in the United States. The service mainly uses capacity on the EUROBIRD™ 2, W5, ATLANTIC BIRD™ 2, ATLANTIC BIRD™ 3 and EUROBIRD™ 4 satellites.

>> 6.4 Satellites and coverage areas

As of June 30, 2007, the Group was operating a fleet of 24 geostationary satellites, five of which are leased from third parties. The Group also intends to launch five new satellites, W2M, HOT BIRD™ 9, HOT BIRD™ 10, W2A and W7, in 2008 and 2009.

6.4.1 The Satellite fleet

The Group operates a fleet of 24 satellites (including two satellites in inclined orbit) located at 20 orbital positions between 15° West and 70.5° East, providing coverage of the entire European continent, the Middle East, Africa, and a large part of the Asian and American continents.

The main characteristics of the Group's satellite fleet are as follows:

- a large portfolio of orbital positions concentrated on the European orbital arc, serving geographical areas covering both mature markets (Western Europe) and rapidly expanding markets;
- a fleet ranking as one of the youngest among major satellite operators, with an average age of 5.3 years[3], as of June 30, 2007 (excluding satellites in inclined orbit) and an average age at the HOT BIRD™ position of close to two years;
- a high technical flexibility, particularly with on-board antennas with steerable beams on satellites or several beams with different coverages so that areas covered can be adapted and reconfigured to meet customer needs, respond to geographical market factors or reconfigure coverage areas if a satellite is repositioned to a new orbital position;
- a connectivity between transponders and the geographical coverage zones possible, enabling the Group to respond to evolving customer demands;
- and a redundancy of the on-board equipment.

In addition to the fleet in stable orbit, the Group uses capacity on two satellites in inclined orbit, TELECOM 2C and TELECOM 2D, located respectively at 3° East and 8° West orbital positions.

Each year, the Group reviews estimated lives of satellites in orbit (for further information, see Note 5 to the consolidated financial statements for the year ended June 30, 2007 in Section 20.1 "Financial information for the year ended June 30, 2007" of this reference document). The number of transponders is the nominal number of transponders per satellite.

(3) *Weighted average by number of transponders (equivalent to 36 MHz).*

The table below represents the Group's satellite fleet in stable orbit as of June 30, 2007. The dates for the end of operational lives in stable orbit, as shown in the table below, are the dates estimated by the Group.

Satellite	Orbital position	Type of transponder (C, Ku or Ka)	Number of transponders	Launch date	Estimated end of operational use in stable orbit as of June 30, 2007
HOT BIRD™ 6	13° East	Ku/Ka	28/4	Aug. 2002	4Q 2017
HOT BIRD™ 7A(1)	13° East	Ku	38	March 2006	1Q 2024
HOT BIRD™ 8(2)	13° East	Ku	64	Aug. 2006	2Q 2025
EUROBIRD™ 1	28.5° East	Ku	24	March 2001	3Q 2018
EUROBIRD™ 2	25.5° East	Ku	16	Oct. 1998	2Q 2013
EUROBIRD™ 3	33° East	Ku	20	Sept. 2003	3Q 2014
EUROBIRD™ 4(3)	4° East	Ku	8	Sept. 1997	2Q 2011
EUROBIRD™ 9	9° East	Ku	20	Nov. 1996	4Q 2009
W1(4)	10° East	Ku	14	Sept. 2000	1Q 2012
W2(5)	16° East	Ku	24	Oct. 1998	1Q 2010
W3A	7° East	Ku/Ka	42/2	March 2004	3Q 2021
W4	36° East	Ku	31	May 2000	2Q 2017
W5	70.5° East	Ku	24	Nov. 2002	1Q 2018
W6(6)	21.5° East	Ku	24	Apr. 1999	3Q 2013
SESAT™ 1	36° East	Ku	18	Apr. 2000	3Q 2011
ATLANTIC BIRD™ 1	12.5° West	Ku	19	Aug. 2002	3Q 2017
ATLANTIC BIRD™ 2	8° West	Ku	26	Sept. 2001	1Q 2018
ATLANTIC BIRD™ 3	5° West	Ku/C	27/10	July 2002	3Q 2019
ATLANTIC BIRD™ 4(7)	7° West	Ku	15	Feb. 1998	4Q 2011
Telstar 12(8)	15° West	Ku	4	Oct. 1999	4Q 2011
Express A3(9)	11° West	Ku	5	June 2000	3Q 2008
SESAT 2(10)	53° East	Ku	12	Dec. 2003	1Q 2016

(1) Satellite operating 31 transponders as of June 30, 2007.
(2) Satellite operating 43 transponders as of June 30, 2007.
(3) Following the incident during the night of 3 to October 4, 2006, the electrical power of this satellite and its estimated remaining life have been reduced. See Note 5 to the consolidated financial statements. Only eight transponders can be operated on this satellite instead of 10, due to frequency constraints.
(4) Following the incident of August 10, 2005, the electrical power of this satellite and its estimated remaining life have been reduced. See Note 5 to the consolidated financial statements for the year ended June 30, 2007. This satellite is temporarily operating with 18 transponders.
(5) Satellite temporarily operating with 27 transponders.
(6) Satellite temporarily operating with 29 transponders.
(7) Following the successful launch of HOT BIRD™ 7A, HOT BIRD™ 4 was brought into service at 7° West on July 1, 2006 under the name ATLANTIC BIRD™ 4.
(8) Owned by Loral Skynet. End of utilisation foreseen in 4Q 2011.
(9) Owned by Russian Satellite Communications Company (RSCC). End of utilisation foreseen in 3Q 2007.
(10) Owned by Russian Satellite Communications Company (RSCC). End of utilisation foreseen in 1Q 2016.

6.4.1.1 Satellite Fleet usage and performance

The Group was operating a total of 505 transponders in stable orbit as of June 30, 2007, compared with 462 transponders at June 30, 2006, which is an increase of 9.3%. The number of transponders in operation can vary over time depending on the electrical power of the satellites, their degree of working order, their age, the frequencies available at the orbital positions and the technical characteristics of the strength of signal transmitted by the satellites in orbit.

The utilisation rate (or fill factor) represents the total percentage of the Group's total allotted satellite capacity in stable orbit expressed as a percentage of the total operational satellite capacity in stable orbit. The fill factor as of June 30, 2007 was 80%.

This high figure is explained by the consolidation of the Group's flagship orbital positions (13° East and 28.5° East), for which utilisation rates exceeded 95% as of June 30, 2007, and also by the success of the Group's strategy in developing major video positions in France, central and Eastern Europe, the Middle East, North and Sub-Saharan Africa (5° West, 7° West, 7° East, 9° East, 16° East, 25.5° East and 36° East) which produced most of the growth in terms of the number of television channels.

6.4.1.2 Group-owned in-orbit satellites

The Group owns 19 geostationary satellites. Most of these satellites were constructed by Thales Alenia Space and EADS Astrium.

HOT BIRD™ Satellites

As of June 30, 2007, with 102 Ku band transponders operating in stable orbit over Europe (excluding four Ka band transponders on HOT BIRD™ 6), the **HOT BIRD™ 6, HOT BIRD™ 7A and HOT BIRD™ 8** satellites form one of the largest satellite broadcasting systems in the world, providing full coverage for Europe, all the Middle East and part of Africa and Asia.

The constellation of HOT BIRD™ satellites was partly strengthened by activating **HOT BIRD™ 8** which provides capacity for customers that were previously on HOT BIRD™ 2 (redeployed to 9° East in May 2007 and renamed EUROBIRD™ 9) and HOT BIRD™ 3 (redeployed to 4° East in March 2007 and renamed EUROBIRD™ 4).

Due to the excellence of the technical launch parameters, the estimated operating lifetime of HOT BIRD™ 8 is estimated at nearly 18 years.

EUROBIRD™ Satellites

From its orbital position at 28.5° East, the **EUROBIRD™ 1** satellite provides direct broadcasting services to more than nine million homes, located mostly in the United Kingdom and Ireland. Like the HOT BIRD™ satellites, the high broadcast power of EUROBIRD™ 1 makes it a suitable satellite for broadcasting television programmes to homes equipped with dish antennas.

After four years operating at 13° East (under the name HOT BIRD™ 5), **EUROBIRD™ 2** was relocated in March 2003 to 25.5° East, where it provides direct broadcasting services to the Middle East.

Launched in September 2003 to 33° East, **EUROBIRD™ 3** is the Group's first satellite specifically designed for bidirectional broadband Internet services. This satellite is also used to provide capacity for video services or Professional Data Networks. It provides coverage for Europe and a large part of Turkey with four high-power beams.

After nearly nine years operating at 13° East (under the name HOT BIRD™ 3), **EUROBIRD™ 4** was redeployed to 4° East in February 2007 and is mainly used for Multi-Usage Services for the Middle East.

After operating at 13° East for almost eleven years (under the name HOT BIRD™ 2), **EUROBIRD™ 9** has been located at 9° East since May 2007, which is an orbital position adjacent to the HOT BIRD™ position at 13° East. This proximity allows homes equipped for DTH reception to receive services and television channels from each of these two positions via the same dual-feed antenna. This satellite gives coverage of Europe, the Middle East and North Africa.

W Satellites

The six W satellites have wide coverage and provide high flexibility through steerable beam antennas. They are operated at 7° East, 10° East, 16° East, 21.5° East, 36° East and 70.5° East, and provide bandwidth options and coverage suitable for video broadcasting, for Professional Data Networks and for Value-Added Services in Europe, Asia and Africa.

The **W1** satellite launched in September 2000 is located at 10° East. It provides service in Ku band for pan-European coverage, particularly for data services and Value-Added Services. On August 10, 2005, this satellite was affected by a technical incident leading to a service interruption that lasted several hours. On 11 August, service was restored for the majority of customers under acceptable operational conditions (see Section 6.4.3 "Breakdowns and losses of equipment" for further information).

The **W2** satellite launched in October 1998 is located at 16° East. It offers Ku band capacity for pan-European coverage, particularly for supplying capacity for television channels and pay-television platform operators in central Europe and the Balkans.

The **W3A** satellite launched in March 2004 is located at 7° East. It offers capacity in the Ku band for pan-European and sub-Saharan Africa coverage. W3A combines Ku and Ka band frequencies to serve the sub-Saharan market. It serves audiovisual transmitting, telecommunications and broadband markets in Europe, the Middle East, Turkey and Africa.

The **W4** satellite launched in May 2000 is located at 36° East, a major video neighbourhood under development. It covers Europe (including Russia and Ukraine) and Africa, and supports the development of broadcasting platforms in these regions.

The **W5** satellite launched in November 2002 is located at 70.5° East. It has contributed to the development of the geographical coverage of the fleet and serves the Far East Asia and a large part of China and southern Asia.

The **W6** satellite (previously named W3) launched in April 1999 is located at 21.5° East. It is used to develop markets in the Middle East and North Africa.

SESAT 1 Satellite

The SESAT™ 1 satellite enables to offer a large number of telecommunications services, particularly satellite IP services and specialised data services (EutelTRACS). Located at the 36° East orbital position (which it shares with the W4 satellite), SESAT™ 1 covers a vast geographical area extending from Western Europe to Siberia and offers a spotbeam over Africa and the Middle East. SESAT™ 1 offers direct connectivity between Europe and Asia for a wide variety of telecommunications services.

ATLANTIC GATE

As of June 30, 2006, ATLANTIC GATE comprises four satellites: ATLANTIC BIRD™ 1 (12.5° West), ATLANTIC BIRD™ 2 (8° West), ATLANTIC BIRD™ 3 (5° West) and ATLANTIC BIRD™ 4 (7° West). ATLANTIC GATE provides capacity for Video, IP and data applications for intercontinental links between the American continent, Europe, the Middle East and North Africa, and for regional communications.

> ATLANTIC BIRD™ 1

This satellite is operated at 12.5° West and provides a wide range of telecommunications services, such as Professional Data Networks, professional video links, transmissions of audiovisual programmes, and connections to the Internet backbone. This satellite covers Europe, the Middle East and a part of the United States and South America.

> ATLANTIC BIRD™ 2

ATLANTIC BIRD™ 2 is located at 8° West. This satellite is used to provide a wide range of telecommunications services, such as Professional Data Networks, professional video links, transmissions of audiovisual programmes, and connections to the Internet backbone. ATLANTIC BIRD™ 2 provides wide coverage of Europe and the American continent. It has a steerable beam covering the Middle East and central Asia, and can provide direct connections from these geographical areas with Europe and the American continent. ATLANTIC BIRD™ 2 can provide direct connection between the United States and the Middle East (as far as Afghanistan).

> ATLANTIC BIRD™ 3

This satellite was launched in July 2002 and is positioned at 5° West. It provides coverage in Ku band to Europe, Africa, the Middle East and the East coast of North America. It also provides C band coverage for Africa, Europe and some parts of the American continent.

In France it transmits the domestic television channels in analog mode to homes located beyond the reach of the terrestrial network. ATLANTIC BIRD™ 3 has also been used since March 2005 to broadcast terrestrial digital channels to DTT retransmitters in France. The Group acquired this satellite from France Télécom in July 2002.

> ATLANTIC BIRD™ 4

The former HOT BIRD™ 4, since July 1, 2006, is located at 7° West and is equipped with 15 transponders, providing direct broadcasting services for coverage of the Middle East and North Africa.

6.4.1.3 Satellites ordered and in course of construction

The Group placed orders for two satellites during the financial year ended June 30, 2006:

HOT BIRD™ 9

Designed like HOT BIRD™ 8 to operate with 64 transponders, HOT BIRD™ 9 will be located at the HOT BIRD™ position. Launch and successful entry into operation of this satellite will allow the redeployment of HOT BIRD™ 7A as a replacement for EUROBIRD™ 9 at 9° East and thereby take capacity for broadcasting audiovisual content at this orbital position from 20 to 38 transponders.

W2M

W2M has been ordered from a consortium uniting EADS Space and ISRO (Indian Space Agency). W2M is designed to operate 26 transponders in Ku band, capacity that could be increased to 32 transponders depending on the modes of operation, for a nominal operational lifetime of 15 years. W2M's mission is to replace the satellite W2 at the 16° East orbital position.

Like the other W satellites, W2M offers great flexibility. In addition to a high-power fixed beam covering Europe, North Africa and the Middle East, it will also be equipped with a steerable beam to provide continuity of services for TV channels over the Indian Ocean.

The Group ordered three satellites during the financial year ended June 30, 2007:

W2A, which was ordered from Thales Alenia Space in September 2006

Equipped with 46 Ku band transponders, W2A's main mission is the replacement and expansion of the 10° East orbital position (replacement of the W1 satellite) for audiovisual, broadband and telecommunications services for Europe, Africa and the Middle East. The satellite is also equipped with a payload of 10 transponders in C band, and will consolidate the Group's resources in this band over Africa.

W2A will carry a payload in S band (a European first), which will be operated under a joint venture between Eutelsat S.A. and SES to provide bidirectional services, notably to vehicles as a complement to the services available under the Galileo project and, again for the first time in Europe, the direct reception of television and radio broadcasting by mobile terminals. This S-band payload will serve, France, Germany, Italy, Poland, Spain and the United Kingdom, and will enable the deployment of a hybrid infrastructure combining satellite and terrestrial networks to ensure universal coverage for mobile television services and reception in buildings.

HOT BIRD™ 10, which was ordered from EADS ATRIUM in October 2006

Equipped with 64 high-power transponders, this satellite will be used at 13° East for DTH broadcasting of television and for feeding the cable networks. HOT BIRD™ 10 is identical to HOT BIRD™ 8 and HOT BIRD™ 9 and it will mean that the flagship HOT BIRD™ neighbourhood will operate with three satellites, each capable of sparing any of the other satellites in the HOT BIRD™ constellation and thereby completing the redundancy programme for customers at this position.

W7, which was ordered from Thales Alenia Space in December 2006

W7 will have 70 Ku band transponders connected to six beams covering Europe, Russia, Africa, the Middle East and central Asia. Co-located with the satellite W4, its main mission will be the replacement of the Ku band capacity on SESAT 1 and the expansion of the 36° E orbital position.

The table below summarises the satellites under construction or ordered during the financial year.

Satellite name	Manufacturer	Estimated launch date	Capacity	Operational orbital position
W2M	EADS Astrium/ISRO	Sept./Dec. 2008	26 Ku	16° East
HOT BIRD™ 9	EADS Astrium	June/Aug. 2008	64 Ku	13° East
HOT BIRD™ 10	EADS Astrium	Jan./March 2009	64 Ku	13° East
W2A	Thales Alenia Space	Jan./March 2009	46 Ku/10 C/S band	10° East
W7	Thales Alenia Space	June/Aug. 2009	70 Ku	36° East

An extra period of one to two months after launch date is required when estimating the date at which a satellite will become operational.

6.4.1.4 Capacity leased on third-party satellites

As well as operating its own satellites, the Group uses the satellite capacity of five satellites owned by third parties, providing it with additional coverage in Europe, part of the American continent and Africa. These satellites are:

Telstar 12

This satellite, which is located at the orbital position 15° West, is owned by Loral Skynet. It covers Europe, the American continent and the Caribbeans. Under an agreement entered into with Loral Skynet on December 10, 1999, the Group is operating and commercialising four Ku band transponders on Telstar 12 until the end of its operating life in stable orbit (normally planned for the second quarter of 2016) for services between Europe and the American continent, in exchange for the use by Loral Skynet of the orbital position assigned to Eutelsat S. A.

Express A3

This satellite, which is located at the orbital position 11° West, is owned by the Russian Satellite Communications Company (RSCC). Under an agreement entered into with RSCC on May 18, 2001, the Group is using the five Ku band transponders on Express A3 until the end of its estimated operational life. This satellite covers Europe and the Mediterranean Basin, and is primarily used for professional video links and Professional Data Networks.

SESAT™ 2

By taking advantage of a very flexible configuration of fixed and steerable beams on this satellite, which was launched by RSCC in December 2003, the Group has a high-power Ku band capacity over Europe, Africa, the Middle East and central Asia, which can provide telecommunications services, and notably broadband, broadcasting and professional broadband data networks via 12 Ku band transponders. This satellite has a total of 24 transponders, 12 of which are used by the Group and commercialised under the name SESAT™ 2 for the life of the satellite (contractual guarantee of 12 years minimum) under an agreement entered into on March 16, 2004; capacity on the other transponders is commercialised by RSCC in Russia under the name Express AM 22.

The Group also operates capacity on the TELECOM 2C and TELECOM 2D satellites owned by France Télécom, which are currently in inclined orbit.

6.4.2 TCR – Telemetry, command and ranging

The Group's fleet is operated from its control centres located at the Group's headquarters in Paris and at Rambouillet. Both the Paris and the Rambouillet facilities offer full redundancy to each other. The first control centre (Satellite Control Centre) is responsible for satellite telemetry and telecommanding of the satellites and the second (Communications Control Centre) is responsible for communications control and access to the space segment by customers' earth stations. All software used to control the satellite platforms and the communications payload was developed by companies in accordance with the Group's specifications.

The Group monitors its satellites and communications 24 hours a day and 365 days a year, and as of June 30, 2007 was employing approximately 70 specialist technicians and engineers in such a capacity.

Activities of the Satellite Control Centre

As of June 30, 2007, the Group was controlling the 19 satellites it owned. TELECOM 2D and TELECOM 2C are controlled by France Telecom. Telstar 12 is controlled by Skynet, while Express A3 and SESAT 2 are controlled by RSCC. Control of ATLANTIC BIRD 1 is outsourced to Telespazio. The ISO 9001 certification has been obtained for the activities conducted from the Satellite Control Centre.

The Group's engineers regularly make minor positioning adjustments on each of the satellites controlled by the Group, and perform east-west and north-south station-keeping manoeuvres. In addition, it is also possible to modify the orbital position of a satellite so that it can serve new markets or provide back-up capacity in orbit to another satellite.

Daily operations on the satellites, including configuration of the payload and management of electrical power and propulsion systems are controlled (via the TCR station network) from the Satellite Control Centre.

In September 2004, the Group acquired the Rambouillet teleport, which is the main TCR site used by the Group, from France Telecom. This site is also used for the positioning in orbit of the new satellites in the Group's fleet. LEOP (Launch and Early Orbit Phase) operations were successfully performed for the first time from Rambouillet for the W3A satellite in March and April 2004. Since then, LEOP operations have been performed from the Rambouillet site for the HOT BIRD™ 7A satellite, which was launched in March 2006, and for the HOT BIRD™ 8 satellite, which was launched in August 2007.

In addition, the Group entered into long-term service agreements with four operators that make available transmit and receive earth stations and perform telemetry and monitoring operations. These contracts also cover the operation and maintenance of the Group's equipment installed on their sites. Under these contracts, the Group has extended control and supervision rights. These services are currently provided from TCR stations located in Sintra in Portugal, Dubna in Russia, Redu in Belgium, and Fucino in Italy. The stations and control centres are all interconnected by a network of protected and redundant voice/data lines. The network and the location of the sites were selected so that operations could be continued even if one of the sites is unavailable.

Activities of the Communications Control Centre

In addition to its sites in Paris and Rambouillet, the Group has services agreements for communications systems control with the operators of eight monitoring sites in the world (São Paulo in Brazil for South America; Hamilton in Canada for North America; Makarios in Cyprus for the eastern Mediterranean region; Dubna in Russia; Hartebeesthoek in South Africa; Singapore for the Far East; Padukka in Sri Lanka and Dubaï in the United Arab Emirates for the Middle East). Each site provides, in the region for which it is responsible, the necessary facilities for supervision and operational coordination of the transmissions of certain satellites of the Group, and for verification of signal quality and content. These services agreements also provide that the site operators ensure the operation and maintenance of the Group's equipment installed at their sites. The Group's main site and back-up site have a dedicated connection and can be operated independently.

From its Communications Control Centre in Paris, the Group has access to a network of more than 20 receive/transmit facilities and to systems for monitoring space segment access and communications for the whole of its fleet and its customers.

During the financial year ended June 30, 2007, the Group began the process of transferring communications control to the Rambouillet site, with the Paris site serving as back-up control centre once the process is complete.

6.4.3 Breakdowns and losses of equipment

The theoretical operational duration in stable orbit of the Group's satellites is generally between 12 and 15 years. However, because of the launch configuration and the remaining estimated propellant on board after positioning the satellites on station, the operational lives of the Group's most recently launched satellites (W3A, HOT BIRD™ 7A and HOT BIRD™ 8) were estimated at approximately 18 years when they became operational. A number of factors can reduce the operating life of a satellite and/or affect its transmission capability, including:

- quality defects in the satellite's on-board components or equipment;
- defects related to construction or operability;
- excessive fuel consumption in reaching the desired orbital position and maintaining the satellite on station or relocating it to a new orbital position; and
- damage caused by acts of war, electrostatic or solar storms, or by collision with micro-meteorites or space debris.

The Group considers that its fleet of satellites is generally in good operating condition and, subject to their future performance in orbit, that their operating lives can be extended beyond the original estimates. Some of the Group's satellites, however, have suffered equipment failure and are operating today using their back-up equipment.

Breakdowns and losses of equipment in orbit for satellites owned by the Group

In 1999, the Group experienced operational anomalies on its HOT BIRD™ 4 and EUROBIRD™ 2 satellites because of a higher than expected deterioration of some solar panels (the energy source for the satellites). To date, these anomalies have had only a limited impact on these satellites (shutdown of four transponders on each of these satellites).

The ATLANTIC BIRD™ 1 satellite has suffered from a number of failures since it began service in October 2002.

Additionally, the ATLANTIC BIRD™ 3 and HOT BIRD™ 6 satellites have suffered from a limited reduction in battery power, (the reduction in battery power of ATLANTIC BIRD™ 3 was caused by the loss of six cells out of a total of 108 during the eclipse period in March-April 2004). These batteries are the energy source of the satellites during periods of eclipse. A loss of cells leads to a reduction in the electrical power of the satellites and may lead to a reduced transmission capability during periods of eclipse. To date, these anomalies have had only limited effects on the overall performance of the satellites during eclipses. However, the implementation of the constructor's recommendations and corrective measures may in the future oblige the Group to reduce the transmission capability of the ATLANTIC BIRD™ 3 and HOT BIRD™ 6 satellites from what was originally planned.

The W1 satellite suffered an interruption of service lasting for several hours on August 10, 2005. Although the flexibility of the Group's fleet and the technical expertise of the Group's teams allowed services to be restored for all customers under acceptable conditions by August 11, 2005, this incident led to a significant slow-down in the growth of the Group's Value-Added D-STAR Services in the Middle East and affected the provision of Data services. The failure resulted in the loss of half of the satellite's available power and an estimated 50% reduction of its remaining operational life.

The EUROBIRD™ 4 satellite (formerly HOT BIRD™ 3) suffered an in-orbit incident during the night of 3 to October 4, 2006. This incident occurred the day after its communication services were transferred to HOT BIRD™ 8. Consequently, this incident had no impact on the services commercialised by Eutelsat at its 13° East orbital position, provided at the time of the incident on HOT BIRD™ 2, HOT BIRD™ 6, HOT BIRD™ 7A and HOT BIRD™ 8. Nevertheless, the consequence of this failure was the loss of half of the satellite's available electrical power and an estimated reduction in its remaining operational life of 15 months (see Note 5 to the consolidated financial statements for the year ended June 30, 2007).

Lastly, W3A had a service interruption of several hours on October 10, 2006. Since then, preventative measures have been put in place to mitigate the impact of any repetition of this anomaly.

On March 14, 2007, as a precautionary measure, services provided by HOT BIRD™ 2 at 13° East (since renamed EUROBIRD™ 9 and relocated to 9° East) were transferred to HOT BIRD™ 8, following detection of an anomaly. This anomaly had no impact on the satellite's ability to fulfil its nominal communications mission.

Launch failures

Since it started its activities (including during the period prior to the Transformation), the Group has lost three satellites from launch failures (Eutelsat I-F3 in September 1985, Eutelsat II-F5 in January 1994 and HOT BIRD™ 7 in December 2002).

Breakdowns and losses of equipment affecting satellites leased by the Group

The Group has no knowledge of breakdowns or losses of equipment affecting satellites that the Group leases from third parties.

Under its allotment lease agreements, the Group can request compensation if there is any interruption in the availability of the capacity or if there is any degradation of the transponders. The amount of such compensation, which is limited to a certain amount per year, is calculated on the basis of the frequency and duration of the interruptions affecting the transponders leased. In addition, certain agreements stipulate that the Group can, in the event of specific malfunctions and if no other capacity is provided, terminate the entire allotment agreement or the lease covering the affected transponder without penalty. In such cases, the Group can request reimbursement of the part of the cost of the lease corresponding to the period in which it was unable to use the capacity.

6.4.4 Sparing capacity and redundancy

As part of the Group's risk management strategy, it has developed a policy of back-up and redundancy designed to reduce the risk of service interruptions, outages or failure to meet its contractual commitments.

The Group's satellites are designed with adequate redundancy to contend with potential equipment failures and to meet or exceed their theoretical operational life in orbit. Significant on-board redundancy of equipment allows the Group to quickly replace damaged any equipment damaged during the operational life of the satellite with minimal or no interruption of service, depending on the nature of the incident concerned. Some of the satellites in the fleet are currently using such redundant equipment.

In addition, the Group offers significant sparing capacity in certain key orbital locations. Sparing capacity is used to replace leased capacity in the event of an on-board anomaly or equipment failure on a satellite. Back-up capacity is often obtained by pooling capacity on several satellites located at nearby orbital positions and offering similar coverage and technical specifications. This enables the Group to provide continuity of service to customers, depending on the rate of utilisation of the satellites concerned.

Moreover, to guarantee continuity of service to some of its customers, the Group has signed leases under which it offers them the possibility of capacity with a guarantee of restoration on capacity defined in advance (generally on a neighbouring satellite). These leases generally attract a higher price. In the absence of an emergency or malfunction that requires the back-up capacity, the Group is able to commercialise that capacity on a preemptible basis.

The launch and entry into service of HOT BIRD™ 9 and HOT BIRD™ 10 at 13° East will allow the Group to have back-up solutions for all its Ku band transponders and to relocalise certain satellites (HOT BIRD™ 6 and HOT BIRD™ 7A) at other orbital positions.

6.4.5 Satellite end-of-life

After an estimate is made of their remaining fuel, satellites at the end of their operational lives are de-orbited and placed in a graveyard orbit situated above the geostationary satellite orbit.

The Group conforms to the principles discussed at international level by the Inter-Institution Coordination Committee on Space Debris and the United Nations Committee on the Peaceful Uses of Outer Space.

As foreseen by Eutelsat, therefore, following the transfer of its services to HOT BIRD™ 7A at 13° East, the HOT BIRD™ 1 satellite was de- orbited in February 2007 after 12 years of service.

>> 6.5 Commercial and distribution policy

As a consequence of the Group's legacy, a large part of its revenues is generated by capacity allotment agreements with telecom operators such as France Telecom, British Telecom, Telespazio and Deutsche Telekom/T-Systems.

In addition, although these operators use part of the Group's capacity and services for their own needs, they act primarily as distributors of the Group's satellite capacity and services (client-distributors) to final users such as television channels or pay-TV platforms.

As of June 30, 2006 and 2007, the Group's top four client-distributors (France Telecom/Globecast, British Telecom, Telespazio and Deutsche Telekom/T-Systems) represented respectively 44.6% and 40.3% of the Group's consolidated revenues.

This reduction in the relative contribution of the large client-distributors to the Group's consolidated revenues reflects the desire of certain final-users of the Group's capacity to establish direct contractual links with the Group, particularly for Video Applications. Some pay-TV operators now prefer to sign contracts directly with the Group when the time comes to renew their existing allotment agreements or when they have need of additional capacity. In July 2005, SKY Italia signed a framework agreement with the Group for the additional lease of a minimum of 10 transponders for a 10-year period and to renew their existing allotment agreements (covering 16 transponders as of June 30, 2005) direct with the Group as and when their current agreements with the client-distributors expire.

Moreover, through its teleports at Rambouillet and Turin and using the experience of its Skylogic subsidiary in setting up and managing video platforms for the 2006 Winter Olympic Games in Turin, the Group is now able to offer services to its customers and final-users related to the provision of satellite capacity, such as the uplinking of multiplexing services on the ground or the encryption/decryption of signals.

Direct commercial activities and marketing

Over the years, the Group has strengthened its commercial and marketing teams in order to develop a better response to demands from final-users of satellite capacity seeking a direct commercial link to the Group. The Group has launched direct marketing programmes to expand its base of potential customers. The Group thus has dedicated teams of engineers who are able to provide technical assistance, consulting and after-sales support.

Tariff structure

Prior to the Transformation, the IGO could not make any decisions on its tariff policy without the prior approval of the Signatories.

Since the Transformation, the Group has been free to decide its own tariff policy, which allows it to adapt more effectively to market conditions. However, most of the capacity lease contracts in force were signed prior to the Transformation. The contracts signed prior to the Transformation were transferred to the Group and are still governed by the original terms as regards pricing and payment.

Since the Transformation, the tariffs applied by the Group for new leases depend on a number of factors, including (i) the orbital position of the satellite, (ii) the installed user base of antennas pointed at the satellite, (iii) the geographical region covered by the satellite, (iv) the type of applications and the amount of bandwidth requested by the customer, (v) the type and duration of the lease, (vi) the type and number of transponders leased, (vii) the existence of a preemption right for the allotted capacity (i.e., the customer's right to be given guaranteed back-up capacity in the event of a satellite failure or malfunction), (viii) the existence of a price adjustment clause in the event of a request for an existing customer's capacity by another customer, and (ix) the tariffs applied charged by the competition for a similar service or type of capacity.

Although the Group has strong competition, including competition in terms of pricing, it considers that it has generally been able to maintain existing tariffs when leases are renewed, including charges for Video Applications (particularly at the premium HOT BIRD™ and EUROBIRD™ positions). However, the Group cannot be certain that it will be able to maintain the same tariffs in the future (see Section 4.2 "Risks relating to the Group's activities," and particularly the paragraph "The Group is dependent on several major clients").

Almost all the Group's allotment agreements stipulate a fixed price valid for the entire duration of the lease. Several, however, are index-linked to inflation.

Recent developments towards greater fragmentation in capacity demand have also had an impact on the Group's tariff policy. This means that the average price of a transponder is generally higher when capacity is requested over a shorter period and/or involves fractional transponder use.

Le Group considers that the average revenue per leased transponder rose to approximately 2 million euros across its entire fleet in the course of the financial year ended June 30, 2007.

Customers

The Group's customer base includes client-distributors, who sell satellite capacity to final-users, and customers who are themselves users, and use the Group's satellite capacity for their own needs. In terms of utilisation of the Group's satellite capacity, it should be noted that none of the Group's final-users individually accounted for more than 10% of the Group's revenues as of June 30, 2007.

As of June 30, 2007, the Group's leading 10 customers, six of which are distributors, accounted for 56% of the Group's revenues. These are as follows:

Customers	**Revenues per customer** *(in millions of euros)*	**Revenues per customer** *(as a percentage)*
France Télécom/Globecast	98.3	11.86
Telespazio/Telecom Italia	90.6	10.92
British Telecom	85.5	10.31
Deutsche Telekom/T-Systems	59.8	7.21
Artel/Spacekink/Arrow Head	41.9	5.06
Sky Italia	22.1	2.67
Noorsat WLL	21.1	2.55
P&T Enterprise Luxembourg	15.6	1.88
Russian Satellite Communications Company	15.2	1.83
Digital Platform Teknoloji Hismetleri AS	14.6	1.76
Total for 10 leading customers	**464.7**	**56.0**
Other	364.4	44.0
TOTAL	**829.1**	**100.0**

Technical qualifications of the Group's customers and technical assistance

Before being authorised to access the Group's satellite capacity, customers' terrestrial stations must meet certain specific performance and operational criteria in order to minimise interference with other customers on the same satellite or with users of neighbouring satellites.

Customer allotment agreements

The Group's capacity allotment agreements with its customers and the conditions that apply to them vary depending on whether they were signed with the IGO and then transferred to Eutelsat S.A. or signed after the Transformation.

Allotment agreements signed with the IGO and agreements for transfer of the capacity allotment

At the time of the Transformation, the IGO informed its customers that its capacity allotment agreements were being transferred to Eutelsat S.A. Simultaneously, the IGO asked all its customers to sign a transfer amendment under which they had to give formal approval to the transfer of the IGO allotment agreements to Eutelsat S.A., the effective date being July 2, 2001. The transfer amendment provides for the continuation of the IGO allotment agreements on terms identical to the terms in effect prior to the Transformation, with the exception of the clauses assigning jurisdiction. The IGO received no objection from its customers to the transfer of these allotment agreements.

Some of the IGO allotment agreements contain preemption clauses. These clauses allow the Group, under certain circumstances, to interrupt the service provided to customer in favour of the capacity requirements of a service or customer that has priority in the event of a satellite failure or malfunction. Some allotment agreements contain clauses that give customers priority in having their services restored and the right of service continuity in the event of failure or malfunction.

Almost all the IGO's allotment agreements were signed for the entire operational life of the satellite concerned, generally 12 to 15 years. Customers cannot terminate an IGO allotment agreement during the first two years after the capacity is made available. After this two-year period, they are required to give a year's notice and to pay compensation in the event of early termination.

Capacity allotment agreements of the Group

Since the Transformation, the Group has modified certain conditions of its standard satellite capacity allotment agreements. The Group's standard terms and conditions (the "Standard Terms and Conditions") provide various options for reservations and firm orders for capacity on its satellites and the possibility of including provisions for the preemption/back-up of the capacity allotted.

The Group sells its capacity and services under four main type of contract:

- **full-time leases of capacity.** These cover the lease of an entire transponder or a part of it on a full-time basis (i.e. 24 hours a day, seven days a week) for periods longer than one year. They can extend over the whole of the satellite's operational life. These agreements are primarily used for broadcasting. They are also used for professional data services and for Value-Added Services;
- **part-time leases of capacity.** These cover either the (i) full-time (i.e. 24 hours a day, seven days a week) lease of an entire transponder or a part of it for periods of less than one year, (ii) occasional use, where transponder capacity is provided in increments of 10 minutes on a "first-come, first-served" basis, (iii) customised uses, where capacity is provided only at predetermined times (for a minimum of five hours a week for one year), or (iv) subscriptions for 15 hours of use per month or for 180 hours of use over six months. Part-time leases of capacity are mainly used for broadcasting, for professional video links and, to a lesser extent, for Professional Data Networks and Value-Added Services;
- **leases of capacity related to a specific activity.** These cover the lease of an entire transponder or a part of it based on volume, generally measured in units of 64 kbits per second. The Group leases these volumes by the minute, hour, day or week, or even for longer periods. These leases are primarily used for Professional Data Networks and IP access solutions;
- **mobile applications.** These cover the lease of capacity for EutelTRACS services. For these services, customers do not lease capacity on the basis of predetermined volume but on actual use.

Under the standard capacity allotment agreement, customers have to obtain operating licences from the relevant regulatory authorities, comply with the regulations governing the content of audiovisual programmes, obtain the rights to operate their earth stations, and comply with the Group's technical specifications. The Group may also require a customer to provide a bank guarantee or other appropriate guarantee as security for submitting payment for the capacity allotted and for the performance of the customer's contractual obligations.

>> 6.6 Main Markets

The Fixed Satellite Services ("FSS") Industry

FSS operators operate geostationary (GEO) satellites, positioned in orbit in space approximately 36,000 kilometres from the earth in the equatorial plane. At this altitude, a satellite orbits the earth at the same speed as the earth turns on its axis, which allows it to remain in a fixed position in space in relation to a given point on the earth's surface. This allows the transmission of signals towards an unlimited number of fixed terrestrial antennas permanently turned towards the satellite. Because of its altitude, a GEO satellite can theoretically cover up to one third of the earth's surface.

GEO satellites are therefore one of the most effective and economical means of communications to ensure transmission from one fixed point to an unlimited number of fixed points, as required for television services, for example. GEO satellites are also suitable for connecting together a group of sites over vast geographical areas (private business networks or communications support at points of sale), for providing extensions to the GSM networks and Internet access in geographical areas with little or no coverage by the terrestrial networks (at sea, for example, or in "shadow" – areas) or for establishing or restoring communications networks in emergency situations (civil security, humanitarian operations).

Once a satellite is in service at a given orbital position, FSS operators lease the transmission capacity (i.e. the transponders) to customers: this includes operators of broadcasting platforms, television channels, telecommunications services operators and Internet service providers. Transponders are facilities on-board a satellite which receive, amplify and retransmit the signals received.

The FSS sector uses several types of frequency bands: C band, Ku band, Ka band.

C band. These frequencies are traditionally used for voice, data and video applications. Signals transmitted in C band are at longer wavelengths than those transmitted in the Ku and Ka bands, and require large size antennas (four to six metres in diameter) for transmitting and receiving signals.

Ku band. Signals transmitted in Ku band have shorter wavelengths, which means that customers can use smaller antennas (between 60 and 180 centimetres in diameter). Ku band is used for services such as video distribution and Professional Data Networks.

Ka band. Signals in Ka band have the shortest wavelengths. Currently little used except in North America, Ka band allows customers to receive signals using very small antennas. However, it requires a higher concentration of signals over reduced geographical areas and is more prone to variations in signal strength caused by weather conditions.

The Group's fleet of satellites consists mainly of transponders operating in Ku band, which are particularly well suited for services such as DTH broadcasting because smaller receive antennas can be employed.

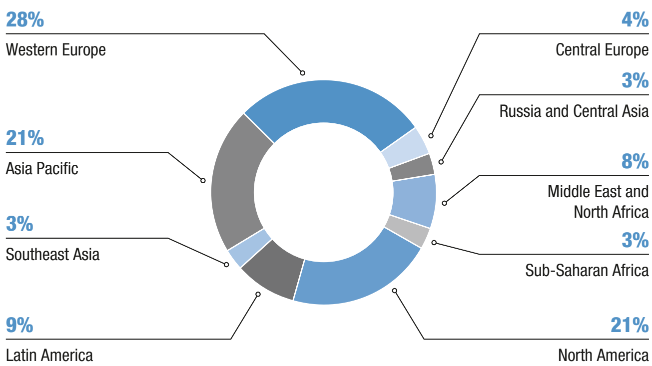
The FSS sector has a number of characteristics, including:

- major barriers to entry, particularly due to the significant investment needed to operate a fleet of satellites and have access to orbital positions;
- generally high visibility over revenues, primarily because long-term leases are used (particularly for Video Applications);
- generally high operating margins and a high proportion of fixed costs (resulting in strong operating leverage); and
- the existence of new growth vectors, including HDTV and the development of mobile communication solutions (television on mobiles, broadband Internet on trains, business aircraft and ships).

According to Euroconsult, the FSS sector generated worldwide infrastructure revenues of 8.2 billion U.S. dollars as of December 31, 2006, including more than 3.2 billion U.S. dollars in Extended Europe. Since 1990, the number of geostationary satellites has increased from 105 to 308, an average annual growth rate of 6.9%.

The geographical breakdown of infrastructure[4] revenues generated in 2006 by the FSS sector is shown below:

BREAKDOWN OF INFRASTRUCTURE REVENUES IN THE FSS SECTOR BY REGION



Source: Euroconsult, 2007 Edition.

According to Euroconsult, more than half the revenues realised in the FSS industry were generated from the well-established markets in North America and Western Europe. Other geographical areas such as Africa, the Middle East and Asia may offer major opportunities for growth, particularly due to the limited competitive ability of ground-based infrastructures.

(4) *Infrastructure revenues represent only revenues derived from the sale of raw satellite bandwidth (transmission capacity), excluding revenues derived from bandwidth used for services.*

Evolution of satellite capacity supply and demand

Demand for satellite capacity depends on a number of factors, including:

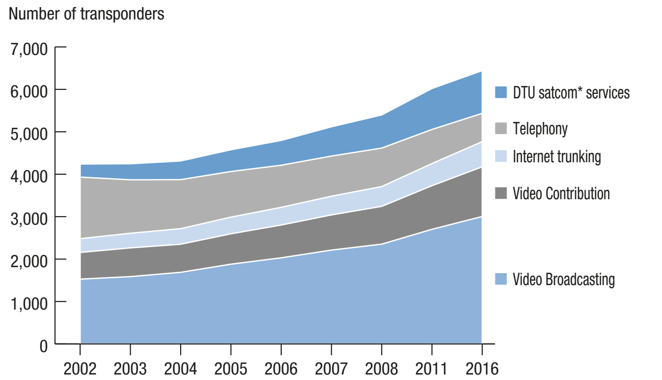
- the increase in the number of television channels;
- deregulation of certain geographical markets;
- technological innovations, which reduce access costs for satellite services;
- the development of new applications that require more satellite capacity, such as HDTV and broadband Internet access services; and
- more generally, economic growth.

In addition, certain events, such as major sporting occasions like the Olympic Games and the Football World Cup or news events, can periodically drive up demand.

According to Euroconsult, the global demand for transponders (in 36 MHz equivalent terms) increased by approximately 3.1% a year (average annual growth) between 2002 and 2006.

The table below shows the change in demand for 36 MHz equivalent transponders for the main FSS applications:

BREAKDOWN OF THE DEMAND FOR TRANSPONDERS BY APPLICATION (2002-2016)



* *Direct-To-User Satcom services include Business networks, Internet access, Services provided to government services and military applications.*

Source: Euroconsult, 2007 Edition.

In the medium term, total world demand for satellite capacity should continue to rise at an average annual rate of 4.6% between 2006 and 2011 (source: Euroconsult).

This increase does, however, reflect contrasting situations insofar as in Extended Europe, zone where the Group is present, the demand for satellite capacity is expected to grow at a weighted average annual rate of 5.3% over the period 2006-2011 compared with 3.3% in North America and 3.6% in south-east Asia (source: Euroconsult).

The supply of satellite capacity is determined by existing capacity and by the successful launch of new satellites.

Euroconsult considers that, in the medium term, the global supply of satellite capacity should grow at a weighted average annual rate of 2.2% over the period 2006-2011.

The Group believes that the effort to rationalise satellite supply that has been led by the major players in the FSS sector, has resulted today in improved balance between supply and demand in Extended Europe, particularly in central and Eastern Europe, North Africa and the Middle East. According to Euroconsult, this equilibrium should last over the period 2006-2011 insofar as the supply of satellite capacity in Extended Europe is expected to progress by only 3.7% (i.e. at a lower rate than the growth in demand) over the period 2006-2011 while it is expected to grow by nearly 5% in North America.

The improvement of the balance between supply and demand in Extended Europe should allow a strengthening of prices in the markets of Extended Europe, but this could be limited by tariff pressure from several small satellite service operators in Extended Europe.

Main developments in the sector

Growth in the video services market

According to industry analyst Northern Sky Research, demand for capacity for video service transmissions should continue to rise at a weighted average annual rate of 5% between 2006 and 2012.

This growth should be principally generated by

- **an increase in the number of television channels.** According to Euroconsult, the number of TV channels should increase from 6,095 in 2006 to nearly 11,000 within ten years in Extended Europe. This increase is particularly driven by the development of programme offerings in the emerging countries of central and Eastern Europe, North Africa and the Middle East. Moreover, lower costs for accessing satellite capacity stimulate the expansion of thematic and community channels.
- **development of HDTV.** Transmission of HDTV programmes requires higher satellite capacity than traditional digital television. In MPEG 2 compression mode (the standard currently used by traditional digital television), a high-definition channel requires five times more capacity for transmission than in standard digital format. In MPEG 4 mode, a

HD channel requires 2.5 times more capacity than the same standard-definition digital channel in MPEG 2. The continuing development of HDTV will also require additional satellite capacity to guarantee simultaneous transmission of television channels (simulcasting) in both standard and high-definition format.

In spite of what has been a progressive supply of HD reception equipment (decoders) in MPEG 4 format, several television platform operators that are customers of the Group in western and central Europe and Russia, have launched commercial offers of one or more HDTV channels, taking advantage of a favourable context for development (major sporting events such as the Football World Cup) coupled in particular with the increase in the number of households with "HD Ready" or "Full HD" television screens, the number of HD DVD (Blu-ray or HD) players and the development of content in HD format.

As an illustration of the increase in the rate households are being equipped, more than 80% of flat screens sold in France were "HD Ready" as of December 31, 2006, representing 1.7 million television sets, and more than 400,000 "Full HD" flat screens are expected to be sold by December 31, 2007 (source: Institut GfK). The majority of films shot by U.S. studios, as well as key sporting events, are now filmed in HD format. According to ScreenDigest, more than 8.5 million homes in Europe are expected to be receiving HDTV programmes by satellite by 2010.

Among the customers or users of the Group's satellite capacity, SKY Italia in Italy, BSkyB in the United Kingdom and also "n" in Poland and NTV+ in Russia launched their first commercial HDTV programmes during the financial year.

As of June 30, 2007, the Group was broadcasting 22 HDTV channels via its fleet, of which 17 are commercial channels. Euroconsult estimates that nearly 180 HDTV channels would be broadcasting in Western Europe by 2010 and close to 549 channels by 2016.

The progressive deployment of HDTV should mean an increased demand for satellite capacity and constitute an important growth driver for video services;

- **the development of digital terrestrial television (DTT).** Initially launched in certain countries in Western Europe, notably the UK, Spain, Switzerland, Germany, France and Italy, DTT is beginning to expand further in Europe. At the end of 2006, more than 44 million households were equipped with DTT decoders (primarily to receive free-to-air channels), representing a 54% rise since the end of 2005 (Source: Dataxis). The advent of DTT gives satellite operators an opportunity to supply capacity to the head-ends of terrestrial retransmitter networks. Satellites also provide complementary coverage for DTH reception via satellite dishes for households located in the "shadow" areas of the terrestrial retransmitters;
- **the introduction of additional services on digital broadcast platforms.** A large number of satellite broadcast platforms offer or plan to offer interactive services (home shopping, betting services, video on demand (VOD)). The increase in the range of interactive services available should result in an increase in demand for satellite capacity;
- **optimisation of the compression rates for television signals.** In the nineteen nineties, the Video Applications segment saw, with the development of the DVB standard, a transition from the analog broadcast format to digital. The number of channels is expected to increase significantly with the development and deployment of the DVB-S2 standard and also with the further use of statistical multiplexes, which can be used to broadcast up to 15 television channels per transponder in MPEG 2 format thereby optimising the use of bandwidth between television channels, which reduces the cost of access to satellite capacity. The development and broadcasting of the MPEG 4 compression format will make it possible to broadcast up to twice as many channels per transponder. On average, this format allows approximately 10 channels per transponder to be broadcast instead of just one in the analog format.

Growth of data networks and value-added IP services

The FSS industry is benefiting from sustained growth in the demand for capacity for Internet applications. The demand for satellite capacity for Professional Data Networks applications and Value-Added Services is expected to grow at an average annual rate of 7.5% between 2006 and 2011 (source: Euroconsult).

The Group considers that the demand for satellite capacity for data services should increase again, mainly due to the development of an offer in Ka band. Indeed, as the resources available in the Ku band are scarce and their technical characteristics less suitable in terms of reception, the Group's view is that Ka band is better adapted to the provision of data services or broadband services, due to the capacity available in this band of frequencies and also its transmit capabilities, which allow satellite transmissions to be concentrated into very narrow spot beams for reception. The Group considers such an offer in Ka Band to be particularly well suited to the provision of broadband in geographical areas located beyond the reach of the terrestrial and broadband networks.

Satellite Internet access services include the connection to the Internet backbone (IP trunking) to enable ISPs to connect to the Internet backbone; the connection to an Internet local loop (IP access) for business companies and local institutions. This system allows them to connect their remote sites within a private and secure virtual network, particularly in regions with little or no service from terrestrial networks (DSL lines or cable): the IP data broadcast solution (IP broadcast) for broadcasting multimedia content.

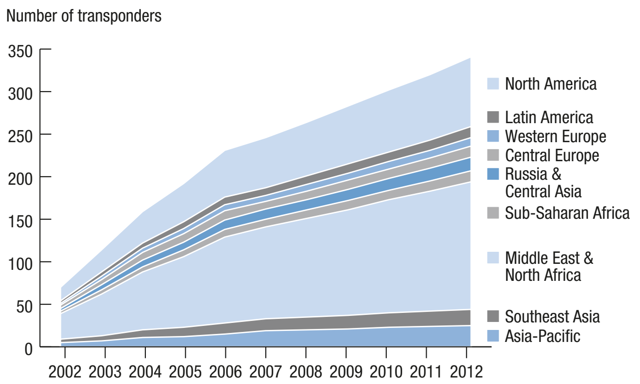
The Group expects the market for satellite broadband services to be driven by declining prices for user terminals and by improvements in the quality of the service offerings, and also the development of solutions for people on the move (trains, aircrafts, ships).

Recent development in services to government services

According to Northern Sky Research, this segment of the market, which corresponds mainly to demand for satellite services from government defence and security departments, should have a weighted average growth rate of 3% over the period 2007-2012. These applications are closely linked to changes in the international environment, particularly geopolitical conflicts and natural disasters.

This type of service is characterised by a certain volatility and by a very strong concentration of the corresponding demand, since the U.S. government accounts for nearly 90% of the overall figure, as estimated by Northern Sky Research. It generally involves contracts of short duration (one year) and, in addition, alternative solutions involving capacity on military satellites are emerging.

The following graphic shows the historical and the estimated growth in the number of transponders used for government services, presented by geographical zone (source: Euroconsult, 2006 edition):



Liberalisation of markets

Many countries have opened up or are opening up their telecommunications markets to competing suppliers. This liberalisation has encouraged the appearance of new competitors for the historical telecommunications operators and the development of new services, particularly in Europe. These new entrants in the market and the development of these new services open up new commercial opportunities for FSS operators, especially in the emerging markets such as Africa, Asia and Latin America.

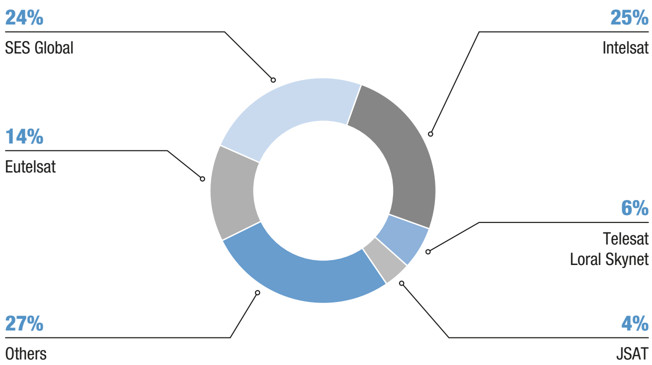
>> 6.7 Competition

The Group has to contend with major competition from international, national and regional satellite operators and from terrestrial network operators (cable, fibre optic, DSL, microwave broadcasting and VHF/UHF) for the provision of many transmission services and Value-Added Services, particularly broadband access.

Satellite Operators

The Group's main competitors are the other major FSS operators, primarily SES and Intelsat. Based on infrastructure revenues at December 31, 2006, the Group, according to Euroconsult, is the third largest operator in the world and has a market share of almost 14%, while together with the SES Astra branch of SES it is the leader in Extended Europe, each of the two operators having a regional market share of approximately 30%.

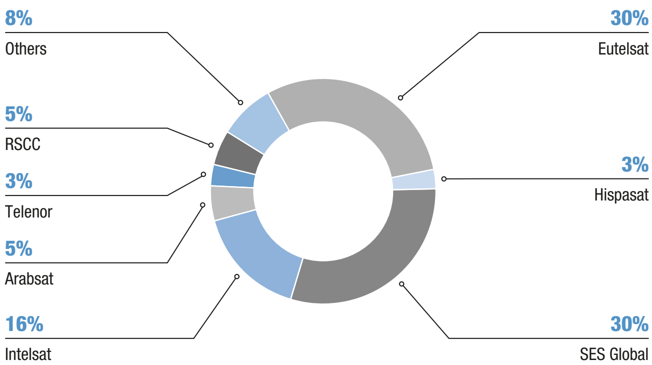
WORLD MARKET SHARES OF THE OPERATORS (BASED ON INFRASTRUCTURE REVENUES[(5)])



The revenue share of SES New Skies has been added to that of SES Global.

Source: Euroconsult, 2007 Edition.

MARKET SHARES OF THE OPERATORS IN EXTENDED EUROPE (BASED ON INFRASTRUCTURE REVENUES)



Source: Euroconsult, 2007 Edition.

The Group considers that only SES and Intelsat offer a range of services comparable to the Group's offer. Other FSS operators compete with the Group only for certain services or certain geographical regions.

SES Global S.A. is the Group's main competitor. SES primarily provides video services in the European and North American markets. This company also provides Internet broadband services and capacity for Professional Data Networks. SES is present in Extended Europe through SES Astra, SES NewSkies and SES Sirius. At the end of 2006, SES's fleet was made up of 35 satellites and 1 019 transponders, and covered the entire world population.

As of December 31, 2006, SES's revenues were 1,615 million euros, up by 28.4% compared to December 31, 2005. This strong increase reflects the impact of the acquisition of SES New Skies, which was completed on March 30, 2006, and the 100% takeover of ND SatCom and SES Sirius in 2006. SES's EBITDA margin as of December 31, 2006 was 66.9%.

In Europe, SES Astra's 14 satellites broadcast more than 1,850 radio or television programmes to more than 109 million homes. By buying GE Americom in November 2001, SES gained access to the American market. The acquisition of New Skies Satellites consolidates SES's presence in the market for Internet services and audiovisual distribution, but also in providing services to governments. It also gives it transatlantic links, as well as inter-regional links in Asia and Latin America. SES is listed for trading on Eurolist of Euronext Paris and in Luxembourg.

Intelsat is the largest operator in the world for fixed satellite services. It was founded in 1964 in the form of an international satellite telecommunications organisation and was privatised in July 2001. In July 2006, Intelsat completed the acquisition of PanAmSat. At the end of 2006, their fleet was composed of 51 satellites and 1,361 transponders, located above North America and the Atlantic, Pacific and Indian oceans. Their fleet covers the whole of the world's population and meets the needs of more than 1,800 customers. Intelsat's *pro forma* revenues were 2.1 billion U.S. dollars as of December 31, 2006, of which 30% derived from video services, 55% from data and broadband services and 15% from providing services to governments. Its EBITDA was approximately 1.1 billion U.S. dollars. The range of services offered by Intelsat is more limited than that of the other FSS operators. Intelsat is the leader for video services in North America and the leader for DTH services in Latin America and Africa. Intelsat competes with the Group mainly in Africa and the Middle East and, to a lesser extent, in Europe. In June 2007, Intelsat was bought by BC Partners for more than 16 billion U.S. dollars.

The Group also competes with a large number of regional and national satellite operators. Some of these operators, for example Turksat, Hellasat and Tenenor, also provide international connections in addition to providing communications services for their domestic markets. Competition from these regional and national operators is essentially based on price and some of them enjoy advantages (tax or regulatory, for example) in their national markets. For most of these services, the Group considers that it is not in direct competition with satellite mobile service operators (notably Inmarsat). Inmarsat does, however, compete with the Group for Value-Added maritime Services (D-STAR).

(5) Infrastructure revenues represent only revenues derived from the sale of raw satellite bandwidth (transmission capacity), excluding revenues derived from bandwidth used for services.

Terrestrial communications services

To some extent, satellite transmission is open to competition from alternative solutions offered by the terrestrial networks.

Fibre optic networks are highly suited to transmitting high volumes of point-to-point traffic (video or data), which may encourage some customers to use these networks rather than a satellite connection. However, the Group considers that because of the size of the investment necessary to deploy this type of facility, the development of fibre optic networks is currently limited to very densely populated urban areas.

DSL networks dedicated mainly to the provision of broadband Internet access and television channels could offer their services in urban and suburban areas on more competitive financial conditions than the satellite operators. However, because of the technical limitations of this mode of distribution (limitation on volume and proximity of DSLAM distribution frames), this type of network currently only offers limited geographical coverage and is not suitable for the supply of large volumes over point-to-multipoint links.

Satellite is also, to a lesser extent, in competition with cable access and with DTT for the provision of television programmes. The continuing deployment of this type of network in terms of both capacity and coverage could reduce opportunities for satellite operators. As the activity of the Group demonstrates, however, terrestrial network operators such as Télédiffusion de France (TDF), Mediaset and RAI continue to use satellites to expand their coverage and feed the terrestrial re-transmitters. The Group's satellites carry DTT networks in France, Italy, Switzerland and Spain.

The performance of the Group's Value-Added Services and video services shows that satellite transmission today has several competitive advantages over the terrestrial networks. Satellites can be used (i) for the transmission of point-to-multipoint signals with particularly high transmission speeds that is largely independent of the terrestrial infrastructure (ii) to provide coverage of vast geographical areas at a low marginal cost, in contrast to the terrestrial networks.

For example, the Group considers that the maximum cost per subscriber or television viewer for broadcasting a digital television channel over the most expensive satellites in its fleet is, in euros, currently less than 1 cent per month, based on 4 million subscribers or television viewers.

And the terrestrial networks can complement the satellite transmission services by offering in many cases the return channel necessary for interactive services (Internet access, Video on Demand, interactive television).

And lastly, the Group takes the view that satellite transmission services can make it possible to complement the terrestrial networks, especially for transmissions to mobile terminals. The Group has therefore made a joint investment with SES in a payload carried in S band, whose main function will be to provide complementary coverage for television delivered to mobiles, which is currently broadcast by the terrestrial operators using the DVB-H standard. The Group considers that this S-band mission will enable the deployment of a hybrid infrastructure combining terrestrial networks (DVB-H standard) and satellite networks (DVB-SH standard) to ensure universal coverage for mobile television channels at the same time as reception in buildings.

The Group also considers that S band will make it possible to offer bidirectional services, notably to vehicles, as a complement to services provided under the Galileo project.

>> 6.8 Regulation

The provision of satellite capacity and services is highly regulated. As a satellite operator providing satellite capacity and services to a number of countries, the Group must comply with the national regulations of all the States in which it provides or seeks to provide its capacity and services, and is also subject, indirectly, to international regulations that these States must follow. The various regulations can be placed into the following four categories:

- national regulations governing access to the radio frequency spectrum and the authorisations required for this ("frequency assignments"), and international regulations governing the coordination of these authorisations at international level;
- national regulations governing the deployment and operation of telecommunications networks, the supply of telecommunications services and the operation of RF facilities on the ground ("earth stations");
- national regulations governing, in certain countries, access to the domestic market by foreign providers of satellite capacity; and
- international and national regulations governing the Group's customers and suppliers, including, for the former, standards applicable to the content of the programmes broadcast and, for the latter, restrictions on the export of satellite technology.

Frequency assignments and international coordination

All radiocommunication assumes the transmission of radio waves, which are characterised, *inter alia*, by their frequencies. Transmissions on identical frequencies or on frequencies that are insufficiently differentiated create a risk of disturbance between the transmissions, which can result in "radio interference". This interference affects the quality of the communications to some degree and, depending on its severity, is deemed "permissible", "acceptable" or, if it affects the communications to the point of making them unusable, "harmful". It is because of these risks of interference and the effect on the quality of radiocommunications services that, in all countries, the installation and operation of radio facilities is subject to obtaining proper authorisation issued by the competent national public authorities. These authorisations are called "frequency assignments." Frequency assignments are national authorisations issued by States at national level in the exercise of their national sovereignty that give the right to use specified radio frequencies according to specified purposes and conditions, which the States have to coordinate at international level to limit the risks of interference.

The international community, acting within the International Telecommunication Union (ITU), the specialised United-Nations' agency that has jurisdiction over telecommunications matters, has been developing a body of rules to ensure such coordination. These rules are contained in the ITU's "Radio Regulations." For satellite radiocommunications, these rules make explicit provision also for frequencies to be assigned to a group of States, and it is the group of States which then assumes joint responsibility and has joint rights and obligations in respect thereto.

Frequency assignments under joint responsibility

The frequency assignments used by the Group in its business activities both present and future are primarily under joint responsibility, issued to the IGO under joint responsibility by the member States, collectively, (the "Parties") prior to the Transformation. For all these assignments, the Parties collectively discharged their joint obligations under the Radio Regulations through the Party of France, designated by them to act in the name of and on behalf of all Parties as a whole.

The *Agence nationale des fréquences* (ANFR) is the French authority responsible for ensuring that France complied with its obligations under the Radio Regulations. Prior to the Transformation, therefore, the ANFR was the entity responsible for applying the international rules governing the coordination of frequency assignments on behalf of all the Parties.

After the Transformation, all the frequency assignments remained under the joint responsibility of the Parties.

Frequency assignments granted directly to Eutelsat S.A.

Since the Transformation, France is the sole authority for new frequency assignments needed by the Group (see the description of applicable French regulations below under "Access to frequencies"). Eutelsat S.A. has already requested and obtained new frequency assignments, both to supplement the collective frequency assignments that were transferred to it on July 2, 2001 and to plan for future development of its activities, particularly for "mobile" telecommunications services requiring access to specific radio frequency spectrum ("L-Band frequencies").

Recently, the *arrêté* of March 27, 2007 authorised Eutelsat S.A. to operate frequency assignments for the ATLANTIC BIRD™ 4 satellite at the orbital position 7° West for a period of twenty years.

Frequency assignments granted to other satellite operators

At some orbital positions, the Group operates satellites with frequency assignments granted to third parties.

This is the case of the ATLANTIC BIRD™ 2 satellite and the ATLANTIC BIRD™ 3 satellite operated at 8° West and 5° West respectively, under French frequency assignments granted to France Telecom. It is also the case of the EUROBIRD™ 1 satellite at 28.5° East operated under the German frequency assignments held by Deutsche Telekom and the W4 satellite operated at 36° East under Russian frequency assignments held by RSCC. The Group uses these frequency assignments under agreements entered into with these operators.

International coordination of frequency assignments under the Radio Regulations

The purpose of coordinating frequency assignments at international level is to ensure the co-existence of satellite operations authorised by States in the exercise of their sovereign rights (or groups of States in their capacity as Parties to an intergovernmental organisation, which is the case of the assignments the Group inherited from the IGO when the Transformation took place).

The rules governing coordination make it possible to determine whether satellite operations that have not yet commenced can be implemented as defined by the corresponding assignments or, if not, whether they have to be adjusted to a greater or lesser extent due to the risks of interference with other satellite operations. Similarly, when satellite operations have already started, and prove to be causing harmful interference to other operations, the rules define to what extent such operations can be continued, with or without adjustments, or whether they must be terminated immediately to end the interference being caused.

The Radio Regulations define three separate systems for frequency assignments to be used for space radiocommunications using geostationary satellites. The applicable system is determined by the frequency bands in which the frequencies to be assigned are located:

- a general system governs assignments in all frequency bands assigned to space radiocommunications services in the parts of the spectrum known as “C band,” “Ku band” and “Ka band” with the exception of those explicitly governed by one of the two special systems described below;
- the first special system (referred to below as “SRS System”) governs assignments in the Ku band spectrum assigned to the Broadcasting Satellite Service (BSS) and the corresponding resources in the Ka-and Ku bands to be used for the uplinks to the broadcasting satellites;
- the second special systems (referred to below as “FSS System”) governs assignments in specific sections of the spectrum in the C and Ku bands, assigned to the Fixed Satellite Service (FSS).

Under these three systems, the States that have international responsibility for the given assignments, either individually or jointly, must submit through their competent regulatory authority (the “Administration”, which for France is the ANFR) certain information about the assignments to the ITU Radiocommunication Bureau (RB). The RB then publishes this information in circulars sent out periodically to the administrations of all ITU Member States.

General system

Under the general system, an initial submission (“Advance publication”) giving only limited, general information about the assignments (orbital position, frequency bands) determines the start of the regulatory period during which operation of the assignments has to begin. For assignments filed under this initial submission before November 1997, this period is nine years and for assignments filed after November 1997, this period is eight years.

A second submission, known as the “Request for coordination,” through which very detailed information on the assignments is provided, marks the beginning of the actual coordination process. This Request for coordination confers, on the basis of the date of receipt by the Radiocommunication Bureau, priority over all assignments covered by a subsequent Request for coordination. By virtue of this priority, when coordination between assignments covered by a subsequent Request for coordination proves problematical or impossible, the administration that submitted its Request for coordination first is not required to make adjustments to its frequency assignments in order to facilitate coordination with assignments covered by a subsequent Request(s) for coordination.

The general system does not prohibit the bringing into use or operation of frequency assignments for which the coordination process has not been completed. However, in such a case, operation of these frequency assignments may have to be interrupted or undergo adjustments to a greater or lesser degree if such operation proves to cause harmful interference to operations covered by assignments with a higher priority.

Priority continues to apply for the eight or nine years of the relevant time limit for bringing the assignments into use. If the assignments have not been brought in use when this time limit expires, the Advance publication and Request for coordination are both deemed never to have existed and the Administration responsible must then restart the process and present the two submissions again. The new Request for coordination then gives these assignments a lower priority than then first, placing them behind all assignments for which a Request for coordination has been submitted in the meantime.

Assignments that are brought into use before the deadline expires continue to enjoy the priority given by the Request for coordination during the full term of validity of the assignments as declared by the relevant administration in its Request for coordination (thirty years for the frequency assignments of the Group).

The special BSS and FSS systems

With these two special systems, the international community adopted “*a priori* plans” at the ITU’s World Radio Conferences (WRC). These plans have given all ITU Member States identical rights, irrespective of the size of their population and territory, to predefined utilisations of specified amounts of radio spectrum resources in the frequency bands governed by these two systems. These pre-defined utilisations, which often do not correspond to real needs and of which few are likely to be implemented in practice, have priority over any other utilisation of these resources. These other utilisations must therefore be coordinated with the predefined utilisations. Additionally, in contrast to the general method of coordination in which administrations that are parties to a coordination can freely agree on the measures and technical conditions to be used for a coordination, these special systems define highly detailed rules and technical conditions to be used for the coordination.

These two systems do not involve an initial submission (the submission date of which, in the case of the general coordination system, determines the deadline for bringing the assignments into use), but instead call for a single detailed submission (a Request for registration of “additional assignments”), which as in the general method of coordination, gives priority over subsequent submissions from the date it is received by the RB.

Under the BSS method, the submission date starts the period of eight years during which the assignments have to be brought into use, otherwise the entire process must be restarted with a new submission (Request for registration) and a lower priority. Once operation has begun, it can continue for 15 years, and is renewable one time, without loss of rights as long as the technical specifications of the utilisations remain the same. As under the general system of coordination, operation may begin before the end of the coordination process with priority utilisations, predefined as being additional, and, in situations where there is harmful interference, the priority ranking (the pre-defined utilisations all having the highest priority) will determine the utilisations that can be continued without adjustments and those which will have to be interrupted or adjusted to a greater or lesser extent.

Under the FSS system, a submission does not grant priority over assignments covered by subsequent submissions. This right is acquired only if the BR finds, after reviewing the submission, that:

- the assignments do not affect the rights of any Member State, as predefined by the plan, or the rights acquired by a Member State for assignments covered by a submission on which the RB has previously reached a favourable finding, or, if the opposite is the case;
- the administrations whose rights would have been affected have explicitly accepted that their rights can be affected.

If the RB reaches a negative finding, the submission is deemed null and void. In such a case, the administration concerned has to make a new submission, which will be examined by the RB after all the other submissions that have been received by the RB in the meantime.

Until recently, the FSS system did not specify a deadline for bringing the additional assignments into use. However, since 2003, this deadline is eight years from the date of the RB's findings (the date of acquisition of the priority right).

Most of the frequency assignments the Group utilises for its activities, present and future, have been granted under the general system and have either been successfully coordinated or benefit from a high priority.

At certain orbital positions, the Group operates satellites under frequency assignments governed by the special BSS and FSS systems. Most of these assignments have been the subject of a successful coordination procedure. In a small number of cases, however, the Group began operation with such assignments without having completed the coordination process.

Resolution of disputes

The legal guarantees resulting for satellite operators from the application of the procedures of the Radio Regulations governing international coordination of frequency assignments depend on strict compliance with these procedures by all ITU Member States.

As a general rule, verified situations of harmful interference are handled through informal contacts at an operational level (control centres) between the operators concerned. In the majority of cases, the operators resolve the problem. Rare cases that cannot be settled by such means are handled through exchanges between the relevant administrations ("interference claims"). The administrations can also request the assistance of the RB to establish contacts or, in very rare cases, to conduct an investigation into the failure by an ITU Member State to comply with its obligations under the Radio Regulations.

However, the Radio Regulations do not contain any mechanism for mandatory resolution of disputes or compulsory enforcement. The ITU's arbitration procedure assumes the consent of the parties. No provision of the Radio Regulations or of international law in general offers a solution in cases where this spontaneous and voluntary arbitration process does not succeed in resolving the dispute.

Other authorisations required under national regulations

As a satellite operator offering its services in approximately 150 countries, the Group is subject to national laws and regulations on communications and broadcasting in a large number of different countries.

Most of these countries do not require satellite operators to obtain a licence or other authorisation if their role is limited to providing satellite capacity to other entities that are authorised to operate networks and/or communications services themselves. In these countries, the Group only needs a licence or other authorisation if it intends to deploy and operate its own communications networks or install and operate earth stations. Most European countries and many of the Member States of the World Trade Organisation (WTO) have been included in this category of countries since the liberalisation of their regulations, by virtue of the commitments made under the WTO Agreement on basic telecommunications services, which came into force in February 1998.

Regulation in France

The *Autorité de Régulation des Communications Electroniques et des Postes* (ARCEP) is the French authority responsible for ensuring that the operators comply with the obligations contained in applicable legislative and regulatory requirements.

Operation of telecommunication networks

In France, the installation and operation of telecommunications networks open to the general public and the provision of telecommunications services were once subject to obtaining prior authorisation from the minister of telecommunications. Independent networks reserved for a closed group of users to exchange internal communications required prior authorisation by ARCEP. Under French Law No. 2004-669 of July 9, 2004 on electronic communications and audiovisual communications services, the installation and operation of networks open to the general public are now unrestricted, provided a prior declaration is made to the ARCEP. This formality does not apply to independent networks.

On July 16, 2001, the minister of telecommunications granted authorisation for Eutelsat S.A. to establish and operate a telecommunications satellite network open to the general public in France for services other than public telephony for a period of 15 years. This authorisation also allows

Eutelsat S.A. to operate and provide VSAT satellite networks and services in France. Eutelsat S.A. has deployed a certain number of bidirectional VSAT terminals on French territory.

Access to frequencies

Before the adoption of French Law No. 2004-575 on June 21, 2004, satellite frequency assignments were under the sole control of the ANFR. They depend on submission by the ANFR to the ITU (at the Radiocommunication Bureau) of the information required under the Radio Regulations governing international coordination of frequency assignments. There was no formal legal structuring of relations between the operators and the ANFR for making frequencies available for use.

French Law No. 2004-575 of June 21, 2004 concerning confidence in the digital economy (known as LCEN) contains a section on "satellite frequency assignments", establishing a new two-stage system:

- **the request for assignment** is sent to the ANFR, which, after verifying that it complies with the national Table of Frequency Band Allocations, declares it to the ITU, in the name of France;
- **operation of the assignment** is subject to authorisation by the minister responsible for electronic communications, after obtaining the opinion of the assigning authorities (affectataires) for the frequencies concerned (the CSA or the ARCEP). This authorisation is granted on condition that the entity requesting the capacity provides proof of its ability to control the emissions of all RF stations, including earth stations, using the frequency assignment, and paying a fee to the ANFR for the costs of processing the request declared to the ITU. Authorisation can be refused, for example "for the protection of public order, defence requirements or those of public safety".

Persons who have asked the French State or the ANFR to declare to the ITU a frequency assignment prior to the publication of the LCEN will have to request, if they wish to retain the rights to use the frequency assignment, the authorisation provided for in Article L. 97-2 of the French Post and Electronic Communications Code within a period of one year after August 12, 2006, the date of publication of implementing decree No. 2006-1015 of August 11, 2006 on frequency assignments to satellite systems, which amended the French Post and Electronic Communications Code. This was done by the Group on August 10, 2006, and a summary of the requests formulated on that occasion was published by the ANFR.

In addition, the use of radio frequencies for RF earth stations is covered by authorisations issued by the ARCEP (frequency assignments). Under the terms of Article L. 42-1 of the Post and Electronic Communications Code, these authorisations cannot exceed 20 years. The ARCEP also imposes a certain number of technical requirements that must be respected by the operators to which the frequencies have been assigned. In addition, operators are required to pay an annual fee for management and use of the frequencies. They also have to take the necessary measures to protect the secrecy of private communications as well as the confidentiality of their customers' personal data. The ARCEP has assigned Eutelsat S.A. a certain number of frequencies for the operation of earth stations.

Non-compliance with the applicable telecommunication laws and regulations could result in administrative or criminal fines, and also sanctions imposed by the ARCEP, the ANFR or other public authorities, including the suspension or withdrawal of the frequency assignment.

Regulation in other countries

Many countries, including most European countries, have liberalised their regulatory framework applying to the provision of voice, data and video services. They have also increased the possibilities for granting authorisations to own and operate earth station equipment and to choose a provider of satellite capacity. Most countries allow authorised providers of communications services to have their own transmission equipment and to purchase satellite capacity without restriction, which facilitates final-user access to the Group's services.

The Group has filed licensing applications to act as a network and earth station operator in Italy, Germany, Austria, the United Kingdom, Switzerland and Spain. The Group has obtained a network operator licence and two general authorisations to provide interactive satellite services in Italy.

Other countries, generally in emerging markets, have maintained strict monopolies. In these countries, a single state entity, generally the public postal, telephone and telegraph authority, often holds a monopoly on the ownership and operation of communications equipment or on the provision of communications or broadcasting services to or from that country, including via satellite. In order to provide services in these countries, the Group may have to negotiate an operating agreement with the state entity, which defines the services to be offered by each party, the contractual terms for service and tariffs. Depending on the national regulatory requirements, operating agreements between the Group and the service provider may require final-user customers to obtain the Group's services through the state entity, with all associated ground services provided by that entity. Alternatively, these operating agreements may allow customers to own and operate their own equipment, while requiring them to purchase the Group's services through the state entity.

"Landing rights"

Despite the liberalisation of national regulations following adoption of the WTO Agreement on Basic Telecommunications Services, some countries require authorisations to operate satellites in orbit. In these countries, the Group has to obtain authority to provide (i) downlink services from the satellite to the earth station terminals located in these countries – i.e. "landing rights" – or (ii) uplink services from the earth station terminals to the satellite – "take-off rights."

The Group has obtained such authorisations for some of its satellites in Brazil, India, Pakistan and a number of other South American countries. The Brazilian regulatory authority granted Eutelsat S.A. landing rights in April 2002 for ATLANTIC BIRD™ 2 (at 8° West), W1 (at 10° East) and ATLANTIC BIRD™ 1 (12.5° West) and, in June 2003, for ATLANTIC BIRD™ 3 (at 5° West).

Access to the Group's Satellites from the United States

The Federal Communications Commission, or FCC, is the governmental agency in the United States responsible for regulating satellite communications. In 1997, the FCC enacted regulations permitting non-U.S. satellite operators to request access to the U.S. market using non-U.S. satellites to provide both international and domestic services. In 1999, the FCC streamlined the process by creating the "Permitted Space Station List."

Where a non-U.S. satellite is added to the FCC's Permitted Space Station List, earth station operators in the United States licensed to operate with U.S. satellites are able to access that non-U.S. satellite without additional authorisation from the FCC. These streamlined procedures are applicable only to frequency bands that the FCC considers "conventional" bands, which do not, however, include the full spectrum of Ku band or C band frequencies used for transmissions to and from the Group's satellites. Earth station operators in the United States must therefore still apply for FCC authorisations to transmit to or receive from the Group's satellites in certain frequency bands even though these satellites are on the FCC's Permitted Space Station List.

Currently, two of the Group's satellites are included on the Permitted Space Station List.

Name of satellite	Orbital position	Date of inclusion on the list of permitted space stations
ATLANTIC BIRD™ 2	8° W	August 30, 2001
ATLANTIC BIRD™ 1	12.5° W	August 30, 2001

Other laws

European Union Regulations

Over the last decade, the regulatory environment for satellite communications in the European Union (EU) has changed drastically. Gradual liberalisation of this sector, as well as the transformation of the IGO and the privatisation of the international satellite organisations such as Intelsat and Inmarsat, have created a more open and more competitive market. This trend towards liberalisation has also occurred in a number of other European countries. In particular, countries seeking admission to the EU are adapting their national legislation to align it with EU regulations.

The Member States were required to adapt their national regulations by July 2003 to incorporate the provisions of five new EU directives adopted in 2002, which make up the "Telecom Package": European Directive 2002/19/EC of March 7, 2002 concerning access to, and interconnection of, electronic communications networks and associated facilities (the "Access Directive"); European Directive 2002/20/EC of March 7, 2002 on the authorisation of electronic communications networks and services (the "Authorisation Directive"); European Directive 2002/21/EC of March 7, 2002 on a common regulatory framework for electronic communications networks and services (the "Framework Directive"); European Directive 2002/22/EC of March 7, 2002 on universal service and users' rights relating to electronic communications networks and services (the "Universal Service Directive"); European Directive 2002/58/EC of July 12, 2002 concerning the handling of personal data and protection of privacy in the electronic communications sector ("Privacy and Electronic Communications Directive"); plus Decision No. 676/2002/EC of March 7, 2002 on a regulatory framework for radio spectrum policy in the European Union (the "Radio Spectrum Decision"). These new regulations apply to electronic communications networks and services and generally ease regulatory requirements in these areas. These directives were transposed into national legislation in France by the adoption of French Law No. 2004-669 dated July 9, 2004. Implementation of these regulations should gradually enhance the potential for deployment and management of Value-Added Services by the Group throughout Europe.

U.S. Export Control Requirements

U.S. companies and companies located in the United States must comply with U.S. export control laws and regulations, specifically the Arms Export Control Act, the International Traffic in Arms Regulations, the Export Administration Act and the trade sanctions laws and regulations administered by the U.S. Department of the Treasury's Office of Foreign Asset Control, in connection with any information, product or material that is regulated by U.S. law and that is provided to non-U.S. companies. The export of satellites, satellite hardware, defence services and technical information relating to satellites to non-U.S. satellite manufacturing firms, launch services providers, insurers, customers, non-U.S. employees and other persons who do not have U.S. nationality is regulated by the Office of Defense Trade Controls under the International Traffic in Arms Regulations of the U.S. Department of State. Since the Group is not a U.S. company, its service providers, distributors, suppliers and sub-contractors that use U.S. technologies (including for communications) export U.S. components for the construction of the Group's satellites or provide launch services outside the United States are required to obtain permits for the export of technical data and material (under technical assistance agreements) for any material they purchase for construction of satellites or for satellite launches outside the United States.

Regulation in terms of content

The broadcasting of television programmes in the European Union is regulated by European Directive 89/552/EEC of October 3, 1989, as amended by European Directive 97/36/EEC of June 30, 1997, on the coordination of certain legislative, regulatory or administrative provisions in Member States relating to the performance of television broadcasting activities, also known as the "Television Without Frontiers" Directive. After a legislative process that lasted for 18 months, a political agreement was reached in May 2007 on the adoption of a new directive on audiovisual media to replace that Directive. This new directive is to be adopted soon. It is not expected to fundamentally call into question the principles set out below.

The "Television Without Frontiers" Directive provides that each EU Member State has to ensure that programmes transmitted by TV broadcasters under its jurisdiction comply with the provisions of the laws applicable to broadcasts intended for the general public. If the television channel is based in an EU Member State, then it is that State that is the competent regulatory authority. Under the regulations of most EU Member States, entities broadcasting television programmes accessible to the general public must be authorised by the regulatory body. Once regulated in its country of origin, a broadcaster may then freely broadcast its programmes to other States within the European Union, provided that it complies with the applicable laws of its regulatory State and with the provisions of the "Television Without Frontiers" Directive relating to the protection of children and forbidding the promotion of racial discrimination and hatred. In the case of channels outside the EU that are broadcast by satellite and, by definition, are based in a State that is not part of the European Union, the Directive provides for the determination of the appropriate EU Member State that is competent to act on behalf of the other Member States. Therefore, the State responsible is, in order, the one that granted the frequency used, the one with authority over the satellite capacity utilised, or the one from whose territory the signal is uplinked to the satellite.

According to the European Commission, the provisions of the "Television Without Frontiers" Directive make France and its regulatory authority (*Conseil Supérieur de l'Audiovisuel*, or CSA) the default regulator for all channels transmitted by the Group's satellites that are based in non EU States, because the Group's satellites are registered on the French register of satellites with the United Nations under the 1975 Convention on the registration of space objects.

As a result, the French television channels transmitted by the Group are subject to a CSA licensing system, if they do not already hold a licence for terrestrial broadcasting or cable distribution. Since French Law No. 2006-64 on the fight against terrorism was passed on January 23, 2006, introducing various provisions relating to security and border controls, all prior formalities for the broadcasting of non-EU channels that come under the jurisdiction of France, and also for any channels that come under the authority of any other EU Member State or party to the European Economic Area Agreement, are discontinued.

As of June 30, 2007, the Group was broadcasting approximately 500 non-EU channels, notably programmes from the Middle East and North Africa.

As a satellite operator, the Group is not a provider of television programmes and does not therefore have to obtain authorisation from the CSA. It is also not subject to direct prohibitions on broadcasting television channels without authorisation, pursuant to the provisions of French Law No. 86-1067 of September 30, 1986 on the freedom of communications, as amended namely by Law No. 2004-669 of July 9, 2004. In addition, the Group is unable to monitor or control the nature of the content broadcast by its customers or users and, therefore, it cannot anticipate whether any such programming may violate the laws or the public order of France or other countries.

However, Article 42-10 of French Law No. 86-1067 of September 30, 1986 empowers the CSA to file a petition before the French Council of State (*Conseil d'Etat*) to obtain an injunction requiring any French satellite operator to cease transmission of any non-EU television channel violating French laws or regulations or threatening public order (for example, a channel promoting racial discrimination or hatred).

Moreover, pursuant to Articles 42 and 42-1 of French Law No. 86-1067 of September 30, 1986 on the freedom of communication, as amended by French Law No. 2004-669 of July 9, 2004, the CSA is now able to require and then directly order Eutelsat S.A. to cease transmissions of a channel that violates public order or promotes racial hatred. Accordingly, if Eutelsat S.A. were to fail to cease such transmissions by the specified deadline, the CSA would have the right to sanction Eutelsat S.A. by imposing a fine that can be as high as 3% of its annual revenues (5% in the event of a new violation of the same obligation).

These specific powers, which enable the CSA to bring pressure to bear on the satellite operator, are not expressly provided for in the Directive. The Directive does accept, however, that the States can take this type of action.

In technical terms, to cease transmission of an uplinked signal on a given transponder, the Group has to switch off the corresponding transponder on board the satellite, even if this transponder is carrying other, authorised television channels (a 36 MHz transponder can broadcast up to ten television channels in digital mode). For this reason, it could be difficult to comply with any CSA injunctions without being forced to terminate contracts with other distributors that lease capacity to duly authorised channels (See Section 4.5 “Risk Factors”, and particularly the paragraph “The Group is subject to strict legislation on the content of the programmes broadcast via its satellites”).

Other provisions applicable to the Group

Eutelsat S.A.’s activities were originally carried out by an intergovernmental organisation, the European Telecommunications Satellite Organisation (the “IGO”). The IGO was founded by certain countries in Western Europe (the “Signatories) on September 1, 1985 (under the “Convention”) to develop and operate a telecommunications satellite system for trans-European telecommunications purposes. On July 2, 2001, all the IGO’s operating activities were transferred to Eutelsat S.A. (the “Transformation”). Because of the Transformation, the Convention was amended to adapt the missions of the IGO (the “Amended Convention”).

Eutelsat IGO has been maintained as an intergovernmental organisation and is currently composed of 48 European countries.

Role of Eutelsat IGO

The main purpose of Eutelsat IGO is to ensure that Eutelsat S.A. complies with the following basic principles (“Basic Principles”):

- public service/universal service obligations: such obligations apply to the space segment and to its use to provide services connected to the public switched telephone network; audiovisual services and future services will be provided in conformity with the relevant national regulations and international agreements, in particular the provisions of the European Convention on Transfrontier Television, taking account of those applying to the universal service concept and the information society;
- Pan-European coverage by the satellite system: Eutelsat S.A. shall, on an economic basis, seek through the pan-European coverage of its satellite system to serve all areas where there is a need for communications services in Member States;
- non-discrimination: services shall be provided to users on an equitable basis, subject to commercial flexibility and consistent with applicable laws and regulations;
- fair competition: Eutelsat S.A. shall comply with all applicable laws and regulations relating to competition.

Current relationship between Eutelsat S.A. and Eutelsat IGO

The relationship between Eutelsat S.A. and Eutelsat IGO is governed by an agreement that came into force on July 2, 2001 and was amended on December 10, 2004 (the “Arrangement”). The Arrangement states that, on the understanding that the management of Eutelsat S.A. is carried out on a sound economic and financial basis, Eutelsat S.A.’s principal obligation under the Arrangement, shall be to observe the Basic Principles. The principal provisions of the Arrangement are as follows:

Eutelsat S.A.’s obligations

- Eutelsat IGO shall be given sixty days notice of any proposal to change its By-laws which would materially affect the observance of the Basic Principles;
- Eutelsat S.A. shall inform Eutelsat IGO, and take duly account of any recommendation made by Eutelsat IGO, in the event of any major changes to its operating, technical, marketing or financial policy that might materially affect the observance of the Basic Principles;
- Eutelsat S.A. shall obtain written prior approval from Eutelsat IGO if it intends to go into voluntary liquidation, or if it intends to merge or amalgamate with another entity;
- the person holding office as Executive Secretary of Eutelsat IGO shall be named as a *censeur* (observer) on Eutelsat S.A.’s Board of Directors, subject to certain conditions;
- Eutelsat S.A. shall finance Eutelsat IGO’s annual operating costs (as an illustration, the budget for this was approximately 700,000 euros for the year ended June 30, 2007).

Eutelsat IGO's Obligations

- Eutelsat IGO shall make all efforts in order to ensure that Eutelsat S.A. can make use of all frequency assignments acquired or filed with the ITU Radiocommunication Bureau as of July 2, 2001;
- any proposed amendment to the Amended Convention that is liable to affect Eutelsat IGO's performance of its activities shall be submitted to Eutelsat S.A., which shall have six weeks in which to communicate its observations to Eutelsat IGO.

Liaison and information

- a joint commission made up of representatives of Eutelsat IGO and of Eutelsat S.A. shall meet at least once per quarter to make sure that Eutelsat S.A. is observing the Basic Principles. In this regard, Eutelsat S.A. shall send Eutelsat IGO extracts from its five-year strategic plan and its certified annual accounts and shall examine with Eutelsat IGO the impact on its activity or on its observance of the Basic Principles of any changes in regulations, particularly European or French, applicable to it;
- in his capacity as *censeur*, the Executive Secretary of Eutelsat IGO shall have access to information under the same conditions as those which apply to a director and shall attend, without the right to vote, meetings of Eutelsat S.A.'s Board of Directors.

The Arrangement also provides a mechanism for settling disputes, notably by arbitration.

Relationship between Eutelsat Communications and Eutelsat IGO

On the occasion of the IPO of Eutelsat Communications, Eutelsat Communications and Eutelsat IGO signed a Letter-Agreement on September 2, 2005, which came into force on December 6, 2005 (the "Letter-Agreement"). Under the Letter-Agreement, Eutelsat Communications undertook:

- to grant to the person occupying the role of Executive Secretary of Eutelsat IGO a seat as *censeur* on the Board of Directors of Eutelsat Communications from the date of the latter's IPO;
- to ensure that Eutelsat S.A. is at all times able to honour its undertakings made pursuant to the Arrangement and not to take any decision which might entail any breach of the said Eutelsat S.A. undertakings;
- in every case, and so that it is not interpreted as an exception or an alleviation of the undertaking set out in the above paragraph, to inform the Executive Secretary, in his capacity as *censeur*, of any decision taken by Eutelsat Communications which might affect the compliance with the Basic Principles by Eutelsat S.A. and to communicate to him all useful information on same;
- to inform Eutelsat IGO, through its Executive Secretary, of any crossing of a legal threshold or of a threshold contained in the By-laws, which has been notified to it by a shareholder;
- not to propose and/or vote for any decision that Eutelsat S.A. distribute dividends in excess of the amount of the net annual result of Eutelsat S.A. and/or the cumulative figure of the net annual result and the net annual results of Eutelsat S.A. which are in the reserves and/or which will result in making the ratio of net indebtedness/EBITDA of Eutelsat S.A. greater than 3.75/1, given that this ratio will not be considered as having been exceeded where any excess comes as a result of any external growth operation and that the notion of dividends is that defined under Article L. 232-12 of the Commercial Code;
- to take all steps necessary so that the undertakings given by Eutelsat Communications, or those that Eutelsat Communications may give, in particular in relation to its financial needs, present or future, cannot in any way entail a cross default of Eutelsat S.A., unless such undertakings given by Eutelsat Communications were also given in the direct interest of Eutelsat S.A.;
- to maintain a consolidated indebtedness of the Eutelsat Group which is not contrary to market practice and a sound management of the Eutelsat Group; and
- to maintain within Eutelsat S.A. a minimum amount of equity in compliance with a sound financial management of Eutelsat S.A. and allowing it to preserve its ability to observe the Basic Principles.

The role, position, remuneration and right to information of the *censeur*, as well as the right to supply information to the Parties and the settlement of any disputes relating to such supply of information, are specified in the Letter-Agreement (see Section 21.2.2 "Board of Directors, Committees and observers" for further information on the clause in the By-laws of Eutelsat Communications concerning the *censeur*).

The Letter-Agreement also provides for the creation of a Coordination Committee, whose main tasks are (i) to exchange useful information and views for the proper implementation of the Letter-Agreement, (ii) to examine any request for the removal of confidentiality restrictions on information received by the *censeur*, and (iii) to examine in particular the annual accounts and the list of third party experts designated to resolve any problem arising as to what information may be circulated by the *censeur* to the Parties to the Convention.

The Letter-Agreement will legitimately become null and void upon the expiry of the Arrangement pursuant to its terms and conditions (it should be noted that the Arrangement may only be terminated by mutual agreement); Eutelsat IGO and Eutelsat Communications may, however, terminate or amend the Letter-Agreement at any time upon mutual agreement, in particular in the situation where such termination or amendment turns out to be helpful to facilitate the development of the Group.

In the event of a transfer of Eutelsat S.A. shares by Eutelsat Communications, the latter shall inform the proposed transferee of the content of the Letter Agreement, it being understood that Eutelsat Communications shall remain bound, in any event, by its undertakings until the expiry of the Letter-Agreement in accordance with the paragraph above.

The Letter-Agreement also contains a mechanism for settling disputes by arbitration.

7 ORGANISATIONAL CHART

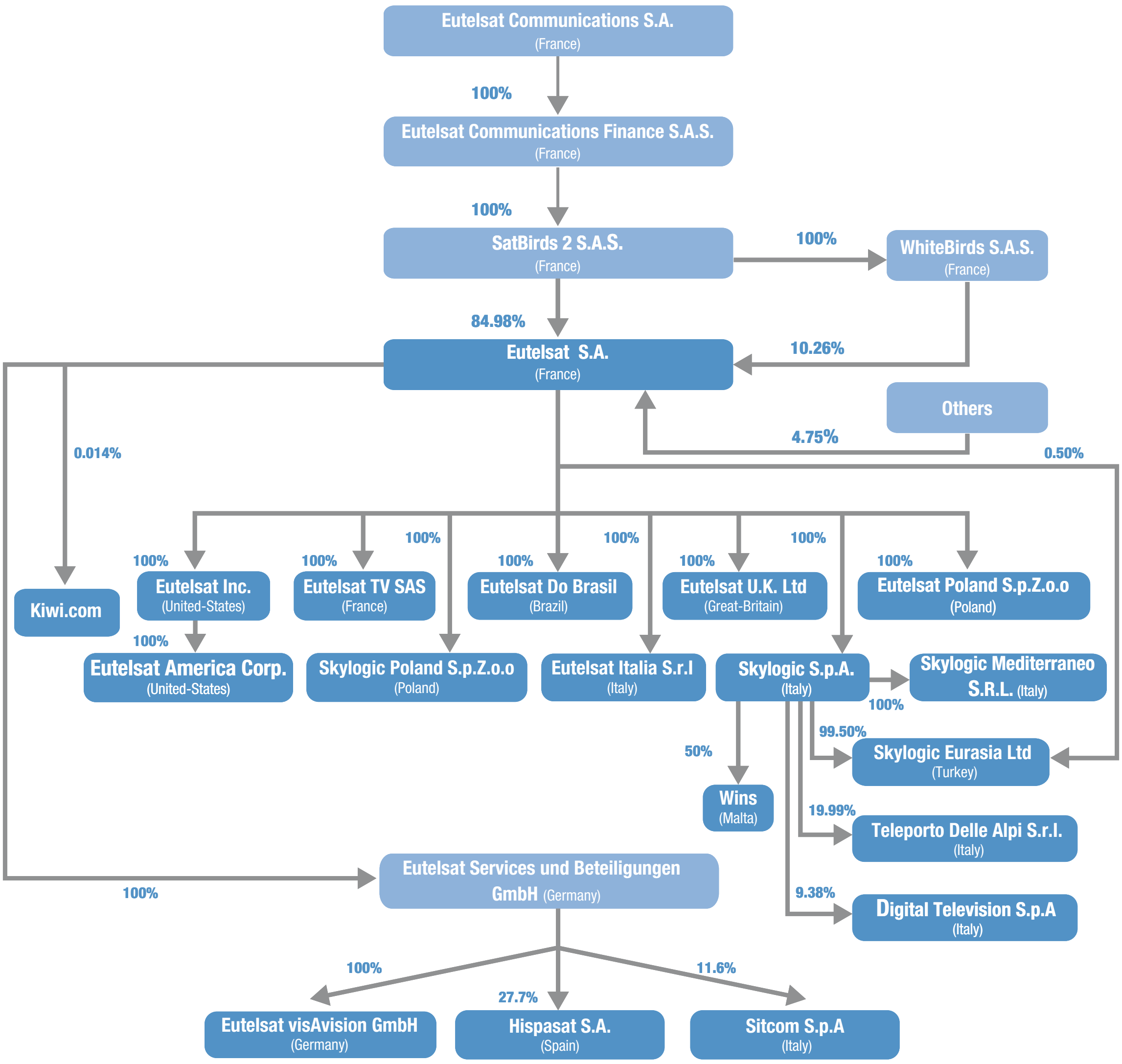
>> 7.1 The Group's Organisational Chart

During the financial year ended June 30, 2007, the Group carried out restructuring with the aim of simplifying its organisational chart (see Section 7.2 "Reorganisation of the Group"). New business subsidiaries of Eutelsat S.A. were also created, to meet better the needs of the Group's customers in their various markets.

As of June 30, 2007, the Group directly or indirectly owns 18 subsidiaries and four equity interests.

The organisational chart below shows the Group's operating organisation as of June 30, 2007, resulting from the reorganisation described in Section 7.2 "Reorganisation of the Group".

GROUP'S ORGANISATIONAL CHART AS OF 30 JUNE 2007 – POST-REORGANISATION



The "Others" item includes all Eutelsat S.A.'s minority shareholders, namely, Eutelsat S.A.'s historically institutional actors, mainly telecom operators or Central and Eastern European or Central Asian governments, as well as Eutelsat S.A. employees.

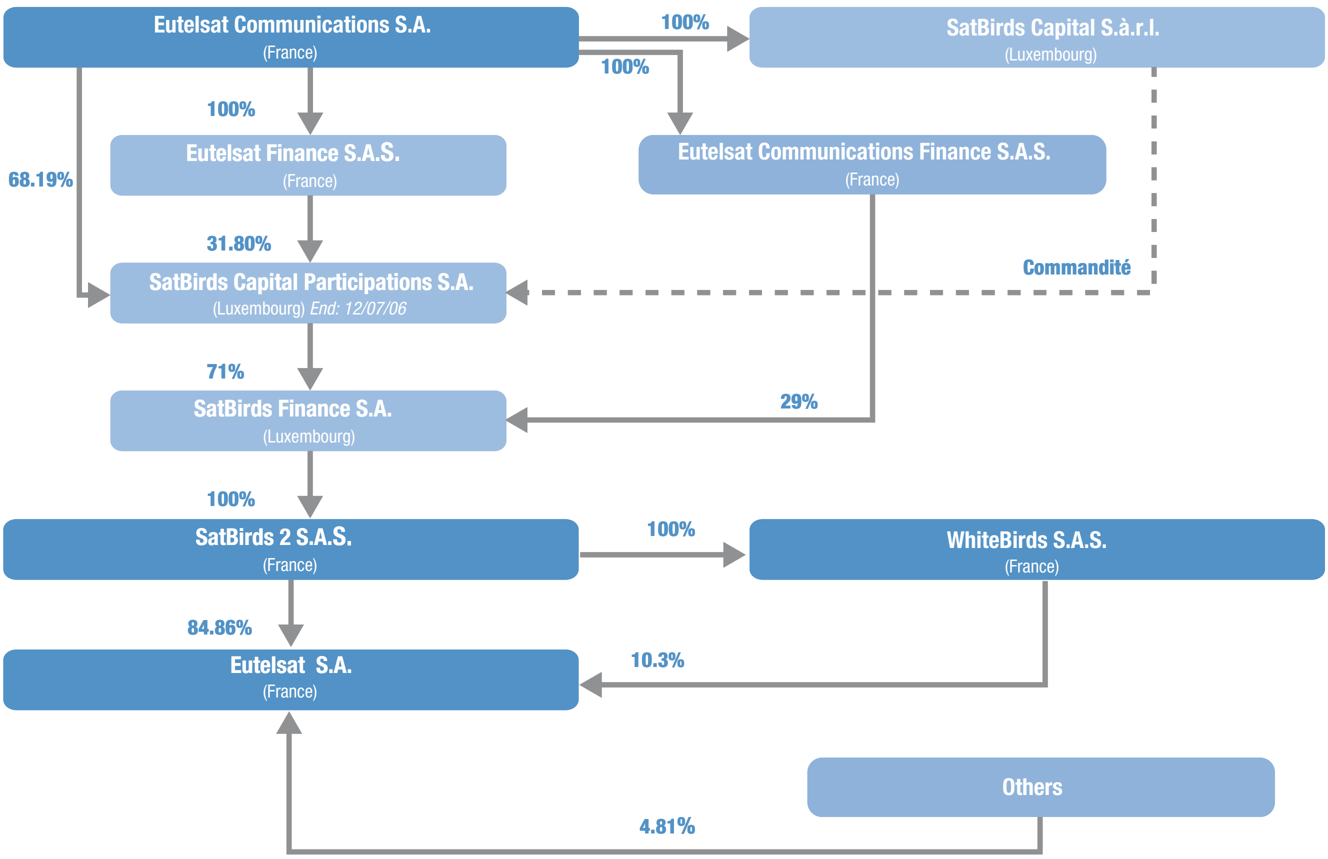
Information on the agreements between the Company and its various subsidiaries are described in Section 19 "Agreements with related parties" in this reference document.

The revenues and performance of the companies shown below in Sections 7.2 "Reorganisation of the Group", and 7.3 "Subsidiaries and equity interests", are established on the basis of the annual accounts of the companies in question and according to local applicable accounting standards. These data are not representative of these companies' contribution to the Group's consolidated financial indicators.

>> 7.2 Reorganisation of the Group

ORGANISATIONAL CHART OF EUTELSAT S.A.'S HOLDING BY EUTELSAT COMMUNICATIONS – PRE-REORGANISATION

The organisational chart below shows the Group's structure before reorganisation; subsidiaries affected by the reorganisation are shown in light blue.



Under the simplification process of the Group's organisational chart, the following operations were carried out during the financial year:

- early dissolution of SatBirds Capital S.àr.l, Luxembourg subsidiary fully owned by Eutelsat Communications S.A., on August 31, 2006;
- dissolution (without liquidation) of Eutelsat Finance S.A.S., fully-owned subsidiary of Eutelsat Communications S.A., on October 26, 2006, by joining all partnership shares together;
- transformation into *sociétés anonymes* (limited companies) under Luxembourg law of SatBirds Capital S.C.A. and SatBirds Finance S.àr.l on July 13, 2006;
- takeover merger of SatBirds Capital S.A. (formerly SatBirds Capital S.C.A.) by SatBirds Finance S.A. (formerly SatBirds Finance S.àr.l) on July 18, 2006;
- takeover merger of SatBirds Finance S.A., subsidiary under Luxembourg law, by Eutelsat Communications Finance S.A.S., on May 31, 2007;
- capital increase of WhiteBirds France S.A.S. on June 15, 2007, in the amount of 1,500,040 euros and issue of 150,004 new shares to SatBirds 2 S.A.S. at a unit price of 1,378.77 euros and paying up of the said capital increase by compensation with a liquid and payable claim totalling 206,820,971.71 euros;
- capital increase of SatBirds 2 S.A.S. on June 15, 2007, in the amount of 1,009,124 euros, and issue of 1,009,124 new shares to Eutelsat Communications Finance S.A.S. at a unit price of 558.53 euros and paying up of the said capital increase by compensation with a liquid and payable claim totalling 563,348,637.59 euros;
- capital increase of Eutelsat Communications Finance S.A.S. on June 15, 2007, in the amount of 1,437,560 euros, and issue of 14,356 new shares at a unit price of 3,918.78 euros to Eutelsat Communications S.A., and paying up of the said capital increase by compensation with a liquid and payable claim totalling 563,348,637.59 euros.

Eutelsat Communications Finance S.A.S. (France)

Fully owned by Eutelsat Communications, and created in June 2006, this French *société par actions simplifiée* (simplified joint-stock company), which is located at 70, rue Balard – 75015 Paris, had as its purpose to receive financing collected as part of the refinancing of the Revolver and Senior Credits, underwritten by SatBirds Finance S.àr.l. All its assets and liabilities were contributed to SatBirds Finance S.àr.l on June 18, 2006.

On the date of this reference document, Eutelsat Communications Finance S.A.S.'s only activity is holding an indirect equity interest in Eutelsat S.A. As of June 30, 2007, no revenues were reported and its net result showed a profit of 172,554.92 euros.

SatBirds 2 S.A.S. (France)

SatBirds 2 S.A.S. is a *société par actions simplifiée* (simplified joint-stock company) under French law, having its registered offices at 70, rue Balard – 75015 Paris, registered with the Commercial and Corporate Registry under number 481 046 175 RCS Paris.

The purpose of SatBirds 2 S.A.S. is to buy equity interests in other companies. SatBirds 2 S.A.S. is a company whose sole activity is holding an equity interest in Eutelsat S.A.

As of June 30, 2007, no revenues were reported and its net result showed a profit of 126,246,871.88 euros.

WhiteBirds S.A.S. (France)

WhiteBirds S.A.S is a *société par actions simplifiée* (simplified joint-stock company) under French law, having its registered offices at 70, rue Balard – 75015 Paris, registered with the Commercial and Corporate Registry under number 479 530 834 RCS Paris. The purpose of WhiteBirds France S.A.S. is to buy equity interests in other companies. WhiteBirds was registered on November 17, 2004 for the purpose of holding a 10.3% interest in Eutelsat S.A.'s capital.

As of June 30, 2007, no revenues were reported and its net result showed a loss of 3,963,038.55 euros.

>> 7.3 Subsidiaries and equity interests

The Group's main operating subsidiaries are Eutelsat S.A. (France) and Skylogic S.p.A. (Italy), itself a subsidiary of Eutelsat S.A.

Eutelsat S.A. is a société anonyme (a limited company) whose registered offices are at 70, rue Balard – 75015 Paris. Eutelsat S.A. is the Group's principal operating company. As of June 30, 2007, its revenues[(6)] were 809.0 million euros and its net result showed a profit of 239.8 million euros.

As of June 30, 2007, the Company indirectly holds 95.2% of the share capital of Eutelsat S.A., the Group's main operating company, by means of which it has control of several subsidiaries and sub-subsidiaries of Eutelsat S.A. as well as indirect interests, including Hispasat.

Eutelsat Communications initiated an acquisition involving 11 million shares of its unlisted subsidiary Eutelsat S.A. held by the latter's minority shareholders, of which two million shares are held by the Group's employees. This represents in all a little over 1.1% of the capital of Eutelsat S.A., of which Eutelsat Communications holds 95.24% of the share capital.

The transaction will be paid for in cash or in exchange for Eutelsat Communications shares to be issued, at the minority shareholders' choosing; Eutelsat S.A.'s shares are valued by transparency on the basis of the average of the Eutelsat Communications closing share-price over the twenty trading sessions following the announcement of the annual results for the financial year ended June 30, 2007 (see Section 20.8 "Significant changes in the commercial or financial position" of this reference document).

7.3.1 Representation and promotion of Eutelsat S.A.'s activities

In the context of its international development, Eutelsat S.A. has subsidiaries whose principal activity is to promote the Group's products and services and to represent Eutelsat S.A.

Eutelsat Inc. (United States)

Eutelsat Inc. is in charge of promoting Eutelsat S.A.'s services and satellite capacity in the United States.

As of June 30, 2007, Eutelsat Inc. realised 1,894 million euros in revenues and its net result showed a profit of 353 thousand euros.

Additionally, Eutelsat Inc. holds 100% of the Eutelsat America Corp. subsidiary.

Eutelsat America Corp. (United States)

Created on November 28, 2006, Eutelsat America Corp.'s role is to distribute Eutelsat S.A.'s capacity throughout the North American market. As of June 30, 2007, its revenues were 1,889 million euros and its net result showed a loss of 364 thousand euros.

Eutelsat Do Brasil (Brazil)

Eutelsat Do Brasil is in charge of promoting and marketing Eutelsat's capacities and services in Latin America. Additionally, Eutelsat Do Brasil has been granted landing rights by the Brazilian authorities, meaning it can provide satellite capacity for the Brazilian market with the W1, ATLANTIC BIRD™ 1 and ATLANTIC BIRD™ 2 satellites.

As of June 30, 2007, Eutelsat Do Brasil had revenues of 791 thousand euros and its net result showed a profit of 490 thousand euros.

Eutelsat UK Ltd (Great Britain)

This company is in charge of promoting Eutelsat S.A.'s activity in the United Kingdom and Ireland.

As of June 30, 2007, Eutelsat UK Ltd had revenues of 559 thousand euros and its net results showed a profit of 28 thousand euros.

Eutelsat Poland s.p.Z.o.o. (Poland)

Created in January 2004, this company's purpose is to promote Eutelsat's services in Poland and Central Europe.

As of June 30, 2007, Eutelsat Poland s.p.Z.o.o. recorded revenues of 846 thousand euros and its net result showed a profit of 35 thousand euros.

(6) Non-consolidated revenues based on annual accounts as of June 30, 2007, including billings to subsidiaries, equity interests or affiliates, but excluding revenues from subsidiaries, equity interests or affiliates of Eutelsat S.A.

7.3.2 Other subsidiaries

Skylogic (Italy)

Skylogic S.p.A. is 100% owned by Eutelsat S.A. (itself 95.2% owned by the Company). Skylogic is in charge of operating the Turin teleport and marketing Value-Added Services, especially the D-STAR satellite Internet access solution.

During the financial year, Skylogic acquired a minority holding of 9.38% in Digital TV S.p.A. by means of a capital increase, for an overall total of 1,000,000 euros and a 19.99% interest in Teleporto delle Alpi s.r.l., a company without any activity at June 30, 2007.

As of June 30, 2007, Skylogic's revenues (annual accounts) totalled 20.48 million euros. For the first time, its net result was positive, with an after-tax profit (as per the annual accounts) of 67,405 euros. This was due mainly to the increase in its revenues, driven by the growth in the number of D-STAR terminals in Europe and Africa during the financial year. As of June 30, 2007, Skylogic was employing 57 people.

Wins (Malta)

This company, 50% held by Skylogic S.p.A., in partnership with the Maltese operator MALTASAT, is responsible for commercialising the D-STAR service in the Mediterranean Basin for cruise ships and ferries, providing the vessels with telephony services (GSM) and broadband access.

As of June 30, 2007, Wins had revenues of 0.15 million euros, and recorded a loss of 950,394 euros because of expenses incurred for the start-up of its services.

Skylogic Mediterraneo srl (Italy)

This company, 100% held by Skylogic S.p.A., was created on July 7, 2006 and its purpose is the operation of a teleport that will be installed in Sardinia. At June 30, 2007, no revenues were reported and its net result showed a loss of 173,563 euros.

Skylogic Eurasia Ltd

This company, 99.5% owned by Skylogic S.p.A. and 0.5% by Eutelsat S. A., created onJanuary 26, 2007, is in charge of the promotion and marketing of satellite services in Turkey.

As of June 30, 2007, its revenues were 337 euros and its net result showed a loss of 9,421 euros.

Eutelsat Services und Beteiligungen GmbH (Germany)

In April 2002, Eutelsat S.A. acquired a company renamed Eutelsat Services und Beteiligungen GmbH (Eutelsat GmbH), which is 100% owned.

Among other things, Eutelsat GmbH holds a 27.69% stake in the capital of the Spanish operator Hispasat and has a role in promoting and representing Eutelsat S.A. in Germany. As of June 30, 2007, its revenues (annual accounts) were 1.85 million euros and its net result showed a loss of 55 thousand euros.

VisaVision GmbH (Germany)

VisaVision GmbH, 100% owned by Eutelsat GmbH and created in April 2004, is in charge of promoting the KabelKiosk service in Germany as well as Denmark, Luxembourg, Switzerland and Austria. This service consists of providing satellite capacity and associated dedicated services to a package (including ethnic channels) marketed by regional cable operators to their subscribers. As of June 30, 2007, its revenues (annual accounts) were 1.27 million euros and its net result showed a loss of 173,784 euros.

Eutelsat TV S.A.S.

This company, 100% owned by Eutelsat S.A., was created on June 25, 2007 and its first financial year ended June 30, 2007. As of June 30, 2007, it was a shell company without activity, and its net result showed a loss of 1,000 euros.

7.3.3 Equity interests

Hispasat S.A. (Spain)

As of June 30, 2007, the Group indirectly holds 27.69% of the voting rights of Hispasat Group, a private unlisted Spanish satellite operator, 21.15% acquired on December 28, 2001 and 6.54% acquired on April 8, 2002.

The table below shows Hispasat Group's summarised annual data as of December 31, 2006 (latest data published by Hispasat):

(In thousands of euros)	**December 31, 2006**
Assets	584,935
Equity capital	315,224
Operating income	117,228
Net result	24,503

Sitcom S.p.A. (Italy)

As of June 30, 2007, the Group indirectly holds 11.6% of the voting rights of Sitcom S.p.A.. Created in 1997, Sitcom S.p.A. is an operator and publisher of audiovisual programmes and television channels in Italy. The channels provided by Sitcom S.p.A. are broadcast mainly in Italy, via the Sky Italia package.

>> 7.4 Group cash flows

Intra-group loans had been set up between some of the Company's subsidiaries (SatBirds Capital Participations S.C.A., SatBirds Capital S.àr.l, SatBirds Finance S.àr.l, SatBirds 2 S.A.S. and WhiteBirds France S.A.S.) for the financing needs of acquisitions of Eutelsat S.A. shares made during the financial year ended June 30, 2006.

As a result of the refinancing carried out on June 19, 2006, only some loan agreements entered into between Eutelsat Communications S.A. and SatBirds 2 S.A.S., on the one hand, and between SatBirds 2 S.A.S. and WhiteBirds France S.A.S., on the other hand, remained in force.

After the capital increases carried out on June 15, 2007 (see Section 21.1.7 "Changes in the share capital until date of registering this reference document"), all intra-group loan agreements were prepaid by SatBirds 2 S.A.S. and WhiteBirds France S.A.S..

Additionally, Eutelsat Communications and Eutelsat Communications Finance granted Eutelsat S.A. short-term loans of 79 million euros and 111 million euros respectively as of June 30, 2007.

In the context of its business, Eutelsat S.A. leases satellite capacity to its operating subsidiaries, including Skylogic S.p.A. (see Note 25 to the consolidated accounts for the financial year ended June 30, 2007 in Section 20.1 "Financial Information for the financial year ended June 30, 2007" of this reference document).

The table below summarises relations between the Company and its subsidiaries at June 30, 2007:

Consolidated items (except dividends) *(In millions of euros)*	**Eutelsat S.A. (sub-group)**	**Other subsidiaries**	**Eutelsat Communications**	**Consolidated Total**
Fixed assets (incl. goodwill)	2,226	-	1,658	3,884
Financial indebtedness (ex-Group)	725	-	1,615	2,340
Cash assets on balance sheet	20	6	19	45
Cash flows related to business	524	-	4	528
Dividends/issue premium paid during the financial year 2006/2007 accruing to Eutelsat Communications	-	202	N/A	N/A

8 PROPERTY, PLANT AND EQUIPMENT

>> 8.1 The Group's property and equipment

The Company's registered offices, as well as the one of Eutelsat S.A., are located at 70, rue Balard, 75015 Paris. In 2004, Eutelsat S.A. renewed the lease on the building for nine years, which includes a period of six non-cancellable years.

On September 1, 2004, Eutelsat S.A. entered into a agreement to acquire Rambouillet's teleport facilities from France Telecom for 5.3 million euros. The Rambouillet teleport is used as a back-up control and satellite telecommunications centre to use in the event of a failure of the control centres located in Eutelsat S.A.'s technical control centre in Paris. The teleport also has the technical means necessary to provide value-added service, hosting a D-STAR platform and the EutelTRACS platform. The teleport also allows the Group to provide uplink/downlink services to its customers, notably video services and hosting services for satellite communications network operator platforms. Some contracts with customers and service providers have been transferred to Eutelsat S.A., including a contract between EuropeStar Station and France Telecom for delivery of the TCR2 host site.

In January 2005, Skylogic Italia acquired a new site in Turin, Italy, at a total cost of 930,000 euros, to install its Skyparc teleport, and invested nearly 10 million euros in constructing and equipping such new teleport.

The Group has sales and marketing offices outside France, located in Brazil, Germany, Poland, the United States, Italy and the United Kingdom, as well as an operating office in Italy.

The Group owns 19 satellites in geostationary orbit as of the registration date of this reference document. These are described in Section 6.4.1.2 paragraph "Group-owned in-orbit satellites".

>> 8.2 Environment, health and safety

The Group's activities are subject to health and safety regulations, including regulations on worker and public exposure to electromagnetic fields. The activities performed at the Group's registered office in Paris and at the Rambouillet teleport are conducted in compliance with the rules governing RF exposure.

Moreover, some facilities operated by the Group come under the plan of facilities classified for environmental protection (Articles L. 511-1 et seq. of the French Environmental Code. Indeed, some of the Group's operations require continuous electrical power. The Rambouillet teleport, in particular, uses (notably) fuel and battery storage for emergency generators, which are subject to the system whereby they have to be declared.

As owners or operators, and in relation to current or past operation of some of its sites, the Group could incur high costs, including depollution, fines, sanctions or third-party claims costs, resulting from non-compliance or liabilities under environmental, health and safety laws and regulations. However, the Group deems that its operations are being carried out in compliance with these laws and regulations.

9 REVIEW OF FINANCIAL POSITION AND RESULT

>> 9.1 Preliminary note on the presentation of the accounts

The Company is a holding company without any business activities of its own, other than its indirect equity interest in Eutelsat S.A. As of June 30, 2007, the Company held 95.24% of Eutelsat S.A.'s capital.

The following paragraphs are mainly dedicated to a presentation and analysis of Eutelsat Communications' consolidated results for the three financial years ended June 30, 2005, 2006 and 2007, prepared under IFRS. The comparative analysis of the income statements covers, first, the financial years ended June 30, 2007 and 2006 and, then the financial years ended June 30, 2006 and 2005. The income statement for the financial year ended June 30, 2005 is an unaudited consolidated 12-month *pro forma* income statement prepared on the basis of Eutelsat Communications' consolidated financial statements (IFRS) for the 3-month period ended June 30, 2005 and Eutelsat SA.'s consolidated financial statements for the 12-month period ended June 30, 2005 (IFRS).

We invite the reader to review the following presentation in conjunction with the reference document as a whole, including (i) Eutelsat Communications' consolidated accounts for the financial years ended June 30, 2006 and 2007, prepared according to international financial reporting standards (IFRS), and the Notes to those accounts, and (iii) Eutelsat Communications' historical consolidated accounts for the financial year ended June 30, 2005 (three-month financial period) prepared according to IFRS, and the Notes to those accounts (including, in Note 29, the Company's *pro forma* financial information provided for the 12-month period ended June 30, 2005) in Sections 20.1, "Financial information for the year ended June 30, 2007" and 20.2, "Financial information for the year ended June 30, 2006" of this reference document.

>> 9.2 Overview

The Group is one of Europe's leaders in satellite services. It operates a fleet of 24 satellites in geostationary orbit (GEO) and provides capacity for Video, Data and Multi-Usage Services. The Group owns 19 GEO satellites and operates capacity on five additional satellites owned by third parties. With its fleet of satellites located from 15° West to 70.5° East, the Group covers all of Extended Europe, Sub-Saharan Africa and a substantial portion of Asia and the Americas, giving it potential access to 90% of the global population.

Eutelsat Communications S.A. provides three types of services (the percentages shown below are based on estimates from Eutelsat Communications S.A., not including non-recurring income):

- video services (72.2% of revenues for the financial year ended June 30, 2007);
- data services including Professional Data Networks and Value-Added Services (19.4% of revenues for the financial year ended June 30, 2007);
- Multi-Usage Services (7.2% of revenues for the financial year ended June 30, 2007).

Revenues have increased by 4.8% during the financial year ended June 30, 2007, from 791.1 million euros at June 30, 2006 to 829.1 million euros at June 30, 2007.

Additionally, the Group earned approximately 220 million U.S. dollars in revenues. The Group's policy is to hedge the foreign exchange risk on its revenues, using forward exchange or options contracts (see Section 4.6 "Market risks," paragraph "Foreign exchange risk").

Geographical Breakdown of Revenues

The table below shows a breakdown of the Group's revenues by geographical area during the financial years ended June 30, 2005, 2006 and 2007. This table has been created from billing addresses and does not show the geographical origin of the capacity's final users, mainly due to the substantial weighting of distributor-customers in the Group's customer portfolio.

(In millions of euros and as a percentage)	**Unaudited** ***pro forma*** **12-month period 2005**		**12-month FY ended June 30, 2006**		**12-month FY ended June 30, 2007**	
Regions	Amount	%	Amount	%	Amount	%
Europe (others)	258.7	34.5	262.7	33.2	286.2	34.5
Italy	108.5	14.5	126.6	16.0	133.2	16.1
United Kingdom	130.7	17.4	129.1	16.3	116.3	14.0
France	121.3	16.2	110.2	13.9	109.5	13.2
Americas	60.2	8.0	69.0	8.7	74.3	9.0
Middle East	36.2	4.8	52.0	6.6	61.1	7.4
Others(*)	34.9	4.6	41.6	5.3	48.4	5.8
TOTAL	**750.4**	**100.0**	**791.1**	**100.0**	**829.1**	**100**

(*) Including 9.7 million euros in penalties for late delivery and service interruption over the period ended June 30, 2005, 17.4 euros over the period ended June 30, 2006, and 11.4 euros over the period ended June 30, 2007.

Due to the Group's satellite resource distribution model, changes in the revenues by geographical area illustrate, on the one hand, the gradual activation of the lease concluded on July 5, 2005 with SKY Italia (Italy) covering the renewal on a "direct with the customer" basis of transponders previously leased through distributors and the ten-year lease of ten additional transponders for satellite lifetimes, and, on the other hand, the strong growth in the Group's business in Central and Eastern Europe, Russia, and the Middle East, inked to the high demand for capacity coming from these markets.

>> 9.3 Description of items in the income statement

Revenues

The Group's revenues are mainly derived from the supply of satellite capacity. The Group's customer base includes both customers (distributors who resell satellite capacity to final users) and "user-customers" (who use Eutelsat Communications S.A.'s satellite capacity for their own needs). Eutelsat Communications S.A.'s ability to generate revenues depends largely on its tariffs, which vary above all according to the type of capacity offered and the orbital position of the satellites. However, the prices by Eutelsat Communications S.A. also depend on the tariffs of the competition (see Section 6.7, "Competition").

A limited percentage of Eutelsat Communications S.A.'s revenues ("Other income") comes mainly: (i) from the sale or lease of terminals and equipment for business networks and mobile services; (ii) from compensation paid by satellite constructors in cases of significant delay or interruption in the transmission capacity of the satellites in orbit; (iii) from certain benefits paid by insurers; and (iv) from the financing of certain research programmes by the European Union and other organisations. It is difficult to predict developments in most of these factors.

Operating costs

Operating costs mainly include staff-related costs and other costs for controlling and operating the group's satellites, as well as satellite in-orbit lifetime insurance premiums:

- **staff-related costs.** Operating costs include wages and payroll costs of employees in charge of supplying, operating and maintaining the satellites (including legal employee profit-sharing);
- **satellite operating and control costs.** This includes the costs of running ground stations and the costs of equipment, notably range finding, control, positioning, payload management, maintenance of satellite control centre software applications and equipment, and traffic supervision and management. The amount of these costs depends on the number of satellites and satellite families operated, any repositioning of satellites and of the number and type of services offered.

  These costs also include subcontracting costs for range-finding, control and monitoring operations for a number of satellites in orbit. Furthermore, Eutelsat Communications has entered into service contracts for satellite communications systems control with eight suppliers;
- **satellite in-orbit lifetime insurance premiums.** A satellite's in-orbit lifetime insurance generally takes effect when the launch insurance policy expires (generally one year after the satellite's launch). If the Group takes out launch insurance providing in-orbit lifetime coverage, the premiums for periods subsequent to the first anniversary of the launch date are treated in the same way as in-orbit lifetime insurance costs. Virtually all satellites in orbit belonging to the Group are covered for amounts defined under an insurance policy structured in tranches. Depending on the chosen risk-management policy and the terms and conditions in the space insurance market, insurance premium costs can vary from one financial year to another (see Section 4.7.2, "Insurance").

Operating costs also include a portion of the business tax (*taxe professionnelle*), which is spread between operating costs and selling, general and administrative expenses (based on the corresponding staff head-count).

Commercial and administrative expenses

Commercial and administrative expenses include:

- costs for commercial and administrative staff (including legal employee profit-sharing);
- marketing expenses, such as advertising and co-marketing expenses with client-distributors and users;
- overheads for leasing of premises, external studies and logistics;
- expenses related to developing and marketing new products;
- a portion of the operating taxes (including a portion of the business tax); and
- provisions for customer receivables or other debts.

Depreciation charge

The depreciation charge includes costs related to the depreciation of fixed assets. This is Eutelsat Communications S.A.'s largest expense item.

The Group's fixed assets consist mainly of its satellites and ground facilities. Capitalised satellite costs include (i) satellite construction and launch costs, (ii) launch insurance premiums (which generally include in-orbit coverage until the first anniversary of the launch date), (iii) charges for associated capitalised interest, (iv) net book value (at launch) of the incentive payments to the manufacturer throughout the satellite's operation, depending on its compliance with technical and contractual specifications, as well as (v) costs associated directly with procurement programme monitoring (costs of studies, employee salaries and consultancy fees).

Satellites are depreciated on a straight-line basis over their period of operation in stable orbit – generally 10 to 16 years – except for the latest satellites to launch, W3A, HOT BIRD™ 7A and HOT BIRD™ 8, whose life expectancy was longer than 18 years when they began operational service.

At least once a year, the Group reviews remaining operational duration of its satellites, according to forecast use and a technical assessment of their operational performance. If a change in operational life occurs, future depreciation charges are calculated on the basis of the satellite's new remaining operational life.

The Group's fixed assets also include the 39 transponders, including 18 transponders on satellites in inclined orbit, which are covered by contracts, according to which its subsidiary, Eutelsat S.A., has capacity on all or some of the transponders of the third-party satellites, with the risks and benefits of ownership having been transferred to it.

The satellites concerned are SESAT™ 2, Express A3, Telstar 12, TELECOM 2C and TELECOM 2D. The aggregate capitalised amount depends on the current value of the lease payments. Capitalised capacity costs are amortised over the duration of the contract.

Operating result

Operating income equals revenues minus operating costs, commercial and administrative expenses, the depreciation charge and other operating expenses.

>> 9.4 Comparative analysis of the income statements for the financial years ended June 30, 2005, 2006 and 2007

9.4.1 Comparison of the financial years ended June 30, 2006 and 2007 (in IFRS standards)

CONSOLIDATED INCOME STATEMENT FOR FYS ENDED JUNE 30, 2006 AND 2007

IFRS *(In thousands of euros)*	**12-month financial year ended June 30, 2006**	**12-month financial year**
Revenues	**791,070**	**829,086**
Operating costs	(72,664)	(62,526)
Selling, general and administrative expenses	(101,886)	(113,938)
Depreciation charge	(285,805)	(300,849)
Other operating income	-	37,501
Other operating expenses	(27,006)	(26,745)
Operating income	**303,709**	**362,529**
Financial result	(179,570)	(108,160)
Net income before taxes	129,958	262,235
Corporate income tax	(89,724)	(92,215)
Net income	**40,234**	**170,020**
Group's share	30,420	159,377
Portion allocated to minority interests	9,814	10,643

9.4.1.1 Revenues

Revenues rose from 791.1 million euros in 2006 to 829.1 million euros in 2007 – an increase of 4.8%. Revenues for the financial year ended June 30, 2007 include 11.4 million euros in late delivery penalties for the HOT BIRD™ 7A satellite. At a constant exchange rate, the growth rate is 5.9%. Excluding non-recurring items, including late delivery penalties and satellite service interruption penalties, and at a constant exchange rate, growth compared to the previous financial year was 6.8%.

The following table shows revenues by service for the financial years ended June 30, 2006 and 2007:

(In millions of euros)	12 months ended 30 June 2006	12 months ended 30 June 2007	Variation *(in %)*
Video applications	528.6	590.4	+11.7
Data & Value-Added Services	169.1	159.0	-6.0
Data	139.2	127.6	-8.4
Value-Added Services	29.9	31.4	+5.0
Multi-Usage Services	69.7	59.1	-15.1
Others	6.3	9.2	+45.9
Subtotal	**773.7**	**817.7**	**+5.7**
Non-recurring income	17.4	11.4	-34.5
TOTAL	**791.1**	**829.1**	**+4.8**

Video Applications

In 2006-2007, Video Applications a growth of 61.8 million euros – 11.7% – reaching 590.4 million euros, consolidating the Group's leadership in Extended Europe and reflecting strong growth in Russia, Central and Eastern Europe, the Middle East and Africa. The main factors of growth are as follows:

> 23% increase in the number of television stations broadcast by Eutelsat's fleet:

- in European Union countries receiving from the leading HOT BIRD™ (13° East) and EUROBIRD™ 1 (28.5° East) positions, the number of channels has increased by 13%. At June 30, 2007, the Group's leading broadcasting position, HOT BIRD™, reinforced by the entry into service of the HOT BIRD™ 8 satellite in October 2006, was transmitting 1,097 television channels to an audience of 121 million cable and satellite households in Extended Europe, including nearly 48 million DTH,
- benefiting from the boom in the digital TV markets in Russia, Central and Eastern Europe, the Middle East and Africa, the Group's other major video positions posted a 47% increase in the number of television stations. This growth is being driven in particular by the Group's customers in the Middle East at the major Video positions of 7°/8° West and 25.5° East, as well as by the expansion of Total TV packages in Serbia, TV Romania in Romania, NTV+ and Tricolor in Russia, Digiturk in Turkey, and MultiChoice Africa and Gateway in Africa;

> the opening up of the orbital position at 7° West, with the activation of the ATLANTIC BIRD™ 4 satellite in July 2006, followed by the opening of the 9° East position via the relocation of the HOT BIRD™ 2 satellite (which was renamed EUROBIRD™ 9) in May 2007, made it possible to activate the contracts signed with the Egyptian hotel operator Nilesat and the new Portuguese pay TV package TV Tel.

NUMBER OF TV CHANNELS BROADCAST BY EUTELSAT'S FLEET

At 30 June	2006	2007	Variation over 1 year Units	Variation over 1 year %
Flagship orbital positions[(1)]	1,227	1,381	+154	+13%
Major orbital positions [(2)]	759	1,113	+354	+47%
Other orbital positions	135	114	-21	-16%
TOTAL	**2,121**	**2,608**	**+487**	**+23%**

(1) HOT BIRD™ at 13° East (Eastern Europe) and EUROBIRD™ 1 at 28.5° East (United Kingdom, Ireland).
(2) 7° West (Middle East, North Africa), 5° West (France), 7° East (Turkey), 9° East (Europe), 16° East (Central Europe and the Balkans), 25.5° East (Middle East), 36° East (Russia, Africa).

Data and Value-Added Services

Because of the transformation of certain short-term contracts into long-term contracts and the reallocation towards Video Applications of capacity leases reaching their term, Data Services are down by 11.6 million euros to 127.6 million euros, -8.4% compared to the previous financial year.

Meanwhile, Value-Added Services posted regular growth of 5% over the year, to 31.4 million euros. This activity, mainly consisting of satellite broadband Internet access in areas not covered by the terrestrial networks, was driven by continued deployment of the D-STAR two-way service, which had 7,424 terminals in service at June 30, 2007, a 40% increase, and revenues increasing from 29.9 million euros in 2006 to 31.4 million euros in 2007. Sub-Saharan Africa and North Africa are generating more than half of this growth, with 1,326 new terminals, illustrating how buoyant these markets are.

During the 2006-2007 financial year, the Group also continued to extend its Value-Added Services by developing new broadband access solutions:

- for business aircraft: The Group launched a business aircraft version of the D-STAR service permitting Internet access during flights inside European airspace. This service was selected by ARINC, a global communications services leader in aviation, which has already deployed the service on 40 business jets;
- for rail transport: Eutelsat has partnered with Altsom, Orange and Cap Gemini to provide the SNCF with a turnkey solution for Internet access and multimedia services, which is currently at the experimental stage.

We would also remind you that our subsidiary, Skylogic, has signed a partnership agreement with Via Sat, the constructor of satellite communications equipment, with the aim of developing and marketing top-quality and affordable broadband satellite access for European households not covered by the Ka band broadband terrestrial networks, using Ka band capacity available on the HOT BIRD™ 6 satellite employing the DOCSIS standard.

Multi-Usage Services

Revenues from Multi-Usage services fell by 15.1%, from 69.7 million euros in 2006 to 59.1 million euros in 2007. This is due mainly to the reallocation to Video Applications of capacity previously leased to Arabsat upon the end of the contract in March 2007, as well as the adverse effect of the U.S. dollar/euro exchange rate.

Meanwhile, capacity leased to provide services to government bodies grew by 8.2% over the financial year, following the renewal of all the leases that were due for renewal during the financial year, as well as the signature of new contracts following the entry into service of the EUROBIRD™ 4 satellite, which provides excellent coverage of the Middle East region.

Other income and non-recurring income

“Other income”, which amounted to 9.2 million euros at June 30, 2007 and was up by 45.9% on the 2006 figure, is mainly derived (i) from the sale or lease of terminals and equipment for business networks and mobile services; (ii) from euro/U.S. dollar exchange hedge gains, and (iii) from financing by the European Union and other bodies of certain research programmes.

The non-recurring income that totalled 11.4 million euros at June 30, 2007, down from 17.4 million euros at June 30, 2006, includes indemnities for late delivery of the HOT BIRD™ 7A satellite.

9.4.1.2 Operating costs

During the financial year ended June 30, 2007, operating costs decreased by 14%, from 72.6 million euros at June 30, 2006 to 62.5 million euros at June 30, 2007. Expenditure was stable as a result of a strict cost-control policy, and there was also a significant decrease in the cost of in-orbit lifetime insurance following renewal of the programme in November 2006.

9.4.1.3 Commercial and administrative expenses

During the financial year ended June 30, 2007, commercial and administrative expenses increased by 11.8%, from 101.9 million euros at June 30, 2006 to 113.9 million euros at June 30, 2007. The increase is linked mainly to an increase in the allocation for provision for depreciation of trade receivables compared to the previous financial year, following the increase in revenues, and to a higher figure for professional fees related to the process of reviewing preliminary offers received by the Company concerning the acquisition of all or part of its capital and to the capital investment projects examined by the Group during the financial year.

9.4.1.4 Depreciation charge, other operating costs and other operating income

The changes under this heading are described in detail in Notes 4 and 5 to the consolidated financial statements for the year ended June 30, 2007.

The depreciation charge corresponds mainly to the depreciation of satellites and ground facilities, as well as the depreciation of intangible assets under “Customer contracts and relationships”. This latter item represents 44.5 million euros per year.

At June 30, 2007, the depreciation charge was 300.8 million euros, up by 5.3% over June 30, 2006 when the figure was 285.8 million euros. This is because of the impact virtually throughout the financial year of the depreciation of the new HOT BIRD™ 7A and HOT BIRD™ 8 satellites, which more than compensated for the reduction in the amount allocated to the EUROBIRD™ 4 satellite as a result of the impairment in its value and the extended book life of certain satellites. The depreciation charge also includes 44.5 million euros for depreciation of the intangible asset “Customer contracts and relationships”, which was acknowledged when Eutelsat S.A. was acquired by the Company.

“Other operating income” was 37.5 million euros, which mainly corresponds to the indemnity received for the W1 satellite, which was paid by the insurers during the financial year (37.3 million euros). “Other operating expenses” (26.7 million euros) mainly comprise the loss in value of the EUROBIRD™ 4 satellite (25 million euros) recognised at June 30, 2007. On the balance-sheet date for the year ended June 30, 2007, the Group did not know of any items that might call this valuation into question.

9.4.1.5 Operating income

At June 30, 2007, operating income is 362.5 million euros, representing 43.7% of revenues, up from 303.7 million euros at June 30, 2006 and 38.4% of revenues.

9.4.1.6 Financial result

The financial result shows an expense of 108.2 million euros at June 30, 2007, compared to 179.6 million euros for the previous financial year.

This significant improvement in the Group's financial income reflects, first of all, the radical change in the Group's debt structure the previous financial year, as a result of debt restructuring operations after the listing of its securities and the June 2006 refinancing, and, second, the effect over a full financial year of the reduction in the interest expense, notably for the refinancing arrangements for 1,615 million euros on June 19, 2006 (see table below).

(In millions of euros)	**FY ended June 30, 2006**	**FY ended June 30, 2007**
Interest and other expenses	(138.1)	(107.5)
Hedging instruments	10.7	2
Foreign exchange gains/(losses)	0.5	0.3
Depreciation of loan issue costs	(8.2)	(3)
Subtotal	**(135.1)**	**(108.2)**
Debt restructuring costs (post-IPO) and Senior debt refinancing costs	(44.5)	-
FINANCIAL RESULT	**(179.6)**	**(108.2)**

9.4.1.7 Corporate Income Tax

The effective tax rate for the financial year 2006/2007 was significantly improved, reaching 36.3% following the simplification of the Group's structure, which was effected in line with the schedule initially agreed, and in spite of an increase in the taxable basis under the transitional provisions valid for a period of five years defined by the French tax authorities and applicable as from the date of transfer of activities. These provide for the application of the standard French rate of tax with a reduction of 10% inyear 5 (i.e. the financial year ended June 30, 2006).

9.4.1.8 Consolidated net result

At June 30, 2007, the consolidated net result shows a profit of 170 million euros, up from 40.2 million euros at June 30, 2006. This significant improvement in consolidated net income is a result of the Group's excellent operating performance, which shows an improvement in all intermediary management balances, especially operating income and the financial result.

9.4.2 Comparison of the financial years ended June 30, 2005 and 2006

The comparative analysis of the financial years ended June 30, 2005 and 2006 was made on the basis of the *pro forma* financial information prepared using Eutelsat Communications' IFRS financial statements for the three-month period ended June 30, 2005 and Eutelsat S.A.'s IFRS consolidated financial statements for the 12-month period ended June 30, 2005.

CONSOLIDATED INCOME STATEMENT AT JUNE 30, 2005 AND JUNE 30, 2006

IFRS *(In thousands of euros)*	**3-month financial period ended June 30, 2005**	*Pro forma** **12-month period 2005**	**12-month financial period ended June 30, 2006**
Revenues	**188,680**	750,402	**791,070**
Operating costs	(19,351)	(69,022)	(72,664)
Selling, general and administrative expenses	(32,949)	(102,137)	(101,886)
Depreciation charge	(73,038)	(306,843)	(285,805)
Other operating expenses	(695)	(84,695)	(27,006)
Operating income	**62,647**	**187,705**	**303,709**
Financial result	(55,785)	(198,428)	(179,570)
Net income before taxes	6,928	(10,408)	129,958
Corporate Income Tax	(14,250)	(34,542)	(89,724)
Net income	**(7,322)**	**(44,950)**	**40,234**
Group's share	(12,552)	(7,355)	30,420
Portion allocated to minority interests	5,230	(52,305)	9,814

* *Pro forma financial information includes pro forma adjustments identified as the most significant, made to the income statement and consolidated balance sheet for the Eutelsat Communications' financial year ended June 30, 2005. The purpose of these adjustments is to translate, without being representative, the Group's financial position and the income it would have posted if:*
- the acquisition of 85.65% of Eutelsat S.A. and its subsidiaries made on April 4, 2005, and the additional 7.67% acquisition made on June 30, 2005, had been made on July 1, 2004.
- the "A" and "B" senior debts, the revolving credit facility, Second-Rank line, and the senior PIK loan contracted on April 4, 2005 for successive acquisitions of the Eutelsat Group had been put in place as of July 1, 2004.
Moreover, the interest-rate hedging instruments (swap, tunnel and purchased cap) set up by the Group in April 2005 when the debts described above were entered into, have not had any pro forma adjustment to translate what the impact would have been on the balance sheet and income statement if these hedging instruments had been set up on July 1, 2004. These adjustments were made using estimates and assumptions adopted by the Group's Senior Management.
Pro forma financial information may not translate what the Group's financial position, results, equity variations and cash flows would have been if the Group had acquired Eutelsat and set up the associated financing at July 1, 2004.

9.4.2.1 Revenues

Due to the strong growth in services, the revenues for the financial year ended June 30, 2006 are 791.1 million euros, an increase of 5.4% over 2005. Not including non-recurring income, annual growth is 4.6%, at 773.7 million euros. At comparable exchange rates, and excluding non-recurring income, revenues increased by 3.9%.

The following table shows revenues by service for the financial periods ended June 30, 2005 and 2006:

REVENUES BY APPLICATION

(In millions of euros)	**12-month** *pro forma* **period, 2005**(1)	**Financial year ended June 30, 2006**	**% variation**
Video Services	511.3	528.6	+3.4%
Data and Value-Added Services	161.7	169.1	+4.6%
Of which Data Services	*137.3*	*139.2*	*+1.4%*
Of which Value-Added Services	*24.4*	*29.9*	*+22.3%*
Multi-Usage Services	60.8	69.7	+14.6%
Other income	5.9	6.3	+6.8%
Subtotal	**739.7**	**773.7**	**+4.6%**
Non-recurring income(2)	10.7	17.4	-
TOTAL	**750.4**	**791.1**	**+5.4%**

(1) Unaudited. Eutelsat Communications' pro forma consolidated revenues correspond to Eutelsat S.A.'s consolidated revenues for the corresponding period of the financial year ended June 30, 2005.
(2) Non-recurring income consists of late delivery fees and penalty payments for interruption of satellite service.

Video Services

Video Services represented 66.8% of revenues in 2006, increasing by 3.4%, from 511.3 million euros at June 30, 2005 (unaudited *pro forma* 12-month period) to 528.6 million euros at June 30, 2006.

The growth of these services was primarily driven during the year by an increase in the number of television channels broadcast by Eutelsat, which rose from 1,712 channels at June 30, 2005 to 2,121 channels at June 30, 2006. The changes in this activity during the financial year are characterised by the following points:

Reinforcement of existing flagship orbital positions for broadcasting

In the countries of the European Union, covered by the HOT BIRD™ and EUROBIRD™ 1 positions, the number of channels broadcast by Eutelsat grew by 16.7% year on year – 1,051 to 1,227 TV channels – due in large part to the development of programme offerings broadcast by leading customers such as SKY Italia, BskyB and TPS.

Launch of the HOT BIRD™ 7A broadcasting satellite brought the HOT BIRD™ position's broadcasting capability to 102 transponders, while providing a replacement for the HOT BIRD™ 1 satellite. This replacement completed one of the major analog-to-digital transition phases at that orbital position: At June 30, 2006, there were only four television channels broadcasting in analog at 13° East.

Development of new flagship orbital positions for broadcasting

The Group's performance also benefited from the sustained digital broadcasting market dynamics in Central and Eastern Europe, the Middle East, North and Sub-Saharan Africa, regions served by our major broadcasting orbital positions 7°/8° West, 7° East, 16° East, 25.5° East and 36° East.

The number of channels broadcast by Eutelsat at these orbital positions increased by 37.9%, from 544 television channels at June 30, 2005 to 759 at June 30, 2006:

- in the Middle East, the Group benefited from the rapid growth in Nilesat's business, the Egyptian satellite operator, and Noorsat's business, the broadcasting services provider based in Bahrain. These new "Direct-to-Home" or DTH broadcast services to households in the Middle East are provided by the EUROBIRD™ 2 satellite at 25.5° East, and the ATLANTIC BIRD™ 2 satellite at 8° West, now bolstered by ATLANTIC BIRD™ 4, which began service on July 1, 2006 at the 7° West position;
- in Russia and Ukraine, the Group supported the development of the programme bouquets of NTV Plus, the leader in Russian pay-TV, and Poverkhnost, the leading Ukrainian pay-TV package, with the lease of additional capacity at 36° East. This orbital position also broadcasts the African package Multichoice, which is growing rapidly;
- in Central and Eastern Europe, the W2 satellite at 16° East strengthened its position on the very buoyant digital TV market with the signature of new contracts, including ones with the broadcasters SBB (Serbia), DCS (Romania), Digitalb (Albania) and Bikam (Bulgaria);
- in Turkey, the W3A satellite at 7° East benefited from the sustained development of the programming offer and of the subscriber base of the package broadcast by DigiTurk, the leader in pay-TV in Turkey.

The transition from analog to digital

The commissioning of the HOT BIRD™ 7A satellite, which increased resources at this flagship position to meet the demand for new digital channels, and the contracts listed above at the Group's other major TV broadcasting positions, made it possible to take one of the final steps in the transition from analog to digital. At June 30, 2006, Eutelsat's fleet was broadcasting only 12 analog TV channels, compared to 15 during the previous year. Four of these were being broadcast by HOT BIRD™ satellites, one by ATLANTIC BIRD™ 2 for contribution links in France, and seven for the French national TV channels by ATLANTIC BIRD™ 3 at 5° West. This satellite broadcasts the French national channels to more than 1.6 million of the households that cannot receive them as they are located in the shadow areas of the French terrestrial network.

Deployment of DVB (Digital Video Broadcasting)

This year, the ATLANTIC BIRD™ 3 satellite also supported the deployment of the DVB networks in France and Italy. In France, 28 TV channels are now distributed on DVB's terrestrial stations, compared to eigth TV channels at June 30, 2005.

The commercial launch of High-Definition Television (HDTV)

The 2005-2006 financial year was also marked by the launch of the first High-Definition television channels (HDTV) on Eutelsat's fleet, especially in the Italian and French markets, but also in Eastern Europe's markets (Russia). The Eutelsat's satellites now broadcast 12 High-Definition channels (on the HOT BIRD™, W4 and W3A satellites), of which eight are in commercial service and four are used for demonstrations.

Strong activity of professional video networks

During the financial year, Video Services also benefited from high demand from professional video operators for live broadcasts and for programme exchanges between broadcasters, notably for the XXth Winter Olympic Games in Turin and the 2006 Football World Cup, from customers such as the EBU (European Broadcasting Union). This segment represents more than 15% of the Group's consolidated revenues at June 30, 2006.

NUMBER OF TV CHANNELS BROADCAST BY THE EUTELSAT FLEET

			Variation over 1 year	
At 30 June	**2005**	**2006**	**Units**	**%**
Flagship orbital positions(1)	1,051	1,227	+176	+16.7%
Major orbital positions(2)	544	750	+206	+37.9%
Other orbital positions	117	144	+27	+23.1%
TOTAL	**1,712**	**2,121**	**+409**	**+23.9%**

(1) HOT BIRD™ at 13° East (Eastern Europe) and EUROBIRD™ 1 at 28.5° East (United Kingdom, Ireland).
(2) 7° West (Middle East, North Africa), 5° West (France), 7° East (Turkey), 9° East (Europe), 16° East (Central Europe and the Balkans), 25.5° East (Middle East), 36° East (Russia, Africa).

Data and Value-Added Services

The data and Value-Added Services rose by 4.6%, from 161.7 million euros at June 30, 2005 (unaudited *pro forma* 12-month period) to 169.1 million at June 30, 2006.

The strong commercial dynamics of our Value-Added Services made up for the limited growth of Data Services (+1.4%) during the financial year. The latter is mainly the result of the transformation of certain short-term contracts into long-term contracts, bringing greater visibility to our income, and the technical incident that affected the W1 satellite on August 10, 2005.

As part of its strategy to maximise revenues per transponder, Eutelsat was able to take advantage of strong growth in the demand for broadband services in Europe and Africa, in areas where terrestrial infrastructures are rare. Eutelsat has continued its policy of measured development of Value-Added Services. The Group targets niche markets where competition from terrestrial network technologies is weak.

Development of the Data and Value-Added Services segment during the financial year is characterised by:

- sustained growth in income from Value-Added Services (+22.3%), thanks to the continuing deployment of D-STAR terminals, which increased by 29% year on year.

  At June 30, 2006, 5,300 terminals are in service within businesses and local communities for Internet access or the operation of virtual private networks in regions that have little or no coverage by the terrestrial networks. In Europe, the number of terminals in service is 2,484, up 55%, and in Africa, 1,565 terminals, up 53%. After registering a reduction in the installed user base at December 31, 2005, down from 1,023 at that date from 1,297 terminals at June 30, 2005, the Middle East and Central Asia recovered their growth rate over the last six months: the installed user base was 153 terminals at end-of-year. The downturn recorded in that region during the first half of the year was due to the incident that affected the W1 satellite;
- start of maritime services: They are intended to provide Internet access and a GSM extension for cruise ships, fishing boats, super yachts, ferries and oil and gas platforms. Contracts have been signed with Grandi Navi veloci and SuperFast ferries;
- signature of new contracts with integrators such as GlobeCast (to accompany the growth of Equant in Africa), Telespazio, HNS, ATT, Algérie Telecom and Schlumberger; these provide satellite broadcasting capacity to private corporate networks or to companies such as Reuters.

Multi-Usage Services

The Multi-Usage Services rose by 14.6%, from 60.8 million at June 30, 2005 (unaudited *pro forma* 12-month period) to 69.7 million at June 30, 2006. This high level of activity is the result of a high rate of renewal of annual contracts by government service providers, renewal of part of the capacity leased by a satellite operator in the Middle East, and a more favourable euro/dollar exchange rate.

Other income and non-recurring income

The "Other Income" item was 6.3 million euros at June 30, 2006 and was derived mainly (i) from the sale or lease of terminals and equipment for business networks and mobile services and (ii) from financing by the European Union and other bodies of certain research programmes.

The "Non-recurring income" item was 17.4 million euros at June 30, 2006, up from 10.7 million euros at June 30, 2005. It includes penalties for late delivery and for service interruption of the ATLANTIC BIRD™ 1 satellite following the completion of negotiations with ALS S.p.A. Group on the acquisition of this satellite.

9.4.2.2 Operating costs

During the financial year ended June 30, 2006, operating costs increased compared to the *pro forma* figure for the financial year ended June 30, 2005 by nearly 5.3%, from 69 million euros at June 30, 2005 (unaudited *pro forma* 12-month period) to 72.7 million euros at June 30, 2006. It should be noted that a reversal of a business tax reserve had made it possible to significantly reduce the "operating costs" item to 69 million euros at June 30, 2005 (unaudited *pro forma* 12-month period).

During the financial year ended June 30, 2006, the increase in staff-related costs and in expenditure on goods, first of all due to the in-orbit procurement programme and, second, to the growth in our business, coupled with the consequent increase in the business tax expense, was partially offset by lower in-orbit lifetime insurance programme costs as a result of the new launch insurance programme in November 2005 (see Section 4.7.2, "Insurance" for more details of this plan).

9.4.2.3 Commercial and administrative expenses

Mainly as a result of maintaining a strict cost-control policy and a high recovery rate on accounts receivable, which is non-recurring income, following efforts during the year to recover these amounts, spending on this item was slightly down, and was 101.9 million euros for the year ended June 30, 2006.

The operating costs, and commercial and administrative expenses, progressed by nearly 2% to 174.5 million euros at June 30, 2006. Restated to take account of the reversal of the business tax provisions (4.4 million euros) during the financial year ended June 30, 2005, total operating costs and selling, general and administrative expenses would have been down by nearly a million euros, which is an illustration of the Group's strict cost control.

9.4.2.4 Depreciation charge, other operating costs and other operating expenses

Details of how this item evolved are given in the Notes 5 and 6 to the consolidated accounts for the financial year ended June 30, 2006.

At June 30, 2006, the depreciation charge was 285.8 million euros, down 6.9% because the HOT BIRD™ 1 satellite had been written out of the books and the book life of certain other satellites had been extended. The depreciation charge also includes 44.5 million euros for depreciation of the intangible asset "Customer contracts and relationships" recognised when Eutelsat S.A. was acquired by the Company.

The "Other operating expenses" item totalled 27 million euros, and correspond mainly to the loss of value of the W1 satellite, which had been estimated at 30.4 million euros at December 31, 2005. To take account of the constructor's repayment of part of that satellite's in-orbit incentive payments, the impairment was revised downwards to 24.9 million euros during the second half of the financial year.

9.4.2.5 Operating income

At June 30, 2006, this operating income was 303.7 million euros, which represents 38.4% of revenues, up from 187.7 million euros at June 30, 2005 (unaudited *pro forma* 12-month period), or 25% of revenues (unaudited *pro forma* 12-month period). It should be noted that the operating income for the unaudited *pro forma* 12-month period at June 30, 2005 included the depreciation of the value of the ATLANTIC BIRD™ 1 satellite for 84 million euros.

Not including this item, the increase in operating income is 11.8%, showing the Group's sound commercial performance and strict cost-control policy.

9.4.2.6 Financial result

The financial result shows an expense of 179.6 million euros at June 30, 2006, including 133.6 million euros in interest charges, compared to an expense of 198.4 million euros at June 30, 2005 (unaudited *pro forma* 12-month period) of which 159.6 million euros are interest charges.

It reflects the structure of the Group's debt prior to its IPO in December 2005, as well as the costs of restructuring the Group's debt related to (i) the prepayment of the PIK and Second-Rank Loans (39.2 million euros) subsequent to the IPO and (ii) the Senior Credit refinancing of June 2006 (35.4 million euros). It also includes a positive amount of 30.1 million euros following the transfer of the financial debt instruments from SatBirds Finance to Eutelsat Communications (see table below).

(In millions of euros)	**1st Half year 2005-2006**	**2nd Half year 2005-2006**	**2005-2006**
Interest and other expenses	(84.4)	(53.7)	(138.1)
Hedging instruments	10.0	0.7	10.7
Foreign exchange gains/(losses)	0.2	0.3	0.5
Depreciation of loan issue costs	(4.6)	(3.6)	(8.2)
Subtotal	**(78.8)**	**(56.3)**	**(135.1)**
Prepayment charges and remission fee (cash)	(14.2)	-	(14.2)
Depreciation of issue costs for the PIK loan and Second lien loan (not-cash)	(25.0)	(35.4)	(60.4)
Earnings on hedging instruments due to Senior debt refinancing (no impact on cash position)	-	30.1	30.1
Debt restructuring costs (post-IPO) and Senior debt refinancing costs (subtotal)	**(39.2)**	**(5.3)**	**(44.5)**
FINANCIAL RESULT	**(118.0)**	**(61.6)**	**(179.6)**

9.4.2.7 Corporate income tax

The corporate income tax increase during the financial year ended June 30, 2006 is a result of the significant improvement in operating income, as well as the increase in the taxable basis under the transitional provisions valid for a period of five years defined by the French tax authorities and applicable as from the date of transfer of activities. These provide for the application of the standard French rate of tax, with a reduction of 10% in year 5 (i.e. the financial year ended June 30, 2006), compared to 20% in year 4 (i.e. the financial year ended June 30, 2005).

9.4.2.8 Consolidated net result

At June 30, 2006, the consolidated net result amounted to 40.2 million euros, compared to a 44.9 million euros loss during the unaudited *pro forma* 12-month period ended June 30, 2005.

The substantial improvement in consolidated net income is the result of a substantially higher EBITDA during the financial year (+37.7 million euros), a lower depreciation charge (-21 million euros), reduced “Other operating expenses” (this includes a 24.9 million euros depreciation in the value of the W1 satellite during the financial year compared to 84 million euros the previous financial year for the impairment of ATLANTIC BIRD™ 1), an 18.8 million euros reduction in net financial expenses despite significant one-off expenses for the Group’s debt-restructuring operations (74.6 million euros). All these improvements were partly offset, however, by an increase in tax (55.2 million euros).

10 CASH AND CAPITAL RESOURCES

Eutelsat Communications' financial year ended June 30, 2005 lasted for only three months and comparison with the following financial years is therefore irrelevant. The figures for the financial year ended June 30, 2005 presented hereafter are for information only.

>> 10.1 Eutelsat Communications' equity capital

Investors are asked to refer to Note 12 to the consolidated financial statements for the year ended June 30, 2007 contained in Section 20.1 of this reference document, which contains information on the issuer's equity capital.

>> 10.2 Changes in Eutelsat Communications' cash flows

The following table shows changes in cash flows for the financial years ended June 30, 2005, 2006 and 2007.

Financial years ended 30 June	**3-month period**		**12-month period**
(In millions of euros)	**2005**	**2006**	**2007**
Cash flows from operating activities	132.0	501.1	527.7
Cash flows from investing activities	(1,882.9)	(299.0)	(370.0)
Cash flows from financing activities	1,783.4	28.3	(383.9)
Impact of foreign exchange variations on cash flow	0.1	-	-
Increase (decrease) in cash assets	**32.6**	**230.4**	**(226.2)**
Cash assets at opening	0.0	32.6	263.0
Cash assets at closing	32.6	263.0	36.8

Cash flows from operating activities

During the financial year ended June 30, 2007, cash flows from operating activities increased by 5.3%, from 501.1 million euros to 527.7 million euros. This 26.6 million euros increase is due mainly to the growth in revenues and to the insurance indemnities received (37.3 million euros) as a result of the technical incident that affected the W1 satellite on August 10, 2005. It is partly offset by the increase in corporate income tax-related disbursements during the financial year ended June 30, 2007 (up by 34.2 million euros).

Cash flows from investing activities

Investing activities here relate mainly to the satellites ("Satellite acquisitions") and ground equipment ("Other fixed assets").

Satellite acquisitions reflect the costs of satellite construction, launch, and entry into operational service. These comprise construction costs (including performance-related incentive payments), launch costs, "launch + one year" insurance premiums, capitalised interest, and other costs associated with programme supervision and deployment (studies, staff costs and consultancy). Some of the Group's procurement and launch contracts provide that the Group has to pay incentives according to whether the satellite launch is successful and on the basis of certain technical specifications. The Group recognises the present value of these payments as a liability, and capitalises them under satellite costs. Payment of satellite performance incentives are subject to reductions or to reimbursement if the satellite does not meet the predefined criteria.

Satellite acquisitions are the largest component of the Group's investing activities. The cost of procuring and launching a satellite are generally spread over the two or three years preceding the satellite's launch.

Other fixed assets are essentially the satellite control and monitoring equipment. A large portion of these expenses is for the three control and monitoring sites as well as equipment for the Group's registered office (such as technical facilities, office furniture and IT equipment). Investments in on-ground equipment closely follow the satellite launch programme.

The level of investments depends essentially on the satellite launch programme and can fluctuate substantially from one year to the next.

The table below presents cash flows from investing activities, as well as the number of satellites launched during the financial years ended 30 June, 2005, 2006 and 2007.

Financial year ended 30 June	**3-month period**		**12-month period**
(In millions of euros)	**2005**	**2006**	**2007**
Acquisition of Eutelsat, net of acquired cash assets	(1,856.5)	-	-
Satellite acquisitions	(15.3)	(205.4)	(322.0)
Other fixed assets	(11.9)	(25.5)	(28.1)
Income from disposal of assets	-	0.3	0.1
Acquisition of minority interests	-	(67.0)	(19.9)
Changes in other long-life assets	0.7	(1.4)	(0.1)
CASH FLOWS FROM INVESTMENT ACTIVITIES	**(1,883.0)**	**(299.0)**	**(370.0)**
Satellites launched	-	1	1

During the financial year ended June 30, 2007, the cash flows from investing activities increased by 23.7%, from 299.0 million euros to 370.0 million euros. This increase is due mainly to the number of satellites under construction, which increased from three to five during the financial year ended June 30, 2007. Acquisitions of minority interests, which relate only to Eutelsat S.A. employees, amounted to 19.9 million euros.

Cash flows from financing activities

During the financial year ended June 30, 2007, the cash flows from financing activities increased significantly, from a positive amount of 28.3 million euros to a negative amount of 383.9 million euros. This increase is due mainly to an exceptional distribution (124 million euros) from a shares issue premium, and to loan repayments (167 million euros).

>> 10.3 Changes in indebtedness and the Group's financing structure

The following paragraphs describe the Group's liquidity needs and financial resources. You are urged to refer to the Company's historical consolidated financial statements for the years ended June 30, 2005, 2006 and 2007 prepared under IFRS standards. You should also refer to the Notes (including Note 29 to the consolidated financial statements at June 30, 2005 which relates to the Company's *pro forma* financial information for the twelve-month period ended June 30, 2005).

The Group's liquidity needs mainly comprise:

- financing for satellite construction and launch;
- servicing of the Group's debt;
- financing for its working capital.

The Group's financial resources

The Group's principal financial resources consist of the cash flows generated by Eutelsat S.A.'s operating activities. The Group has additional financial resources in the form of credit lines with banks.

Changes in the Group's net debt

The following table gives details of the Group's net debt as of June 30, 2005, 2006 and 2007.

Net debt			**At 30 June**
(In millions of euros)	**2005**	**2006**	**2007**
Eutelsat Communications S.A.'s long-term bank debt	2,243.3	1,615.0	1,615.0
Eutelsat S.A.'s long-term bank debt	676.5	650.0	650.0
Eutelsat S.A.'s current bank debt*	121.2	226.5	61.1
Bank debt	**3,041.0**	**2,491.5**	**2,326.1**
Cash on hand and marketable securities net of bank credit balances**	(32.6)	(263.0)	(36.8)
Net bank debt	**3,008.4**	**2,228.5**	**2,289.3**
Long-life leases***	148.5	-	6.0
NET DEBT	**3,156.9**	**2,228.5**	**2,295.3**

* *Including the current portion of long-term bank debt.*
** *Credit balances with banks were 4.4 million euros in 2005, 1 million euros in 2005 and 8.7 million euros at June 30, 2007.*
*** *Including the current portion of these leases.*

The Group's net debt includes all bank debt, as well as debt related to satellite financing leases, less available cash and marketable securities net of credit balances with banks (see Notes 13 and 14 to the consolidated financial statements for the year ended June 30, 2007 and Note 14 to the consolidated financial statements for the year ended June 30, 2006 in Sections 20.1 and 20.2, respectively, of this reference document).

The Group's net debt at June 30, 2005

At June 30, 2005, the Group's total net debt was 3.1569 billion euros, including: (i) 1.943 billion euros in borrowings under Senior Loans (as that term is defined below) and the Second-Rank Loan (as that term is defined below), (ii) 300 million euros under the PIK Loan, (iii) 798 million euros representing Eutelsat S.A. bank debt, (iv) 148.5 million euros in debt related to the ATLANTIC BIRD™ 1 satellite, and (v) 32.6 million euros in cash on hand and marketable securities (net of credit balances with banks).

Excluding debt related to the ATLANTIC BIRD™ 1 satellite, net financial debt was 3.0084 billion euros at June 30, 2005.

At June 30, 2005, virtually all the Group's net financial debt bore interest at a variable-rate (generally EURIBOR plus margins)[7]. The weighted average interest rate for the Group's debt was 5.5% for the three-month period ended June 30, 2005. At that date, the Group also had 887 million euros remaining to be drawn under its various lines of credit.

The following table describes the Group's main credit facilities at June 30, 2005:

(In millions of euros)	Amount granted	Amount used	Maturity
PIK Loan	300	300	May 1, 2014
Second-Rank Loan	475	475	October 4, 2013
Senior Loan – Tranche A	750	585	April 4, 2012
Senior Loan – Tranche B	875	875	April 4, 2013
Renewable Line of Credit	150	8	April 4, 2013
Eutelsat S.A. Renewable Loan	650	70	November 24, 2011
Eutelsat S.A. Bullet Loan	650	650	November 24, 2011
Eutelsat S.A. Fixed-Rate Bullet Loan	78	78	December 24, 2006
TOTAL	**3,928**	**3,041**	

The Group's net debt at June 30, 2006

At June 30, 2006, the Group's total net debt was 2.2285 billion euros, including: (i) 1.615 billion euros in borrowings under the Refinancing Loan, (ii) 876.5 million euros representing Eutelsat S.A. bank debt and (iii) 263 million euros in cash on hand and marketable securities (net of credit balances with banks).

As a result of the IPO and the conclusion of the Refinancing Loan on June 8, 2006, the Company prepaid the PIK Loan and the Second-Rank Loan and refinanced the Senior Loan facilities.

At June 30, 2006, virtually all the Group's net financial debt bore interest at a variable rate (generally EURIBOR plus margins)[8], with the exception of 26.5 million euros which was subject to interest at a fixed rate.

At that date, the Group had 750 million euros remaining to be drawn under its various lines of credit.

The table below describes the Group's main credit facilities at June 30, 2006:

(In millions of euros)	Amount granted	Amount used	Maturity
Eutelsat Communications Bullet Loan ("Refinancing")	1,615	1,615	June 8, 2013
Renewable Loan – Eutelsat Communications ("Refinancing")	300	0	June 8, 2013
Eutelsat S.A. Renewable Loan	650	200	November 24, 2011
Eutelsat S.A. Bullet Loan	650	650	November 24, 2011
Eutelsat S.A. Fixed-Rate Bullet Loan	27	27	December 24, 2006
TOTAL	**3,242**	**2,492**	

The weighted average interest on drawdowns from the renewable lines of credit was 3.2% for the year ended June 30, 2006. Interest rates on the Eutelsat S.A. "Refinancing" loans and bullet loan were 4.44% and 3.74%, respectively, at June 30, 2006.

An increase of 10 basis points (+0.1%) in the EURIBOR interest rate has an impact, on a yearly basis, of 2.47 million euros in the Group's consolidated income statement at June 30, 2006.

The Group's net debt at June 30, 2007

At June 30, 2007, the Group's total net debt was 2.2953 billion euros, including: (i) 1.615 billion euros in borrowings under the Refinancing Loan, (ii) 710 million euros representing Eutelsat S.A. bank debt, (iii) 6 million euros in debt related to the TELECOM 2C satellite, and (iv) 36.8 million euros in available cash and marketable securities (net of credit balances with banks).

The Group also had 890 million euros remaining to be drawn under its various lines of credit.

(7) Except for the 77.7 million euros bearing interest at a fixed rate. These amounts do not include any hedging instruments put in place by the Group.

(8) These amounts do not include any hedging instruments put in place by the Group.

The table below describes the Group's main credit facilities at June 30, 2007:

(In millions of euros)	Amount granted	Amount used	Maturity
Eutelsat Communications Bullet Loan ("Refinancing")	1, 615	1,615	June 8, 2013
Eutelsat Communications Renewable Loan ("Refinancing")	300	0	June 8, 2013
Eutelsat S.A. Renewable Loan	650	60	November 24, 2011
Eutelsat S.A. Bullet Loan	650	650	November 24, 2011
TOTAL	**3,215**	**2,325**	

The weighted average interest on drawdowns under the renewable lines of credit was 4.3% for the year ended June 30, 2007. Interest rates on the Eutelsat Communications' loan and the Eutelsat S.A. bullet loan are 5.1% and 4.5%, respectively, at June 30, 2007.

At June 30, 2007, all of the Group's debt bore interest at a variable rate (generally EURIBOR plus margins).

An increase of 10 basis points (+0.1%) in the EURIBOR interest rate has an impact on a yearly basis of 2.33 million euros in the Group's consolidated income statement at June 30, 2007.

The changes in the Group's net debt during the financial year are mainly the result of distributing a total of 124 million euros to Eutelsat S.A. shareholders and Company shareholders in November 2006, and of financing the programmes for the satellites it has under construction and for the satellites it has ordered in the course of the financial year.

The Group's Financial Instruments

Eutelsat S.A.'s Lines of Credit

On November 24, 2004, Eutelsat S.A. entered into a seven-year, 1.3 billion euros syndicated loan agreement comprising (i) a 650 million euros term loan, and (ii) a renewable 650 million euros line of credit to refinance existing debt and the Company's financing needs in general.

Amounts drawn on this line of credit bear interest at EURIBOR (or LIBOR for drawdowns in U.S. dollars) plus a margin of between 0.25% and 0.75%, depending on the long-term credit rating attributed by Standard & Poor's to Eutelsat S.A. Eutelsat S.A. has put hedging instruments in place for part of the amounts drawn on this facility.

Under this line of credit, Eutelsat S.A. is committed to maintaining a total net debt/EBITDA ratio (a contractually-defined ratio) of less than or equal to 3.75:1. This ratio is tested on June 30, and December 31, each year (see Note 13 to the Notes to the consolidated financial statements for the year ended June 30, 2007 in Section 20.1 of this reference document).

As of June 30, 2007, the drawdowns made under these loan facilities amounted to 60 million euros.

PIK Loan

On March 30, 2005, SatBirds Capital Participations S.C.A. entered into a loan agreement ("PIK Loan"), to borrow 300 million euros, bearing interest at the six-month EURIBOR rate plus 8.25%. Interest on the PIK Loan was payable, at the borrower's choice, either in cash or by capitalising the interest expense. Under the PIK Loan Agreement, SatBirds Capital Participations S.C.A. could not (i) pay dividends or make any other form of distributions (except for dividends in shares), (ii) buy back or redeem its own shares or those of its direct or indirect Parent Companies or (iii) prepay any subordinated debt.

The PIK Loan was repayable at maturity as of May 1, 2014, but could be prepaid between October 1, 2005 and October 1, 2006 in consideration for payment of a premium equal to 0.5% of its par value.

Following the Company's IPO, the PIK Loan (Floating Rate Senior PIK Loan Facility Agreement) for 300 million euros, initially set up on March 30, 2005 with the subsidiary SatBirds Capital Participations and repayable at term as of May 1, 2014, was prepaid on December 6, 2005.

Second-Rank Loan

On April 4, 2005, SatBirds Finance S.àr.l concluded a second-rank loan agreement ("Second-Rank Loan") with a term of eight and a half years and a maximum total in principal of 475 million euros (bullet loan repayable at maturity). The amounts drawn down on the Second-Rank Loan bore interest at the EURIBOR rate plus a 4.25% fixed margin. The Second-Rank Loan could be prepaid (in whole or in part) before April 4, 2006 in consideration for payment of a premium equal to 2% of the amount reimbursed.

Like the PIK Loan, the Second-Rank Loan (Second-Rank Line of Credit), of which 475 million euros was used, set up on April 2005 with the subsidiary SatBirds Finance S.àr.l for a term of eight and a half years, was prepaid in full on December 6, 2005 under an agreement with the lenders.

Senior Loans

On April 4, 2005, SatBirds Finance S.àr.l concluded a senior loan agreement ("Senior Loans"), which provided for the opening of three lines of credit: (i) "A" loans with a term of seven years and a maximum amount in principal of 750 million euros (repayable at maturity), (ii) "B" loans with a term of eight years and a maximum amount in principal of 875 million euros (repayable at maturity), and (iii) a renewable loan with a term of seven years and a maximum amount in principal of 150 million euros.

The amounts not yet drawn under the Senior Loans' "A" facility (about 165 million euros at June 30, 2005) were to be used mainly to finance acquisitions of Eutelsat S.A. shares. The amounts not yet drawn under the renewable facility (about 142 million euros at June 30, 2005) could also be used to finance the purchase of Eutelsat S.A. shares, as well as to cover some of SatBirds Finance S.àr.l's debt costs and some of the structuring costs, taxes and recurring expenses of the companies in the Group (excluding Eutelsat S.A. and its subsidiaries).

The amounts drawn under the Senior Credit facilities bore interest at EURIBOR plus a margin, adjusted quarterly, on the basis of the total net debt/EBITDA ratio. This margin was between 1.25% and 2.25% for Senior A Loans and the renewable loan and between 2% and 2.75% for Senior B loans. The Senior Loans were prepaid on June 19, 2006 with the funds of the Refinancing Loan's Tranche A.

Eutelsat Communications Refinancing Loan

On June 8, 2006, Eutelsat Communications entered into a loan agreement with a Banking Group for a syndicated loan of 1.915 billion dollars for seven years, which breaks down into two parts:

- **tranche A:** A long-term loan of 1.615 billion euros, repayable at maturity and remunerated at EURIBOR plus a margin of between 75 basis points and 162.5 basis points depending on the financial ratio of consolidated net debt to consolidated EBITDA;
- **tranche B:** A 300 million euros revolving loan. Drawdowns with a maximum term of six months are remunerated at EURIBOR plus a margin of between 75 basis points and 162.5 basis points depending on the financial ratio of consolidated net debt to consolidated EBITDA.

This loan agreement enabled the Group to prepay the SatBirds Finance S.àr.l's lines of credit.

The "Refinancing" loan agreement of June 8, 2006 carries no guarantee from Eutelsat Communications subsidiaries, nor any pledge of assets to the lenders. This loan agreement carries certain restrictive clauses, subject to the usual exceptions contained in loan agreements. The agreement provides the option for each lender who is a party to the agreement to request prepayment of all monies owed in the event of a change of control of Eutelsat Communications' and/or Eutelsat S.A.'s.

Additionally, Eutelsat Communications has undertaken to hold 95% of Eutelsat S.A.'s capital and voting rights, directly or indirectly, for the entire term of the loan.

The lines of credit are paired with the following financial covenants, calculated on the basis of the Group's consolidated financial statements presented in IFRS format:

- **"leverage ratio":** consolidated net debt/consolidated EBITDA less than or equal to 5.5 for the half-year and full-year periods defined in the contract, of which the first is on June 30, 2006. This ratio is then gradually reduced by tranches of 0.25X on a half-yearly basis starting on December 31, 2008, and reaching 4.5X at December 31, 2011;
- **"interest cover ratio":** Consolidated EBITDA/interest payable (due and paid) greater than or equal to 2.75 (if leverage ratio greater than 3.5).

At June 30, 2007, Eutelsat Communications was complying with the leverage ratio, which was 3.3 and not therefore subject to compliance with the interest coverage ratio requirement.

This loan agreement includes restrictive clauses (subject to the usual exceptions contained in loan agreements) limiting the capacity of Group companies, in particular to:

- grant security interests or guarantees;
- enter into agreements resulting in additional liabilities;
- grant loans and carry out certain types of investments;
- enter into merger, acquisition, asset disposal, or lease transactions (with the exception of those carried out within the Group and expressly provided for in the loan agreement);
- modify the nature of the business of the Company or its subsidiaries.

There was a further requirement in that the interest rates on amounts due had to be hedged for a period of at least three years, in respect of at least 50% of the amounts drawn under the bullet loan repayable at maturity. On June 19, 2006, SatBirds Finance S.àr.l consequently transferred the interest-rate hedging instruments put in place under the previous loan to Eutelsat Communications.

Moreover, in September 2006, Eutelsat Communications acquired a new interest-rate hedging instrument to hedge the loans over the years 2010-2013.

The issue costs paid when the 1.915 billion euros "Refinancing" syndicated loan was set up, representing more than a year's applicable margin on the basis of a "Net Debt/EBITDA leverage ratio" of between 3.5 and 4, were spread over the term of the loan.

The costs still to be spread at June 30, 2007 were charged against the book value of the loans. At June 30, 2007, they represent a balance of 16.4 million euros.

Other commitments of the Group

The table below summarises the contractual obligations (not including financial debts) and commercial commitments of Eutelsat Communications S.A. at June 30, 2007 (see the Notes to Eutelsat Communications S.A.'s Consolidated Financial statements in Chapter 20.1 of this reference document).

		Payments by period			
(In millions of euros)	**Total**	**< 1 year**	**1-3 years**	**3-5 years**	**> 5 years**
Long-life lease obligations	6.0	6.0	-	-	-
In-orbit incentive payments	56.4	11.1	19.5	13.9	11.9
Operating lease commitments	25.3	3.6	7.2	7.2	7.2
Satellite construction and launch contracts	419.4	235.8	183.6	-	-
Operating agreements(1)	36.3	19.1	13.8	2.9	0.4
Customer contracts	34.2	14.6	11	6.8	1.8
Retirement indemnities and other post-employment benefits(2)	6.9	-	-	-	6.9
TOTAL CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS	**584.4**	**290.2**	**235.2**	**30.8**	**28.3**

(1) Mainly includes in-orbit satellite insurance and control costs, as well as costs associated with some agreements for the use of satellite capacity which are not capitalised.
(2) Mainly includes long-term obligations (more than five years).

At June 30, 2007, the Eutelsat S.A.'s contractual and commercial commitments comprised the following:

Long-life lease obligations

Express A3 Satellite

In 2001, the IGO entered into a lease for five transponders on the Express A3 (for its entire operating life) belonging to the RSCC Company. When the Transformation occurred, that lease was transferred by the IGO to Eutelsat S.A., and those five transponders were posted as assets by Eutelsat S.A. worth 23.9 million euros (on the basis of the net present value of the minimum lease payments, minus the accumulated depreciation charge for impairment as of that date).

SESAT 2 Satellite

In March 2004, Eutelsat S.A. entered into a lease with RSCC for 12 transponders on the SESAT 2 satellite for its entire operating life (with a contractual minimum of 12 years). These transponders were posted as assets worth 65.7 million euros, based on the current value of future payments.

TELECOM 2C Satellite

In April 2007, Eutelsat S.A. entered into a lease with France Telecom for 11 transponders on the TELECOM 2C satellite until that satellite is de-orbited. These transponders were posted as assets worth 7.0 million euros, based on the net present value of the future payments.

In-orbit incentive payments

Eutelsat S.A.'s satellite construction contracts provide for certain payment obligations based on satellite performance. In certain contracts, a fraction of the purchase price is paid to the manufacturer in instalments throughout the satellite's operating life, according to its compliance with technical and contract specifications. For the most recent contracts, Eutelsat S.A. has agreed to pay the entire satellite price upon its initial entry into operational use, including in-orbit incentives. If the satellite does not comply with technical operating requirements, the constructor has to repay Eutelsat S.A. part of the incentive payments, or reduce their amount. Repayments to the constructor are generally guaranteed up to the amount of the incentive payments by a bank guarantee or a shareholders' guarantee.

Eutelsat S.A. recognises the present value of payments to be made in the future as a liability and includes those costs in the total cost of the satellite (posted to assets). If an incentive payment is repaid, the cost of the satellite is adjusted, as well as the associated liability. Depreciation is then reviewed prospectively.

Operating leases

During the financial year ended June 30, 2005, Eutelsat S.A. renewed the lease for its registered office in Paris for a nine-year term. The agreement provides for the option of terminating the lease at the end of a three-year period, in consideration for one year's advance notice and payment of a termination penalty equal to one year's rent, or at the end of a six-year period with no penalty. At June 30, 2007, future minimum rental payments were 25.3 million euros.

Financial guarantee given to the IGO's Closed Pension Fund

Before the Transformation, the IGO managed the Closed Pension Fund for its staff members, and subsequently Eutelsat S.A. took over the unlimited financial guarantee of the IGO as a provision for any financing shortfall in the Closed Pension Fund. During the financial year ended June 30, 2003, the emergence of a difference between the value of the assets in the Pension Fund and the value of the corresponding pension obligations led the administrators of the trust to call Eutelsat S.A.'s guarantee for 18 million euros. This was paid by Eutelsat.

In November 2004, the trust's administrators in charge of the Pension Fund requested payment of 22.3 million euros under the guarantee to cover the estimated gap between the fair value of the Pension Fund's assets and the amount of the pension commitments. In July 2005, Eutelsat S.A. decided to pay this amount. The payment will be in 20% instalments over a five-year period.

As of June 30, 2007, Eutelsat S.A. has already made the first three payments for a total of 13.4 million euros.

At June 30, 2007, the present value of the trust's obligations under the pension commitments amounts to 152.8 million euros in Eutelsat Communications' consolidated financial statements, and the fair value of its assets to about 138.4 million euros (see Note 19 to Eutelsat Communications' consolidated financial statements in Section 20.1, "Financial information for the year ended June 30, 2007"). Calculation of total pension commitments is based on actuarial assumptions, including the discount rate, the long-term yield on assets invested and the estimate of the life expectancy of Pension Fund beneficiaries. The estimated amount of pension commitments can be greater or lesser depending on the scenarios applied (see Section 4.4, "the Group's financial risks", especially the paragraph entitled: "Eutelsat S.A., the Group's main operating subsidiary, could be subject to new financing requests related to the financial guarantee it grants to the IGO's Closed Pension Fund."

Liquidity offer

Through its subsidiary SatBirds 2 S.A.S., the Group proposed to all beneficiaries of options granted under the Partners and the Managers 1 and 2 Plans, and to beneficiaries under the share purchase plans of March and April 2004 (see Section 17.2 "Options granted to employees on shares of the Company or of other companies in the Group") to buy back their shares, except as regards the commitments to buy or sell entered into by the corporate officers and some of the Group's key managers (see Section 21.1.6, "Options or agreements concerning the capital of the Company or of a member of the Group" for more details).

Under the liquidity offers made during the financial years ended June 30, 2006 and 2007, 346,364 shares, 452,507 shares and 838,156 shares respectively were sold to the Company by the beneficiaries at a respective price of 4.68 euros, 4.43 euros and 5.08 euros per Eutelsat S.A. share.

This commitment was evaluated at June 30, 2006 and recognised as a debt. Shareholders' equity was reduced by the equivalent amount of 22,005 thousand euros. The debt was discounted at June 30, 2006 on the basis that all the shares would be purchased as of 2010.

At June 30, 2007, taking into account the purchase of shares, the exercise of options and the unwinding of discount during the financial year, the commitment was reassessed. The amount deducted from equity was reduced by 5,068 thousand euros and the amount recorded as debt increased by 2,125 thousand euros, with a financial expense of 7,193 thousand euros. The debt was discounted at June 30, 2007 on the basis that all the shares would be purchased as of 2010.

>> 10.4 Expected financing sources for future investments

The Group estimates that the cash flows generated by its operating activities, its cash assets and the funds available under its lines of credit will be sufficient to meet its expected future financial obligations its needs in working capital and to implement its investment programme. However, the Group's financial performance depends on the general economic situation, the competitive, legislative and regulatory environment, and other factors that do not necessarily depend on the Group. The Group cannot guarantee that its anticipated investment and working capital needs will prove accurate, nor that the funds made available to it under the resources mentioned above will be sufficient for it to meet its financial expenses and obligations.

11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

When the IGO was operating as an intergovernmental organisation, its strategy was to obtain for itself and for its Signatories, on conditions that varied in accordance with the use of the intellectual property, a free licence for any intellectual property (notably in respect of patents, trademarks and software) developed under contracts financed by the IGO. Its status as an international organisation prevented it from filling patent applications for technologies developed jointly with third parties. At the time of the Transformation on July 2, 2001, all the intellectual property developed by the IGO was transferred to Eutelsat S.A., which is now the owner.

As regards the trademarks, the IGO had assembled a portfolio prior to July 2001. This portfolio was transferred to Eutelsat S.A. under the transfer agreement.

As of the date of this reference document, the Group owns 11 patents, two of which are held on a co-ownership basis with the European Space Agency and one with Invacom Ltd (UK), and 36 trademarks.

12 TREND INFORMATION

>> 12.1 Recent developments

S-band

On 25 July, the European Commission authorised the setting-up of a joint venture with SES ASTRA in order to operate an S-Band payload on the W2A satellite, especially for bidirectional and mobile television services (see Section 6.4.1.3 “Satellites ordered in course of construction” for more information on the W2A satellite).

Ka band

The Board of Directors’ Meeting of July 25, 2007 authorised the Group to acquire a Ka band satellite.

Tooway™

As of September 2007, the Group launched the Tooway™ service, a new-generation satellite Internet-access service for the general consumer, aimed at millions of European households living in rural areas or beyond the reach of the broadband terrestrial networks (see Section 6.3.3. paragraph “Tooway™ service,” for more details).

>> 12.2 Future Prospects

Achievement of the objectives set at the time of the IPO

During the year ended June 30, 2006, the Group achieved revenues of nearly 791 million euros, an increase of by 5.4% on 2005, and EBITDA of 616.5 million euros, up by 6.5%. This met the growth targets it had fixed at the time of the initial public offering of its shares (revenue growth in the order of 2% and a slight increase in EBITDA for the year ended June 30, 2006).

The Company's objectives for the period 2007/2009 aimed at revenue growth at an average annual pace in the order of 4% and an EBITDA margin that remained above 76%. These objectives were achieved for the years ended June 30, 2006 and 2007 with respectively an increase in consolidated revenues of 5.4% and 4.8% and an EBITDA margin of 77.9% and 78.7%.

Financial objectives for the period 2007/2010

The Group has a revenue target of between 840 and 850 million euros for the 2007-2008 financial year, which corresponds to an increase in consolidated revenues of between 2.5% and 4% (excluding non-recurring revenues).

The Group has also raised its target EBITDA margin for 2007/2008 and is now aiming at an EBITDA margin in excess of 77.5%.

Over the period 2007/2010, the Group is seeking an average annual growth rate for its revenues in excess of 5.5%, with a sharp increase at end-of-period as a result of the expected entry into service of five satellites during the financial years 2008/2009 and 2009/2010, together with dynamic management of the Group's in-orbit resources. The Group also intends to retain a sound financial structure, with a net debt/EBITDA ratio of between 3x and 4x over the period 2007/2010.

Operational objectives

As well as continuing the capital investment programme for the five satellite already ordered, W2M, W2A, W7, HOT BIRD™ 9 and HOT BIRD™ 10 (see Section 6.4.1.3 "Satellites commissioned and in course of construction"), the Group plans to order a Ka band satellite in 2007/2008 for commissioning in 2010/2011. During the period 2007-2010, the Group also expects to commit the necessary capital expenditure for the replacement of satellites launched over the period 1998-2000.

Over the period 2007-2010, the Group's investment in tangible assets is expected to reach, on average, 420 million euros per year and to bring the number of physical operational transponders of 505 as of June 30, 2007 to 630 by June 30, 2010 and to 718 once the Ka band satellite has begun service.

In the long term, and on an annualised normative basis, the Group confirms that, on average, 260 million euros per year is expected to be invested in the gradual renewal of its in-orbit resources and on-ground equipment.

The Group has also begun consideration of the future evolution of its in-orbit infrastructure with a view to making further advances in its strategy based on securing and reinforcing some of its orbital positions.

The objectives described in this section are based in particular on the following assumptions: (i) continued growth in satellite demand in EU countries and emerging markets at satisfactory tariff conditions, (ii) maintenance of the existing operating capacity of the Group's fleet, (iii) no incidents to affect any of the satellites in orbit, (iv) continuation of a policy of controlling operating costs and their evolution, (v) maintenance of the general conditions of the space insurance and space industry market.

The objectives set out in this section are based on the data, assumptions and estimates considered by the Group's management to be reasonable at the date of this reference document.

These forward-looking statements depend on circumstances or facts that are expected to occur in the future. These statements are not historical data and must not be interpreted as guarantees that the facts and data cited will occur or that the objectives will be attained. By their nature, these data, assumptions and estimates, as well as all elements taken into consideration to determine these forward-looking objectives, statements and information, could prove to be wrong or may not materialise and may change or be modified due to uncertainties related to the economic, financial, competitive and regulatory environment in particular.

Furthermore, the materialisation of certain risks described in this document in the section entitled "Risk factors" could have an impact on the Group's activities, financial position and results, and on its ability to achieve its objectives.

13 PROFIT FORECASTS OR ESTIMATES

The Company does not forecast or estimate profits.

14 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

>> 14.1 Composition of the Board of Directors

The Company was established on February 15, 2005, as a *société par actions simplifiée* [simplified joint-stock company] and was transformed into a *société anonyme* [limited company] with a Board of Directors on August 31, 2005.

The Company is managed by a Board of Directors. There were eight directors on the Board as at the date this reference document. Directors have a term of office of six years renewable.

As of the registration date of this reference document, the directors of the Company are as follows:

			Other offices and duties performed by the director outside or within the Group during the last five years	
Surname, first name, address	**Office**	**Term of Office**	**Current**	**Past**
Giuliano Berretta domiciled at 4, rue Leconte de Lisle 75016 Paris, 67 years old. ***Eutelsat Communications*** ***70, rue Balard 75015 Paris***	Chairman of the Board of Directors and CEO	*First appointed:* April 31, 2005 *Term expires:* General Meeting convened to rule on the financial statements for the year ended June 30, 2011	- Chairman of the Board of Directors and CEO of Eutelsat S.A. - Director of Hispasat - Director of the International Council of the National Academy of Television, Arts and Sciences.	N/A
Jean-Luc Archambault, domiciled at 17, rue de la Pompe 75116 Paris 47 years old **Lysios,** **52, avenue Charles de Gaulle,** **92200 Neuilly-sur-Seine**	Director Co-optation of Mr Patrick Sayer on May 10, 2007*	*Term expires:* General Meeting convened to rule on the financial statements for the year ended June 30, 2011	- Director of Eutelsat S.A. - Chairman of Lysios S.A.S.	N/A
CDC Infrastructures, w/ registered office at 56, rue de Lille 75007 Paris **represented by Jean Bensaïd,** domiciled at 1, rue de l'Ancienne- Comédie 92100 Boulogne Billancourt 46 years old	Director	*Term expires:* General Meeting convened to rule on the financial statements for the year ended June 30, 2011	- Chairman of MAP SUB - CEO of CDC Holding Finance - Director of Eutelsat S.A. - Director of CDC Holding Finance, CDC Infrastructures, EGIS, GALAXY - Permanent representative of CDC on the *Conseil de surveillance de Société d'Épargne Forestière "Forêts Durables SC"*, and Tower Participations - Permanent representative of CDC on the *Conseil d'administration de Seche, TDF (TéléDiffusion de France)* and SANEF *(Société des Autoroutes du Nord et de l'Est de la France)*	- Representative (as natural person) on the Board of Directors of FINANCIERE TRANSDEV - CDC representative of FOND CARBONE EUROPEEN - Member of the Supervisory Committee (as natural person) of IXIS CIB - Member of the Supervisory Committee (as natural person) of IXIS AM GROUP - Member of the Supervisory Committee (as natural person) of SANTOLINE - Director of CDC ECI - CDC Representative on the Board of Directors of SOCIETE FORESTIERE - CDC Representative on the Board of Directors of SOGEPOSTE - Permanent CDC Representative and C3D Representative of TRANSDEV S.A.

* *the co-optation of these directors has to be ratified by the General Meeting of Eutelsat Communications' shareholders scheduled for November 9, 2007.*

Surname, first name, address	Office	Term of Office	Other offices and duties performed by the director outside or within the Group during the last five years: Current	Past
Lord John Birt, domiciled at 501 Knight's Court 4 St John's Place EC1M 4NP London 62 years old **Fielden House 13 Little College St. SW1P 3SH London, Great Britain**	Director	*Term expires:* General Meeting convened to rule on the financial statements for the year ended June 30, 2012	N/A	N/A
Carlos Espinos Gomez, domiciled c/o Tenor Massini 116 6° 1A -8028 Barcelona 43 years old **Abertis Telecom, w/ registered offices at Avgda del Parc Logistic, 12-20, 08040 Barcelona, Spain**	Director, Co-optation of Mr William Collatos on January 23, 2007 (*)	*Term expires:* General Meeting convened to rule on the financial statements for the year ended June 30, 2011	- Director of Eutelsat S.A. - Deputy CEO/ Commercial Director and Director of Technology, Abertis Telecom	N/A
Pier Francesco Guarguaglini domiciled at Via Ettore Romagnoli 3 Rome 70 years old **Finmeccanica 4 Piazza Monte Grappa 00195 Rome, Italy**	Director, Co-optation of Mr Franck Dangeard on July 25, 2007*	*Term expires:* General Meeting convened to rule on the financial statements for the year ended June 30, 2012	- Chairman of Finmeccanica S.p.A	- Chairman of Agusta Westland N.V.
Andrea Luminari, domiciled at Avgda Sarria 163 1er 1A -8014 Barcelona 41 years old **Abertis Telecom, Avgda del Parc Logistic, 12-20, 08040 Barcelona, Spain**	Director Co-optation of Mr Geoffrey Fink on January 23, 2007*	*Term expires:* General Meeting convened to rule on the financial statements for the year ended June 30, 2011	- Director of Eutelsat S.A. - Director, Mergers & Acquisitions (M&A), Abertis Telecom	N/A
Bertrand Mabille, domiciled at 1, rue Méhul, 75002 Paris 43 years old **SFR Enterprises, 1, place Carpeaux, Tour Sequoia, 92915 Paris-La Défense**	Director Co-optation of Mr Gilbert Saada on May 10, 2007*	*Term expires:* General Meeting convened to rule on the financial statements for the year ended June 30, 2011	- Director of Eutelsat S.A. - Member of the Supervisory Board of Adeuza	N/A
Tobias Martinez Gimeno, domiciled c/o Llança, 51-Planta 13 1A – 8015 Barcelona 48 years old **Abertis Telecom, Avgda del Parc Logistic, 12-20, 08040 Barcelona, Spain**	Director, Co-optation of GS 2000 Eurovision Holding on January 23, 2007*	*Term expires:* General Meeting convened to rule on the financial statements for the year ended June 30, 2011	- Director of Eutelsat S.A. - CEO, Abertis Telecom	N/A
Carlos Sagasta Reussi domiciled at Balmes 413, 1B – 8022 Barcelona 37 years old **Abertis Telecom, Avgda del Parc Logistic, 12-20, 08040 Barcelona, Spain**	Director, Co-optation of CB Luxembourg III on January 23, 2007*	*Term expires:* General Meeting convened to rule on the financial statements for the year ended June 30, 2011	- Director of Eutelsat S.A. - CFO, and Director of Management Control, Abertis Telecom	N/A

* *the co-optation of these directors has to be ratified by the General Meeting of Eutelsat Communications' shareholders scheduled for November 9, 2007.*

Giuliano Berretta joined Eutelsat S.A. as its first Commercial Director in 1990. From January 1999 to July 2001, Mr Berretta was Director General of the Intergovernmental Organisation. From July 2001 to September 2004, Mr Berretta was Chairman of the Management Board of Eutelsat S.A. In September 2004, he was elected Chairman of the Board of Directors and Chief Executive Officer of Eutelsat S.A. In the course of his career with Eutelsat S.A., Mr Berretta provided fresh commercial impetus and drove a policy of growing beyond the borders of Europe and into the Americas, Africa and Asia, positioning Eutelsat S.A. as a leader in supplying satellite television capacity and acting as a pioneer in the development of broadband services. Before he joined Eutelsat S.A., Mr Berretta worked at the European Space Agency in Paris, as well as the Agency's Technical Centre (ESTEC) in the Netherlands, where he played an active part in defining the first communications satellite programmes in Europe. Previously, he had spent the first seven years of his career in Italian industry, using his skills in the field of civil and military radio links and broadcasting. Mr Berretta was elected Leading Executive in the satellite industry in 2000 by the editors and analysts of PBI Média, one of the top publishing groups in the sector. In June 2002, *Business Week Europe* cited Mr Berretta one of the fifty European businessmen recognised as "leaders of change". He also sits on the Board of Directors of Hispasat. With a doctorate in electronic engineering from the University of Padua, Italy, Mr Berretta is also a doctor honoris causa in management sciences from the University of Bologna, Italy, and honorary professor at the University Ricardo Palma de Lima, Peru. Mr Berretta has been made a "*Cavaliere de Lavoro*", a Commander of the Order of Merit of the Italian Republic, and a Knight *(Chevalier)* of the Order of the Legion of Honour of the French Republic.

Jean-Luc Archambault is the founder and Chairman of Lysios, an institutional strategy consulting company. He was Director of Strategy and External Relations for SFR-Cegetal, the No. 1 private telecommunications carrier in France. Previously, he was Associate Director of BNP Private Equity, where he managed investments in the telecommunications and technology sector. Mr Archambault was also Regional Network Director at France Telecom, adviser to the Minister of Industry, and Director of Information Technology Services. Mr Archambaud is a graduate of the Ecole Normale Supérieure and the Ecole Nationale Supérieure des Télécommunications.

Jean Bensaïd is Deputy Director of the Caisse des Dépôts et Consignations and was Director of the Employment and Social Affairs Department of the Ministry of Finance, Economic and Tax Adviser at the Office of the Prime Minister, Financial Attaché to the French Embassy in the United States, Director of the Tax Department at the Ministry of Finance and an economist at INSEE. He is a graduate of the Ecole Normale Supérieur, ENSEA and Harvard University.

Lord John Birt, Chairman and Chief Executive Officer of Infinis Ltd (2006-2007) and Waste Recycling Group (2006), is also a consultant for Cap Gemini and Terra Firma. Previously, he was a Strategy Adviser to the British Prime Minister Tony Blair (2000-2005). Prior to that, Lord Birt was a consultant for McKinsey's Global Media Practice (2000-2005) after his career at the BBC as Deputy Director General (1987-1992) and then Director General (1992-2000). He began his career as Director of Programming for LWT from 1982-1987. Lord Birt is a graduate of St Catherine's College, Oxford.

Carlos Espinós Gomez joined Abertis in 1997 in the highway sector (Acesa) and is directing new projects in telecommunications systems in Spain and South America. He joined Abertis Telecom (Retevisión/ Tradia) in 2001. He held several positions of responsibility at Tradia. After the acquisition of Retevisión Audiovisual in 2003, he was named Deputy CEO and Commercial/Technology Director for Abertis Telecom, positions that he still holds today. He is a member of the Executive Committee of Abertis Telecom. Before joining the Abertis Group, he was responsible for the Technology Division of Andersen Consulting (Barcelona). Mr Espinós Gomez has a degree in Telecommunications Engineering from the Polytechnic University of Catalonia in Barcelona. He has also taken a management advanced-development programme at IESE's business school.

Pier Francesco Guarguaglini is Chairman and CEO of Finmeccanica, the international Italian major industrial group operating in the aeronautics and space sectors. Before joining Finmeccanica, he worked at Officine Galileo and Selenia. He is also a lifetime member of the U.S. Institute of Electrical and Electronics Engineers (IEEE). Mr Guarguaglini, who holds the title of "*Cavaliere de Lavoro*," is also a lecturer at the University of Rome. He has a degree in electronic engineering from the University of Pisa.

Andrea Luminari joined Retevisión in 1998 as Director of Strategic Planning and Development. After Retevisión Audiovisual's acquisition by the Abertis Group, in 2003, he became Director of Strategic Development for Abertis Telecom, the position he currently occupies. Before joining Retevisión Audiovisual, he held various positions at Telecom Italia for six years. First he was appointed Internal Controller, then Project Manager in the International Affairs Division. Mr Luminari has a degree in economic and industrial politics from the University L.U.I.S.S. of Rome and an MBA from the Institut Guglielmo Tagliacarne in Rome.

Bertrand Mabille has been Chief Executive Officer of SFR Entreprises since November 7, 2005. He was Director of Strategy and Regulation for Groupe SFR Cegetel from 2003. From 2000 to 2003, he has worked for Thomson as the Group's Director for Strategic Partnerships, then Chief Executive Officer of Nextream, a joint subsidiary of Thomson and Alcatel. From 1995 to 2000, Mr Mabille was in the Services of the Prime Minister. He is a graduate of the Ecole Normale Supérieure de la rue d'Ulm and the ENST.

Tobias Martínez joined the Abertis Group (formerly Acesa) in 2000, to promote diversification of its activities, especially in telecommunications infrastructures. First he was Chief Executive Officer of Tradia, after its acquisition in 2001. After the takeover of Retevisión Audiovisual in December 2003, he was appointed CEO of Abertis Telecom, which includes Retevisión and Tradia Telecom. He is a member of the Executive Committee of Abertis Telecom. Before joining the Abertis Group, he held various positions of responsibility in consulting and technology companies. Mr Martínez has a degree in telecommunications engineering and marketing management at the Instituto Superior de Marketing de Barcelone.

Carlos Sagasta is Director of Financial Planning and Control for Abertis Telecom. He joined Retevisión in 2003, on behalf of Abertis, as Director of Strategic Planning and Control in order to direct the transition process after the company's takeover by the Abertis Group. In 2004, he was appointed Director of Strategic Planning and Control for Abertis Telecom, which includes Retevisión and Tradia. He is a member of the Executive Committee of Abertis Telecom. Before joining Retevisión, he held various positions of responsibility at Salomon Smith Barney (New York), then Gramercy Communications Partners (New York) and E-La Caixa (Barcelona), a subsidiary of the La Caixa group, which is one of the major shareholders of the Abertis Group. Mr Sagasta has a degree in business/financial management from the University of Saint Louis (Missouri) and an MBA in finance and strategy from the Anderson School at UCLA (Los Angeles, California).

>> 14.2 Principal Executives

Giuliano Berretta (see summary of his experience in the previous Section) is the Company's Chief Executive Officer.

Jean-Paul Brillaud is Deputy CEO and a Director of Hispasat S.A.. He joined Eutelsat as Director of Strategic Affairs in 1999. Mr Brillaud (who is 56) was appointed to the Management Board in 2001 and named Deputy CEO in 2004. In the course of his career with the Company, he has directed the transformation of Eutelsat from its status as an international organisation to a *société anonyme* [limited company], ensured its strategic development and steered through the initial public offering of its shares. Before joining the Group, Mr Brillaud was Deputy Director of Space Telecommunications at France Telecom. He was specifically in charge of managing France Telecom's space segment investments and of the operations of the satellite telecommunications centre. He began his career with the CNET (Centre National d'Etudes des Télécommunications [National Centre for Telecommunications Research]). Mr Brillaud is a graduate of the Ecole Nationale Superieure des Télécommunications.

>> 14.3 Relations within the administrative and management bodies

There are, to the Company's knowledge, no family ties between the Company's corporate officers.

Furthermore, to the Company's knowledge, no corporate officer has been the subject of:

- conviction for fraud within at least the last five years;
- bankruptcy, sequestration or liquidation within at least the last five years;
- official public incrimination and/or sanction handed down by statutory or regulatory authorities within at least the last five years.

Finally, to the Company's knowledge, no corporate officer has been forbidden by a court from acting as a member of a administrative, management or supervisory body of an issuer, or from taking part in the management or running of the affairs of an issuer within at least the last five years.

>> 14.4 Conflicts of interest in the administrative and management bodies

As of the registration date of this reference document, there are, to the Company's knowledge, no potential conflicts of interest between the duties carried out by the Deputy CEO and the members of the Board of Directors on behalf of the Company, and their private interests.

15 COMPENSATION AND BENEFITS

>> 15.1 Compensation and other benefits of the Company's corporate officers and senior management

The following table shows the compensation paid to members of the management during the financial years 2005-2006 and 2006-2007:

Name and Function	Year	Fixed salary	Variable portion of compensation	Attendance Fees	Benefits in Kind	Total
G. Berretta	2006/2007	550,000	1,103,609	50,000	5,439	1,709,048
Chairman & CEO	2005/2006	550,000	452,408	0	7,319	1,009,727
J.P. Brillaud	2006/2007	311,720	335,940	0	5,429	653,089
Deputy CEO	2005/2006	311,720	115,880	0	5,197	432,797

The amount of Mr Berretta's gross compensation shown here is equal to the total gross compensation paid by Eutelsat S.A. and Eutelsat Communications to Mr Berretta during the financial year that began on July 1, 2006 and ended June 30, 2007, both for his duties as Chairman & CEO of Eutelsat S.A. and his employment contract with Eutelsat S.A. as Director of International Development and also for his duties as corporate officer of Eutelsat Communications. Amounts paid during the financial year are shown in Section 15.2 below. Mr Berretta earned no other sum from any of the Group's companies.

The amount of Mr Brillaud's gross compensation shown here is equal to the total gross compensation paid by Eutelsat S.A. to Mr Brillaud during the financial year that began on July 1, 2006 and ended June 30, 2007, both for his duties as Deputy CEO of Eutelsat S.A. and his employment contract with Eutelsat S.A. Mr Brillaud did not receive any compensation for his duties as corporate officer of Eutelsat Communications. Amounts paid during the financial year are itemised in Section 15.2 below. Mr Brillaud earned no other sum from any of the Group's companies.

The table below shows the compensation and benefits in kind paid to each of the Company's directors (i.e. members of the Board) in the course of the last financial year by the Company and the companies it controls.

Members of the Board Of Directors	Gross Compensation (a)	Director's Fee (b)	Overall Gross Compensation* (c= a+b)
G. Berretta	1,659,048	50,000	1,709,048
Lord Birt	0	37,667	37,667
CDC Infrastructures represented by Jean Bensaïd	0	26,750	26,750
B. Collatos	0	29,166	29,166
F. Dangeard	0	15,205	15,205
C. Espinos Gomez	0	30,083	30,083
G. Fink	0	29,166	29,166
A. Luminari	0	22,083	22,083
T. Martinez Gimeno	0	30,083	30,083
G. Saada	0	37,500	37,500
C. Sagasta Reussi	0	22,083	22,083
P. Sayer	0	37,500	37,500
BlueBirds Participations represented par L. Marini Portugal	0	33,333	33,333
CB Luxembourg represented by B. Valentin	0	29,166	29,166
GSCP 2000 represented by H. Lepic	0	29,166	29,166
B. Mabille	0	6,667	6,667
J.L. Archambault	0	6,667	6,667

* *The amount of directors' attendance fees shown here is the total amount of attendance fees paid by Eutelsat Communications to directors in office between July 1, 2006 and June 30, 2007. No attendance fees were paid to directors during the financial year ended June 30, 2006.*

Total directors' fees paid by the Company or the companies it controls to its directors during the financial year ended June 30, 2007 amounted to 472,285 euros.

>> 15.2 Elements for determining the variable portion of the compensation granted to Eutelsat S.A.'s corporate officers and managers

Compensation paid by Eutelsat S.A. to Mr Berretta shown in the table of the previous subsection consists in a fixed portion of 550,000 euros, 5,439 euros in benefits in kind and a variable portion. The variable portion of this compensation consists of:

- a variable discretionary bonus based on objectives of 120,000 euros for the financial year ended June 30, 2006, paid during the first half of the financial year ended June 30, 2007;
- a bonus, whose amount varies according to objectives to be reached, which takes into account the Company's performance by reference to a predetermined financial indicator (EBITDA). Exceptionally, for the financial year ended June 30, 2006, this bonus was multiplied by 1.5 as a result of the Company's successful IPO. Thus, the amount paid as a bonus for the financial year ended June 30, 2006 was 960,000 euros, and payment was made during the first half of the financial year ended June 30, 2007.

Compensation paid by Eutelsat S.A. to Mr Brillaud, as shown in the table of the previous subsection, consists in a fixed portion of 311,720 euros, 5,429 euros in benefits in kind and a variable portion. The variable portion of this compensation consists in:

- a variable discretionary bonus based on objectives of 44,888 euros for the financial year ended June 30, 2006, paid during the first half of the financial year ended June 30, 2007;
- a bonus whose amount varies according to objectives to be reached, which takes into account the Company's performance by reference to a predetermined financial indicator (EBITDA). Exceptionally, for the financial

year ended June 30, 2006, this bonus was multiplied by 1.5 as a result of the Company's successful IPO. Thus, the amount paid as a bonus for the financial year ended June 30, 2006 was 269,328 euros, and payment was made during the first half of the financial year ended June 30, 2007.

The evaluation criteria for the variable portion of Mr Berretta's and Mr Brillaud's compensation for the financial years ended June 30, 2006 and 2007 were the same.

>> 15.3 Elements of compensation and other benefits due or likely to be due because of or following to the termination of a group's senior manager's appointment

The Group contributes to a supplementary retirement plan with defined and supplemental benefits (pension: Article 39) for its corporate officers (current or former), which corresponds to 8% of their fixed remuneration and which is payable to them upon retirement. This commitment is covered by a pension provision. In a decision dated September 25, 2007, the Company's Board of Directors decided to increase the amount of the defined and supplemental benefits for its corporate officers from 8% to 10%.

Moreover, in a November 5, 2002 decision by the Supervisory Board of Eutelsat S.A., based on the opinion of the Nomination and Remuneration Committee, compensation for the involuntary termination of Mr Berretta's corporate appointment was determined. This compensation, one million euros, becomes due for payment by Eutelsat S.A. to Mr Berretta in the event of the termination of his corporate appointment by a decision of the Board of Directors or a General Meeting of Eutelsat S.A. (except in the event of gross misconduct).

>> 15.4 Corporate officers' equity interests in the Company and stock options and stock purchase options

According to the By-laws, all members of the Company's Board of Directors must each hold at least one share in the Company at the time of their appointment or within three months following that date.

No stock option or stock purchase plan was established by the Company during the financial years ended June 30, 2006 and 2007.

However, the operating subsidiary Eutelsat S.A. introduced stock option or stock purchase plans in the course of previous financial years. Under these plans:

- Mr Berretta, Chairman & CEO, exercised 1,283,846 Managers 2 stock options (see Section 17.2 "Options granted to employees on shares of the Company or of other companies in the Group") at a price of 1.33 euro, resulting in the issue of 1,283,846 new shares of Eutelsat S.A.;
- Mr Brillaud, Deputy CEO, exercised 438,087 Managers 2 stock options (see Section 17.2 "Options granted to employees on shares of the Company or of other companies in the Group") at a price of 1.33 euro, resulting in the issue of 438,087 new shares of Eutelsat S.A.

All of the shares held by Mr Berretta, Mr Brillaud and their relatives, as a result of the exercise of these stock options, were transferred to SatBirds 2 S.A.S. pursuant to the commitments to sell granted by Mr Berretta and Mr Brillaud (see Section 21.1.6 "Options or agreements concerning the capital of the Company or of a member of the Group").

As of the date of this reference document, Mr Berretta still holds 9,467,917 stock options, and Mr Brillaud holds 875,461 stock options, entitling them to subscribing for 9,467,917 and 875,461 shares, respectively, in Eutelsat S.A. All of the shares underlying the stock options that have yet to be exercised are covered by commitments to buy and to sell (see Section 21.1.6 "Options or agreements concerning the capital of the Company or of a member of the Group"). At June 30, 2007, Mr Berretta holds 78,823 shares in Eutelsat S.A. and Mr Brillaud holds 30,003 shares in Eutelsat S.A.

16 DESCRIPTION OF ADMINISTRATIVE AND MANAGEMENT BODIES

>> 16.1 Term of office of members of the administrative and management bodies

This information can be found in Section 14.1 “Composition of the Board of Directors” of this reference document.

>> 16.2 Information concerning the service contracts binding members of the administrative and management bodies of the Company

To the best of the Company’s knowledge, with the exception of the employment contract between Mr Berretta and Eutelsat S.A., there is no employment contract or service contract between the other directors of the Company and any of its subsidiaries that provides for the grant of benefits of whatsoever kind.

>> 16.3 Description of the Board of Directors

The statutory provisions relating to the Board of Directors are summarised in section 21.2.2, “Board of Directors, Committees and Observers” of this reference document.

Duties of the Board of Directors

The Board of Directors is responsible for defining the orientations of the Company’s business activities and ensuring this framework is properly implemented. Subject to the powers expressly reserved for General Meetings of Shareholders, the Board of Directors may examine any question that affects the sound operation of the Company.

In addition, the Board’s internal rules adopted on December 19, 2006, a number of strategic decisions and undertakings require the prior approval of the Board of Directors.

These decisions can be grouped under the following headings:

Operations affecting the Company

Any operation that results in an increase in the Company's capital or a modification of the Company's By-laws is submitted for prior approval by the Board of Directors.

Any plan for the buy-out or merger of the Company or any acquisition that would be payable in all or in part in Company shares.

Strategic operations

Any amendment to the Group's Five-year Strategic Plan, as well as any acquisition of shares in another company or any operations or mergers with a substantial effect on the Company's structure or strategy, is submitted to prior approval of the Board of Directors. This also applies to any investment in the capital of another company for more than 50 million euros or for more than 25 million euros if the relevant investment is not included in the Strategic Plan or in the annual CAPEX Plan approved by the Board of Directors.

Investments and financial undertakings

The Group's consolidated annual budget is subject to prior approval of the Board of Directors, as well as any modification thereof, at the beginning of each financial year. All capital expenditure in excess of 50 million euros (or in excess of 25 million euros if not included in the annual budget) is subject to prior approval by the Board of Directors. Any loan or financing contract that results in increasing the Group's indebtedness by more than 50 million euros that is not included in the annual budget is subject to prior approval by the Board of Directors. Any decision to dispose of, lend, lease or transfer assets of the Group (excluding commercial operations) or any decision to disinvest any amount in excess of 50 million euros that is not included the annual budget is subject to prior approval by the Board of Directors.

The provision of any guarantee or pledge is subject to prior approval by the Board of Directors.

Management of the Company

The Board of Directors is in charge of defining the requirements for independence and selection of the independent directors, and its prior approval is needed before any recruitment or dismissal of a manager working for the Group whose remuneration is one of the six largest.

Meetings of the Board of Directors

The Board of Directors meets as often as the interests of the Company or the Group require.

The Board of Directors met 16 times during the year 2006-2007, mainly due to the substantial workload involved in examining the expressions of interest in acquiring shares received in October and November 2006 and in the preparation and review phases of the Group's five-year Strategic Plan.

Unless it is an emergency, invitations to attend meetings of the Board of Directors are sent out to Board members at least five days before the meeting concerned.

Information communicated to the Board of Directors

In accordance with the relevant provisions of the By-laws and the internal rules of the Board of Directors, documents for the Board meeting are sent to its members at least five days before the meeting of the Board takes place. For an emergency meeting of the Board, documents are sent out in a shorter timeframe.

Evaluation by the Board of Directors and independence of Company directors

In accordance with the practices of corporate governance and the commitments entered into by the Company at the time of its IPO in December 2005, the Board of Directors undertook a procedure for the selection of three independent directors, i.e. directors having no conflict of interests and no business relations with the Eutelsat Group that would be such as to affect the director's judgement.

At the Ordinary General Meeting of Shareholders on November 10, 2006, and two independent directors were elected for a six-year term of office to expire at the end of the General Meeting of Shareholders called upon to examine the financial statements of the Company for the year ending June 30, 2012. These were: Lord John Birt, former Director General of the BBC, and Mr Frank Dangeard, Chairman and Managing

Director of the THOMSON Group. Following the latter's resignation as of February 28, 2OO7, the Board of Directors meeting on July 25, 2007 decided to co-opt Mr Guarguaglini, Chairman of the FINMECCANICA Group, for the remaining duration of Mr Dangeard's term of office.

The process of identifying and selecting the third independent director continues.

The Board of Directors will be submitting the co-optation of Mr Guarguaglini and, if applicable, the election of a third independent director, if he or she has been identified, for the approval of the Company's next Ordinary General Meeting of Shareholders.

When this process is complete, therefore, three of the 11 members (more than a quarter) of the Board of Directors should be independent directors.

Internal rules of the Board of Directors

In addition to the legal and regulatory provisions, the management of the Board of Directors is organised in accordance with a set of internal rules, which the Board of Directors adopted on December 19, 2006.

The internal rules stipulate that each director must devote the necessary time and attention for the fulfilment of his mission. In addition, when accepting a new job or duty, he must ensure that he is in a position to fulfil that assignment. In this respect, the internal rules set out the legal and regulatory provisions applicable to directors (plurality of terms, disclosure of terms held, etc.). Unless genuinely prevented from attending, every director must attend every Board Meeting, every meeting of each Committee on which he sits, and every general meeting of shareholders.

The internal rules also state that the way in which the Board of Directors operates must be assessed at least once each year. The result of this assessment, and well as the measures being considered to improve the way in which the Board operates, are published in the Annual Report. In addition, every three years, an independent director has to carry out a formal assessment of how the Board operates, and an external consultant may assist him.

The internal rules also specify provisions for preventing any conflicts of interest and for managing contracts with related parties. Each director must inform the Company of any conflict of interest of which he is aware, and take all necessary measures to avoid it. Any agreement between a director and the Company must comply with the provisions applicable to related party agreements.

The internal rules also specify measures applying to transactions undertaken by senior managers and their related parties in relation to Company securities, as well as the rules intended to prevent insider dealing. Each director must therefore comply with the legal provisions in force and with the General Regulation of the *Autorité des marchés financiers* (AMF), and must make the necessary disclosures required under these texts for transactions in relation to Company securities. No director must divulge information about the Company obtained by him during the performance of his duties.

Observer

Since the initial public offering of the Company, the Executive Secretary of Eutelsat IGO has performed the duties of Observer on the Board of Directors of Eutelsat Communications.

For further information, see the paragraph entitled "Current relationship between Eutelsat S.A. and Eutelsat IGO."

Committees of the Board of Directors

During the year, the Board of Directors decided to set up two specialised Committees.

Selection and Remuneration Committee

This Committee is notably in charge of studying and providing recommendations to the Board as appropriate on (i) the compensation of the Chairman and CEO and of the Deputy CEO, (ii) the introduction of stock-option plans or plans for the purchase or grant of shares within the Group, (iii) the allocation of attendance fees to members of the Board, (iv) the selection of the independent directors.

The Committee is currently chaired by Mr Tobias-Martinez. Messrs Bensaid, Espinos-Gomez and Lord John Birt are also members. The Secretary to the Committee is Mr Izy Béhar, Director of Human Resources at Eutelsat S.A.

This Committee met six times in the course of the year, notably to examine the introduction of a Plan for the Allocation of Free Shares to all the Group's employees and the Group's key managers.

On the basis of a recommendation by the Committee, the Board of Directors Meeting of May 10, 2007 allocated free shares to all the Group's employees and key managers. In accordance with Article L. 225-197 of the French Commercial Code.

Audit Committee

Created on September 25, 2007 and chaired by Mr Archambaud, the Company's Audit Committee comprises Lord John Birt and Mr Sagasta. Its mission is to assist the Board of Directors in matters related to financial reporting and internal control and to ensure the smooth conduct of relations between the Company and its auditors.

As regards accounting and internal control, the mission of the Audit Committee is to: (i) review the half-year and full-year financial statements submitted to the Management Committee before the Board of Directors convenes, (ii) review the conclusions of the internal audit reports and ensure they are independent and objective, (iii) oversee proper coordination of the tasks assigned to the internal and external auditors, (iv) ensure the relevance of the information provided to the internal auditors.

As regards risk, the mission of the Audit Committee is to: (i) review all contracts, transactions or arrangements between the Company and any related party, and (ii) analyse and express an opinion on the independence of the Company's auditors and on their remuneration, and on any matter related to their resignation or dismissal.

As regards external controls, the mission of the Audit Committee is to: (i) examine with the auditors any difficulty or problem they might deal with in the course of the preparation of the half-year or full-year reports or with regard to any other subject, and (ii) at the beginning of each financial year, review with the Company auditors the nature and scope of their missions, as well as coordination of the missions of the internal and external auditors.

The Audit Committee also examines any question submitted to it by the Board of Directors.

The Audit Committee reports to the Board of Directors on any subject it deems significant as regards the business activity of the Company.

Internal control

The report of the Chairman of the Board of Directors prepared in accordance with Article L. 225-37 of the French Commercial Code and the auditors' report relating thereto are given in the annex to this reference document.

>> 16.4 Description of the management bodies

Combining the functions of Chairman of the Board of Directors and CEO

Following the ruling of the Board of Directors on August 31, 2005, the tasks of CEO of the Company are carried out by the Chairman of the Board of Directors.

Powers of the CEO

The CEO shall be vested with the broadest powers to act under any circumstance on behalf of the Company. He shall exercise his powers within the limits of the company's purpose and subject to the powers that the law expressly vests in Meetings of Shareholders and the Board of Directors.

He shall represent the Company in its relations with third parties. The Company shall be bound even by the acts of the CEO that do not fall under the Company's purpose, unless it proves that the third party knew that the act exceeded that purpose or if the third party could not have been ignorant of that fact, considering the circumstances; the mere publication of the By-laws shall not be sufficient for constituting such proof.

The provisions of the By-laws or the decisions of the Board of Directors limiting the powers of the CEO shall not be invokable against third parties.

The Board of Directors shall determine the compensation of the CEO under the conditions set by law.

The CEO may not be older than 69 years old.

Statutory Limitations

The Company's By-laws do not restrict on the powers of the CEO.

Limitations decided by the Board of Directors

None.

Deputy CEO or CEOs

Upon a proposal by the CEO, the Board of Directors may authorise one or more natural persons to assist the CEO, with the title of "Deputy CEO" or "Deputy CEOs". A mandate of Deputy CEO can be revoked at any time by the Board of Directors upon a proposal by the CEO.

In agreement with the CEO, the Board determines the extent and duration of the powers vested in the Deputy CEOs. The Board determines his compensation under the conditions set by law.

With respect to third parties, the Deputy CEOs have the same powers as the CEO. The Deputy CEOs shall, in particular, have the power to take part in court proceedings.

A Deputy CEO may not be older than 67 years old.

The maximum number of Deputy CEOs may not exceed five.

On December 22, 2005, the Board of Directors decided to appoint Mr Jean-Paul Brillaud as Deputy CEO.

>> 16.5 Corporate governance

Following the admission of its shares on the Eurolist of Euronext, Paris, the Company implemented internal control procedures intended to prevent and curb risk resulting from Company business, as well as accounting and financial risks, in compliance with the laws and regulations applicable to listed companies.

Accordingly, the Company has implemented a series of measures resulting from report recommendations on corporate governance improvements made by the working groups chaired by Mr Marc Vienot and Mr Daniel Bouton. These findings were made public in July 1995, July 1999 and on September 23, 2002. They concerned the creation of various committees as described above and the appointment of two independent directors on the Board of Directors.

The internal control measures are described in the special report of the Chairman of the Board of Directors, which is given as an annex to this reference document.

Adopted on December 19, 2006, the internal rules of the Board of Directors of the Company are intended to guarantee the transparency of the Board of Directors in its operations. The main provisions of these internal rules are summarised in section 16.3, paragraph "Internal rules of the Board of Directors."

17 EMPLOYEES

>> 17.1 Number of Employees

As of June 30, 2007, the Company was not employing any employees and the Group was employing 529 persons.

The table below illustrates the breakdown of the average number of Group employees into a) operational and b) commercial and administrative activities:

	Average number of employees for the financial years ended 30 June		
	2005	2006	2007
Operations	208	205	222
Commercial and administrative activities	269	286	298
TOTAL	**477**	**491**	**520**

For the last three financial years, the number of staff employed by the Group has been relatively stable. The change in the number of staff can be explained in part by the increase in the staff employed by the Group's foreign subsidiaries between June 2005 and June 2007, which rose from 42 to 56 persons during the 2005/2006 financial year and from 56 to 81 persons during the 2006/2007 financial year. This rise in staff numbers mainly concerned the Skylogic subsidiary in Italy.

Each year, Eutelsat S.A. prepares a social audit report recapitulating key data in a single document to enable an assessment of the Company's situation within the social field. This social audit report is prepared with reference to a calendar year. Each year, the Company's works' council issues an opinion on this social audit report. The social report and opinion of the works' council are then provided to employees upon request and to the Company's shareholders, in accordance with Articles L. 225-108 and L. 225-115 of the Commercial Code.

In 2006, Eutelsat S.A. was employing an average of approximately six temporary staff per month. Temporary staff worked for an average of 15 days. Employees of Eutelsat S.A. had an average length of service of 9.2 years, with professional grades representing approximately 80% of Company staff as a whole.

The Group believes that its relations with its employees are good.

However, the Group cannot rule out future costs arising from disputes with its personnel.

>> 17.2 Options granted to employees on shares of the Company or of other companies in the Group

At the date of registering this reference document, no stock-option or stock-purchase option plan has been put in place by the Company.

The table below shows the stock-option or stock-purchase plans set up by Eutelsat S.A. for its corporate officers and employees.

The only two corporate officers receiving stock options are Mr Berretta and Mr Brillaud. A description of their stock options or stock-purchase options is given in Section 15.4 "Corporate officers' equity interests in the Company and stock options and stock purchase options" of this reference document.

History of allocations of stock options and stock purchase options by Eutelsat S.A.

	Plan No. 1	Plan No. 2	Plan No. 3	Plan No. 4	Plan No. 5	Plan No. 6	Plan No. 7	Plan No. 8	Plan No. 9
Date of Board of Directors or Management Board, as appropriate	04/07/2001 Partners Plan[3]	25/10/2001 Managers Plan I[3]	13/12/2002 Managers Plan II[3]	24/02/2003 Managers Plan II[3]	17/12/2003 Managers Plan III[3]	22/03/2004 and 9/04/2004 Purchase options plan	08/04/2004 Managers Plan III[3]	28/06/04 Managers Plan III bis[3]	23/11/2004 Managers Plan IV[3]
Total number of options granted (one option giving rights to one share) including;	4,233,788	2,010,000	3,150,180	56,000	8,011,938	754,000 purchase options	1,102,000	325,000	3,000,000
- granted to Company representatives[1]	172,275	1,060,000	1,953,180	-	8,011,938	138,483	-	-	325,000
- granted to the first ten employees who are not Company representatives	262,566	550,000	645,000	56,000	-	137,583	710,000	325,000	1,675,000
Options exercisable from	All options are exercisable	All options are exercisable	All options are exercisable	All options are exercisable	All options are exercisable	22/03/2004	All options are exercisable	All options are exercisable	All options are exercisable
Options expire on	03/07/2009	24/10/2009	12/12/2010	23/03/2011	16/12/2011	14/05/2004	07/04/2012	27/06/2012	22/11/2012
Exercise price:									
- at allocation	1.10 euro	2.00 euros		1.79 euro	1.70 euro	1.615 euro	1.70 euro	2.00 euros	2.20 euros
- after December 2004 adjustment	1 euro	1.54 euro		1.38 euro	1.31 euro		1.31 euro	1.54 euro	1.70 euro
- after December 2005 adjustment[2]	1 euro	1.48 euro		1.33 euro	1.26 euro		1.26 euro	1.48 euro	1.64 euro
Number of options exercised as of June 30, 2007	4,052,493	2,612,083		4,210,517	876,174	668,020	137,444	No option was exercised under this Plan	247,741
Number of shares underlying stock options or stock purchase options remaining[3]	109,944	53,831		62,752	9,906,004	There were no exercisable options (85,980 options expired as of 14/05/04)	1,273,915	437,374	3,780,474

(1) *For the Partners, Managers I, Managers II, Managers III plans and the stock-purchase option plan, all the members of the Management Board were allocated options. For the Managers Plan IV, only one Company representative was allocated options.*

(2) *In accordance with the Commercial Code, in December 2006 Eutelsat S.A. made an adjustment to the existing options subsequent to the exceptional distribution authorised by the Ordinary and Extraordinary Meeting of Shareholders held on November 10, 2006. The conditions of the adjustment prompted a change in the exercise price of the existing options and the number of shares for which these options provided subscription rights.*

(3) *Some beneficiaries under the Managers Plans signed commitments with the Company to buy and sell their underlying shares. The Company undertook, subject to certain conditions, to ensure liquidity for the shares resulting from the exercise of options for beneficiaries who had not signed buy and sell commitments (see Sections 15.4 "Corporate officers' equity interests in the Company and stock options and stock purchase options" and "Options or agreements concerning the capital of the Company or a member of the Group" for further information).*

Liquidity offer

The Company made a commitment to employees who were shareholders of Eutelsat S.A. or beneficiaries of Eutelsat S.A. stock options and stock purchase options, with the exception of Company corporate officers or senior managers who had entered into a commitment to sell (see Section , 21.1.6 “Options or agreements concerning the capital of the Company or of a member of the Group” for more information) whereby it would ensure liquidity for their shares in the event of Eutelsat Communications undertaking an IPO before the end of the 2010 financial year.

Eutelsat Communications consequently provided a half-semi-annual liquidity “window” to follow publication of the semi-annual and annual results.

Thus, on June 28, 2007 the Board of Directors approved the implementation of a liquidity offer in the form of a cash payment for Eutelsat S.A. shares held by employees of the Group and/or an exchange of Eutelsat S.A. shares for shares of Eutelsat Communications.

This liquidity offer opened on August 26, 2007 and closed on September 14, 2007. Final settlement of the transaction took place on October 15, 2007. Under this transaction, and at the date of the registration of this reference document, 74,735 shares were bought in cash and 152,693 shares were exchanged for Eutelsat Communications shares, giving rise to the issue of 48,721 Eutelsat Communications shares.

>> 17.3 Allocation of free shares in the Group

Following the Company’s initial public offering on December 2, 2005, the Board of Directors decided to allocate free shares to the employees of the Group, with the exception of any employee who became a shareholder of the Company before November 29, 2005. 341 shares were to be allocated to each beneficiary and the number of beneficiaries was set at 439. The vesting period for the shares was set at two years after this date on condition that the employee was still working for the Group at that time. The beneficiaries were then required to retain these shares for a further period of two years after definitive acquisition.

By its decision on May 10, 2007, the Board of Directors of the Company decided to allocate free shares to Group’ employees on the basis of 181,825 shares to be issued. The vesting period for the shares was set at 2 years after this date on condition that the employee was still working for the Group at that time. The beneficiaries were then required to retain these shares for a further period of 2 years after definitive acquisition. Under this decision it was decided that Mr Berretta would receive 30,000 free shares and that Mr Brillaud would receive 10,000 free shares.

Date of Board of Directors Meeting	Number of shares	Vesting period	Retention period
November 29, 2005	149,699	Two years	Two years
May 10, 2007	181,825	Two years	Two years

>> 17.4 Profit-sharing, staff incentives and Company savings plan

At the date of registering this reference document, there is no profit-sharing or staff incentives agreement governed by the provisions of title IV of book IV of the French Labour Code in effect within the Company. The Company has not set up a Company savings plan.

As regards the staff incentives plan at Eutelsat S.A.:

- a Company savings plan was set up at Eutelsat S.A. in July 2000.

  A savings plan is a collective savings-system that provides member employees with an opportunity to build up a portfolio of marketable securities with the help of their employer. The money invested in a savings plan is unavailable for five years, except in the cases of early release specified in the rules.

  The Company savings plan offers a number of different investment vehicles (Company mutual funds governed by Article L. 214-39 of the French Monetary and Financial Code) allowing its members to choose the investment vehicle best suited to their savings method.

  A *fonds commun de placement d'entreprise* (company's mutual fund) allows money to be invested in the securities of a company of the group (FCPE governed by Article L. 214-40 of the French Monetary an Financial Code) is also offered within the savings plan. Through this FCPE, savings plan members can acquire securities of a Company within the Group under Article L. 443-5 of the French Labour Code.

  The Company savings plan also allows beneficiaries of stock options or purchase options to exercise these options through their unavailable assets in the savings plan and to keep in the savings plan the shares they obtain by the exercise of their options. The shares are frozen and remain in the savings plan. There is no possibility of taking advantage of one of the cases of early release;

- a staff-incentives agreement under Articles L. 4411-1 and following of the French Labour Code was concluded by Eutelsat S.A. on November 17, 2005 to involve Eutelsat S.A. employees in the performance of the Company. This plan is optional and in compliance with the applicable legal provisions is not set at a fixed amount. Incentive payments paid to employees is determined from performance criteria stated in the agreement, which takes into account the improvement of the Company's financial performance (financial ratio and operating costs).

  Employees are able to pay all or part of their incentive payment into their Company savings plan; the sums paid in are unavailable for five years and can then benefit from the preferential taxation system applying to savings plans.

  The table below shows the average amount of incentive payment per beneficiary employee:

(In euros)	2004-2005	2005-2006	2006-2007
Average amount of incentive payment	1,492	1,845	1,850

- a profit-sharing agreement, governed by Articles L.442-1 and following of the French Labour Code was concluded by Eutelsat S.A. on November 13, 2002. Mandatory (by law) employee profit-sharing gives employees access to a fraction of the profits yielded by the Company. The Eutelsat S.A. profit-sharing agreement uses the legally prescribed method of calculating the profit-share reserve set out in Article L. 442-2 of the French Labour Code.

Unless early release of such sums becomes possible in accordance with the rules, money paid into the savings plan under the profit-sharing agreement remains unavailable for five years. The Eutelsat S.A. profit-sharing agreement provides for that the amounts allocated to employees to be invested in FCPEs. It is not expected to allocate profit-sharing reserve's allowance.

The table below shows the total amount of the profit-sharing special reserve determined in accordance with the profit-sharing agreement in force:

(In euros)	2004-2005	2005-2006	2006-2007
Amount of the profit-sharing special reserve	2,514,971	3,199,985	3,852,804

18 PRINCIPAL SHAREHOLDERS

>> 18.1 Company shareholder structure

During the financial year ended June 30, 2007, the main changes in the Company's shareholder structure were as follows:

On January 23, 2007, Nebozzo S.àr.l., Eurazeo and GSCP 2000, transferred their investments in Eutelsat Communications to Albertis Telecom, which thereby increased its stake to 31.74% of Group capital.

On February 20, 2007, BlueBird 2 Participations S.àr.l., and RedBird Participations S.A. transferred their investments to the *Caisse des Dépôts et Consignations,* which thereby increased its stake to 25.94% of Group capital.

In accordance with these transfers, the Company granted *Caisse des Dépôts et Consignations* and Abertis Telecom access to a limited data room under a confidentiality agreement. During this data room process, the Company did not disclose any important information liable to have a significant impact on the Eutelsat Communications share price (see Press Releases of 5 and December 7, 2006 on the Company's website: www.eutelsat.com).

Belgacom transferred its shares in the Company in March 2007 via the market.

The table below presents information relating to the Eutelsat Communications shareholder structure of which the Company was aware of as of July 31, 2007:

Shareholders	Number of shares and voting rights	Percentage
Abertis Telecom S.A.u.	69,022,989	31.75%
CDC Infrastructures S.A.	56,399,660	25.94%
Radio Televizijia Slovenia	2,468,724	1.14%
Entreprise des Postes et Telecoms (Luxembourg)	2,395,886	1.11%
Public	82,119,102	37.77%
Employees and senior managers	2,472,685	1.14%
Other minority shareholders	2,522,036	1.15%
TOTAL SHARES	**217,401,082**	**100%**

As of the registration date of this reference document, the common stock is made up of ordinary shares, all of the same class. For this reason, the principal shareholders have the same voting rights as the other shareholders.

To the best of the Company's knowledge, there are no other shareholders holding registered shares with more than 1% of the capital of the Company at the date of this reference document. However, other shareholders within the general public have declared to the Company that they have crossed thresholds exceeding 1% of the capital and are therefore liable to be holding at least 1% of the capital of the Company (see the annual information document in Chapter 23 "Documents accessible to the public" in this reference document for declarations regarding the crossing of thresholds in the 2006/2007 financial year).

To the best of the Company's knowledge, as of June 30, 2006, the breakdown in capital was as follows:

Shareholders	Number of shares and voting rights	Percentage
Companies controlled by Eurazeo	54,951,502	25.48%
BlueBirds II Participations S.A.S.	*35,096,813*	*16.27%*
Redbirds Participations S.A.S.	*19,854,689*	*9.21%*
Nebozzo S.àr.l.(1)	33,295,037	15.44%
CB Luxembourg III S.àr.l.(2)	25,196,325	11.68%
GSCP 2000 Eurovision Holding S.àr.l.(2)(3)	15,346,070	7.11%
Belgacom S.A.	4,680,118	2.17%
Entreprise des Postes et Telecoms (Luxembourg)	2,395,886	1.11%
Employees and senior managers	1,654,889	0.77%
General public(4)	71,666,667	33.23%
Other minority shareholders(5)	6,506,098	3.01%
TOTAL SHARES	**215,692,592**	**100%**

(1) Jointly controlled by Spectrum Equity Investors and Texas Pacific Group.
(2) Director of Eutelsat Communications.
(3) Controlled by Goldman Sachs PIA.
(4) The "General public" category comprises shareholders holding shares admitted on the Paris Euronext market in accordance with the IPO dated December 2, 2005.
(5) The "Other minority shareholders" category comprises certain minority shareholders of Eutelsat Communications such as RTV Slovenija (Republic of Slovenia).

At this date, there were no separate voting rights for the principal shareholders.

To the best of the Company's knowledge, as of November 28, 2005, before the Company's IPO, the breakdown of share capital was as follows:

Shareholders	Number of shares and voting rights	Percentage
Companies controlled by Eurazeo	54,951,502	38.4%
BlueBirds II Participations S.A.S.	*35,096,813*	*24.5%*
Redbirds Participations S.A.S.	*19,854,689*	*13.9%*
Nebozzo S.àr.l.(1)	33,295,037	23.3%
Cinven Buyout III S.àr.l.(2)	25,130,365	17.6%
GSCP 2000 Eurovision Holding S.àr.l.(2)(3)	15,346,070	10.7%
Belgacom S.A.	4,680,118	3.3%
Radiotelevizija Slovenija	2,468,724	1.7%
Entreprise des Postes et Telecoms (Luxembourg)	2,395,886	1.7%
Senior managers and related(4)	858,790	0.6%
Other	4,037,374	2.8%
TOTAL SHARES	**143,163,866**	**100%**

(1) Jointly controlled as of this date by Spectrum Equity Investors and Texas Pacific Group.
(2) Director of Eutelsat Communications as of the registration date of this prospectus.
(3) Held as of this date by GS Capital Partners 2000, L.P., GS Capital Partners 2000 Offshore, L.P., GS Capital Partners 2000 GmbH & Co Beteiligungs KG, GS Capital Partners 2000 Employee Fund, L.P. and Goldman Sachs Direct Investment Fund 2000, L.P., which were managed by the Principal Investment Area of Goldman, Sachs & Co.
(4) 24 persons as of this date.

At this date, there were no separate voting rights for the principal shareholders.

>> 18.2 Shareholders' agreements

To the best of the Company's knowledge, there are no shareholders' agreements, actions in concert or any other form of agreement whose subsequent implementation might lead to a change in the control of the Company.

19 AGREEMENTS WITH RELATED PARTIES

The disclosures relating to related party agreements cited in Article L. 225-38 are presented in the auditors' report on related party agreements in the Annex to this reference document.

>> 19.1 Service agreements within the Group

Eutelsat Communications, SatBirds S.A.S., WhiteBirds S.A., Eutelsat Communications Finance and Eutelsat S.A. have signed a centralised cash management agreement.

Eutelsat Communications signed an administrative assistance service agreement with Eutelsat S.A. whereby Eutelsat S.A. provides services to Eutelsat Communications.

Furthermore, with its main operational subsidiaries – Eutelsat S.A. and Skylogic S.p.A – Eutelsat Communications signed a group promotion agreement whereby the Company provides services to Eutelsat S.A. and Skylogic S.p.A.

>> 19.2 Other agreements

Commitments to sell and to purchase were signed between Mr Berretta and the Company relating to the shares of Eutelsat S.A. to be derived from the exercise of stock options, and between Mr Brillaud and the Company relating to the shares of Eutelsat S.A. to be derived from the exercise of stock options granted by Eutelsat S.A. under the various "Managers" plans (see Section 21.1.6, "Options or agreements concerning the capital of the Company or of a member of the Group").

20 FINANCIAL INFORMATION ON ASSETS, FINANCIAL POSITION AND RESULTS

>> 20.1 Financial information for the financial year ended June 30, 2007

20.1.1 Auditors' report on the consolidated financial statements of Eutelsat Communications prepared in accordance with IFRS for the financial year ended June 30, 2007

Dear Shareholders,

In performance of the task entrusted to us by your General Meeting and your By-laws, we have audited the attached consolidated financial statements of Eutelsat Communications for the financial year ended June 30, 2007.

The consolidated financial statements were adopted by the Board of Directors. On the basis of our audit, it is our responsibility to express an opinion on these financial statements.

I. Opinion on the consolidated financial statements

We performed our audit in accordance with accounting standards applicable in France. These accounting standards require us to take due care in ensuring that we obtain reasonable assurance that the consolidated financial statements are free of material misstatement. Through sampling, an audit consists of reviewing the relevant entries justifying the information contained in these financial statements. An audit also consists of assessing the accounting principles and the key estimates applied for the closing of the financial statements and the overall presentation of these statements. We believe that our audits provide a reasonable basis for the opinion expressed hereafter.

With respect to the IFRS guidelines, such as they were adopted by the European Union, we certify that the consolidated financial statements for the year are true, accurate, and present a fair view of assets and liabilities, of the financial position, and of the overall results of the bodies and entities included in the consolidation.

II. Justification of our assessments

Pursuant to Article L. 823-9 of the Commercial Code relating to the justification of our assessments, we inform you of the following:

As stated in Note 2.5 to the consolidated financial statements, the management of your Company is required to make estimates and formulate assumptions affecting the sums appearing in the financial statements and their accompanying Notes.

The material estimates attracting a justification of our assessments concern the following items:

As stated in Note 3.7, every year your Company reviews the remaining economic working life of its in-orbit satellites based both on their expected use and on a technical assessment of their working lives. We evaluated the reasonableness of the assumptions applied.

As stated in Note 3.8, the book value of long-term assets, which include goodwill, intangible assets, satellites, and shares subject to in the equity method, are subject to impairment tests. Your Company compares the book value of these assets to their estimated recoverable value on the basis of discounted future cash flows. We have evaluated the reasonableness of the assumptions used in the business plan and the resulting assessments.

Our assessments form part of our auditing procedures for consolidated financial statements and, taken in their totality, have contributed to the development of our opinion as expressed in the first part of this report.

III. Specific audit

In compliance with the generally accepted accounting standards in France, we also conducted an audit of the information related to the Group as provided in the management report.

We have no remarks to make regarding the sincerity of the information disclosed therein, nor on its consistency with the consolidated financial statements.

Done at Courbevoie and Paris-La Défense, July 26, 2007

The Auditors

Mazars & Guérard	**Ernst & Young Audit**
Mazars	
Isabelle Massa	**Jean-Yves Jégourel**

20.1.2 Consolidated financial statements of Eutelsat Communications prepared in accordance with IFRS for the financial year ended June 30, 2007

Consolidated balance sheet

(In thousands of euros)	Note	June 30, 2006	June 30, 2007
ASSETS			
Non-current assets			
Goodwill	4	750,714	758,179
Intangible assets	4	875,237	829,791
Satellites and other property and equipment, net	5	1,749,597	1,705,635
Prepayments for assets under construction	5	310,116	461,477
Investments in associates	6	117,461	124,599
Financial assets	7	2,955	3,061
Deferred tax assets	19	18,738	1,380
Total non-current assets		**3,824,818**	**3,884,122**
Current assets			
Inventories	8	2,257	2,092
Accounts receivable	9	213,716	220,976
Other current assets	10	19,889	28,373
Current tax receivable	18	1,957	8,585
Financial instruments	23	62,613	135,883
Cash and cash equivalents	11	264,055	45,479
Total current assets		**564,487**	**441,388**
TOTAL ASSETS		**4,389,305**	**4,325,510**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Common stock	12	215,692	217,401
Additional paid-in capital		907,485	776,136
Reserves and retained earnings		16,179	242,522
Minority interests		70,924	75,454
TOTAL SHAREHOLDERS' EQUITY		**1,210,280**	**1,311,513**
Non-current liabilities			
Non-current bank debt	13	2,445,850	2,308,978
Other non-current liabilities	14	76,048	60,466
Other non-current payables and deferred revenues	17	58,483	45,507
Non-current provisions	19	50,333	38,385
Deferred tax liabilities	18	302,985	304,932
Total non-current liabilities		**2,933,699**	**2,758,268**
Current liabilities			
Current bank debt	13	29,757	23,185
Other current liabilities	14	19,498	23,273
Accounts payable		42,376	44,048
Fixed assets payable		41,650	61,062
Taxes payable		20,305	-
Other current payables and deferred revenues	17	80,140	94,521
Current provisions	16	11,600	9,640
Total current liabilities		**245,326**	**255,729**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,389,305**	**4,325,510**

Consolidated income statement

(In thousands of euros, except per share data)	Note	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Revenues	20	791,070	829,086
Revenues from operations		**791,070**	**829,086**
Operating costs		(72,664)	(62,526)
Selling, general and administrative expenses		(101,886)	(113,938)
Depreciation and amortisation	4,5	(285,805)	(300,849)
Other operating revenues	24.2	-	37,501
Other operating costs	5	(27,006)	(26,745)
Operating income		**303,709**	**362,529**
Financial income		49,665	16,710
Financial expenses		(229,235)	(124,870)
Financial result	**21**	**(179,570)**	**(108,160)**
Income from equity investments	6	5,819	7,866
Net income before tax		**129,958**	**262,235**
Income tax expense	18	(89,724)	(92,215)
Net income (loss)		**40,234**	**170,020**
Group share of net income (loss)		30,420	159,377
Minority interests' share of net income		9,814	10,643
Earnings per share attributable to Eutelsat Communications' shareholders	22		
Basic earnings per share in €		0.137	0.732
Diluted earnings per share in €		0.122	0.718

Consolidated statement of cash flows

(In thousands of euros)	Note	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Cash flow from operating activities			
Net income (loss)		40,234	170,020
Income from equity investments	6	(5,819)	(7,866)
(Gain)/loss on disposal of assets		(18)	224
Other non-operating items		302,121	187,364
Depreciation, amortisation and provisions		307,825	316,549
Deferred taxes	18.1	(10,747)	(4,411)
Accounts receivable		(16,246)	(12,896)
Other current assets		3,760	(6,525)
Accounts payable		3,355	2,738
Other payables and deferred revenues		(28,658)	11,349
Taxes paid		(94,659)	(128,872)
Net cash inflow from operating activities		**501,148**	**527,674**
Cash flows from investing activities			
Acquisitions of satellites and other property and equipment	5	(230,858)	(350,065)
Proceeds from sale of assets		250	57
Acquisition of minority interests		(66,988)	(19,914)
Changes in other long-term assets		(1,397)	(109)
Net cash flows used in investing activities		**(298,993)**	**(370,031)**
Cash flows from financing activities			
Changes in capital		838,516	2,673
Distributions		(12,195)	(124,338)
Additional long-term and short-term debt		1,900,522	1,886
Repayment of long-term and short-term debt		(2,449,997)	(167,280)
Repayment in respect of performance incentives and long-term leases		(66,826)	(15,622)
Interest and other fees paid		(189,127)	(92,971)
Interest received		2,546	10,358
Other cash flows		4,849	1,384
Net cash flows from financing activities		**28,288**	**(383,910)**
Impact of exchange rate on cash and cash equivalents		(19)	(5)
Increase (decrease) in cash and cash equivalents		**230,424**	**(226,272)**
Cash and cash equivalents, beginning of period		**32,606**	**263,030**
Cash and cash equivalents, end of period		**263,030**	**36,758**
Cash reconciliation			
Cash and cash equivalents	11	26, 055	45,474
Overdraft included under debt[1]		(1,025)	(8,716)
CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT	14.2	**263,030**	**36,758**

(1) Overdrafts are included in determining "Cash and cash equivalents per the cash-flow statement" as they are repayable on demand and form an integral part of the Group's cash-flow management.

Consolidated statement of changes in shareholders' equity

(In thousands of euros, except share data)	Common stock Number	Amount	Additional paid-in capital	Reserves and retained earnings	Minority interests	Total
June 30, 2005	**278,732,598**	**278,733**	**-**	**(25,489)**	**125,158**	**378,402**
Translation adjustment				150	8	158
Changes in fair value of cash-flow hedges				50,507	2,164	52,671
Tax impact				(16,050)	(747)	(16,797)
Income and expenses recognised directly under equity				**34,607**	**1,425**	**36,032**
Net income of the period				30,420	9,814	40,234
Total income and expenses recognised for the period				**65,027**	**11,239**	**76,266**
Issue of capital	(63,040,006)	(63,041)	907,485	79		844,523
Treasury stock				(28)		(28)
Change in scope of consolidation					(36,394)	(36,394)
Distributions					(11,895)	(11,895)
Benefits for employees upon exercising options, and free shares granted				954	49	1,003
ABSA commitments				(19,534)	(58)	(19,592)
Liquidity offer				(4,830)	(17,175)	(22,005)
June 30, 2006	**215,692,592**	**215,692**	**907,485**	**16,179**	**70,924**	**1,210,280**
Translation adjustment				(865)	(31)	(896)
Changes in fair value of cash-flow hedges				68,399	708	69,107
Tax impact				(23,551)	(240)	(23,795)
Income and expenses recognised directly under equity				**43,983**	**433**	**44,416**
Net income of the period				159,377	10,643	170,020
Total income and expenses recognised for the period				**203,360**	**11,076**	**214,436**
Change in capital	1,708,490	1,709	(14,874)	16,453		3,288
Treasury stock				(26)		(26)
Change in scope of consolidation					(1,460)	(1,460)
Distributions			(116,476)		(7,717)	(124,193)
Benefits for employees upon exercising options, and free shares granted				922	(4)	918
ABSA commitments				3,202		3,202
Liquidity offer				2,433	2,635	5,068
June 30, 2007	**217,401,082**	**217,401**	**776,135**	**242,523**	**75,454**	**1,311,513**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Detailed headlines of notes on the accounts

Note 1 General overview

1.1 – Incorporation

SatBirds was incorporated on February 25, 2005 as a *société par actions simplifiée* [simplified joint stock company]. It has been registered in the Paris Trade & Corporate Register and its listing will expire on February 25, 2104.

On April 4, 2005, the main direct and indirect shareholders of Eutelsat S.A. contributed and sold their Eutelsat S.A. shares to SatBirds S.A.S., hereinafter referred to as "the Group".

On August 31, 2005, SatBirds changed its corporate name to Eutelsat Communications S.A. Simultaneously, the Company changed its legal form and became a *société anonyme* [limited company].

1.2 – Business

The Eutelsat Communications Group is a private telecommunications satellite operator involved in the design, establishment, operation and maintenance of satellite telecommunications systems covering a large geographical area (Extended Europe – including North Africa, Russia and the Middle East – the east of North America, Latin America, sub-Saharan Africa and Asia).

The Group derives from the transfer to Eutelsat S.A. on July 2, 2001 of all the operating activities, assets, liabilities and commitments of the Eutelsat Intergovernmental Organisation (IGO). Since then the assignment of frequencies for the use of the frequency spectrum resources used by Eutelsat S.A. in regard to the operation of these satellites continue to be under the joint responsibility of the member countries of the IGO, and of the IGO.

As of June 30, 2007, via Eutelsat S.A., the Group owns and operates 19 satellites in geostationary orbit to provide capacity (its assignment and availability) to major international telecommunications operators and international broadcasting companies, for television and radio broadcasting services, both analog and digital, for business telecommunications services, multimedia applications and messaging and positioning services. The satellites are operated through five earth stations, located in Belgium (Redu), France (Rambouillet), Italy (Fucino), Portugal (Sintra) and Russia (Dubna).

In addition, the Group uses capacity on certain transponders on five satellites owned by related and unrelated parties.

Five additional satellites (HOT BIRD™ 9, W2M and HOT BIRD™ 10, W2A and W7) are currently under construction. The first one is expected to be launched in 2007/2008, the next three in 2008/2009 and the last one in 2009/2010.

1.3 – Approval of the financial statements

The consolidated financial statements at June 30, 2007 were prepared under the responsibility of the Board of Directors (BD), which approved them at its meeting of July 25, 2007.

They will be submitted to the Ordinary General Meeting of Shareholders that will take place on November 9, 2007. This Meeting has the right to modify the financial statements presented to it.

Note 2 Basis of preparation of the financial information

2.1 – Compliance with IFRS

In accordance with regulation 1602-2002 of the European Union regarding the application of international accounting standards, the Company elected, as from its creation, to issue its consolidated financial statements under the combined framework commonly referred to as IFRS.

The financial statements at June 30, 2007 have therefore been prepared in accordance with IFRS as adopted by the European Union and effective as of that date. They have been prepared on a historical cost basis, except for certain items for which the standards require measurement at fair value.

The IFRS framework includes International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

2.2 – Published standards and interpretations

The following standards and interpretations, whose application is compulsory for financial periods commencing as of July 1, 2006, were taken into account and reviewed by the Group. They are without impact on previous financial periods or on the consolidated financial statements at June 30, 2007:

- IFRIC 4, "Determining Whether an Arrangement Contains a Lease";
- IFRIC 6, "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment";
- the amendment to IAS 39 on "Cash-Flow Hedges for an Intra-Group Transaction";
- the amendment to IAS 21, "Effects of Changes in Foreign Exchange Rates" relating to net investments in subsidiaries;
- the amendment to IAS 39, "Financial Instruments": Recognition and Measurement" and IFRS 4, "Insurance Contracts – Financial Guarantee Contracts";

- the amendment to IAS 19, "Employee Benefits", which allows immediate recognition within equity of actuarial gains and losses recognised during the period. At this stage, the Group has continued to recognise actuarial gains and losses according to the corridor method;
- IFRIC 7, "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies";
- IFRIC 8, "Scope of IFRS 2";
- IFRIC 9, "Reassessment of Embedded Derivatives".

Additionally, the Group is not concerned by IFRS 6, "Exploration for and Evaluation of Mineral Resources", the amendments to IFRS 1, "First-Time Adoption" and IFRS 6, "Exploration for and Evaluation of Mineral Resources" relating to the presentation of comparative information, nor by the IFRIC 5 interpretation, "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds".

The Group has not applied any standards or interpretations in advance and, in particular, has not applied any of the following standards which have already been published but whose application is only compulsory for financial periods commencing after December 31, 2006:

- IFRS 7, "Financial Instruments: – Disclosures", whose date for first-time application is January 1, 2007;
- Amendments to IAS 1, "Presentation of Financial Statements", disclosures concerning capital, for which application is compulsory as of January 1, 2007;
- IFRS 8, "Operating Segments", for which application is compulsory for financial periods commencing after December 31, 2008; this text has not yet been approved by the European Union;
- IFRIC 10, "Interim Financial disclosures and Impairment", applicable for financial periods commencing after October 2006, i.e. in the case of Eutelsat Communications as of July 1, 2007;
- IFRIC 11, "Group and Treasury Share Transactions", for which application is compulsory as of March 1, 2007;
- amendment to IAS 23, "Borrowing Costs", for which application is compulsory as of January 1, 2009; this text has not yet been approved by the European Union.

The Group is currently analysing the practical impact of these new texts and the effects of applying them in the financial statements.

Finally, the Group is not concerned by Interpretation IFRIC 12, "Service Concession Arrangements", for which application is compulsory as at January 1, 2008 subject to approval by the European Union.

2.3 – Accounting procedures applied by the Group in the absence of specific accounting standards

Where no standard or interpretation was applicable to the situations described below, and pending clarifications by the IASB or the IFRIC on these matters, the Group's Management used its judgement to define and apply the accounting procedures that were the most appropriate.

These accounting procedures or options based on the judgment of the Group related to additional acquisitions of shares in entities it already controlled (see Note 3.3 – *Acquisition of minority interests*), firm or conditional commitments to purchase minority interests (see Note 3.10.7 – *Firm or conditional commitments to purchase minority interests*).

2.4 – Presentation of the income statement

Operating costs are mainly composed of staff costs and other costs for satellite control and operation, as well as insurance premiums for satellite in-orbit lives.

Selling, general and administrative expenses consist mainly of administrative and commercial staff costs, all marketing and publicity expenses and related general expenses.

2.5 – Use of estimates

The preparation of consolidated financial statements requires Management to make estimates and assumptions that may affect the amounts of assets, liabilities, income and expenses appearing in these financial statements and their accompanying Notes.

Eutelsat Communications constantly updates its estimates using past experience as well as other relevant factors related to the economic environment. Based upon any changes in these assumptions or other factors, amounts that will be shown in future financial statements may differ from present estimates.

These estimates and assumptions relate in particular to:

- recognition of revenues;
- impairment of accounts receivable;
- provisions for risks and for employee benefits;
- the income tax expense and recognition of deferred tax assets;
- determination of goodwill and any impairment thereof;
- fair value measurement of financial instruments.

2.6 – Periods presented and comparatives

The financial year of Eutelsat Communications is twelve months ending 30 June.

The functional currency, and the currency used in the presentation of the financial statements, is the euro.

Note 3 Significant accounting policies

3.1 – Consolidation method

The companies controlled directly or indirectly by Eutelsat Communications, even if the Company does not directly own any of the equity of these companies, are consolidated using the full consolidation method. Control, which is the power to direct the financial and operational policies, is presumed to exist where the Group holds directly or indirectly more than 50% of voting rights. The determination of control takes into account the existence of potential voting rights, provided that these are immediately exercisable or convertible.

Associate entities over which the Group exerts significant influence (generally between 20% and 50% of voting rights) are accounted for using the equity method. Significant influence is defined as the power to participate in the financial and operational policies of the investee without having joint or sole control over them. The goodwill relating to these entities is included in the carrying values of the investments.

Companies are consolidated as of the date when control or significant influence is transferred to the Group. The Group's share in the earnings of these companies subsequent to acquisition is recorded in its income statement. Similarly, the changes in their reserves following the acquisition which are not related to operations and which had an impact on the income statement are recorded in the consolidated reserves up to the limit of the Group's share. Companies cease to be consolidated as of the date when the Group transfers control or significant influence.

Intra-group balances and transactions are eliminated on consolidation.

3.2 – Accounting treatment for business combinations

In accordance with IFRS 3, business combinations are recognised using the purchase accounting method. Under this method, the identifiable assets, liabilities and contingent liabilities of the acquired entity which meet the criteria defined under IFRS are recognised at their fair values at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are measured at fair value less costs to sell.

Only the acquiree's identifiable liabilities satisfying the recognition criteria specified by IFRS are recognised following a business combination. Restructuring costs are only recognised as liabilities of the acquired entity if it has a present obligation to restructure at the date of acquisition.

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

Minority interests are recognised on the basis of the fair value of the net assets acquired.

3.3 – Acquisition of minority interests

No accounting treatment for the acquisition of additional minority interests is currently specified under IFRS , and the IASB is currently examining possible methods for the treatment of this type of transaction. These are expected to be among the proposed amendments to IFRS 3, "Business combinations". Therefore, in the absence of specific guidelines, the Group is applying the following method: in the event of an acquisition of additional interests in a subsidiary, the difference between the purchase price and the carrying amount of acquired minority interests as indicated in the consolidated financial statements of the Group prior to the acquisition is recognised as goodwill.

3.4 – Foreign currency transactions

Transactions in foreign currencies

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

Monetary assets and liabilities (including payables and receivables) in foreign currency are translated into the functional currency at the end of the period, using the balance sheet rate. The resulting gains and losses are recorded in the income statement during the period.

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

The principal foreign currency used is the U.S. dollar. The closing exchange rate used is 1.35 U.S. dollars per euro and the average exchange rate used for the period is 1.30 U.S. dollar per euro.

Translation of foreign subsidiaries' financial statements

Each subsidiary outside the euro zone maintains its accounting records in the currency that is most representative of its economic environment. Their financial statements are translated into euros using the closing-rate method. All assets and liabilities are translated into euros using the exchange rate prevailing at the balance sheet date. Revenues and expenses are translated using a weighted-average exchange rate for the period. The resulting translation difference is included under a separate component of shareholders' equity under "Translation adjustments".

3.5 – Intangible assets

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

Intangible assets purchased separately are recorded at their historical cost, those purchased in a business combination are recorded at fair value at the acquisition date as part of the process of allocation of the acquisition cost of the entity. The fair value is determined by reference to the generally accepted methods, such as those based on revenues or market value.

Intangible assets consist of the Eutelsat brand and the Customer Contracts and Relationship assets. The Eutelsat brand is not amortised but systematically tested for impairment on a yearly basis.

"Customer Contracts and Relationship" assets are amortised on a straight-line basis over 20 years.

This useful life was estimated on the basis of the average length of the contractual relationships existing at the date of acquisition of Eutelsat and taking account of anticipated contract renewal rates (see Note 3.8 – *Impairment of long-life assets*).

Research and development costs

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

For the periods ended June 30, 2006 and 2007, no development costs were capitalised by the Group.

Research expenses were mainly incurred for multimedia activities. They are recorded in the income statement under "Selling, general and administrative expenses".

3.6 – Goodwill

Goodwill is valued at the date of the business combination at cost, representing the difference between the cost of the business combination, including directly attributable costs, and the fair value of the Group's share of the acquired identifiable assets and assumed liabilities.

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

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

Goodwill is tested for impairment at least annually or whenever events or circumstances indicate that the carrying amount may be impaired. Such events or circumstances include significant, adverse developments which call into question the recoverable amount of the initial investment.

3.7 – Satellites and other property and equipment

Satellites and other property and equipment ("Tangible fixed assets" are recognised at their acquisition cost, which includes all costs directly attributable to making the asset ready for use, less accumulated depreciation and any impairment. When a tangible fixed asset has a significant cost component compared to the total cost of the asset as a whole, with a useful life that differs from the other components, it is recognised and depreciated separately.

Borrowing costs related to the financing of tangible fixed assets are capitalised with respect to the portion incurred during the period of construction. In the absence of a loan specifically related to the asset in course of construction, the capitalised interest is calculated on the basis of a capitalisation rate, which is equal to the weighted average of the borrowing costs of the Company during the period.

Satellites – Satellite costs include all expenses incurred in bringing individual satellites into operational use, and comprise manufacturing, launch and attributable launch insurance costs, capitalised interest, performance incentives, and costs directly associated with the monitoring and support of the satellite programme (studies, staff and consultancy costs).

Satellite performance incentives – The Group has certain contracts with its satellite manufacturers that require the Group to make certain performance incentive payments upon the initial entry into operational service of the satellites and with respect to future years of successful satellite operation in orbit. These elements are part of the cost of the satellite and are recognised as an asset offsetting a liability equal to the NPV of the expected payments. Any subsequent modification in the amount of such an incentive payment with respect to one or more periods is recognised as an adjustment of the cost of the satellite. The new value of the satellite is amortised on a prospective basis over the remaining useful life.

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

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

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

Satellites	10 – 17 years
Traffic monitoring equipment	5 – 10 years
Computer equipment	2 – 5 years
Leasehold improvements	3 – 9 years

The Group performs an annual review of the remaining useful lives of its in-orbit satellites on the basis of both their forecast utilisation and the technical assessment of their useful lives. When a significant change occurs, depreciation is charged for the years to come by taking into account the asset's new remaining useful life.

Assets under construction – Assets under construction primarily consist of percentage completion payments for construction of future satellites, and advances paid in respect of launch vehicles and related insurance costs. Studies, staff and consultancy costs, capitalised interest and other costs incurred directly in connection with the acquisition of satellites have also been capitalised.

Assets under finance leases – Agreements for the Group to use capacity on all or part of a satellite's transponders are recognised in accordance with IAS 17, "Leases". Under this standard, leases which transfer substantially all risks and rewards incidental to ownership to the Group are recognised as finance leases and accounted for by recognising the asset, and the corresponding obligation as a liability, in the balance sheet. Assets are depreciated over the shorter of their useful lives and the corresponding lease terms.

3.8 - Impairment of long-life assets

Goodwill and other intangible assets with an indefinite useful life, such as the Eutelsat brand, are tested for impairment annually, irrespective of whether there is any evidence indicating that an asset may be impaired, or when an event occurs indicating a potential decline in its value.

For tangible fixed assets and intangible assets with finite useful lives, such as the "Customer Contracts & Relationships" asset, an impairment test is performed when there is an indication that their recoverable amounts may be lower than their carrying amount.

An impairment test consists of assessing the recoverable amount of an asset, which is the higher of its fair value net of selling costs and its value in use. If it is not practicable to estimate the recoverable amount of a particular asset, the Group determines the recoverable amount of the cash-generating unit (CGU) with which it is associated. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets or groups of assets.

The Group estimates value in use on the basis of the estimated future pre-tax cash flows to be generated by an asset or CGU during its useful life and are based upon the medium-term plan approved by Management. Beyond a maximum five-year period, cash flows may be estimated on the basis of stable rates of growth or decline.

Future cash flows are discounted using the long-term pre-tax interest rates that, in the opinion of the Group, best reflect the time value of money and the specific risks associated with the related assets or CGUs.

The fair value net of selling costs is equal to the amount which could be received from the sale of the asset (or of one CGU) in the course of an arm's length transaction between interested, knowledgeable and willing parties, less the costs relating to the deal.

Impairment losses and reversals of impairment losses are recognised respectively within the income statement captions "Other operating costs" and "Other operating income". An impairment of goodwill cannot be reversed.

As at June 30, 2006 and 2007, the following CGUs have been identified for the purpose of impairment tests:

- each of the satellites, i.e. 24 as at June 30, 2007;
- the investment in the Hispasat group;
- each of the four assets related to "client contracts and relationships".

Goodwill and the Eutelsat brand are tested for impairment at the Eutelsat level.

3.9 - Inventories

Inventories are measured at the lower of acquisition cost and net realisable value. The calculation is at cost. The cost is calculated on a weighted average basis.

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

3.10 - Financial instruments

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

In accordance with IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 32, "Financial Instruments: Disclosure and Presentation", the Group has adopted the following classification for financial assets and liabilities, which is based upon the objectives determined by Management at the time of their purchase. The designation and classification of marketable securities are determined at initial recognition.

3.10.1 – Financial assets

Financial assets are classified, reported and measured as follows:

Financial assets measured at fair value through the income statement

Financial assets measured at fair value through the income statement include assets held for trading purposes and financial instruments designated as being measured at fair value through the income statement at initial recognition. This category includes financial assets acquired for the purpose of selling in the short term (generally within a period of less than 12 months) and derivative instruments except if they are designated as hedging instruments.

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

Assets held to maturity

Assets held to maturity are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has the positive intent and ability to hold to maturity.

Assets held to maturity are measured at amortised cost using the effective interest method.

Assets available for sale

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

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

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

Loans and receivables

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

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

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

3.10.2 – Financial liabilities

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

3.10.3 – Derivative instruments

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

Where a derivative instrument can be qualified as a hedging instrument, it is valued and recorded in accordance with the hedge accounting rules in IAS 39, *"Financial Instruments": Recognition and Measurement"*. (see Note 3.10.5 – *Hedging transactions*)

3.10.4 – Impairment

At each balance sheet date, the Group applies impairment tests to all financial assets in order to determine if there is an indication of impairment. Examples of impairment indicators include the following: breach of contract involving default in payment terms, significant financial difficulty of the lender or borrower, a likelihood of bankruptcy or a significant decline, other than temporary, in stock market capitalisation. Impairment is recognised in the income statement where there is objective evidence that the asset is impaired.

Impairment losses are recorded as financial expenses.

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

Specific cases of provisions for impairment of accounts receivable

The Group's customers mainly comprise international telecommunications operators, broadcasters and other users of commercial satellite communications. Management regularly monitors its exposure to credit risk and recognises provisions for probable losses based upon expected collections. These are recorded in "Selling, general and administrative expenses".

3.10.5 – Hedging transactions

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

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

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

Cash-flow hedging

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

The change in the fair value of a hedging instrument relating to the effective portion of a hedge is recognised in shareholders' equity. The change in fair value relating to the ineffective portion of a hedge is recognised in the income statement under "Other operating income" or under "Other operating costs" in the case of cash flow hedges of operational exposures and under "Financial result" in the case of cash flow hedges of investment and financing exposures.

The cumulative changes in the fair value of a hedging instrument previously recognised in shareholders' equity are reclassified into the income statement when the hedged item affects profit or loss. Reclassified gains and losses are recorded under "Other operating income" or "Other operating costs" in the case of cash flow hedges of operational exposures and under "Financial Result" in the case of cash flow hedges of investment and financing exposures.

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

3.10.6 – Fair value of financial instruments

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

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

The fair value of other financial assets or liabilities not quoted on an active market is determined by the Group using appropriate valuation methods and hypotheses reflecting market conditions at the balance sheet date.

3.10.7 – Firm or conditional commitments to purchase minority interests

Under International Accounting Standards IAS 27, *"Consolidated and Separate Financial Statements"* and IAS 32, *"Financial Instruments": Disclosure and Presentation"*, the Group recognises the fair value of firm or conditional commitments to purchase minority interests as financial debt, offset by a reduction of minority interests. When the value of the commitment exceeds the amount of the minority interests, the Group, in the absence of any clear accounting treatment under IFRS on this point, recognises the amount of the excess as goodwill, applying the same reasoning as set out above regarding the acquisition of minority interests.

Any change in the fair value of the obligation subsequent to its initial recognition is considered as an adjustment of the amount initially recognised as goodwill.

3.11 – Cash and cash equivalents

Cash and cash equivalents consist mainly of cash on hand and at bank, and highly liquid investments or deposit warrants with original maturities of three months or less.

3.12 – Shareholders' equity

Treasury stock

Treasury stock is recognised by reducing shareholders' equity on the basis of the acquisition cost. When the shares are sold, any gains and losses are recognised directly in consolidated reserves net of tax and are not included under income for the year.

Costs for capital increases

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

3.13 – Revenue recognition

The Group's operating revenues are mainly attributable to the leasing of satellite transponders on the basis of terms and conditions set out in the lease contracts.

These contracts are mainly over periods ranging from one year to the end of life of the satellite. Contracts usually provide for the right to free-of-charge time in cases of interruptions caused by under-performing transponders. However, the Group is not liable for damage or loss suffered by a customer when the Group was not able, despite its efforts, to restore the allotted capacity in the case of a service interruption or a degradation of the technical parameters of a transponder. The

Group is liable only for damages resulting from the violation of its obligation under a customer lease. This liability is usually limited to a specified amount. Pursuant to certain contractual termination rights, the agreement can usually be terminated after two years with a one-year notice period and, depending on the type of lease, payment of the difference between the contractual price and the price that would have been paid for a lease with a duration similar to the expired period, plus interest for late payment, or by paying a percentage of the annual price applied to the residual period of the lease. The revenues initially recognised are then adjusted to reflect the economic outcome of the contract.

Revenues are recognised over the contractual period during which services are rendered, provided that a contract exists and the price is fixed or determinable, and provided that, at the date it is reported in the accounts, it is probable that the trade receivable will be recovered.

Deferred revenues include unearned balances of amounts for a period of no more than one year received in advance from customers. Such amounts are recorded as revenue on a straight-line basis over the corresponding duration of the relevant leases or of the services provided.

3.14 - Deferred taxes

Deferred taxes are the result of temporary differences arising between the tax base of an asset or liability and its carrying amount. Deferred taxes in respect of all temporary differences without exception are recognised for each fiscal entity, using the balance sheet liability method.

Deferred tax liabilities are thus recognised for all taxable temporary differences except:

- where the deferred tax liability arises from goodwill for which amortisation is not deductible for tax purposes or from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit, or the tax loss; and
- where the deferred tax liability arises from undistributed profits from investments in subsidiaries, associated companies or joint ventures for which the Group is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. However, a deferred tax asset is not recognised if it arises from a deductible temporary difference generated by the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all that deferred tax asset to be utilised

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

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

3.15 - Earnings per share

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

Diluted earnings per share are calculated using the share repurchase method, based on the assumptions (i) that all potentially dilutive instruments are converted (i.e. assuming the exercise of all outstanding options and the conversion of any financial instruments giving access to the Company's capital, after taking into account the theoretical impact of these transactions on net income) and (ii) that the expected proceeds from these instruments are received when ordinary shares are issued at the average market rate for ordinary shares during the period.

3.16 - Post-employment benefits

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

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

The present value of expected future payments is determined on the basis of demographic and financial assumptions such as mortality, staff turnover, salary growth, and age at retirement. The rate used to discount estimated cash flows is determined by reference to long term market yields on high quality corporate bonds.

A complete assessment of the present value of the obligation is conducted each year and reviewed at intervening periods to identify any significant changes.

When actuarial gains and losses arising as a result of changes in actuarial assumptions exceed by more than 10% the greater of the following amounts, the relevant net gains or losses are amortised over the expected average remaining working lives of the employees benefiting from these plans:

- the present value of the defined benefit obligation at the balance sheet date;
- the fair value of plan assets at that date.

The pension cost for the period, consisting of service cost, is recognised within operating income. The net expense (income) corresponding to the interest expense on unwinding of the discount less the expected return on plan assets is fully recognised within financial result.

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

3.17 - Financial guarantee granted to a pension fund

Following the purchase of Eutelsat S.A. in April 2005, the Group granted a financial guarantee to the pension fund related to obligations that were assigned to a trust prior to the contribution transactions which led to the creation of Eutelsat S.A. This defined-benefit pension scheme was closed and the vested pension rights frozen prior to the transfer. The risk resulting from this financial guarantee has been analysed, assessed and reported in the same way as defined benefit plan obligations described in Note 3.19 - Provisions, despite the fact that the Group has not assumed the legal commitments entered into by the Intergovernmental Organisation ("IGO") in respect of the pension fund.

3.18 - Stock options

Benefits granted to employees in the form of stock options are measured at the date of grant of the options and constitute additional compensation awarded to employees. These costs are recognised under personnel expenses, offset by increases in equity, over the vesting period of the rights corresponding to the benefits granted.

Similarly, in accordance with IFRS 2 *"Share-based Payment"*, benefits granted to employees in the context of public share offerings and other transactions affecting the share capital are measured at the date of grant. They constitute additional compensation, which is recognised as and when the corresponding rights are acquired by the employees.

In accordance with IFRS 2 *"Share-based Payment"* only stock options granted after November 7, 2002 that had not yet vested at January 1, 2005 have been measured and recognised.

3.19 - Provisions

A provision is recognised when, at the balance sheet date, (i) the Group has a present legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) a reliable estimate of the amount involved can be made.

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

Where the effect of the time value of money is material, the amount of the provision recognised corresponds to the discounted value of expected cash flows expected to be necessary to settle the obligation. This discounted value is calculated using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Increases in provisions due to the passage of time and the unwinding of the discount are recognised as financial expenses in the income statement.

Note 4 Goodwill and other intangibles

"Goodwill and Other Intangibles" breaks down as follows:

CHANGES IN GROSS ASSETS

(In thousands of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
JUNE 30, 2005	**728,672**	**889,000**	**40,800**	**-**	**1,658,472**
Effect of change in the scope of consolidation	22,042	-	-	-	22,042
Separate acquisitions	-	-	-	1,000	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
JUNE 30, 2006	**750,714**	**889,000**	**40,800**	**1,000**	**1,681,514**
Effect of change in the scope of consolidation	7,465	-	-	-	7,465
Separate acquisitions	-	-	-	4	4
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
JUNE 30, 2007	**758,179**	**889,000**	**40,800**	**1,004**	**1,688,983**

At June 30, 2006, "Goodwill" includes the goodwill related to the purchase of minority interests for 66,646 thousand euros (including 2,622 thousand euros in pre-tax acquisition expenses).

Since June 30, 2006, the Group has acquired from Eutelsat S.A. employees, under liquidity offers made during the financial year or under its option to purchase Eutelsat S.A. shares resulting from the exercise of "Managers II" plan options by Eutelsat S.A. key personnel and *mandataires sociaux* [Corporate officers] who subscribed to ABSA 1s or ABSA 2s (see Note 12, *Share-based payment*), a proportion of their Eutelsat S.A. shares representing overall 0.44% of that Company's capital.

These acquisitions resulted in the recognition of additional goodwill totalling 7,465 thousand euros. The additional acquisition cost is 19,914 thousand euros, including ancillary expenses.

CHANGES IN ACCUMULATED AMORTISATION AND IMPAIRMENT

(In thousands of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
ACCUMULATED AMORTISATION AT JUNE 30, 2005	**-**	**(11,112)**	**-**	**-**	**(11,112)**
Net value at June 30, 2005	**728,672**	**877,888**	**40,800**	**-**	**1,647,360**
Amortisation expense	-	(44,451)	-	-	(44,451)
Reversals	-	-	-	-	-
Impairment	-	-	-	-	-
ACCUMULATED AMORTISATION AT JUNE 30, 2006	**-**	**(55,563)**	**-**	**-**	**(55,563)**
Net value at June 30, 2006	**750,714**	**833,437**	**40,800**	**1,000**	**1,625,951**
Amortisation expense	-	(44,450)	-	(1,000)	(45,451)
Reversals	-	-	-	-	-
Impairment	-	-	-	-	-
ACCUMULATED AMORTISATION AT JUNE 30, 2007	**-**	**(100,013)**	**-**	**(1,000)**	**(101,014)**
Net value at June 30, 2007	**758,179**	**788,987**	**40,800**	**4**	**1,587,970**

At June 30, 2007, the goodwill was subjected to an annual impairment test, which did not call into question the amount shown on the balance sheet. The recoverable amount was determined from estimated projected cash flows based on the latest five-year business plan approved by Eutelsat Management. The terminal value was calculated by assuming 2% growth after the fifth year and an EBITDA multiple. The discount rate applied was 7.0%.

Sensitivity to a 1% change in the discount rate was assumed, which represents approximately 15% of the recoverable amount. This did not call into question the amount recognised on the balance sheet.

At June 30, 2007, "Customer Contracts and Relationships" were tested for impairment. This test did not call into question the net value shown on the balance sheet. The methodology used is identical to the one used to identify this asset. The discount rate employed is 7.0%.

Note 5 Satellites and other property and equipment

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

CHANGES IN GROSS ASSETS

(In thousands of euros)	Satellites[1]	Other property and equipment	Satellites under construction	Total
GROSS VALUE AT JUNE 30, 2005	**1,826,155**	**69,771**	**236,341**	**2,132,267**
Change in gross value	(7,574)	-	-	(7,574)
Effect of change in the scope of consolidation	-	-	-	-
Separate acquisitions	2,103	24,446	236,987	263,536
Disposals	-	(818)	-	(818)
Transfers	163,212	-	(163,212)	-
GROSS VALUE AT JUNE 30, 2006	**1,983,896**	**93,399**	**310,116**	**2,387,411**
Effect of change in the scope of consolidation	-	-	-	-
Separate acquisitions	9,250	30,895	350,703	390,848
Disposals	(2,848)	(1,384)	-	(4,232)
Transfers	199,342	-	(199,342)	-
GROSS VALUE AT JUNE 30, 2007	**2,189,640**	**122,910**	**461,477**	**2,774,027**

(1) Including satellites and other property and equipment subject to finance leases.

(In thousands of euros)	
Gross value	92,311
NET VALUE AT JUNE 30, 2007	**64,348**

CHANGES IN ACCUMULATED DEPRECIATION AND IMPAIRMENT

(In thousands of euros)	Satellites[(1)]	Other property and equipment	Satellites under construction	Total
Accumulated depreciation at June 30, 2005	**(57,270)**	**(4,655)**	**-**	**(61,925)**
NET VALUE AT JUNE 30, 2005	**1,768,885**	**65,116**	**236,341**	**2,070,342**
Depreciation charge	(219,211)	(22,070)	-	(241,281)
Reversals	-	411	-	411
Impairment	(24,903)	-	-	(24,903)
Accumulated depreciation at June 30, 2006	**(301,384)**	**(26,314)**	**-**	**(327,698)**
NET VALUE AT JUNE 30, 2006	**1,682, 512**	**67, 085**	**310,116**	**2,059,713**
Depreciation charge	(233,274)	(22,125)	-	(255,399)
Reversals	-	1,182	-	1,182
Impairment	(25,000)	-	-	(25,000)
Accumulated depreciation at June 30, 2007	**(559,658)**	**(47,257)**	**-**	**(606,915)**
NET VALUE AT JUNE 30, 2007	**1,629,982**	**75,653**	**461,477**	**2,167,112**

(1) Including satellites and other property and equipment subject to finance leases.

(In thousands of euros)	
Gross value	92,311
NET VALUE AT JUNE 30, 2007	**64,348**

In particular, this item refers to four satellites for which capacity is leased, with the relevant agreements being considered as finance leases and thus being recognised as assets:

- in an amount of 59,959 thousand euros, for the agreement signed with the related party in March 2004 covering 12 transponders of the SESAT 2 satellite for a term equal to the satellite's useful remaining life;
- in an amount of 15,068 thousand euros, for the agreement signed in June 1999 covering 4 transponders of the Telstar 12 satellite for a term equal to the satellite's useful remaining life;
- in an amount of 9,046 thousand euros, for the agreement signed with the related party in May 2001 covering 5 transponders on the Express A3 satellite for a period up until the first half of the financial year 2007/2008. The entire amount of contractual lease payments was settled in advance for this contract;
- in an amount of 7,000 thousand euros, for the agreement signed in April 2007 covering 11 transponders of the TELECOM 2C satellite for a term equal to the satellite's useful remaining life.

In February 2007, the HOT BIRD™ 1 satellite, fully written off, was deorbited after 12 years of service.

Satellite-related acquisitions and transfers as at June 30, 2006 and 2007 respectively correspond to the entry into operational service of the HOT BIRD™7A satellite, which was successfully launched on March 11, 2006, and of the HOT BIRD™8 satellite, which was successfully launched on August 4, 2006.

At June 30, 2005, the net book value of the W1 satellite was 114.8 million euros, including in-orbit incentive payments.

On August 10, 2005, the W1 satellite was affected by a technical incident leading to a service interruption that lasted several hours. On 11 August, service was restored for the majority of customers under acceptable operational conditions. The failure resulted in the loss of half of the satellite's available power and an estimated 50% reduction of its residual operational life.

Subsequent to this incident, the Group carried out an assessment of the damage sustained and, before taking account of the launch insurance payments, remeasured the present value of the future cash flows generated by W1. On this basis, the Group recognised an impairment of W1's value amounting to 30.4 million euros. This figure was adjusted downwards to 24.9 million euros during the second half of the 2005/2006 financial year to take account of the reimbursement of in-orbit incentive payments.

In the night of 3 to October 4, 2006, the Group identified a malfunction on its HOT BIRD™ 3 satellite, renamed EUROBIRD™ 4. This malfunction resulted in substantial deterioration to a solar panel, with a loss of power and a reduction in the useful life of the satellite. As the satellite had already been released from its mission at 13°E, following entry into operational service of the HOT BIRD™ 8 satellite, this incident had no effect on satellite operations.

Subsequent to this incident, the Group carried out an assessment of the damage sustained and remeasured the present value of the future cash flows to be generated by this satellite. On this basis, the Group recognised impairment of 25.0 million euros under "Other operating costs". As at June 30, 2007, when the annual financial statements were closed, the Group is not aware of any factor that might call this new measurement of the satellite's value into question.

At June 30, 2005 (see Note 3.8 – *Impairment of long-life assets*), the Group applied its usual procedures and reviewed the remaining useful lives of its satellites in orbit. This review confirmed a significant extension in the useful lives of three of the Group's satellites. Consequently, and in accordance with IAS 8, the depreciation schedule for these satellites was modified on a prospective basis and the annual depreciation charge reduced by 9.1 million euros for the period ended June 30, 2006.

As at June 30, 2006 and 2007 respectively, three and five satellites are in the course of construction.

Note 6 Investments in associates

As at June 30, 2007, the Group owns, through its subsidiary Eutelsat Services und Beteiligungen GmbH, 27.69% of the Hispasat group, the private unlisted Spanish satellite operator. This equity provides certain rights related to the stability of the shareholder structure.

Change in the carrying value of the equity investment in the balance sheet

(In millions of euros)	June 30, 2006	June 30, 2007
Value of the equity investment at beginning of period	**111,425**	**117,461**
Share of income	5,819	7,866
Income and expenses recognised directly under equity	217	(728)
VALUE OF THE EQUITY INVESTMENT AT END OF PERIOD	**117,461**	**124,599**

Financial information related to the equity investment

The following amounts represent the Group's share with respect to the assets, liabilities and income of the Hispasat group:

(In millions of euros)	June 30, 2006	June 30, 2007
Intangible assets(1)	27.7	27.7
Service contract(2)	1.9	1.7
Investment in Hisdesat	5.0	5.0
SUB-TOTAL	**34.6**	**34.4**

(1) These relate to rights to the use of frequencies at the 30°West orbital position, together with long-term contractual relationships with the customers. The useful life of this intangible asset is considered indefinite, given the high probability of renewal of the administrative authorisations for the use of frequencies (which are given for a period of 75 years) and the specific nature of the customer contracts. An impairment test is performed by the Company each year.

(2) The useful lives of the other identified intangible assets have been estimated at 15 years.

The following table presents the annual accounts of the Hispasat group:

(In thousands of euros)	December 31, 2005	December 31, 2006
Other non-current assets	567,661	518,432
Current assets	44,482	66,502
Non-current liabilities	191,019	198,582
Current liabilities	129,602	71,128
TOTAL NET ASSETS	**291,522**	**315,224**
Operating revenues	99,692	120,466
Net income (loss)	8,320	24,076

At June 30, 2006 and 2007, "Income from equity investments" in the consolidated income statement corresponds to the Group's share of income from Hispasat as of June 30, 2006 and 2007, after amortisation for the period of the identified intangible assets.

Review of the value of the investment in the Hispasat group

At June 30, 2006 and 2007, a review of the recoverable amount did not result in any adjustment of the amount in the balance sheet. This was based on an EBITDA multiple corresponding to the middle of the range for multiples for similar listed companies and to the average multiple used in recent transactions. It was applied to the consolidated 2007 and 2008 budget of the Hispasat group, which reflects a standard year of operation for the AMAZONAS satellite. In terms of sensitivity analysis, a change of 1% in the EBITDA multiple has an impact of approximately 17% and 13% respectively on the recoverable amount, with no impact on the net book value of the investment.

Note 7 Non-current financial assets

Non-current financial assets are mainly made up of:

(In thousands of euros)	**June 30, 2006**	**June 30, 2007**
Available for sale financial assets[(1)]	400	436
Long-term loans and advances	2,555	2,625
TOTAL	**2,955**	**3,061**

(1) Non-listed investments valued at cost less impairment.

Available for sale financial assets

Available for sale non-consolidated investments are mainly made up of an investment in Sitcom representing an 11.56% ownership interest. This investment was acquired by Eutelsat Services und Beteiligungen GmbH and had a net value of 370 thousand euros as at March 31, 2005. No impairment has been recorded on these investments as at June 30, 2006 and 2007.

Long-term loans and advances

Long-term loans and advances are mainly composed of employee loans in a net amount of 0.2 million euros at June 30, 2006 and 0.1 million euros at June 30, 2007. The balance represents rental guarantee deposits for Eutelsat S.A.'s Paris premises of 0.4 million euros, and the "cash account" for the liquidity agreement relating to treasury stock, which has been set up by Eutelsat Communications since the 2005/2006 financial period.

Note 8 Inventories

Net inventories amount to 2,257 thousand euros at June 30, 2006 and 2,092 thousand euros at June 30, 2007. They mainly comprise receiving antennas and modems.

Note 9 Accounts receivable

Accounts receivable are mainly composed of receivables from international telecommunications operators, broadcasters and other users of commercial satellite communications.

As at June 30, 2006, the net value of these receivables was 213,716 thousand euros. The allowance for bad debts was 1,919 thousand euros.

As at June 30, 2007, the net book value of these receivables was 220,976 thousand euros. The allowance for bad debts was 7,564 thousand euros.

Accounts receivable at June 30, 2006 and 2007 are for short-term amounts and did not bear interest.

Note 10 Other current assets

Other current assets were as follows:

(In thousands of euros)	**June 30, 2006**	**June 30, 2007**
Prepaid expenses	11,730	10,415
Foreign VAT receivable	150	337
Other receivables	8,009	17,621
TOTAL	**19,889**	**28,373**

10.1 – Prepaid expenses

At June 30, 2006, prepaid expenses mainly comprised 5.0 million euros of prepaid satellite insurance and 1.6 million euros of satellite operating expenses.

At June 30, 2007, prepaid expenses mainly comprised 3.4 million euros of prepaid satellite insurance and 1.1 million euros of satellite operating expenses.

10.2 – Other receivables

At June 30, 2006 and 2007, "Other receivables" mainly included VAT receivables and a receivable of 7.0 million euros from a partner engaged in the joint construction of a satellite.

Note 11 Cash and cash equivalents

Cash and cash equivalents were as follows:

(In thousands of euros)	**June 30, 2006**	**June 30, 2007**
Cash	10,242	19,836
Accrued interest	-	6
Cash equivalents	253,813	25,637
TOTAL	**264,055**	**45,479**

Note 12 Shareholders' equity

12.1 – Shareholders' equity

As of June 30, 2007, the share capital of Eutelsat Communications comprised 217,401,082 ordinary shares with a par value of 1 euro per share. In terms of treasury stock, Eutelsat Communications S.A. holds 7,912 shares amounting to 141,604 euros under a liquidity agreement.

Changes in the share capital and additional paid-in capital of the Company since June 30, 2006 are presented hereafter:

Definitive date of each operation	Operations	Number of shares issued/ cancelled	Nominal capital increase/reduction *(in thousands of euros)*	Additional paid- in capital *(in thousands of euros)*	Nominal share capital after operation *(in thousands of euros)*	Cumulative number of shares	Nominal value of shares *(in euros)*
30/06/06		-	-	907,486	215,693	215,692,592	1
10/11/06	Allocation of retained earnings (GM of 10/11/06)			(16,454)	215,693	215,692,592	1
10/11/06	Taken from Share premium (GM of 10/11/2006)			(116,476)	215,693	215,692,592	1
July to June	Issue of capital (issue of BSA 1s)	548,362	548	507	216,241	216,240,954	1
July to June	Issue of capital (issue of BSA 2s)	1,160,128	1,160	1,072	217,401	217,401,082	1
30/06/07	closing position	1,708,490	1,708	776,135	217,401	217,401,082	1

The 2005/2006 financial period saw a number of operations affecting the share capital:

> On the occasion of its IPO on December 2, 2005, the Group undertook a capital increase to repay the Group's debt. The subscription price was 12.00 euros per share, thereby raising a gross amount of 860 million euros comprising 71.7 million euros in capital and 788.3 euros million of additional paid-in capital. The costs of the operation were charged to additional paid-in capital. They amount to 27.1 million euros, which comprises 17.6 million euros of compensation to the financial arrangers and 9.5 million euros in legal and administrative costs.

> In the course of this operation, there was a capital increase reserved for present and former employee-members of the Eutelsat S.A. corporate savings plan. The subscription price was set at 9.60 euros per share, applying a 20% reduction on the price offered to the general public, and the maximum number of shares was fixed at one million. The subscription period was from December 2, 2005 to December 9, 2005 and resulted in the issue of 196,099 new shares on December 19, 2005.

> There was also an allocation of free shares to the Group's employees amounting to 341 shares per beneficiary. The number of beneficiaries was fixed at 439, which corresponds to the number of employees who were not shareholders in the Company as of November 29, 2005. The qualifying period for definitive acquisition of the shares was fixed at two years from that date, with a requirement that the employee should still be working for the Group. Beneficiaries are required to keep their shares for a further period of two years after the effective date of acquisition.

> The charge to shareholders' equity at June 30, 2006 resulting from these last two decisions is 1,003 thousand euros, which is composed of 480 thousand euros for the 20% reduction and 523 thousand euros for the free share allocation (in this latter case, as a result of the condition that the employee should still be working for the Group at the date of acquisition of the shares, the total charge of 1.8 million euros is amortised over two years). At June 30, 2007, the charge for the year for the free share allocation is 817 thousand euros.

There were two types of operation affecting the share capital during the 2006/2007 period:

> exercise of BSA 1s and BSA 2s between October 2006 and June 2007 with the creation of 1,708,490 shares;

> there was an allocation of free shares to the Group's employees by decision of the Board of Directors on May 10, 2007. This offer concerned 181,825 new shares. The qualifying period for definitive acquisition of the shares was fixed at two years, with a requirement that the employee should still be working for the Group. Beneficiaries are required to keep their shares for a further period of two years after the effective date of acquisition. The total expense of 3.3 million euros is consequently spread over two years. The expense recognised for the period ended June 30, 2007, with a double entry to shareholders' equity, is 228 thousand euros.

In addition, on November 10, 2006, the Ordinary and Extraordinary General Meeting of Shareholders, noting that the loss recognised in the annual financial statements for the year ended June 30, 2006 was 3,235,691.75 euros, decided to allocate the amount concerned to retained earnings, which consequently changed from a total of minus 13,217,999.15 euros to minus 16,453,690.90 euros, and to allocate the whole of negative retained earnings to "additional paid-in capital", which was thereby reduced from 907,485,896.38 euros to 891,032,205.48 euros.

The shareholders also decided to distribute a gross amount of 0.54 euro per share, i.e. a total amount of 116,476,294.68 euros taken from "Additional paid-in capital", which thus reduces as of that date from 891,032,205.48 euros to 774,555,910.80 euros.

12.2 – Impact of the acquisition of Eutelsat S.A. on shareholders' equity

The Group issued 3,004,737 new shares as consideration for the acquisitions at October 6, 2005 and April 27, 2006 in relation to secondary sale and contribution operations. The par value of the shares was 1 euro after consolidation (see Note 12.1 – *Shareholders' equity*).

12.3 – Share-based payment

Issue of ABSAs to managers

On August 2, 2005, the Group issued 835,200 ABSA 1s and 882,380 ABSA 2s to the key managers of Eutelsat S.A., as follows:

- ABSA 1: unit price of 1.378 euros;
- ABSA 2: unit price of 1.54 euros;
- 2.7 BSA per ABSA;
- each BSA conferring the right to subscribe for 1 Company share.

These instruments were fully paid-up in cash with the difference between the unit subscription price for the ABSAs and the nominal value being recognised as additional paid-in capital.

The BSAs were detached from the shares when the ABSAs were issued.

Due to the consolidation of shares decided by the General Meeting of August 31, 2005, the conditions of the BSAs were changed:

- two BSAs are needed to subscribe for 1 Company share;
- the unit subscription price is 2 euros.

Following the decision of the Ordinary and Extraordinary General Meeting of Shareholders on November 10, 2006 to make a distribution by taking the required amount from "Additional Paid-In Capital", and in accordance with the legal provisions protecting stock-warrant beneficiaries, the Board of Directors decided on November 10, 2006 to make a further adjustment both to the conversion rate and to the exercise price per share:

- two BSAs are needed to subscribe for 1.03951 Company shares;
- the unit subscription price is 1.9240 euros.

The following table describes movements in respect of the BSAs:

SITUATION AT JUNE 30, 2006

Type	BSAs issued	BSAs exercised	Shares issued	Subscription price per share in €	Expiry date
BSA 1	2,255,040	1,200,000	600,000	2	31/03/2008
BSA 2	2,382,426	-	-	2	02/08/2015
TOTAL	**4,637,466**	**1,200,000**	**600,000**		

SITUATION AT JUNE 30, 2007 AFTER THE DISTRIBUTION OF NOVEMBER 10, 2006

Type	BSAs issued	BSAs exercised	Shares issued	Subscription price per share in €	Expiry date
BSA 1	2,255,040	2,255,039	1,148,362	1.9240	31/03/2008
BSA 2	2,382,426	2,232,412	1,160,128	1.9240	02/08/2015
TOTAL	**4,637,466**	**4,487,451**	**2,308,490**		

The operation is related to the signature of a formal commitment to buy and a formal commitment to sell with each of the managers and mandataires sociaux [Corporate officers] in question, relating to the Eutelsat S.A. shares that result from or are liable to result from the exercise of stock options granted by Eutelsat S.A. under the different "Managers" stock-option plans. Almost 18.3 million Eutelsat S.A. shares are concerned. The formal commitments to buy and sell have the following characteristics:

Commitment to sell:

- given by each of the managers and *mandataires sociaux* [Corporate officers] to Eutelsat Communications;
- exercise price per share at June 30, 2007: 2.70 euros;
- exercise period: for 3 months after the end of the period of fiscal unavailability for each tranche of shares concerned.

Commitment to buy:

- given by Eutelsat Communications;
- exercise price determined on the basis of a Eutelsat S.A. valuation of 8.5 times the Group's consolidated EBITDA, after deducting the net debt of the Eutelsat S.A. sub-Group (or adding the net financial position)

- Exercise period: for each tranche of shares concerned, for 1 month after the end of the period for exercising the corresponding commitment to sell.

In accordance with IFRS 2, "Share-Based Payment", the Company's obligation with respect to liquidity has been recognised as a forward repayment of a shareholders' equity instrument. The obligation was measured at the date of the operation and recognised as debt, offset by an equivalent reduction in shareholders' equity. The debt was measured at present value as of June 30, 2007 on the basis of the timetable for purchasing the securities. The effect of unwinding the discount on the debt is recognised in financial expenses.

At June 30, 2006, the amount deducted from shareholders' equity is 19,592 thousand euros. The figure for the debt is 21,245 thousand euros, with 1,653 thousand euros as a financial expense.

As a result of the unwinding of discount and the exercise of BSAs during the period, the amount deducted from shareholders' equity was increased by 3,201 thousand euros at June 30, 2007, debt was reduced by 1,412 thousand euros and 1,789 thousand euros was recognised as a financial expense.

Liquidity offer for employees of the Group who are shareholders in Eutelsat S.A.

At its meeting on June 28, 2006, the Board of Directors decided to introduce a liquidity mechanism for employees of the Group who are shareholders in Eutelsat S.A. in the form of an offer to purchase their Eutelsat S.A. shares for cash. This offer to buy shares does not include shares allocated under the ABSA operation described above.

The liquidity mechanism is implemented twice each year for periods of 15 to 20 days as set by the Board of Directors and will expire in 2010. The price is determined with reference to the Eutelsat Communications' share price and takes account of all net bank debt of the companies in the Group that are not included in the Eutelsat S.A. sub-Group.

In similar fashion to the operation described above, the obligation with respect to liquidity has been treated as a change to the initial plans and recognised as a forward repayment of a shareholders' equity instrument. The obligation was measured as of June 30, 2006 and recognised as debt, offset by an equivalent reduction in shareholders' equity for an amount of 22,005 thousand euros. The debt was measured at present value at June 30, 2006 on the basis of purchasing all the shares as of 2010.

At June 30, 2007, taking account of share buybacks, options exercised and the effect of unwinding of discount over the period, the obligation was remeasured. The amount deducted from shareholders' equity was reduced by 5,068 thousand euros, debt was increased by 2,125 thousand euros and 7,193 thousand euros was recognised as a financial expense. The obligation was measured at present value at June 30, 2007 on the basis of purchasing all the remaining shares in 2010.

It should be noted in this respect that an offer to buy Eutelsat S.A. shares began on November 13, 2006 and ended on November 24, 2006, resulting in the purchase of 798,871 Eutelsat S.A. shares for an amount of 3,626 thousand euros and the second offer to buy shares began on March 12, 2007 and ended on March 23, 2007 resulting in the purchase of 838,156 Eutelsat S.A. shares for an amount of 4,258 thousand euros (see Note 4, *Goodwill and Other Intangibles*).

Description of Eutelsat S.A. stock-option plans

The information contained in this Note only concerns the Eutelsat S.A. sub-Group and the governing bodies of that sub-Group.

In accordance with IFRS 2 "Share-based Payment", only stock options granted after November 7, 2002 that had not yet vested at January 1, 2005 have been measured and recognised.

a) Summary of movements in respect of stock-option plans

	Shares reserved for future grants	Stock options outstanding	Weighted average exercise price *(in €)* after distribution
Balance at July 1, 2006	-	19,353,620	1.35
Authorised	-	-	-
Granted	-	-	-
Exercised	-	(3,718,004)	1.31
Cancelled	-	(11,323)	1.00
BALANCE AT JUNE 30, 2007	**-**	**15,624,293**	**1.36**

b) Changes in stock-option plans

Plans 30/06/06	Granted	Exercised	Cancelled	Balance	Exercise price *(in euros)*
Partners	4,389,963	(3,925,218)	(216,204)	248,541	1.00
Managers I	2,665,914	(2,612,083)	-	53,831	1.48
Managers II					
- 13/12/02	4,198,098	(1,075,221)	-	3,122,877	1.33
- 24/02/03	75,171	(4,927)	-	70,244	1.33
Managers III					
- 17/12/03	10,782,174	(438,087)	-	10,344,087	1.26
- 08/04/04	1,476,130	(115,171)	(64,767)	1,296,192	1.26
- 28/06/04	437,374	-	-	437,374	1.48
Managers IV	4,028,215	(247,741)	-	3,780,474	1.64
TOTAL	**28,053,039**	**(8,418,448)**	**(280,971)**	**19,353,620**	

Plans 30/06/07	Granted	Exercised	Cancelled	Balance	Exercise price *(in euros)*
Partners	4,389,963	(4,052,493)	(227,526)	109,944	1.00
Managers I	2,665,914	(2,612,083)	-	53,831	1.48
Managers II		-			
- 13/12/02	4,198,094	(4,135,342)	-	62,752	1.33
- 24/02/03	75,175	(75,175)	-		1.33
Managers III		-			
- 17/12/03	10,782,178	(876,174)	-	9,906,004	1.26
- 08/04/04	1,476,126	(137,444)	(64,767)	1,273,915	1.26
- 28/06/04	437,374	-	-	437,374	1.48
Managers IV	4,028,215	(247,741)	(1)	3,780,473	1.64
TOTAL	**28,053,039**	**(12,136,452)**	**(292,294)**	**15,624,293**	

Assumptions used to determine the fair value of the stock-option plans

The weighted average remaining contractual life of options outstanding is 4.71 years: 2.01 years for "Partners" plan options; 2.32 years for "Managers" plan options; 3.46 years for "Managers II" plan options; 4.52 years for "Managers III" plan options and 5.41 years for "Managers IV" plan options.

Eutelsat S.A. uses the Black & Scholes method for measuring the fair value of options, based on the following data:

> calculated volatility of 26.30%;

> a risk-free rate of 2.98%;

> a cancellation rate estimated at 37.5% over three years;

> a weighted average unit cost of 1.68 euros per option.

Valuations are performed when options are issued and are not subsequently modified.

During the periods ended June 30, 2006 and 2007 respectively, 4,443,334 options and 3,718,004 options were exercised. These capital increases generated a reduction in Eutelsat Communications' percentage holding in Eutelsat S.A. of 0.43% and 0.35% respectively, and a loss on dilution of 2,094 thousand euros and 1,745 thousand euros respectively, recognised under "Other operating costs".

Note 13 Bank debt

13.1 – Non-current portion

At June 30, 2006 and 2007, all debt was denominated in euros.

Changes since June 30, 2006

During the first six-month period; Eutelsat S.A. made the final payment on the 150 million euros fixed-rate amortisable loan at 4.80% taken out on December 24, 2001. This has therefore now been reimbursed in full.

At June 30, 2007, the Group had access to the following credit facilities:

> a syndicated credit facility for 1,915 million euros entered into by Eutelsat Communications on June 8, 2006 for a period of seven years and consisting of two parts:

- tranche A: a long-term interest-only loan for 1,615 million euros, bearing interest at EURIBOR plus a margin of between 0.75% and 1.625% depending on the leverage ratio (defined below),
- tranche B: a revolving credit facility for 300 million euros; amounts are drawn for a maximum period of 6 months and bear interest at EURIBOR plus a margin of between 0.75% and 1.625% depending on the leverage ratio (defined below). A fee for non-use representing 30% to 35% of the margin mentioned above may be payable.

The agreement of June 8, 2006 includes neither a guarantee by Eutelsat Communications' subsidiaries nor the pledging of assets to the lenders.

This credit agreement includes restrictive clauses (subject to the usual exceptions contained in loan agreements) limiting the capacity of Group companies, in particular to:

- grant security interests or guarantees,
- enter into agreements resulting in additional liabilities,
- grant loans and carry out certain types of investments,
- enter into merger, acquisition, asset disposal, or lease transactions (with the exception of those carried out within the Group and expressly provided for in the loan agreement),
- modify the nature of the business of the Company or its subsidiaries.

The agreement allows each lender to request early repayment of all sums due if there is a change of control of the Company and of Eutelsat S.A. or in the event of concerted action. The Company must hold, directly or indirectly, 95% of the capital and voting rights of Eutelsat S.A. for the entire duration of the loan. The agreement entails an obligation to maintain launch-plus-one-year insurance policies for any satellite located at 13°East and, for any satellite located at another orbital position, a commitment not to have more than one satellite not covered by a launch insurance policy.

The credit facilities are linked to the following financial covenants, calculated on the basis of the Group's consolidated financial statements presented in accordance with IFRS:

> leverage ratio: consolidated net debt/consolidated EBITDA less than or equal to 5.5 for the half-year and full-year periods defined in the agreement, with the first being June 30, 2006; this ratio is then gradually reduced to 5.25 at December 31, 2008, to 5 at December 31, 2009, to 4.75 at December 31, 2010 and then to 4.5 at December 31, 2011;

> interest cover ratio: Consolidated EBITDA/interest payable (due and paid) greater than or equal to 2.75 (if leverage ratio greater than 3.5).

In addition, interest rate hedging is required for a minimum period of three years to limit exposure to interest rate risk for no less than 50% of the amounts drawn under the interest-only Term Loan facility.

On June 19, 2006, Eutelsat Communications therefore acquired from its SatBirds Finance subsidiary the interest rate hedge put in place for the previous loan.

Eutelsat Communications has also set in place a new instrument for the period 2010 – 2013 (see Note 23 – *Financial Instruments*):

> a 7-year syndicated credit facility entered into in November 2004 by its subsidiary Eutelsat S.A. for an amount of 1,300 million euros and comprising:

- a 650 million euros interest-only loan,
- a revolving credit facility for 650 million euros (60 million euros used as at June 30, 2007).

The amounts drawn on this credit facility bear interest at EURIBOR (or LIBOR for amounts drawn in U.S. dollars) plus a margin of between 0.25% and 0.75%, depending on Eutelsat S.A.'s long-term debt rating assigned by Standard & Poor's. A fee for non-use representing 30% to 45% of the margin mentioned above may be payable.

Under the terms of this credit facility, Eutelsat S.A. is required to maintain a total net debt to annualised EBITDA (as these terms are defined contractually) ratio less than or equal to 3.75 to 1 and this ratio is tested at June 30, and December 31, each year.

Financial information at June 30, 2006 and 2007

The non-current portion of the Group's bank debt at June 30, 2006 and 2007 breaks down as follows:

(In thousands of euros)	June 30, 2006		June 30, 2007	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Eutelsat Communications credit facility (Variable rate)	1,615,000	1,615,000	1,615,000	1,615,000
Eutelsat S.A. revolving credit facility (Variable rate)	200,000	200,000	60,000	60,000
Eutelsat S.A. interest-only loan (Variable rate)	650,000	650,000	650,000	650,000
Fixed rate loan (Wins Ltd.)	-	-	379	379
Sub-total of debt (non-current portion)	**2,465,000**	**2,465,000**	**2,325,379**	**2,325,379**
Issue costs		(19,150)		(16,401)
TOTAL		**2,445,850**		**2,308,978**

Issue costs incurred on putting in place the 1,915 million euros syndicated credit facility (refinancing of the SatBirds Finance Senior credit facilities) were amortised over the duration of the loan. Costs remaining to be amortised at June 30, 2006 and 2007 were charged to the carrying amount of the loans. At June 30, 2006 and 2007, they represent a balance of 19,150 thousand euros and 16,401 thousand euros respectively.

At June 30, 2007, the Group had access to the following main credit facilities:

(In thousands of euros)	**Amount granted**	**Amount used**	**Maturity**
Interest-only loan	1,615,000	1,615,000	June 8, 2013
Revolving credit facility	300,000	-	June 8, 2013
Interest-only loan	650,000	650,000	November 24, 2011
Revolving credit facility	650,000	60,000	November 24, 2011
Fixed rate loan	900	633	April 3, 2011
Variable rate loan	500	500	December 31, 2007
TOTAL	**3,216,400**	**2,326,133**	

The weighted average interest rate on drawdowns on these revolving credit facilities is 4.3% for the period ended June 30, 2007.

The effective interest rate on the interest-only loans of 1,615 million euros and 650 million euros is 5.1% and 4.5% respectively at June 30, 2007.

At June 30, 2007, the non-current debt maturity analysis is as follows:

(In thousands of euros)	**June 30, 2007**	**Maturity within one year**	**Maturity between 1 and 5 years**	**Maturity after more than 5 years**
Eutelsat Communications interest-only loan	1,615,000	-	-	1,615,000
Eutelsat S.A. interest-only loan	650,000	-	650,000	-
Eutelsat S.A. revolving credit facility	60,000	60,000	-	-
Wins Ltd. fixed rate loan	633	254	379	-
Wins Ltd. variable rate loan	500	500	-	-
TOTAL	**2,326,133**	**60,754**	**650,379**	**1,615,000**

13.2 – Current portion

Current bank debt includes accrued interest not yet due at June 30, 2007 on the debt described in Note 13.1. Current bank debt consists of the following:

(In thousands of euros)	June 30, 2006	June 30, 2007
Bank overdrafts	1,024	8,716
Accrued interest not yet due	2,206	13,715
Portion of the loans due within one year (excluding the revolving credit facility)	26,527	754
TOTAL	**29,757**	**23,185**

An increase of ten basis points (+0.1%) in the EURIBOR interest rate would have an impact of 2,326 thousand euros on an annualised basis on the consolidated income statement at June 30, 2007. At June 30, 2006, the impact on an annualised basis was 2,465 thousand euros.

Note 14 Other liabilities

14.1 – Non-current portion

Other liabilities principally comprise performance incentives.

	June 30, 2006		June 30, 2007	
(In thousands of euros)	Fair value	Carrying amount	Fair value	Carrying amount
Performance incentives	79,482	76,048	63,829	60,466

Long-term interest related to performance incentives amounted to 16,517 thousand euros and 15,205 thousand euros at June 30, 2006 and 2007 respectively.

14.2 – Current portion

Current liabilities are as follows at June 30, 2006 and 2007:

(In thousands of euros)	June 30, 2006	June 30, 2007
Performance incentives(1)	19,498	17,273
Finance leases(2)	-	6,000
TOTAL	**19,498**	**23,273**

(1) Including interest related to "Performance incentives" of 7,089 thousand euros at June 30, 2006 and 6,145 thousand euros at June 30, 2007.
(2) At June 30, 2007, interest related to the finance lease for the T2C satellite is not material.

Note 15 Operating and finance leases

15.1 – Operating leases

Eutelsat S.A. pays rent for use of its registered office located in Paris. The lease was renewed on June 21, 2005 for a period of 9 years. Rent expense amounted to 3,321 thousand euros and 3,796 thousand euros for the periods ended June 30, 2006 and 2007 respectively. Future lease payments are shown in the following table:

(In thousands of euros)	Total	Less than 1 year	From 1 to 5 years	More than 5 years
Future payments for operating leases	**25,284**	3,612	14,448	7,224

15.2 – Finance leases

The Group operates five satellites under finance leases. None of the finance leases contains a purchase option at the expiry of the lease term.

The last finance lease contract expires in 2016.

At June 30, 2007, four of the five finance leases were pre-paid and the fifth lease will be paid during the year to come.

Financial expenses for satellites operated under finance leases amounted to 1,570 thousand euros at June 30, 2006 and at June 30, 2007 they are zero.

Note 16 Current provisions

The change in current provisions is as follows:

(In thousands of euros)	Provisions
JUNE 30, 2005	**7,138**
Increase in provisions	6,065
Reversal of provisions not required	(617)
Provisions used	(986)
JUNE 30, 2006	**11,600**
Increase in provisions	2,105
Reversal of provisions not required	(2,381)
Provisions used	(1,684)
JUNE 30, 2007	**9,640**

The short-term provisions recorded at period end correspond to business and employee litigation.

Note 17 Other payables and deferred revenues

17.1 – Non-current portion

Details of the non-current portion of other payables and deferred revenues as of June 30, 2006 and 2007 are as follows:

(In thousands of euros)	June 30, 2006	June 30, 2007
Deferred revenues	10,043	8,018
Guarantees and advances	5,519	8,741
Liabilities for social contributions(1)	41,597	27,453
Other liabilities	1,323	1,295
TOTAL	**58,483**	**45,507**

(1) Including debt related to the ABSA commitment (respectively 19,592 thousand euros and 3,323 thousand euros at June 30, 2006 and 2007) and the liquidity offer (respectively 22,005 thousand euros and 24,130 thousand euros at June 30, 2006 and 2007) – See Note 12.3 – Share-based payment.

17.2 – Current portion

Other current payables and deferred revenues were as follows at June 30, 2006 and 2007:

(In thousands of euros)	June 30, 2006	June 30, 2007
Deferred revenues	31,108	31,906
Guarantees and advances	11,362	9,966
Tax liabilities	16,224	16,561
Liabilities for social contributions(1)	19,560	35,064
Other liabilities	1,886	1,024
TOTAL	**80,140**	**94,521**

(1) Including the liability related to the ABSA commitments of 16,531 thousand euros at June 30, 2007 (see Note 12.3 – Share-based payment).

Note 18 Current and deferred tax

Eutelsat Communications is the head company in the tax consolidation group including Eutelsat Communications Finance since July 1, 2006.

Under the agreement of June 28, 2006, the scope of the tax consolidation for the group headed by SatBirds 2 was enlarged to include Eutelsat S. A.

From July 1, 2007, the scope of the tax consolidation group headed by Eutelsat Communications will be enlarged to include the following subsidiaries: WhiteBirds France SAS, SatBirds 2 SAS, Eutelsat S.A. and Eutelsat TV SAS.

Eutelsat S.A.'s income tax for the year ended June 30, 2006 has been estimated by applying the transitional arrangements for the five-year period defined by the French fiscal authorities, applicable as from the transfer of activities, which provide for the application of the enacted tax rates to a taxable basis of 90% in the fifth year (financial year ended June 30, 2006). This percentage reduces by ten points each year and expires in the sixth year.

Income tax for the year ended June 30, 2007 has been estimated by applying the enacted tax rates.

18.1 – Income statement tax balances

"Income tax expense" comprises current and deferred tax expenses of consolidated entities.

The Group's income tax expense is as follows:

(In thousands of euros)	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Current tax expense	(100,467)	(96,626)
Deferred tax expense (income)	10,743	4,411
TOTAL INCOME TAX EXPENSE	**(89,724)**	**(92,215)**

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

(In thousands of euros)	June 30, 2006	June 30, 2007
Income before tax and income from equity investments	124,271	254,368
Standard French corporate income-tax rate	*34.43%*	*34.43%*
Theoretical income-tax expense	(42,787)	(87,580)
Impact of transitional arrangements	11,065	0
Permanent differences and other items	(58,003)	(4,635)
CORPORATE INCOME TAX EXPENSE IN THE INCOME STATEMENT	**89,724**	**(92,215)**
Actual corporate income tax rate	*72%*	*36%*

At June 30, 2006, the tax rate was 72% as a result of not recognising a deferred tax asset related to the interest expense generated by the loan contracted to acquire the Eutelsat S.A. shares. Deferred tax assets generated by these financial expenses amounted to 62,679 thousand euros, of which only 4,815 thousand euros could be capitalised due to their recoverability.

At June 30, 2007, the tax expense was 36%. The discrepancy between the rates of tax is mainly explained by the fact that the tax dispute related to the sale of the Hispasat shares by Eutelsat S.A. to the German subsidiary has now ended (see Note 18.3 – *Tax risks*).

18.2 - Balance-sheet tax balances

Deferred tax assets and liabilities correspond to the aggregate net financial positions of the consolidated entities. Changes in the deferred tax balances between June 30, 2006 and June 30, 2007 were as follows:

(In thousands of euros)	June 30, 2006	Net income for the period	Recognised in equity	June 30, 2007
Deferred tax assets				
Capitalisation of losses carried forward	17,969	(816)	-	17,153
Bad debt provisions	16,206	1,876	-	18,082
Provisions for impairment of assets	15,228	1,681	-	16,909
Financial guarantee granted to the pension fund	7,765	(62)	-	7,703
Capitalised salaries and performance incentives	6,602	(365)	-	6,237
Accrued liabilities	3,531	(732)	-	2,799
Provisions for risks and charges	3,291	210	-	3,501
Pension provision	1,917	(4)	-	1,913
Subtotal (A)	**72,509**	**1,788**	**-**	**74,297**
Deferred tax liabilities				
Intangible assets	(301,000)	15,304	-	(285,696)
Financial instruments	(26,921)	(12,809)	-	(39,730)
Exceptional depreciation	(20,629)	1,285	(23,716)	(43,060)
Capitalised interest	(6,213)	721	-	(5,492)
Finance leases	(957)	(618)	-	(1,575)
Other	(1,036)	(1,260)	-	(2,296)
Subtotal (B)	**(356,756)**	**2,623**	**(23,716)**	**(377,849)**
TOTAL = (A)+(B)	**(284,247)**	**4,411**	**(23,716)**	**(303,552)**
Reflected as follow in financial statements				
Deferred tax assets	18,738			1,380
Deferred tax liabilities	(302,985)			(304,932)
TOTAL	**(284,247)**			**(303,552)**

Net deferred tax liabilities break down as follows:

(In thousands of euros)	Deferred tax assets	Deferred tax liabilities
Due within one year	-	(8,375)
Due after one year	1,380	(296,558)
TOTAL	**1,380**	**(304,932)**

Deferred tax liabilities relate mainly to the taxable temporary difference generated by the accounting treatment at fair value of Customer contracts and relationships and of the Eutelsat brand, valued at 929,800 thousand euros, giving rise on the occasion of the business combination to a deferred tax liability of 320,130 thousand euros. The amortisation of customer contracts over 20 years, amounting to 44,452 thousand euros, generated deferred tax income of 15,304 thousand euros.

As of June 30, 2007, unrecognised deferred tax assets were 4.3 million euros. These are mainly Eutelsat Communications S.A. tax losses sustained prior to the creation of the tax consolidation group amounting to 3.5 million euros.

18.3 - Tax risks

On December 12, 2003, Eutelsat S.A. transferred its shares in the Spanish company, Hispasat S.A., to its German subsidiary, Eutelsat Services und Beteiligungen GmbH. As a result of this transfer, Eutelsat S. A. recognised a capital loss of 140.4 million euros (this capital loss had already been provided for in the financial statements for the period ended June 30, 2003), which generated a reduction in the tax expense of 34.8 million euros for the financial year ended June 30, 2004. The transfer price was based on the valuation of an independent expert, which reflected corporate valuation methods habitually employed.

Eutelsat S.A. underwent an accounting audit by the French fiscal authorities in respect of the financial years ended June 30, 2002, 2003 and 2004. Following this audit, the fiscal authorities notified Eutelsat S.A., in a letter dated December 19, 2005, of their intention to reassess Eutelsat S.A.'s taxable income for the year ended June 30, 2004, rejecting any deductibility for tax purposes of the short-term capital loss arising from transfer of the Hispasat shares to the German subsidiary, and questioning the valuation assigned to the shares.

Following exchanges and discussions with the French fiscal authorities, the latter agreed to reduce its proposed rectification from 147.7 million euros (the amount originally notified) to a tax basis of 24.0 million euros. Eutelsat S.A. accepted this new proposal, which resulted in additional payment of tax and interest of 6.3 million euros. This amount has been recognised as an expense at June 30, 2007. This definitively closes the tax audit.

Note 19 Non-current provisions

(See Note 17 – *Non-current provisions*)

(In thousands of euros)	June 30, 2006	June 30, 2007
Financial guarantee granted to a pension fund	35,934	31,294
Retirement indemnities and other post-employment benefits	6,554	6,880
Other	7,845	211
TOTAL NON-CURRENT PROVISIONS	**50,333**	**38,385**

19.1 – Financial guarantee granted to a pension fund

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

This guarantee can be called under certain conditions to compensate for future under-funding of the plan. During the year ended June 30, 2005, as a result of the significant decline in long-term interest rates, the guarantee was called upon in an amount of 22.3 million euros. This amount was valued on the basis of the Trust's projections of future market developments. At June 30, 2005, no payments had yet been made.

In November 2005, an agreement was reached with the Trust to spread payment of the amount called as follows: 4.46 million euros when the agreement is signed and a further 4.46 million euros at June 30, 2006, 2007, 2008 and 2009. It was agreed that the Trust would carry out a new valuation at June 30, 2007 and that, depending on the results of that valuation, subsequent contributions could be revised downwards or upwards. At June 30, 2006, 8.92 million euros had thus been paid, and at June 30, 2007, 4.46 million euros was paid.

The actuarial valuation performed at June 30, 2006 and 2007 used the following assumptions:

	June 30, 2006	June 30, 2007
Discount rate	4.75%	4.75%
Expected rate of return on assets	4.00%	4.00%
Inflation rate	2.00%	2.00%

As of June 30, 2006 and 2007, the position is as follows:

RECONCILIATION OF ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

(In thousands of euros)	June 30, 2006	June 30, 2007
Present value of defined benefit obligations wholly or partly funded	140,889	152,792
Fair value of plan assets	(135,378)	(138,358)
Net financing	**5,511**	**14,434**
Actuarial and other gains/(losses) amortised over 12 years	30,423	16,860
NET (ASSET)/LIABILITY RECOGNISED IN THE BALANCE SHEET	**35,934**	**31,294**

The fair value of plan assets includes no amounts relating to any financial instruments issued by Eutelsat S.A. nor any property occupied by, or other assets used by, Eutelsat S.A.

MOVEMENTS DURING THE YEAR IN THE LIABILITY RECOGNISED IN THE BALANCE SHEET

(In thousands of euros)	
Provision at June 30, 2005	**43,129**
Net expense recognised in the income statement	1,725
Contributions paid	(8,920)
Provision at June 30, 2006	**35,934**
Net gains recognised in the income statement	(180)
Contributions paid	(4,460)
Provision at June 30, 2007	**31,294**

NET EXPENSE RECOGNISED IN THE INCOME STATEMENT

(In thousands of euros)	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Service cost of the period	-	-
Finance cost	6,694	6,615
Expected return on plan assets	(4,969)	(5,439)
Actuarial (gains)/losses	-	(1,356)
NET EXPENSE (NET GAINS) RECOGNISED IN THE INCOME STATEMENT	**1,725**	**(180)**

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

The actual return on the plan's assets was 3.9 million euros and 2.0 million euros at June 30, 2006 and 2007 respectively.

19.2 – Post-employment benefits

a) Retirement indemnities

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

The actuarial valuations performed at June 30, 2006 and 2007 were based on the following assumptions:

	June 30, 2006	June 30, 2007
Discount rate	4.75%	4.75%
Inflation rate	2.00%	2.00%

As of June 30, 2006 and 2007, the position is as follows (in thousands of euros):

RECONCILIATION OF ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

(In thousands of euros)	June 30, 2006	June 30, 2007
Present value of obligations not financed	3,425	3,876
Past-service cost amortised over 23 years	1,354	1,290
Actuarial (gains)/losses	674	610
LIABILITY RECOGNISED IN THE BALANCE SHEET	**5,453**	**5,776**

MOVEMENTS OVER THE YEAR IN NET LIABILITY RECOGNISED IN THE BALANCE SHEET

(In thousands of euros)	
Liability at June 30, 2005	**5,130**
Net expense recognised in the income statement	376
Benefits paid	(53)
Liability at June 30, 2006	**5,453**
Net expense recognised in the income statement	323
Benefits paid	-
Liability at June 30, 2007	**5,776**

NET EXPENSE RECOGNISED IN THE INCOME STATEMENT

(In thousands of euros)	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Service cost of the period	293	243
Financing cost	148	160
Past-service cost	(65)	(65)
Actuarial (gains)/losses	-	(15)
NET EXPENSE RECOGNISED IN THE INCOME STATEMENT	**376**	**323**

b) Supplementary schemes

The Group also has a defined-contribution *"sur-complémentaire"* funded pension fund for its employees (excluding *mandataires sociaux* [Corporate officers] employed by the Group), financed by contributions of 6% of gross annual salary, limited to eight times the Social Security threshold. The Group has no other commitments in relation to these contributions. The employer's contributions paid for this purpose were 1,196 thousand euros and 1,202 thousand euros at June 30, 2006 and 2007 respectively.

The *mandataires sociaux* [Corporate officers] of Eutelsat Communications S.A. and Eutelsat S.A. have a supplementary defined-benefits plan, which is financed by quarterly contributions to the fund managers. The present value of the obligations at June 30, 2006 and 2007 amounts to 987 thousand euros and 757 thousand euros respectively, and the carrying value of the assets was 582 thousand euros and 720 thousand euros. At June 30, 2007, the Group recognises a liability of 37 thousand euros.

c) Mandatory schemes

In accordance with French law, the Group meets its obligations to finance pensions for employees in France by paying contributions based on salaries to the relevant entities that manage mandatory pension schemes. The Group has no other commitments in relation to these contributions. The employer's contributions paid for this purpose were 5,020 thousand euros and 5,027 thousand euros at June 30, 2006 and 2007 respectively.

Note 20 Segment information

The Group operates in a single industry segment, providing satellite-based video, business and broadband networks, and mobile services mainly to major international telecommunication operators and broadcasters, corporate network integrators and companies for their own needs. With the exception of the Eutelsat satellites in orbit, most of the Group's assets are located in France.

The Group's revenues by geographical zone, based on invoice addresses, for the twelve-month periods ended June 30, 2006 and 2007 are as follows:

(In thousands of euros and as a percentage)	12-month period ended June 30, 2006		12-month period ended June 30, 2007	
Region	**Amount**	**%**	**Amount**	**%**
France	110,204	13.9	109,548	13.2
Italy	126,552	16.0	133,211	16.1
United Kingdom	129,056	16.3	116,278	14.0
Europe (other)	262,688	33.2	286,244	34.5
Americas	69,029	8.7	74,326	9.0
Middle East	51,970	6.6	61,090	7.4
Other[1]	41,569	5.3	48,389	5.8
TOTAL	**791,068**	**100.0**	**829,086**	**100.0**

(1) Including 17.4 million euros as indemnities for late delivery and service interruption for the period ended June 30, 2006, and 11.4 million euros as indemnities for late delivery for the period ended June 30, 2007.

Note 21 Financial result

The financial result is made up as follows:

(In thousands of euros)	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Interest expense (banks)	(133,626)	(104,034)
Other interest expense(3)	(4,873)	(10,490)
Loan set-up fees(1)	(68,605)	(2,993)
Early repayment fees(1)	(14,165)	-
Commitment fees and other similar charges	(3,588)	(2,413)
Changes in financial instruments(2)	-	(127)
Provisions for risks and charges	(2,004)	(219)
Foreign-exchange losses	(2,374)	(4,594)
Financial expenses	**(229,235)**	**(124,870)**
Changes in financial instruments(2)	40,775	2,208
Interest income	6,005	9,651
Provision on financial assets	-	-
Foreign-exchange gains	2,885	4,851
Financial income	**49,665**	**16,710**
FINANCIAL RESULT	**(179,570)**	**(108,160)**

(1) Issue costs for the loans contracted in April 2005 to purchase Eutelsat S.A. shares were recognised in full as an expense at the time of early repayment and refinancing of these loans, which took place during the financial period ended June 30, 2006. Early repayments incurred penalties over the same duration.

(2) Changes in financial instruments represent net income of 2,081 thousand euros and are presented in Note 23 – Financial instruments.

(3) Other interest expense includes capitalised interest, which reduces the overall figure under this heading. This interest amounted to 4,528 thousand euros at June 30, 2006 and 3,071 thousand euros at June 30, 2007.

The capitalisation rates used to determine the amount of interest expense eligible for capitalisation were 4.2% for the period ended June 30, 2006 and 4.3% for the period ended June 30, 2007 respectively. "Other interest expense" also includes interest related to satellite performance incentives (5.9 million euros and 3.7 million euros for the periods ended June 30, 2006 and June 30, 2007 respectively) and to the finance lease contract (1.6 million euros for the period ended June 30, 2006, zero for the period ended June 30, 2007).

Note 22 Earnings per share

The following two tables show the reconciliation between net income and net earnings attributable to shareholders (basic and diluted) used to compute earnings per share (basic and diluted):

	June 30, 2006	June 30, 2007
Net income	40,234	170,085
Income from subsidiaries attributable to minority interests, before taking into account the dilutive instruments in the subsidiaries	(11,934)	(11,977)
NET EARNINGS USED TO COMPUTE BASIC EARNINGS PER SHARE	**28,300**	**158,108**

	June 30, 2006	June 30, 2007
Net income (loss)	40,234	170,085
Income from subsidiaries attributable to minority interests, after taking into account the dilutive instruments in the subsidiaries	(14,734)	(14,798)
NET EARNINGS USED TO COMPUTE DILUTED EARNINGS PER SHARE	**25,500**	**155,287**

Reconciliation between the number of shares used to compute basic and diluted earnings per share is provided below, as of June 30, 2006 and 2007:

	June 30, 2006	June 30, 2007
Restated weighted average number of shares outstanding used to compute basic earnings per share	206,926,817	216,117,530
Incremental number of additional shares that would result from the exercise of outstanding stock options(1)	1,443,656	67,953
RESTATED WEIGHTED AVERAGE NUMBER OF SHARES USED TO COMPUTE DILUTED EARNINGS PER SHARE1	**208,370,473**	**216,185,483**

(1) At June 30, 2006 and 2007, Eutelsat Communications and its subsidiary Eutelsat S.A. had issued dilutive instruments (see Note 12.3 – Share-based payment) The number of incremental shares which could be issued upon the exercise of outstanding stock options is computed using the average market price during the related period.

As its subsidiary Eutelsat S.A. is not listed, Management estimated the average market price based on the latest evaluations performed and the latest transactions between shareholders.

Note 23 Financial instruments

The Group has exposure to market risks, particularly with regard to foreign exchange and interest rates. Such risks are actively managed by Management, and for this purpose the Group employs a certain number of derivatives, the objective of which is to limit, where appropriate, the fluctuation of revenues and cash-flows due to changes in interest rates and foreign-exchange rates. The Group's policy is to use derivatives to manage such exposure. The Group does not engage in financial transactions whose associated risk cannot be quantified at their outset, i.e. the Group never sells assets it does not possess or does not know it will subsequently possess.

23.1 – Foreign exchange risk

The Group's functional currency is the euro and the Group is therefore principally exposed to fluctuations in the value of the U.S. dollar. The Group consequently, as a means of preserving the value of assets, commitments and forecast transactions, enters into contracts whose value fluctuates in line with changes in the euro/dollar exchange rate. In particular, the Group hedges certain future U.S. dollar revenues by means of financial instruments such as options, forward currency transactions and foreign currency deposits. These instruments are traded over-the-counter with first-rate banking counterparts.

Purchase commitments relate to construction contracts for satellites and to launch contracts. They generally cover a three-year period with a pre-established schedule of payments. Commitments to sell relate to contracts denominated in U.S. dollars.

During the periods ended June 30, 2006 and 2007, the Group only purchased foreign exchange options (euro calls/U.S. dollar puts).

23.2 – Interest rate risk

The Group's exposure to interest-rate risk is managed by hedging its variable rate debt.

Further to the refinancing process of the debt related to the acquisition of Eutelsat S.A. during the financial year 2005/2006, the Group set up the following interest rate hedges:

> a tunnel (purchase of a cap and sale of a floor) over three years until April 29, 2008 for a notional amount of 1,700 million euros to hedge the long-term Eutelsat Communications interest-only loan (principal repayable at maturity). The notional amount of this tunnel was reduced on April 12, 2007 from 1,700 million euros to 1,615 million euros so that it would be the same as the exact amount borrowed. This partial sale generated a termination indemnity of 1.3 million euros;

> a forward pay fixed/receive variable swap for a notional amount of 850 million euros and the purchase of a forward cap for a notional amount of 850 million euros, to serve as a hedge of Eutelsat Communications' long-term interest-only loan repayable at maturity, covering two years (years 4 and 5). The Group also undertook a partial sale, using these financial instruments to reduce the notional amount from 1,700 million euros to 1,615 million euros (i.e. reducing each one from 850 million euros to 807.5 million euros) and generating a termination indemnity of 0.9 million euros.

At the end of September 2006, a new forward interest-rate hedge (years 6 and 7) was put in place:

> a pay fixed/receive variable interest rate swap for a notional amount of 1,615 million euros to hedge the long-term interest-only Eutelsat Communications loan repayable on maturity.

- Following signature of the syndicated credit facility at the level of the Eutelsat S.A. sub-Group for a notional amount of 1,300 million euros in November 2004, the following derivatives related to this credit facility were immediately set in place, i.e.:
- a pay fixed/receive variable interest rate swap covering the long-term 650 million euros portion of the 7-year interest-only loan until its maturity; and
- a 5-year tunnel (purchase of a cap and sale of a floor) for a notional amount of 450 million euros related to the 650 million euros revolving credit facility.

On March 12, 2007, the tunnel was terminated, with a termination indemnity of 0.7 million euros and new operations related to the revolving credit facility of 650 million euros were put in place:

- a pay fixed/receive variable swap for a notional amount of 250 million euros over 4 years until the maturity date of the revolving credit facility;
- purchase of a cap in return for payment of a premium (2 million euros) for a notional amount of 200 million euros over 4 years until the maturity date of the revolving credit facility.

23.3 – Financial counterparty risk

Counterparty risk includes issuer risk, execution risk in connection with derivatives or monetary instruments, and credit risk related to liquidity and long-term investments. The Group minimises its exposure to issuer risk and its exposure to credit risk by acquiring only financial products with first-rate financial institutions or banks. Exposure to these risks is closely monitored and maintained within predetermined limits. The Group does not foresee any loss that would result from a failure by its counterparties to respect their commitments under the agreements concluded. The risks to which the Group is exposed are confined neither to the financial sector nor to a particular country.

23.4 – Key figures as of June 30, 2007

The following tables analyse the contractual or notional amounts and fair value of the Group's derivatives as of June 30, 2006 and 2007 by type of contract:

(In thousands of euros)	Contractual or notional amounts	Fair value June 30, 2006	Change in fair value during the period	*Impact on income*	*Impact on equity*
Foreign exchange options (Eutelsat S.A.)	104,000	4,792	595	*595*	-
Total foreign exchange derivatives		**4,792**	**595**	***595***	**-**
Swap (Eutelsat S.A.)	650,000	17,001	43,023	-	*43,023*
Forward swap (Eutelsat Communications)	850,000	12,224	16,511	*13,587*	*2,924*
Purchased cap (Eutelsat Communications)	850,000	6,964	3,935	*3,505*	*430*
Tunnel (Eutelsat Communications)	1,700,000	19,661	25,370	*19,076*	*6,294*
Tunnel (Eutelsat S.A.)	450,000	1,971	4,012	*4,012*	-
Total interest rate derivatives		**57,821**	**92,851**	***40,180***	***52,671***
TOTAL DERIVATIVES		**62,613**	**93,446**	***40,775***	***52,671***

(In thousands of euros)	Contractual or notional amounts	Fair value June 30, 2007	Change in fair value during the period	*Impact on income*	*Impact on equity*
Foreign exchange options (Eutelsat S.A.)	140,741	2,844	(5,160)	*(5,160)*	-
Total foreign exchange derivatives		**2,844**	**(5,160)**	***(5,160)***	**-**
Swap (Eutelsat S.A.)	650,000	31,654	14,654	-	*14,654*
Forward swap (Eutelsat Communications)*	807,500	21,427	9,876	*673*	*9,203*
Forward swap (Eutelsat Communications)	1,615,000	36,263	36,263	-	*36,263*
Purchased cap (Eutelsat Communications)*	807,500	11,632	4,920	*(4,574)*	*9,494*
Tunnel (Eutelsat Communications)	1,615,000	21,425	3,039	*3,774*	*(735)*
Swap (Eutelsat S.A.)	250,000	5,467	5,467	*5,467*	-
Cap (Eutelsat S.A.)*	200,000	5,172	3,172	*3,172*	-
Tunnel (Eutelsat S.A.)*	450,000	Disposal	(1,271)	*(1,271)*	-
Total interest rate derivatives		**133,040**	**76,120**	***7,241***	***68,879***
TOTAL DERIVATIVES		**135,884**	**70,960**	***2,081***	***68,879***
Investments in associates					*228*
TOTAL					***69,107***

* *Including indemnities received and premium paid (see Note 23.2 – Interest rate risk).*

At June 30, 2006 and 2007, the changes in fair value recognised within financial result in respect of financial instruments amounted to income of 40,775 thousand euros and 2,081 thousand euros respectively.

Breakdown of financial instruments qualifying as hedges as of June 30, 2006 and 2007:

(In thousands of euros)	Contractual or notional amounts	Fair value June 30, 2006	Change in fair value during the period	*Impact on income (ineffective portion)*	*Impact on equity (effective portion)*
Forward swap (Eutelsat Communications)	850,000	12,224	16,511	*13,587*	*2,924*
Swap (Eutelsat S.A.)	650,000	17,001	43,023	-	*43,023*
Purchased cap (Eutelsat Communications)	850,000	6,964	3,935	*3,505*	*430*
Tunnel (Eutelsat Communications)	1,700,000	19,661	25,370	*19,076*	*6,294*
TOTAL		**55,850**	**88,839**	***36,168***	***52,671***

(In thousands of euros)	Contractual or notional amounts	Fair value June 30, 2007	Change in fair value during the period	*Impact on income (ineffective portion)*	*Impact on equity (effective portion)*
Forward swap (Eutelsat Communications)	807,500	21,427	9,876	*673*	*9,203*
Forward swap (Eutelsat Communications)	1,615,000	36,263	36,263	-	*36,263*
Swap (Eutelsat S.A.)	650,000	31,654	14,654	-	*14,654*
Purchased cap (Eutelsat Communications)	807,500	11,632	4,920	*(4,574)*	*9,494*
Tunnel (Eutelsat Communications)	1,615,000	21,425	3,039	*3,774*	*(735)*
TOTAL		**122,401**	**68,752**	***(127)***	***68,879***
Investments in associates					*228*
TOTAL					***69,107***

At June 19, 2006, following the refinancing operations (see Note 13 – *Bank debt*), the SatBirds Finance tunnel and swap hedging relationship was discontinued. The hedges thus became totally ineffective as the financial liability had been extinguished in terms of IAS 39, *"Financial Instruments": Recognition and Measurement"*. Consequently, changes in fair value within equity were recognised in the income statement. The hedges were transferred to Eutelsat Communications. A new hedging relationship was then set in place in accordance with the nature of the new financial liability (see Note 13 – *Bank debt*).

Note 24 Other commitments and contingencies

As of June 30, 2007, Management considers that, to the best of its knowledge, no commitments exist that may have an impact on the Group's present or future financial position with the exception of the following items:

24.1 – Purchase commitments

The Group has commitments with suppliers for the acquisition of assets and provision of services related to monitoring and control of its satellites.

The Group may seek to benefit from penalty payments related to incidents affecting the functioning of its operational satellites.

Future minimum payments, as of June 30, 2006 and 2007, are scheduled to be paid as follows:

(In millions of euros)	**June 30, 2006**	**June 30, 2007**
2007	28	
2008	14	34
2009	12	15
2010	11	10
2011 and thereafter(*)	10	7
2012 and thereafter		5
TOTAL	**75**	**71**

(*) For the period reported in respect of the financial year ended June 30, 2006.

The above total includes 3.0 million euros for purchase commitments entered into with related parties (see Note 25 – *Related parties*).

At June 30, 2007, future payments under satellite construction contracts amounted to 268 million euros, and future payments under launch agreements amount to 151 million euros.

24.2 – In-orbit insurance

The Group's in-orbit insurance programme expired on November 26, 2006 and was replaced by a new 12-month programme defined by the Group with a view to minimising the impact on its balance sheet and its income of losing one or more satellites. Under this programme, 16 of the satellites belonging to the Group (excluding the W1, ATLANTIC BIRD™ 1 and EUROBIRD™ 4 ex HOT BIRD™ 3 satellites) are covered by insurance subject to certain limitations applying in the sole cases of total loss or constructive total loss resulting from technical problems already identified. The HOT BIRD™ 8 satellite is included and is covered by the policy when its launch + one year insurance cover comes to an end.

The insurance policy taken out against damage under this programme covers cumulative partial or total constructive losses of the 16 satellites insured, up to a ceiling of 165 million euros per satellite and a total annual amount of 390 million euros. The Group's satellites covered under this policy are insured for their net book value.

This insurance programme provides the same risk retention as before (limited in all circumstances to a cumulative annual amount of 80 million euros.

During the last financial period, the Group submitted a claim for compensation as a result of the technical incident that affected the W1 satellite on August 10, 2005. It involved three insurance policies and the claim was settled during the year ended June 30, 2007 with payment of a total amount of 37.3 million euros recognised under "Other operating income".

24.3 – Launch insurance

The HOT BIRD™ 8 satellite is covered by L+1 (launch + one year) insurance taken out at the end of December 2005 and is automatically included in the in-orbit insurance cover as of August 4, 2007.

24.4 – Litigation

The Group is involved in litigation in the normal course of its business: expenses that can arise from litigation, estimated as probable by the Company and its advisers, have been the subject of provisions considered to be sufficient to cover the expected costs of such litigation.

Note 25 Related-party transactions

Amounts included in current assets and current liabilities in the balance sheet, due and owed to related parties (mainly direct and indirect shareholders of the Group) as of June 30, 2006 and 2007 are as follows:

(In thousands of euros)	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Gross receivables (including unbilled revenues)	11,197	9,133
Liabilities (including accrued invoices)	643	223

Transactions with related parties included in the income statements for the periods ended June 30, 2006 and 2007 are as follows:

(In thousands of euros)	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Revenues	48,365	46,581
Operating costs, selling, general and administrative expenses	1,696	926
Financial result	0	

For the year ended June 30, 2007, no related party accounts individually for 10% or more of revenues.

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

Transactions with related parties included in the acquisition cost of the Eutelsat S.A. shares amounted to 2,316 thousand euros at June 30, 2006.

In addition, the Group and a related party have signed an agreement whereby, if certain conditions are fulfilled by September 15, 2007, the Group could receive an amount of 25 million euros in return for renouncing certain rights within an equity interest.

COMPENSATION PAID TO THE MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

(In thousands of euros)	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Short-term benefits (excluding employer's charges)	2,546	2,312
Short-term benefits: Employer's charges	921	644
Post-employment benefits	8% of annual salary at end of career	8% of annual salary at end of career
Other long-term benefits (indemnity payment in the event of involuntary termination of appointment)	1,000	1,000

Share-based payment:

a) The Group issued 835,200 ABSA 1s and 187,710 ABSA 2s on August 2, 2005 to the members of the administrative and management bodies of the Group, which had the following characteristics:

- ABSA 1: unit price of 1.378 euro;
- ABSA 2: unit price of 1.54 euro;
- 2.7 BSA per ABSA;
- each BSA conferring the right to subscribe for 1 Eutelsat Communications share.

These instruments were fully paid-up in cash with the difference between the unit subscription price for the ABSAs and the nominal value being recognised as additional paid-in capital.

The BSAs were detached from the shares when the ABSAs were issued.

Due to the consolidation of shares decided by the General Meeting of August 31, 2005, the conditions of the BSAs were changed:

- two BSAs are needed to subscribe for 1 Eutelsat Communications share;
- the unit subscription price is 2 euros.

Following the decision of the Ordinary and Extraordinary General Meeting of Shareholders on November 10, 2006 to make a distribution by taking the required amount from "additional paid-in capital", and in accordance with the legal provisions protecting stock-warrant beneficiaries, the Board of Directors decided on November 10, 2006 to make a further adjustment both to the conversion rate and to the exercise price per share:

- two BSAs are needed to subscribe for 1.03951 Eutelsat Communications shares;
- the unit subscription price is 1.9240 euros.

The following table shows the movements in BSAs held by the members of the administrative and management bodies of the Group:

Type	BSAs issued	BSAs exercised	Shares issued	Subscription price per share in €	Expiry date
BSA 1	2,255,040	2,255,039	1,148,362	1.9240	31/03/2008
BSA 2	506,817	506,817	263,420	1.9240	02/08/2015
TOTAL	**2,761,857**	**2,761,856**	**1,411,782**		

b) The Board of Directors, acting under delegations of authority granted by the Ordinary and Extraordinary General Meeting of October 6, 2005, made a free allotment of 40,000 new shares in Eutelsat Communications on May 10, 2007 to the members of the Group's administrative and management bodies.

In accordance with Article L. 225-197 of the French Commercial Code, allotment of these free shares will become absolute provided the beneficiaries are still with the Group in two years time (i.e. on May 10, 2009) and will only be available after a further period of two years has expired, i.e. as of May 11, 2011.

Note 26 Staff costs

Staff costs (including mandatory employee profit-sharing) are as follows:

(In thousands of euros)	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Operating costs	23,791	23,677
Selling, general and administrative expenses	39,002	39,841
TOTAL	**62,793**	**63,518**

The average number of employees is as follows:

	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Operations	179	184
Selling, general and administrative	306	328
TOTAL	**485**	**512**

As of June 30, 2007, the Group has 529 employees, compared with 493 as of June 30, 2006.

Compensation paid to the *mandataires sociaux* of Eutelsat Communications employed by the Group is 2.3 million euros for the financial year ended June 30, 2007. No payment in respect of attendance at meetings was paid to Board members for the year ended as of the same date.

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

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

Note 27 Companies included in the consolidation

The list of companies included in the consolidation is as follows:

Company	Country	Consolidation method	% voting rights as of June 30, 2007	% interest as of June 30, 2007
Eutelsat Communications Finance S.A.S.	France	Full consolidation	100.00%	100.00%
SatBirds 2 S.A.S.	France	Full consolidation	100.00%	100.00%
WhiteBirds France S.A.S.	France	Full consolidation	100.00%	100.00%
Eutelsat S.A.	France	Full consolidation	95.24%	95.24%
Eutelsat S.A. sub-Group				
- Eutelsat TV S.A.S.	France	Full consolidation	100.00%	95.24%
- Eutelsat Do Brasil S.A.[(1)]	Brazil	Full consolidation	100.00%	95.24%
- Eutelsat Italia	Italy	Full consolidation	100.00%	95.24%
- Skylogic Italia S.p.A.	Italy	Full consolidation	100.00%	95.24%
- Eutelsat Services und Beteiligungen GmbH[(1)]	Germany	Full consolidation	100.00%	95.24%
- VisaVision GmbH[(1)]	Germany	Full consolidation	100.00%	95.24%
- Eutelsat Inc.[(1)]	United States	Full consolidation	100.00%	95.24%
- Eutelsat America Corp.[(1)]	United States	Full consolidation	100.00%	95.24%
- Eutelsat UK Limited	United Kingdom	Full consolidation	100.00%	95.24%
- Eutelsat Polska s.p.Z.o.o.	Poland	Full consolidation	100.00%	95.24%
- Skylogic Polska s.p.Z.o.o.	Poland	Full consolidation	100.00%	95.24%
- Skylogic Mediterraneo	Italy	Full consolidation	100.00%	95.24%
- Skylogic Eurasia	Turkey	Full consolidation	100.00%	95.24%
- Wins Ltd(1)	Malta	Full consolidation	50.00%	47.62%
- Hispasat[(1)]	Spain	Equity method	27.69%	26.37%

(1) Companies whose financial year-end is 31 December.
NB: The other companies' financial year ends on 30 June.

The consolidation of these subsidiaries under the full-consolidation method was performed using financials as of June 30, 2007:

- on July 18, 2006, SatBirds Capital Participations was absorbed under a merger-absorption arrangement by SatBirds Finance;
- on August 31, 2006, SatBirds Capital was dissolved;
- on October 10, 2006, with retroactive effect as of July 1, 2006, Eutelsat Finance was dissolved without liquidation into Eutelsat Communications;
- on May 31, 2007, SatBirds Finance was absorbed under a merger-absorption arrangement by Eutelsat Communications Finance.

Note 28 Events after the balance sheet date

None

>> 20.2 Financial information for the year ended June 30, 2006

20.2.1 Auditors' Report on the Consolidated Financial Statements of Eutelsat Communications prepared in accordance with IFRS for the year ended June 30, 2006

Dear Shareholders,

In accordance with the task entrusted to us by your By-laws and by the shareholders' annual General Meeting, we have audited the attached consolidated financial statements of Eutelsat Communications for the year ended June 30, 2006.

The consolidated financial statements have been prepared by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We performed our audit in accordance with accounting standards applicable in France. These accounting standards require us to take due care in ensuring that we obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the content of the financial statements. An audit also includes assessing the accounting principles used and significant estimates used in preparation of the financial statements, as well as evaluating their overall presentation. We consider that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements prepared in accordance with IFRS Standards adopted by the European Union give a true and fair view of the assets, liabilities, financial position and results of the grouping of persons and entities included in the consolidation.

II. Basis of opinion

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the basis of our opinion, we draw to your attention the following matters:

As explained in Note 2.4 of the Notes to the consolidated financial statements, the Company's Management is required to use estimates and assumptions that affect amounts reported in the financial statements and the accompanying Notes.

The significant accounting estimates upon which our opinion is based are related to the following matters:

- as explained in Note 3.7 of the Notes to the financial statements, the Company performs an annual review of the remaining useful lives of its in-orbit satellites on the basis of both their forecast utilisation and a technical assessment of their residual useful lives. We assessed the reasonableness of the assumptions underlying the forecast utilisation;
- as explained in Note 3.8 of the Notes to the financial statements, the carrying amounts of long-term assets including goodwill, intangibles, equity investments and satellites are subject to review for impairment. The Company compares the carrying value of these assets to their estimated recoverable value based on discounted future cash flows. We assessed the reasonableness of the assumptions used by the Company in its business plans and the estimates based upon them.

These assessments formed part of our audit approach for the consolidated financial statements taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

III. Specific tests

In accordance with professional standards applicable in France, we have also checked the information given in the group management report.

We have no matters to report with regard to its fair presentation and consistency with the consolidated financial statements.

Done at Paris and Paris-La Défense, October 12, 2006

The Statutory Auditors

French original signed by

Mazars & Guérard	**Ernst & Young Audit**
Mazars	
Isabelle Massa	**Jean-Yves Jégourel**

20.2.2 Consolidated financial statements of Eutelsat Communications prepared in accordance with IFRS for the year ended June 30, 2006

Consolidated balance sheet

(In thousands of euros)	Note	June 30, 2005	June 30, 2006
ASSETS			
Non-current assets			
Goodwill	4,5	728,672	750,714
Intangible assets	4,5	918,688	875,237
Satellites and other property and equipment, net	6	1,834,001	1,749,597
Prepayments, assets under construction	6	236,341	310,116
Investments in associates	7	111,425	117,461
Financial assets	8	1,585	2,955
Deferred tax assets	19	38,111	18,738
Total non-current assets		**3,868,823**	**3,824,818**
Current assets			
Inventories	9	1,371	2,257
Accounts receivable	10	212,183	213,716
Other current assets	11	29,828	19,889
Current tax receivable	19	-	1,957
Financial instruments	24	1,499	62,613
Cash and cash equivalents	12	37,043	264,055
Total current assets		**281,924**	**564,487**
TOTAL ASSETS		**4,150,747**	**4,389,305**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Common stock	13	278,733	215,692
Additional paid-in capital			907,485
Retained earnings		(25,489)	16,179
Cumulative translation adjustment			0
Minority interests		125,158	70,924
Total shareholders' equity		**378,402**	**1,210,280**
Non-current liabilities			
Non-current bank debt	14	2,921,550	2,445,850
Financial instruments	23	35,027	0
Other non-current liabilities	15	115,587	76,048
Other non-current payables and deferred revenues	18	21,289	58,483
Non-current provisions	20	49,387	50,333
Deferred tax liabilities	19	316,304	302,985
Total non-current Liabilities		**3,459,144**	**2,933,699**
Current liabilities			
Current bank debt	14	77,811	29,757
Current other debt	15	54,892	19,498
Accounts payable		46,261	42,376
Fixed assets payable		25,630	41,650
Taxes payable		22,468	20,305
Other current payables and deferred revenues	18	79,002	80,140
Current provisions	17	7,137	11,600
Total current liabilities		**313,201**	**245,326**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**4,150,747**	**4,389,305**

Consolidated income statement

(In thousands of euros, except share data)	Note	3-month period ended June 30, 2005	12-month period ended June 30, 2006
Revenues	21	188,680	791,070
Revenues from operations		**188,680**	**791,070**
Operating costs		(19,351)	(72,664)
Selling, general and administrative expenses		(32,949)	(101,886)
Depreciation and amortisation	5,6	(73,038)	(285,805)
Other operating costs		(695)	(27,006)
Operating income		**62,647**	**303,709**
Financial revenues		2,140	49,665
Financial expenses		(57,925)	(229,235)
Financial result	22	**(55,785)**	**(179,570)**
Income from equity investments	7	66	5,819
Net income before tax		**6,928**	**129,958**
Income tax expense	19	(14,250)	(89,724)
Net income (loss)		**(7,322)**	**40,234**
Group share of net income (loss)		(12,552)	30,420
Minority interests' share of net income		5,230	9,814
Earnings per share attributable to Eutelsat Communications' shareholders	23		
Basic earnings per share in €		(0.105)	0.137
Diluted earnings per share in €		(0.108)	0.122

Consolidated statement of cash flows

(In thousands of euros)	Note	3-month period ended June 30, 2005	12-month period ended June 30, 2006
Cash flow from operating activities			
Net income (loss)		(7,322)	40,234
Income from equity investments		(66)	(5,819)
(Gain)/loss on disposal of assets		95	(18)
Other non-operating items		38,148	207,462
Depreciation, amortisation and provisions		74,976	307,825
Deferred taxes		(268)	(10,747)
Accounts receivable		28,440	(16,246)
Other current assets		(2,657)	3,760
Accounts payable		2,356	3,355
Other payables and deferred revenues		10,348	66,001
Taxes paid		(12,003)	(94,659)
Net cash inflow from operating activities		**132,047**	**501,148**
Cash flow from investing activities			
Acquisition of Eutelsat, net of cash acquired(1)		(1,856,513)	-
Acquisitions of satellites and other property and equipment	6	(27,221)	(230,858)
Proceeds from disposal of assets		8	250
Acquisition of minority interests		-	(66,988)
Changes in other long-term assets		759	(1,397)
Net cash flows used in investing activities		**(1,882,967)**	**(298,993)**
Cash flows from financing activities			
Change in capital		-	838,516
Distributions		-	(12,195)
Additional long-term and short-term debt		2,163,294	1,900,522
Repayment of debt		(256,923)	(2,449,997)
Repayment in respect of performance incentives and long-term leases		(29,304)	(66,826)
Interest and other fees paid		(94,300)	(189,127)
Interest received		604	2,546
Other cash flows		22	4,849
Net cash flows from financing activities		**1,783,393**	**28,288**
Impact of exchange rate on cash and cash equivalents		96	(19)
Increase (decrease) in cash and cash equivalents		**32,569**	**230,424**
Cash and cash equivalents, beginning of period		**37**	**32,606**
Cash and cash equivalents, end of period		**32,606**	**263,030**
Cash reconciliation			
Cash and cash equivalents	12	37,043	264,055
Overdraft included under debt(2)		(4,437)	(1,025)
CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT	14.2	**32,606**	**263,030**

(1) Including Eutelsat cash and cash equivalents of 37,948 thousand euros at the date of acquisition.

(2) Overdrafts included when determining cash and cash equivalents in the table of cash flows are an eligible component as they are repayable on sight and form an integral part of the Group's cash management.

Consolidated statement of changes in shareholders' equity

(In thousands of euros, except share data)	Common stock Number	Common stock Amount	Additional paid-in capital	Reserves and retained earnings	Minority interests	Total
At April 1, 2005	**37,000**	**37**	**-**	**-**	**-**	**37**
Translation adjustment				66	11	77
Changes in fair value of cash-flow hedges				(21,773)	(3,027)	(24,800)
Tax impact				6,159	1,042	7,201
Income and expenses recognised directly under equity				**(15,548)**	**(1,974)**	**(17,522)**
Loss for the three-month period (2005)				(12,552)	5,230	(7,322)
Total income and expenses recognised for the period				**(28,100)**	**3,256**	**(24,844)**
Issue of capital	278,695,598	278,696				278,696
Change in scope of consolidation				(65)	121,449	121,384
Grant of stock options				3,090	523	3,613
Adjustment of rights on stock options granted				(414)	(70)	(484)
June 30, 2005	**278,732,598**	**278,733**	**-**	**(25,489)**	**125,158**	**378,402**
Translation adjustment				150	8	158
Changes in fair value of cash-flow hedges				50,507	2,164	52,671
Tax impact				(16,050)	(747)	(16,797)
Income and expenses recognised directly under equity				**34,607**	**1,425**	**36,032**
Net income of the period				30,420	9,814	40,234
Total income and expenses recognised for the period				**65,027**	**11,239**	**76,266**
Issue of capital	(63,040,006)	(63,041)	907,485	79		844,523
Treasury stock				(28)		(28)
Change in scope of consolidation					(36,394)	(36,394)
Distributions					(11,895)	(11,895)
Benefits for employees upon exercising options, and bonus shares granted				954	49	1,003
Shares with equity warrant commitments				(19,534)	(58)	(19,592)
Liquidity offer				(4,830)	(17,175)	(22,005)
June 30, 2006	**215,692,592**	**215,692**	**907,485**	**16,179**	**70,924**	**1,210,280**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

Detailed headlines of notes on the accounts

Note 1 General overview

1.1 – Incorporation

SatBirds was incorporated on February 25, 2005 as a simplified joint stock company (*société par actions simplifiée*). It has been registered in the Register of Commerce and Companies (*Registre du Commerce et des Sociétés*) and its listing will expire on February 25, 2104.

On April 4, 2005, the main direct and indirect shareholders of Eutelsat S. A. contributed and sold their Eutelsat S.A. shares to SatBirds S.A.S., hereinafter referred to as "the Group". (See Note 4 – *Impact of the Acquisition of Eutelsat S.A.*).

On August 31, 2005, SatBirds changed its corporate name to Eutelsat Communications. Simultaneously, the Company changed its legal form and became a French *société anonyme*.

1.2 – Business

The Eutelsat Communications Group is a private telecommunications satellite operator involved in the design, establishment, operation and maintenance of satellite telecommunications systems covering a large geographical area (extended Europe – including North Africa, Russia and the Middle East – the east of North America, Latin America, sub-Saharan Africa and Asia).

The Group derives from the transfer to Eutelsat S.A. on July 2, 2001 of all the operating activities, assets, liabilities and commitments of the Eutelsat Intergovernmental Organisation (IGO). Since then the assignment of frequencies for the use of the frequency spectrum resources used by Eutelsat S.A. in regard to the operation of these satellites continue to be under the joint responsibility of the member countries of the IGO, and of the IGO.

As of June 30, 2006, via Eutelsat S.A., the Group owns and operates 19 satellites in geostationary orbit to provide capacity (its assignment and availability) to major international telecommunications operators and international broadcasting companies, for television and radio broadcasting services, both analog and digital, for business telecommunications services, multimedia applications and messaging and positioning services. The satellites are operated through five earth stations, located in Belgium (Redu), France (Rambouillet), Italy (Fucino), Portugal (Sintra) and Russia (Dubna).

In addition, the Group uses capacity on certain transponders on four satellites owned by related and unrelated parties.

Three additional satellites (HOT BIRD™ 8, W2M and HOT BIRD™ 9) are currently under construction. The first two are expected to be launched in 2006/2007 and 2007/2008 respectively, and the third is expected to be launched in 2008/2009.

1.3 – Approval of the financial statements

The consolidated financial statements at June 30, 2006 were prepared under the responsibility of the Board of Directors (BD), which approved them at its meeting of September 1, 2006.

They will be submitted to the Ordinary General Meeting of Shareholders that will take place on November 10, 2006. This Meeting has the right to modify the financial statements presented to it.

Note 2 Basis of preparation of the financial information

2.1 – Compliance with IFRS

In accordance with regulation 1602-2002 of the European Union regarding the application of international accounting standards, the Company elected to prepare its consolidated financial statements under the combined framework commonly referred to as IFRS.

The financial statements at June 30, 2006 have therefore been prepared in accordance with the IFRS as adopted by the European Union and effective as of that date. They have been prepared on a historical cost basis, except for certain items for which the standards require measurement at fair value.

The IFRS framework rules include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

2.2 – Published standards and interpretations that have not been applied in advance by the Group

The Group has not applied any standards or interpretations in advance and, in particular, none of the following standards, which have already been published but whose application is only compulsory for financial periods commencing after December 31, 2005:

- IFRIC 6, "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment";
- the amendment to IASC 39, "Hedging Cash Flows for an Intra-Group Transaction";
- the amendment to IASC 21, "Effects of Changes in Foreign Exchange Rates" relating to net investments in subsidiaries;

- the amendment to IASC 39, “Financial Instruments: Recognition and Measurement” and IFRS 4, “Insurance Contracts – Financial Guarantee Contracts”;
- the amendment to IAS 19, “Employee Benefits”, applicable from January 1, 2006 and which allows immediate recognition within equity of actuarial gains and losses recognised during the period. At this stage, the Group has continued to recognise actuarial gains and losses according to the corridor method, as was the case at December 31, 2005.

Additionally, the Group is not concerned by IFRS 6, “Exploration for and Evaluation of Mineral Resources”, the amendments to IFRS 1, “First-Time Adoption” and IFRS 6, “Exploration for and Evaluation of Mineral Resources” relating to the presentation of comparative information, nor by the IFRIC interpretation “Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”.

Finally, the Group has not opted either for advance application of the following standards, amendments of standards and interpretations (adopted or in the course of being adopted by the European Union):

- IFRS 7, “Financial Instruments – Disclosure”, whose date for first-time adoption is January 1, 2007;
- IFRIC 7, “Applying the Restatement Approach under IAS 29 Financial disclosures in Hyperinflationary Economies”, applicable for fiscal years commencing after March 2006, i.e. for Eutelsat Communications the period commencing on July 1, 2006. The provisions contained in this text would not have been applicable at June 30, 2006;
- amendments to IAS 1, “Presentation of Financial Statements”, appendices on capital, for which application is compulsory from January 1, 2007;
- IFRIC 8, “Scope of IFRS 2”, whose application is compulsory for periods opened after May 1, 2006: this text has not been approved by the European Union;
- IFRIC 9, “Reassessment of Embedded Derivatives”, applicable for financial periods opened after June 1, 2006; this text has not been approved by the European Union.

The Eutelsat Communications Group is currently, however, analysing the practical consequences of these new texts and the impact of their application on the financial statements.

Interpretation IFRIC 4, “Determining Whether an Arrangement Contains a Lease”, applicable for fiscal years commencing after January 1, 2006. The Group has made a preliminary analysis of its contracts with respect to this interpretation and has concluded that application of IFRIC 4 as from July 1, 2006 would have no impact on its consolidated financial statements.

2.3 – Accounting procedures applied by the group in the absence of specific accounting standards.

Where no standard or interpretation was applicable to the situations described below, and pending clarifications by the IASB or the IFRIC on these matters, the Group’s Management used its judgment to define and apply the accounting procedures that were the most appropriate. These accounting procedures or options based on the judgment of the Group related to additional acquisitions of shares in entities it already controlled (see Note 3.3 – *Acquisition of minority interests*), firm or conditional commitments to purchase minority interests (see Note 3.10.7 – *Firm or conditional commitments to purchase minority interests*).

2.4 – Use of estimates

The preparation of consolidated financial statements requires Management to make estimates and assumptions that may affect the amounts of assets, liabilities, income and expenses appearing in these financial statements and their accompanying Notes.

Eutelsat Communications constantly updates its estimates using past experience as well as other relevant factors related to the economic environment. Based upon any changes in these assumptions or other factors, amounts that will be shown in future financial statements may differ from present estimates.

These estimates and assumptions relate in particular to the following:

- recognition of revenues;
- provisions for impairment of accounts receivable;
- provisions for risks and for employee benefits;
- the income tax expense and recognition of deferred tax assets;
- calculation of goodwill and any impairment thereof;
- fair value measurement of financial instruments.

2.5 – Periods presented and comparison

The fiscal year of Eutelsat Communications is twelve months ending 30 June. Due to the fact that the Group was created on February 25, 2005 and that its first fiscal period lasted 33 days and ended on March 31, 2005, the consolidated financial statements at June 30, 2005 cover a three-month period. Consequently, the consolidated financial statements at June 30, 2006 reflecting the activity of the Group over a twelve-month period are not comparable with the financial statements at June 30, 2005 presented as a comparative.

The functional currency, and the currency used in the financial statements, is the euro.

Note 3 Significant accounting policies

3.1 – Basis of consolidation

The companies controlled directly or indirectly by Eutelsat Communications, even if the Company does not directly own any of the equity of these companies, are consolidated using the full consolidation method. Control, which is the power to direct the financial and operational policies, is presumed to exist where the Group holds directly or indirectly more than 50% of voting rights. The determination of control takes into account the existence of potential voting rights, provided that these are immediately exercisable or convertible.

Associated entities over which the Group exerts significant influence (generally between 20% and 50% of voting rights), are accounted for using the equity method. Significant influence is defined as the power to participate in the financial and operational policies of the investee without having joint or sole control over them. The goodwill relating to these entities is included in the carrying values of the investments.

Companies are consolidated as of the date when control or significant influence is transferred to the Group. The Group's share in the earnings of these companies subsequent to acquisition is recorded in its income statement. Similarly, the changes in their reserves following the acquisition which are not related to operations which had an impact on the income statement are recorded in the consolidated reserves up to the limit of the Group's share. Companies cease to be consolidated as of the date when the Group transfers control or significant influence.

Intra-Group balances and transactions are eliminated on consolidation.

3.2 – Accounting treatment for business combinations

In accordance with IFRS 3, business combinations are accounted using the purchase accounting method. Under this method, the identifiable assets, liabilities and identifiable contingent liabilities of the acquired entity which meet the recognition criteria defined under IFRS are recognised at their fair values at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are measured at fair value less costs to sell.

Only the acquiree's identifiable liabilities satisfying the recognition criteria specified by IFRS are recognised following a business combination. Restructuring costs are only recognised as liabilities of the acquired entity if it has a present obligation to restructure at the date of acquisition.

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

Minority interests are recognised on the basis of the fair value of the net assets acquired.

3.3 – Acquisition of minority interests

No accounting treatment for the acquisition of additional minority interests is currently specified under IFRS and the IASB is currently examining possible methods for the treatment of this type of transaction. These are expected to be among the proposed amendments to IFRS 3, "Business combinations". Therefore, in the absence of specific guidelines, the Group is applying the following method: in the event of an acquisition of additional interests in a subsidiary, the difference between the purchase price and the carrying amount of acquired minority interests as stated in the Group's consolidated financial statements prior to the acquisition is recognised as goodwill.

3.4 – Foreign currency transactions

Transactions in foreign currencies

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

Monetary assets and liabilities (including payables and receivables) in foreign currency are translated into the functional currency at the end of the period using the exchange rate applicable at the balance sheet date.

Conversely, the resulting gains and losses are recorded in the income statement during the period. Foreign exchange gains and losses arising from the translation of capitalisable advances made to foreign subsidiaries are recognised directly as "Cumulative translation adjustment" within shareholders' equity.

The principal foreign currency used is the U.S. dollar. The closing exchange rate used is 1.27 U.S. dollars per euro and the average exchange rate used for the period is 1.22 U.S. dollars per euro.

Translation of foreign subsidiaries' financial statements

Each subsidiary outside the euro zone maintains its accounting records in the currency that is most representative of its economic environment. Their financial statements are translated into euros using the closing exchange-rate method. All assets and liabilities are translated into euros using the exchange rate prevailing at the balance sheet date. Revenues and expenses are translated using a weighted-average exchange rate for the period. The resulting translation difference is included under a separate component of shareholders' equity under "Translation adjustments".

3.5 – Intangible assets

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

Intangible assets purchased separately are recorded at their historical cost, those purchased in a business combination are recorded at fair value at the acquisition date as part of the process of allocation of the acquisition cost of the entity. The fair value is determined by reference to the generally accepted methods, such as those based on revenues or market value.

Intangible assets consist of the "Eutelsat" brand and the "Customer Contracts and Relationship" assets. The "Eutelsat" brand is not amortised but systematically tested for impairment on a yearly basis.

"Customer Contracts and Relationship" assets are amortised on a straight-line basis over 20 years.

This useful life was estimated on the basis of the average length of the contractual relationships existing at the date of acquisition of Eutelsat and taking account of anticipated contract renewal rates. (See Note 3.8 – *Impairment of non-current assets*).

Research and development costs

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

For the periods ended June 30, 2005 and 2006, no development costs were capitalised by the Group.

Research and development expenses were mainly incurred for multimedia activities. They are recorded in the income statement under "Selling, general and administrative expenses".

3.6 – Goodwill

Goodwill is valued at the date of the business combination at cost, representing the difference between the purchase price, including directly attributable costs, and the fair value of the Group's share of the acquired identifiable assets and assumed liabilities.

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

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

Goodwill is tested for impairment at least annually or whenever events or circumstances indicate that the carrying amount may be impaired. Such events or circumstances include significant, adverse developments, which call into question the recoverable amount of the initial investment.

3.7 – Satellites and other property and equipment

Satellites and other property and equipment ("Tangible fixed assets") are recognised at their acquisition cost, which includes all costs directly attributable to making the asset ready for use, less accumulated depreciation and any impairment. When a tangible fixed asset has a significant cost component compared to the total cost of the asset as a whole, with a useful life that differs from the other components, it is recognised and depreciated separately from the other components of the asset.

Borrowing costs related to the financing of tangible fixed assets are capitalised with respect to the portion incurred during the period of construction.

Satellites – Satellite costs include all expenses incurred in bringing individual satellites into operational use, and comprise manufacturing, launch and attributable launch insurance costs, capitalised interest, performance incentives, and costs directly associated with the monitoring and support of the satellite programme (studies, staff and consultancy costs).

Performance incentives – The Group has certain contracts with its satellite manufacturers that require the Group to make certain performance incentive payments upon the initial entry into operational service of the satellites and with respect to future years of successful satellite operation in orbit. These elements are part of the cost of the satellite and are recognised as an asset offsetting a liability equal to the present value of the expected payments. Any subsequent modification in the amount of such an incentive payment with respect to one or more periods is recognised as an adjustment of the cost of the satellite. The new value of the satellite is amortised on a prospective basis over the remaining useful life.

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

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

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

Satellites	10-16 years
Traffic monitoring equipment	5-10 years
Computer equipment	2-5 years
Leasehold improvements	3-9 years

The Group performs an annual review of the remaining useful lives of its in-orbit satellites on the basis of both their forecast utilisation and the technical assessment of their useful lives. When changes occur, depreciation is charged for the years remaining, taking into account the assets' new residual useful lives.

Assets under construction – Assets under construction primarily consist of percentage completion payments for construction of future satellites, and advances paid in respect of launch vehicles and related insurance costs. Studies, staff and consultancy costs, capitalised interest and other costs incurred directly in connection with the acquisition of satellites have also been capitalised.

Assets under finance leases – Agreements for the Group to use capacity on all or part of a satellite's transponders are recognised in accordance with IAS 17, "Leases". Under this standard, leases which transfer substantially all risks and rewards incidental to ownership to the Group are recognised as finance leases and accounted for by recognising the asset and the corresponding obligation as a liability in the balance sheet. Assets are depreciated over the shorter of their useful lives and the corresponding lease terms.

3.8 – Impairment of non-current assets

Goodwill and other intangible assets with an indefinite useful life, such as the Eutelsat brand, are tested for impairment annually, irrespective of whether there is any evidence indicating that an asset may be impaired, or when an event occurs indicating a potential decline in its value.

For tangible fixed assets and intangible assets with finite useful lives, such as the "Customer Contracts & Relationships" asset, an impairment test is performed when there is an indication that their recoverable amounts may be lower than their carrying amount.

An impairment test consists of assessing the recoverable amount of an asset, which is the higher of its fair value net of selling costs and its value in use. If it is not practicable to estimate the recoverable amount of a particular asset, the Group determines the recoverable amount of the cash generating unit (CGU) with which it is associated. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The Group estimates value in use on the basis of the estimated future pre-tax cash flows to be generated by an asset or CGU during its useful life, and are based upon the medium-term plan approved by management. Beyond a maximum five-year period, cash flows may be estimated on the basis of stable rates of growth or decline.

Future cash flows are discounted using the long-term pre-tax interest rates that, in the opinion of the Group, best reflect the time value of money and the specific risks associated with the related assets or CGUs.

The fair value net of selling costs is equal to the amount which could be received from the sale of the asset (or of one CGU) in the course of an arm's length transaction between interested, knowledgeable and willing parties, less the costs relating to the deal.

Impairment losses and reversals of impairment losses are recognised respectively within the income statement captions "Other operating costs" and "Other operating income". An impairment of goodwill cannot be reversed.

As of June 30, 2005 and 2006, the following CGUs have been identified for the purpose of impairment tests:

- each of the 23 satellites.
- the investment in the Hispasat group.
- each of the four assets related to "client contracts and relationships".

Goodwill and the Eutelsat brand are tested for impairment at the Eutelsat level.

3.9 – Inventories

Inventories are measured at the lower of acquisition cost and net realisable value. The calculation is at cost. The cost is calculated on a weighted average basis.

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

3.10 – Financial instruments

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

In accordance with IAS 39, *"Financial Instruments: Recognition and Measurement"* and IAS 32, *"Financial Instruments: Disclosure and Presentation"*, the Group has adopted the following classification for financial assets and liabilities, which is based upon the objectives determined by Management at the time of their purchase. The designation and classification of marketable securities are determined at initial recognition.

3.10.1 – Financial assets

Financial assets are classified, reported and measured as follows:

Financial assets measured at fair value through the income statement

Financial assets measured at fair value through the income statement include assets held for trading purposes and financial instruments designated as being measured at fair value through the income statement at initial recognition. This category includes financial assets acquired for the purpose of selling in the short term (generally within a period of less than 12 months) and derivative instruments except if they are designated as hedging instruments.

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

Assets held to maturity

Assets held to maturity are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has the positive intent and ability to hold to maturity.

Assets held to maturity are measured at amortised cost using the effective interest method.

Assets available for sale

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

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

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

Loans and receivables

Loans and receivables mainly comprise loans to staff, deposits paid and trade receivables, which generally have maturities of less than 12 months.

Accounts receivable are recorded initially at their nominal value on account of the immaterial effect of discounting. Trade receivables are subsequently recognised at cost less provisions for bad debts, where appropriate, as a result of the irrecoverable nature of the amounts concerned.

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

3.10.2 – Financial liabilities

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

3.10.3 – Derivative instruments

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

Where a derivative instrument can be qualified as a hedging instrument, it is valued and recorded in accordance with the hedge accounting rules in IAS 39, *"Financial Instruments: Recognition and Measurement"* (see Note 3.10.5 – *Hedging transactions*).

3.10.4 – Impairment

At each balance sheet date, the Group applies impairment tests to all financial assets in order to determine if there is an indication of impairment. Examples of impairment indicators include the following: breach of contract involving default in payment terms, significant financial difficulty of the lender or borrower, a likelihood of bankruptcy or a significant decline, other than temporary, in stock market capitalisation. Impairment is recognised in the income statement where there is objective evidence that the asset is impaired.

Impairment losses are recorded as financial expenses.

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

Specific cases of provisions for bad debts on trade receivables

The Group's customers mainly comprise Eutelsat international telecommunications operators, broadcasters and other users of commercial satellite communications. Management regularly monitors its exposure to credit risk and adjusts the allowances for probable losses based upon expected collections. These are recorded in "Selling, general and administrative expenses".

3.10.5 – Hedging transactions

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

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

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

Cash-flow hedging

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

The change in the fair value of a hedging instrument relating to the effective portion of a hedge is recognised in shareholders' equity. The change in fair value relating to the ineffective portion of a hedge is recognised in the income statement under "Other operating income" or under "Other operating costs" in the case of cash flow hedges of operational exposures and under "Financial Result" in the case of cash flow hedges of investment and financing exposures.

The cumulative changes in the fair value of a hedging instrument previously recognised in shareholders' equity are reclassified into the income statement when the hedged item affects profit or loss. Reclassified gains and losses are recorded under "Other operating income" or "Other operating costs" in the case of cash flow hedges of operational exposures and under "Financial Result" in the case of cash flow hedges of investment and financing exposures.

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

3.10.6 – Fair value of financial instruments

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

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

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

3.10.7 – Firm or conditional commitments to purchase minority interests

In accordance with Standards IAS 27, *"Consolidated and Individual Financial Statements"* and IAS 32, *"Financial Instruments: Disclosure and Presentation"*, the Group recognises firm or conditional purchases of minority interests as financial debt based on the fair value of the commitment, with a reduction in the minority interest as a counterpart entry. When the value of the commitment exceeds the amount of the minority interests, the Group, in the absence of any clear guidance under the IFRS framework on this point, recognises the balance as goodwill on the basis of the same rationale as that set out above for acquisitions of minority interests.

Any change in the fair value of the obligation after its initial recognition is considered as an adjustment of the amount initially recognised as goodwill.

3.11 – Cash and cash equivalents

Cash and cash equivalents consist mainly of cash on hand and at bank, and highly liquid investments or deposit warrants with original maturities of three months or less.

3.12 – Shareholders' equity

Treasury stock

Treasury stock is recognised by reducing shareholders' equity on the basis of the acquisition cost. When the shares are sold, any gains and losses are assigned directly to the consolidated reserves net of tax and are not included under income for the period.

Costs for capital increases

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

3.13 – Revenue recognition

The Group's operating revenues are mainly attributable to the leasing of satellite transponders on the basis of terms and conditions set out in the lease contracts.

These contracts are mainly over periods ranging from one year to the end of life of the satellite. Contracts usually provide for the right to free-of-charge time in cases of interruptions caused by under-performing transponders. However, the Group is not liable for damage or loss suffered by a customer when the Group was not able, despite its efforts, to restore the allotted capacity in the case of a service interruption or a degradation of the technical parameters of a transponder. The Company is liable only for damages resulting from the violation of its obligation under a customer lease. This liability is usually limited to a specified amount. Pursuant to certain contractual termination rights, the agreement can usually be terminated after two years with a one-year notice period and, depending on the type of lease, payment of the difference between the contractual price and the price that would have been paid for a lease with a duration similar to the expired period, plus interest for late payment, or by paying a percentage of the annual price applied to the residual period of the lease. The revenues initially recognised are then adjusted to reflect the overall economic outcome of the contract.

Revenues are recognised over the contractual period during which services are rendered, provided that a contract exists and the price is fixed or determinable, and provided that, as of the date it is reported in the accounts, it is probable that the trade receivable will be recovered.

Deferred revenues include unearned balances of amounts for a period of no more than one year received in advance from customers. Such amounts are recorded as revenue on a straight-line basis over the corresponding duration of the relevant leases or of the services provided.

3.14 – Deferred taxes

Deferred taxes are the result of temporary differences arising between the tax base of an asset or liability and its carrying amount. Deferred taxes in respect of all temporary differences without exception are recognised for each fiscal entity, using the balance sheet liability method.

Deferred tax liabilities are thus recognised for all taxable temporary differences except:

- where the deferred tax liability arises from goodwill for which amortisation is not deductible for tax purposes or from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit, or the tax loss; and
- where the deferred tax liability arises from undistributed profits from investments in subsidiaries, associated companies or joint ventures for which the Group is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. However, a deferred tax asset is not recognised if it arises from a deductible temporary difference generated by the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

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

3.15 – Earnings per share

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

Diluted earnings per share are calculated using the share repurchase method, based on the assumptions (i) that all potentially dilutive instruments are converted (i.e. assuming the exercise of all outstanding options and the conversion of any financial instruments giving access to the Company’s capital, after taking into account the theoretical impact of these transactions on net income) and (ii) that the expected proceeds from these instruments are received when ordinary shares are issued at the average market rate for ordinary shares during the period.

3.16 – Post-employment benefits

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

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

The present value of expected future payments is determined on the basis of demographic and financial assumptions such as mortality, staff turnover, salary growth and age at retirement. The rate used to discount estimated cash flows is determined by reference to long term market yields on high quality corporate bonds.

A complete assessment of the present value of the obligation is conducted each year and reviewed at intervening periods to identify any significant changes.

When actuarial gains and losses arising as a result of changes in actuarial assumptions exceed by more than 10% the greater of the following amounts, they are amortised over the expected average remaining working lives of the employees benefiting from these plans:

- the present value of the defined benefit obligation at the balance sheet date;
- the fair value of plan assets at that date.

The net pension cost for the period, consisting of total service cost, interest cost on unwinding of discount, less the expected return on plan assets, is fully recognised in operating income or expense.

The management of the defined contribution plans is performed by an independent entity to which the subsidiary has the obligation to make regular contributions. All payments made by the Group with respect to these plans are expensed as incurred.

3.17 – Financial guarantee granted to a pension fund

Following the purchase of Eutelsat S.A. in April 2005, the Group granted a financial guarantee to the pension fund related to obligations that were assigned to a trust prior to the contribution transactions which led to the creation of Eutelsat S.A. This defined-benefit pension scheme was closed and the vested pension rights frozen prior to the transfer. The risk resulting from this financial guarantee has been analysed, assessed and reported in the same way as defined benefit plan obligations described in Note 3.19, despite the fact that the Group has not assumed the legal commitments entered into by the Intergovernmental Organisation ("IGO") in respect of the pension fund.

3.18 – Stock options

Benefits granted to employees in the form of stock options are recognised at the date of grant of the options and constitute additional compensation awarded to employees. These costs are recorded under personnel expenses, offset by increases in equity, over the vesting period of the rights corresponding to the benefits granted.

Similarly, in accordance with IFRS 2, benefits granted to employees in the context of public share offerings and other transactions relating to share capital are measured at the date of grant. They constitute additional compensation which is recognised as an expense as and when the corresponding rights are acquired by the employee.

In accordance with IFRS 2, "Share-based payments", only stock options granted after November 7, 2002 which had not yet vested at January 1, 2005 have been measured and recognised.

3.19 – Provisions

A provision is recognised when, at the balance sheet date, (i) the Group has a present legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) a reliable estimate of the amount involved can be made.

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

Where the effect of the time value of money is material, the amount of the provision recognised corresponds to the discounted value of expected cash flows deemed necessary to settle the obligation. This discounted value uses a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Increases in provisions recognised as a result of the passage of time and the unwinding of discounting are recognised as financial expenses in the income statement.

Note 4 Impact of the acquisition of Eutelsat S.A.

4.1 – Description of the acquisition

On April 4, 2005, the main direct and indirect shareholders of Eutelsat S.A. contributed and sold the majority of their Eutelsat S.A. shares to Eutelsat Communications.

The total consideration with respect to this transaction included a cash component (88.2%) and a stock component, consisting of Eutelsat Communications S.A. shares (11.8%). The payment of the cash portion was funded by several credit facilities contracted by two intermediary structures, SatBirds Capital Participations S.C.A. and SatBirds Finance S.àr.l, both wholly owned subsidiaries of Eutelsat Communications (see Note 14 – *Bank Debt*). Following these contributions and sale transactions performed by Eutelsat Communications S.A., the acquired interest was contributed, through the intermediary of the two holding structures having obtained the financing, to SatBirds 2, a wholly owned subsidiary of SatBirds Finance S.àr.l and an indirect subsidiary of Eutelsat Communications S.A. On completion of these transactions, SatBirds 2 had direct control of 75.28% of the capital of Eutelsat S.A. and indirect control, through WhiteBirds S.A.S., of 10.36% of the capital of this same company.

Throughout all these contribution and sale transactions, Eutelsat S.A. shares were valued at 2.57 euros per share, on the basis of a multi-criteria approach and the last Eutelsat S.A. capital transactions in December 2004.

4.2 – Definitive adjustments related to finalisation of initial recognition

The Group had previously indicated that, in consideration of the time constraints at June 30, 2005, and on account of the size and complexity of the acquisition, the amounts attributed to the assets and liabilities and the cost of the acquisition were provisional in nature that might be adjusted on the basis of additional information obtained in the context of finalisation of allocation of the acquisition price.

Adjustments to the acquisition cost

The acquisition cost of the investment of 85.65% in Eutelsat S.A. provisionally measured at 2,221,095 thousand euros, was broken down as follows:

(In thousands of euros)	
Portion of the price remunerated in Eutelsat Communications shares	225,444
Portion of the price paid in cash exchange for Eutelsat S.A. shares	1,685,096
Direct acquisition expenses	47,200
Total acquisition cost paid by SatBirds 2	1,957,740
Acquisition cost of the shares owned by WhiteBirds	263,355
TOTAL PROVISIONAL ACQUISITION COST	**2,221,095**

This cost has been adjusted downwards by 1,004 thousand euros on the basis of the latest information, and amounts to 2,220,091 thousand euros.

Adjustments of provisional values applied to certain assets resulting from the acquisition

Finalisation of the fair values determined with the assistance of independent valuation experts based on the situation of Eutelsat S.A. at the date of the acquisition is dependent on certain additional information being obtained.

This information mainly concerns the value of the ATLANTIC BIRD™ 1 satellite (the subject of several claims relating to numerous service interruptions that have required corrective actions to be taken since it was first brought into operational service, which were identified at the acquisition date) financed through a finance lease.

These claims resulted in an agreement signed on December 19, 2005 leading to purchase of the satellite by Eutelsat for 48 million euros. This information regarding the satellite's value enabled the provisional value applied for the accounting treatment of the operation and the corresponding debt to be adjusted.

For the year ended June 30, 2006, this agreement also confirmed that Eutelsat S.A. and ALS S.p.A. were abandoning their reciprocal claims (notably the claim for payment of past instalments unpaid by Eutelsat S. A.) and resulted in the recognition of non-recurring income of 17.4 million euros of compensation for late delivery and service interruption, and a 1.6 million euros reduction in the insurance expense.

As a result of this additional information, the new value of the Eutelsat S.A. net assets as of April 4, 2005, and the goodwill, are corrected as follows:

(In thousands of euros)	Provisional values at the acquisition date	Adjustments to provisional values	Adjusted values
ASSETS			
Non-current assets			
Intangible assets[(1)]	929,800		929,800
Satellites and other property and equipment, net (including satellites under construction)	2,085,478	5,895[(4)]	2,091,373
Investments in associates[(2)]	111,359		111,359
Financial assets	3,133		3,133
Net deferred tax assets	61,416	(34,730)[(6)]	26,686
Total non-current assets	**3,191,186**	**(28,835)**	**3,162,351**
Current assets			
Inventories	2,336		2,336
Accounts receivable	217,847		217,847
Other current assets	28,378		28,378
Financial instruments	849		849
Cash and cash equivalents	50,613		50,613
Total current assets	**300,023**		**300,023**
TOTAL ASSETS	**3,491,209**	**(28,835)**	**3,462,374**
LIABILITIES			
Non-current liabilities			
Long-term bank debt	772,430		772,430
Financial instruments	5,104		5,104
Other long-term liabilities	203,766	(80,072)[(5)]	123,694
Provisions (long-term portion)[(3)]	49,000		49,000
Deferred tax liabilities	312,349		312,349
Total non-current liabilities	**1,342,649**	**(80,072)**	**1,262,577**
Current liabilities			
Current portion of bank debt	144,033		144,033
Current portion of other debt	89,894	(17,521)[(2)]	72,373
Accounts payable	34,343		34,343
Fixed assets payable	13,885		13,885
Taxes payable	19,569		19,569
Other payables and deferred revenues	97,756		97,756
Provisions (current portion)	9,408		9,408
Total current liabilities	**408,888**	**(17,521)**	**391,367**
TOTAL LIABILITIES	**1,751,537**	**(97,593)**	**1,653,944**
Fair value of net assets acquired	**1,739,672**	**68,758**	**1,808,430**
% interest acquired	85.648%	85.648%	85.648%
Eutelsat Communications' share of the fair value net assets acquired	1,489,994	58,890	1,548,884
Acquisition cost	2,221,095	(1,004)	2,220,091
Goodwill	731,101	(59,894)	671,207

(1) Intangible fixed assets identified and valued in connection with the acquisition consist of customer contracts and relationships (889,000 thousand euros) and the Eutelsat brand (40,800 thousand euros).
"Customer contracts and relationships" include all contracts signed as of the valuation date for a given orbital position, four of which pertain to Eutelsat. These were recognised using the "surplus profits" method, incorporating:
- revenue assumptions based on the order book used to prepare the medium-term business plan, which takes into account the likelihood of renewals at the expiry of contracts;
- assumptions of recognition on a straight-line basis per transponder of operating costs and depreciation, and of their allocation to each orbital position taking into account the number of transponders per position;
- a discount rate of 8.5%.
The Eutelsat brand was measured using the royalty exemption method, on the basis of a royalty rate of 0.5% and a discount rate of 8.5%.
(2) The measurement of equity-accounted investments did not give rise to any adjustment in the carrying amount, as the latter was already adjusted to the recoverable amount determined with reference to the fair value determined on the basis of the business plans prepared by management at the entity in question (see Note 7 – Investments in associates*).*
(3) The adjustment to provisions is related to the measurement at fair value of the pension benefit obligation.
The accumulated actuarial gains or losses at the acquisition date arising from the financial guarantee given to a pension fund (see Note 3.1.7 – Financial guarantee given to a pension fund*) were taken into account upon the measurement of the fair value of the pension fund).*
(4) Adjustment of the value of the ATLANTIC BIRDTM 1 satellite based on the purchase price and after taking into account the time value of money between April 4, 2005 and the date of the transaction.
(5) Adjustment of the fair value of the debt (principal and interest) related to the financing of the ATLANTIC BIRDTM 1 satellite, on the basis of the agreement reached in December 2005 and the payments made since April 4, 2005.
(6) Modification of deferred taxes to reflect the preceding adjustments.

4.3 - Impact of the adjustments to provisional values on the acquisition of minority interests at June 30, 2005

At June 30, 2005, the acquisition of an additional 7.67% of the capital of Eutelsat S.A. resulted in the recognition of additional goodwill in the consolidated financial statements of Eutelsat Communications amounting to 59,894 thousand euros.

The additional cost of acquiring Eutelsat S.A. minority shareholders resulted in the issue of 22,075,116 shares in the Company and a cash payment of 172,630 thousand euros. Acquisition expenses before tax were 384 thousand euros.

As a result of the new value obtained for the net assets acquired from Eutelsat S.A. at June 30, 2005, and the adjustments relating to the acquisition expenses for shares, the goodwill has been adjusted downwards by 2,429 thousand euros, comprising (i) 5,340 thousand euros related to the adjustments, net of deferred tax, of the values of ATLANTIC BIRD™ 1 and of the corresponding debt and (ii) 2,911 thousand euros in respect of additional acquisition expenses. The new amount of the additional goodwill at June 30, 2005 is 57,465 thousand euros.

4.4 - Goodwill adjusted at June 30, 2005

Total goodwill at June 30, 2005 is therefore 728,672 thousand euros. The effects of these adjustments are summarised in the following table:

(In thousands of euros)	Note	Goodwill
Initial goodwill at April 4, 2005 (published)	4.2	**731,101**
Impact related to ATLANTIC BIRD™ 1 (AB1)(1)	4.2	(58,890)
Acquisition expenses(2)	4.2	(1,004)
Restated goodwill at April 4, 2005	4.2	**671,207**
Acquisition of minority interests at June 30, 2005	4.3	59,894
Impact related to ATLANTIC BIRD™ 1 (AB1)(1)	4.3	(5,340)
Additional acquisition expenses(2)	4.3	2,911
Sub-total	4.3	**57,465**
RESTATED GOODWILL AT JUNE 30, 2005	4.5	**728,672**

(1) The overall impact of the changes in the fair value of the ATLANTIC BIRD™ 1 satellite is 64,231 thousand euros.

(2) The total additional amount for acquisition expenses is 1,907 thousand euros.

4.5 – Consolidated financial statements at June 30, 2005

The adjustments to the acquisition of Eutelsat S.A. modify the consolidated financial statements at June 30, 2005 as follows:

Consolidated balance sheet

(In thousands of euros)	June 30, 2005 published	Modification AB1	Acquisition expenses	June 30, 2005 restated
ASSETS				
Non-current assets				
Goodwill	790,996	(64,231)	1,907	728,672
Intangible	918,688			918,688
Satellites and other property and equipment, net	1,827,903	6,098		1,834,001
Prepayments for assets under construction	236,341			236,341
Investments in associates	111,425			111,425
Financial assets	1,585			1,585
Net deferred tax assets	72,841	(34,730)		38,111
Total non-current assets	**3,959,779**	**(92,863)**	**1,907**	**3,868,823**
Current assets				
Inventories	1,371			1,371
Accounts receivable	212,183			212,183
Other current assets	29,828			29,828
Current tax receivable				
Financial instruments	1,499			1,499
Cash and cash equivalents	37,043			37,043
Total current assets	**281,924**			**281,924**
TOTAL ASSETS	**4,241,703**	**(92,863)**	**1,907**	**4,150,747**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity				
Common stock	278,733			278,733
Additional paid-in capital	-			-
Retained earnings	(26,281)	792		(25,489)
Minority interests	120,400	4,758		125,158
Total shareholders' equity	**372,852**	**5,550**		**378,402**
Non-current liabilities				
Long-term bank debt	2,921,550			2,921,550
Financial instruments	35,027			35,027
Other long-term liabilities	195,659	(80,072)		115,587
Provisions (long- term portion)	49,387			49,387
Deferred tax liabilities	316,304			316,304
Total non-current liabilities	**3,517,927**	**(80,072)**		**3,437,855**
Current liabilities				
Current portion of bank debt	77,811			77,811
Current portion of other debt	73,233	(18,341)		54,892
Accounts payable	44,354		1,907	46,261
Fixed assets payable	25,630			25,630
Taxes payable	22,468			22,468
Other payables and deferred revenues	100,291			100,291
Financial instruments	-			-
Provisions (current portion)	7,137			7,137
Total current liabilities	**350,924**	**(18,341)**	**1,907**	**334,490**
TOTAL LIABILITIES	**4,241,703**	**(92,863)**	**1,907**	**4,150,747**

Consolidated income statement

(In thousands of euros, except share data)	**June 30, 2005 published**	**Modification AB1**	**June 30, 2005 restated**
Revenues	188,680		188,680
Revenues from operations	**188,680**		**188,680**
Operating costs	(19,351)		(19,351)
Other operating income			
Selling, general and administrative expenses	(32,949)		(32,949)
Depreciation and amortisation	(73,241)	203	(73,038)
Other operating costs	(695)		(695)
Operating income	**62,444**	**203**	**62,647**
Financial revenues	3,035		3,035
Financial expenses	(59,640)	820	(58,820)
Financial result	**(56,605)**	**820**	**(55,785)**
Income from investments in associates	66		66
Net income before tax and minority interests	**5,905**	**1,023**	**6,928**
Income tax expense	(14,250)		(14,250)
Net income (loss)	**(8,345)**	**1,023**	**(7,322)**
Group share of net income (loss)	(13,428)	876	(12,552)
Minority interests' share of net income	5,083	147	5,230
Earnings per share attributable to Eutelsat Communications' shareholders			
Basic earnings per share in €	(0.056)		(0.053)
Diluted earnings per share in €	(0.057)		(0.054)

4.6 – Acquisition of minority interests since June 30, 2005

Since June 30, 2005, Eutelsat S.A. employee or minority shareholders representing a total of 1.97% of Eutelsat S.A.'s capital have sold and/or contributed their Eutelsat S.A. shares to the Group.

These additional acquisitions of minority interests resulted in the recognition of additional goodwill totalling 22,042 thousand euros. The additional acquisition cost paid to Eutelsat S.A. minority shareholders was 66,646 thousand euros (including 2,622 thousand euros in acquisition expenses before tax).

These additional acquisitions can be summarised as follows:

> ***Acquisition of additional minority interests under secondary sale or contribution operations***

The Group offered all Eutelsat S.A. Shareholders who had wanted to respond favourably to the initial offer of April 4, 2005 to sell and/or contribute shares but who had not been able to contribute and/or sell their Eutelsat S.A. shares as of June 30, 2005, the opportunity to sell and/or exchange their Eutelsat S.A. shares for shares in Eutelsat Communications under the same financial conditions as those which had applied to the operation of June 30, 2005.

During the financial period, a number of Eutelsat S.A. shareholders undertook such secondary sale or contribution operations at October 6, 2005 and April 27, 2006. On these two occasions, Eutelsat S.A. shareholders exchanged 19,381,240 and 435,000 shares, respectively, for a total amount of 50,928 thousand euros.

> ***Buyback of shares from Eutelsat S.A.; employees***

The share buyback operation proposed by the Group in July 2005 (see Note 27 to the consolidated financial statements at June 30, 2005) for all those holding shares derived from the exercise of Eutelsat S.A. "Partners" stock options before 30 June was cancelled. It nevertheless resulted in the acquisition of 604,987 Eutelsat S.A. shares for an amount of 1,555 thousand euros.

Following the IPO, the Group made an offer of liquidity to beneficiaries of stock options under the "Partners" and "Managers" stock-option plans and under the stock-option plans put in place by Eutelsat S.A. The offer closed on December 15, 2005 and led to the acquisition of 1,696,973 Eutelsat S.A. shares for a total amount of 7,246 thousand euros.

On January 20, 2006, the Group exercised its call option with respect to all Eutelsat S.A. shares resulting from the exercise of "Managers" plan options by key personnel and *mandataires sociaux* of Eutelsat S.A. who subscribed to ABSA1s or ABSA 2s (see Note 13.3). Payment of 4,295 thousand euros was made on February 3, 2006 and resulted in the acquisition of 1,597,100 Eutelsat S.A. shares.

> ***Dilutive effect of the capital increases subsequent to the exercise of stock options in the subsidiary***

During the financial period ended June 30, 2006, 4,443,334 stock options were exercised (see Note 13.3 – *Remuneration in shares and similar*).

This capital increase resulted in a reduction in Eutelsat Communications' percentage investment in Eutelsat S.A. of 0.426% and a loss of dilution of 2,094 thousand euros, which was recognised within "Other operating costs".

Note 5 Goodwill and other intangibles

"Goodwill and Other Intangibles" breaks down as follows:

CHANGES IN GROSS ASSETS

(In thousands of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangible assets	Total
April 1, 2005	**-**	**-**	**-**		**-**
Effect of change in scope of consolidation	728,672	889,000	40,800		1,658,472
Separate acquisitions	-	-	-		-
Disposals	-	-	-		-
Transfers	-	-	-		-
June 30, 2005	**728,672**	**889,000**	**40,800**		**1,658,472**
Effect of change in scope of consolidation	22,042	-	-		22,042
Separate acquisitions	-	-	-	1,000	-
Disposals	-	-	-		-
Transfers	-	-	-		-
June 30, 2006	**750,714**	**889,000**	**40,800**	**1,000**	**1,681,514**

At June 30, 2005, "Goodwill" includes the goodwill related to the acquisition of minority interests amounting to 57,465 thousand euros (see Note 4.3 – *Impact of the adjustments to provisional values on the acquisition of minority interests at June 30, 2005*).

The impact of the change in the scope of the consolidation for the period ended June 30, 2006 is set out in Note 4.6 – *Acquisition of minority interests since June 30, 2005*.

CHANGE IN AMORTISATION AND IMPAIRMENT

(In thousands of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangible assets	Total
At April 1, 2005	**-**	**-**	**-**		**-**
Amortisation expense	-	(11,112)	-		(11,112)
Reversals	-	-	-		-
Impairment	-	-	-		-
June 30, 2005	**-**	**(11,112)**	**-**		**(11,112)**
NET VALUE AT JUNE 30, 2005	**728,672**	**877,888**	**40,800**		**1,647,360**
Amortisation expense	-	(44,451)	-		(44,451)
Reversals	-	-	-		-
Impairment	-	-	-		-
June 30, 2006	**-**	**(44,451)**	**-**		**(44,451)**
NET VALUE AT JUNE 30, 2006	**750,714**	**833,437**	**40,800**	**1,000**	**1,625,951**

At June 30, 2006, the goodwill was the subject of an annual impairment test, which did not call into question the amount recognised on the balance sheet. The recoverable amount was determined from estimated projected cash flows based on the 5-year business plan prepared by Eutelsat Management. The terminal value was calculated by assuming 2% growth after the fifth year and an EBITDA multiple. The discount rate applied was 7.5%

Sensitivity analysis to a 1% change in the discount rate, representing approximately 15% of the value, was performed. This did not call into question the amount recognised on the balance sheet.

At June 30, 2006, Customer contracts and similar arrangements were tested for impairment, following identification of an indicator of potential impairment. This impairment test did not call into question the net value recognised in the balance sheet. The methodology employed is identical to the methodology used at the time of identification of this asset, with the exception of the discount rate adopted, i.e. 7.5% (see Note 4.2 – *Definitive adjustments related to finalisation of initial recognition*)

Note 6 Satellites and other property and equipment

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

CHANGE IN GROSS ASSETS

(In thousands of euros)	Satellites	Other tangible assets	Satellites under construction	Total
Gross value at April 1, 2005	**-**	**-**	**-**	**-**
Effect of change in the scope of consolidation	1,826,155	58,016	207,202	2,091,373
Separate acquisitions	-	11,882	29,139	41,021
Disposals	-	(127)	-	(127)
Transfers	-	-	-	-
Gross value at June 30, 2005 (Restated)	**1,826,155(1)**	**69,771**	**236,341**	**2,132,267**
Change in gross value	(7,574)	-	-	(7,574)
Effect of change in the scope of consolidation	-	-	-	-
Separate acquisitions	2,103	24,446	236,987	263,536
Disposals	-	(818)	-	(818)
Transfers	163,212		(163,212)	-
Gross value at June 30, 2006	**1,983,896**	**93,399**	**310,116**	**2,387,411**

(1) Including satellites and other property and equipment subject to finance leases:

(In thousands of euros)	
Restated value applied for the acquisition*	85,311
NET VALUE AT JUNE 30, 2006	**69,495**

* *The restated value applied takes into account the adjustments to provisional values (see Note 4.2 –* Definitive adjustments related to finalisation of initial recognition).

CHANGE IN ACCUMULATED DEPRECIATION AND IMPAIRMENT

(In thousands of euros)	Satellites	Other tangible assets	Satellites under construction	Total
Depreciation at April 1, 2005	-	-	-	-
Depreciation charge	57,270	4,668	-	61,938
Reversals	-	(13)	-	(13)
Impairment	-	-	-	-
At June 30, 2005 (restated)	**57,270**	**4,655**	**-**	**61,925**
NET VALUE AT JUNE 30, 2005 (RESTATED)	**1,768,885[1]**	**65,116**	**236,341**	**2,070,342**
Depreciation charge	219,211	22,070	-	241,281
Reversals	-	(411)	-	(411)
Impairment	24,903	-	-	24,903
At June 30, 2006	**301,384**	**26,314**	**-**	**327,698**
NET VALUE AT JUNE 30, 2006	**1,682,512**	**67,085**	**310,116**	**2,059,713**

(1) Including satellites and other property and equipment subject to finance leases:

(In thousands of euros)	
Restated value applied for the acquisition*	85,311
NET VALUE AT JUNE 30, 2006	**69,495**

* *The restated value applied takes into account the adjustments to provisional values (see Note 4.2 –* Definitive adjustments related to finalisation of initial recognition).

In particular, this item refers to two satellites for which capacity is leased, with the relevant agreements being considered as finance leases and recognised as assets in the context of the operation:

> in an amount of 59,959 thousand euros, for the agreement signed with the related party in March 2004 covering 12 transponders of the SESAT 2 satellite for a term equal to the satellite's useful life;

> in an amount of 9,046 thousand euros, for the agreement signed with the related party in May 2001 covering 5 transponders of the Express A3 satellite for a term equal to the satellite's useful life. The entire amount of contractual lease payments was settled in advance for this contract.

In January 2006, the EUTELSAT II-F2 satellite, fully written off, was deorbited after 15 years of service.

The satellite-related acquisitions and transfers during the period correspond to the entry into operational service of the HOT BIRD™7A satellite, which was successfully launched on March 11, 2006.

At June 30, 2005, the net book value of the W1 satellite was 114.8 million euros, including in-orbit incentive payments.

On August 10, 2005, the W1 satellite was affected by a technical incident leading to a service interruption that lasted several hours. On 11 August, service was restored for the majority of customers under acceptable operational conditions. The failure resulted in the loss of half of the satellite's available power and an estimated 50% reduction of its residual operational life.

Subsequent to this incident, the Group carried out an assessment of the damage sustained and, before taking account of the launch insurance payments, remeasured the present value of the future cash flows generated by W1. On this basis, the Group recognised an impairment of W1's value amounting to 30.4 million euros. This figure was adjusted downwards to 24.9 million euros during the second half of the 2005/2006 financial year in reflection of the reimbursement of in-orbit incentive payments.

At the closing date for the consolidated financial statements for the year ended June 30, 2006, the Group was unaware of any factor that might call this new measurement of the satellite's value into question.

At June 30, 2005 (see Note 3.8 – *Impairment of non-current assets*), the Group applied its usual procedures and reviewed the remaining useful lives of its satellites in orbit. This review confirmed a significant extension in the lifetime of three of the Group's satellites. Consequently, and in accordance with IAS 8, the depreciation plan for these satellites has been modified on a prospective basis and the annual depreciation charge reduced by 9.1 million euros for the period ended June 30, 2006.

Lastly, two and three satellites respectively, are under construction as of June 30, 2005 and 2006.

Note 7 Investments in associates

As of June 30, 2006, the Group owns, through its subsidiary Eutelsat S.A., 27.69% of Hispasat, a non-listed private Spanish satellite operator.

CHANGE IN THE CARRYING VALUE OF THE HOLDING IN THE BALANCE SHEET

(In millions of euros)	June 30, 2005	June 30, 2006
Opening value of the investment	111,359(1)	111,425
Share of income	66	5,819
Income and expenses recognised directly under equity		217
CLOSING VALUE OF THE INVESTMENT	**111,425**	**117,461**

(1) Value of the investment retained in the context of the allocation of the purchase price in April 2005.

FINANCIAL INFORMATION RELATED TO THE HOLDING

The following amounts represent the Group's share with respect to the assets, liabilities and income of the Hispasat group:

(In millions of euros)	June 30, 2005	June 30, 2006
Intangible rights(1)	27.7	27.7
Service contract(2)	2.1	1.9
Holding in Hisdesat	5.0	5.0
Sub-total	**34.8**	**34.6**

(1) These relate to rights to the use of frequencies at the 30 degrees West orbital position, together with long-term contractual relationships with the customers. The useful life of this intangible asset is considered indefinite, given the high probability of renewal of the administrative authorisations for the use of frequencies (which are given for a period of 75 years) and the specific nature of the customer contracts.

(2) The useful lives of the other identified intangible assets have been estimated at 15 years.

(In thousands of euros)	December 31, 2004	December 31, 2005
Other non-current assets	592,987	567,661
Current assets	54,001	44,482
Non-current liabilities	249,621	191,019
Current liabilities	119,450	129,602
TOTAL NET ASSETS	**277,917**	**291,522**
Operating revenues	84,368	99,692
Net income (loss)	921	8,320

At June 30, 2005 and 2006, "Income from equity investments" in the consolidated income statement corresponds to the Group's share of income from Hispasat as of June 30, 2005 and 2006, after amortisation for the period of the intangible assets identified.

Review of the value of the investment in the Hispasat group

At June 30, 2005, a review of the value in use of the investment had not resulted In any adjustment of its value in the balance sheet. This had been determined on the basis of cash-flow projections estimated from the five-year business plan prepared by the Management of that company and reviewed by the Management of Eutelsat S.A. The flows had been extrapolated with a growth rate of 1% until the probable expiry of the rights to the orbital positions and discounted on the basis of a rate of 10 to 11% respectively for the European and South American activities. In terms of sensitivity analysis, a change of 1% in the discount rate has an impact of approximately 15% on the value in use, with no effect on the net book value of this holding.

This analysis took into account the problems linked to the operation of the AMAZONAS satellite after it was placed in orbit on August 5, 2004. Following investigations by the manufacturer, the satellite's operational life has been reduced to less than 12 years. This useful life has not resulted in any adjustment with respect to the business combination.

For the period ended December 31, 2005, the Hispasat group received 26.6 million euros in insurance indemnities for the damage sustained.

At June 30, 2006, a review of the recoverable value did not result in any adjustment of the amount in the balance sheet. This was based on an EBITDA multiple, which corresponds to the middle of the range for multiples for similar listed companies and to the average multiple used in recent transactions. It was applied to the consolidated 2007 budget of the Hispasat group, which reflects a standard year of operation for the AMAZONAS satellite. In terms of sensitivity analysis, a change of 1% in the EBITDA multiple has an impact of 17% on the recoverable value with no effect on the net book value of this holding.

Note 8 Non-current financial assets

Non-current financial assets are mainly made up of:

(In thousands of euros)	June 30, 2005	June 30, 2006
Available for sale financial assets[1]	400	400
Long-term loans and advances	1,185	2,555
TOTAL	**1,585**	**2,955**

(1) Non-listed investments valued at cost less impairment.

Available for sale financial assets

Available for sale non-consolidated investments are mainly made up of an 11.56% stake in Sitcom. This investment was acquired by Eutelsat GmbH and had a net value of 370 thousand euros as of March 31, 2005. No impairment has been recorded on these investments as of June 30, 2005 and 2006.

Long-term loans and advances

Long-term loans and advances are mainly composed of employee loans in a net amount of 0.9 million euros at June 30, 2005 and 0.2 million euros at June 30, 2006. The balance represents rental guarantee deposits for Eutelsat S.A.'s Paris premises of 0.4 million euros, and the "cash account" for the liquidity agreement relating to treasury stock, which was set up by Eutelsat Communications during the 2005/2006 financial year.

Note 9 Inventories

Net inventories amount to 1,371 thousand euros at June 30, 2005 and 2,257 thousand euros at June 30, 2006. They mainly comprise receiving antennas and modems.

Note 10 Accounts receivable

Accounts receivable are mainly composed of receivables from international telecommunications operators, broadcasters and other users of commercial satellite communications.

As of June 30, 2005, the net value of these receivables was 212,183 thousand euros. The allowance for bad debts was 2,465 thousand euros.

As of June 30, 2006, the net value of these receivables was 213,716 thousand euros. The allowance for bad debts was 1,919 thousand euros.

Note 11 Other current assets

Other current assets were as follows at June 30, 2005:

(In thousands of euros)	June 30, 2005	June 30, 2006
Prepaid expenses	18,633	11,730
Foreign VAT receivable	6,504	150
Other receivables	4,691	8,009
TOTAL	**29,828**	**19,889**

11.1 – Prepaid expenses

At June 30, 2005, prepaid expenses mainly comprised 12.7 million euros of prepaid satellite insurance and 5.8 million euros of satellite operating expenses.

At June 30, 2006, prepaid expenses mainly comprised 5.0 million euros of prepaid satellite insurance and 1.6 million euros of satellite operating expenses.

11.2 – Other receivables

At June 30, 2005 and 2006, other receivables mainly included VAT receivables.

Note 12 Cash and cash equivalents

Cash and cash equivalents were as follows:

(In thousands of euros)	**June 30, 2005**	**June 30, 2006**
Cash	15,347	10,242
Cash equivalents	21,696	253,813
TOTAL	**37,043**	**264,055**

Note 13 Shareholders' equity

13.1 – Shareholders' equity

As of June 30, 2006, the share capital of Eutelsat Communications comprised 215,692,592 ordinary shares with a par value of 1 euro per share. In terms of treasury stock, Eutelsat Communications S.A. holds 3,377 shares with a value of 40,483 euros under a liquidity agreement.

Changes in the share capital and additional paid-in capital of the Company since June 30, 2005 are presented hereafter:

Definitive date of each operation	Operations	Number of shares issued/ cancelled	Nominal capital increase/ reduction *(thousands of euros)*	Additional paid-in capital *(thousands of euros)*	Nominal share capital after operation *(thousands of euros)*	Cumulative number of shares	Nominal value of shares *(euros)*
30/06/2005				-	278,733	278,732,598	1
20/07/2005	Capital reduction (reduction of nominal value from 1 euro to 0.5 euro per share – GM of 20/07/2005)	-	(139,366)	139,366	139,366	278,732,598	0.5
02/08/2005	Issue of capital (issue of ABSAs – GM of 30/06/2005)	1,717,580	859	1,651	140,225	280,450,178	0.5
02/08/2005	Constitution of legal reserve (GM of 20/07/2005)	N/A	N/A	(79)	N/A	N/A	N/A
31/08/2005	Consolidation of shares (two former 0.5 euro shares for one new 1 euro share – GM of 31/08/2005)	(140,225,089)	-	-	140,225	140,225,089	1
06/10/2005	Issue of capital (contributions in kind – GM of 06/10/2005)	2,938,777	2,939	2,939	143,164	143,163,866	1
14/12/2005	Issue of capital (exercise of BSA1)	600,000	600	600	143,764	143,763,866	1
19/12/2005	Issue of capital (reserved for employees – GM of 06/10/2005 and BD of 29/11/2005)	196,099	196	1,686	143,960	143,959,965	1
30/12/2005	Issue of capital (public offering – GM of 06/10/2005 and BD of 29/11/2005)	71,666,667	71,667	761,257[1]	215,627	215,626,632	1
27/04/2006	Issue of capital (contributions in kind – BD of 27/04/2006)	65,960	66	66	215,693	215,692,592	1
30/06/2006	Closing position	(63,040,006)	(63,040)	907,486	215,693	215,692,592	1

(1) After deducting expenses for the capital increase.

A number of operations affecting the share capital took place during the financial year:

On the occasion of its IPO on September 2, 2005, the Group undertook a capital increase to repay the Group's debt. The subscription price was 12.00 euros per share, thereby raising a gross amount of 860 million euros comprising 71.7 million euros in capital and 788.3 million euros of additional paid-in capital. The costs of the operation were charged to additional paid-in capital. They amount to 27.1 million euros, which comprises 17.6 million euros of compensation to the financial arrangers and 9.5 million euros in legal and administrative costs.

At the time of this operation, there was a capital increase reserved for present and former employee-members of the Eutelsat S.A. corporate savings plan. The subscription price was set at 9.60 euros per share, applying a 20% discount on the price offered to the general public, and the maximum number of shares was set at one million. The subscription period was from December 2, 2005 to December 9, 2005 and resulted in the issue of 196,099 new shares on December 19, 2005.

There was also an allocation of bonus shares to the Group's employees amounting to 341 shares per beneficiary. The number of beneficiaries was fixed at 439, which corresponds to the number of employees who were not shareholders in the Company as of November 29, 2005. The qualifying period for definitive acquisition of the shares was set at two years from that date, with a requirement that the employee should still be working for the Group. Beneficiaries are required to keep their shares for a period of 2 years after the effective date of acquisition.

The charge to shareholders' equity resulting from these last two decisions is 1,003 thousand euros, which is composed of 480 thousand euros for the 20% discount and 523 thousand euros for the bonus share allocation (in this latter case, as a result of the condition that the employee should still be working for the Group at the date of acquisition of the shares, the total charge of 1.8 million euros is amortised over 2 years).

13.2 – Impact of the acquisition of Eutelsat S.A. on shareholders' equity

As a result of the acquisition of 85.65% of Eutelsat S.A. on April 4, 2005 and an additional 7.67% on June 30, 2005, the Group increased its capital by a total amount of 278,696 thousand euros, through the issue, before the aggregation of shares on August 31, 2005 (see Note 13.1 – *Shareholders' equity*) of 278,695,598 new shares with a par value of 1 euro as a consideration respectively for the 86,753,409 Eutelsat S.A. shares contributed, and for the contribution by SatBirds Capital Participations of 87,198 shares and of 55,642 thousand euros of receivables.

As a consideration for the acquisitions at October 6, 2005 and April 27, 2006 resulting from secondary sale and contribution operations (see Note 4.6 – *Acquisition of minority interests since June 30, 2005*), the Group issued 3,004,737 new shares at a par value of 1 euro after consolidation of the shares (see Note 13.1 – *Shareholders' equity*).

13.3 – Share based payments

Issue of ABSAs to Managers

On August 2, 2005, the Group issued 835,200 ABSA 1s and 882,380 ABSA 2s to the key Managers of Eutelsat S.A. as follows:

- ABSA 1: unit price of 1.378 euro;
- ABSA 2: unit price of 1.54 euro;
- 2.7 BSA per ABSA;
- each BSA conferring the right to subscribe for 1 Company share.

These instruments were fully paid-up in cash with the difference between the unit subscription price for the ABSAs and the nominal value being recognised as additional paid-in capital.

The BSAs were detached from the shares when the ABSAs were issued.

Due to the consolidation of shares decided by the General Meeting of August 31, 2005, the conditions of the BSAs were changed:

- two BSAs are now needed to subscribe for 1 Company share;
- the unit subscription price is two euros.

The following table describes movements in respect of the BSAs:

Type	BSAs issued	BSAs exercised	Shares issued	Subscription price per share *in €*	Expiry date
BSA 1	2,255,040	1,200,000	600,000	2	31/03/2008
BSA 2	2,382,426	-	-	2	02/08/2015
TOTAL	**4,637,466**	**1,200,000**	**600,000**		

The operation is related to the signature of a formal commitment to buy and a formal commitment to sell with each of the managers and *mandataires sociaux* in question, relating to the Eutelsat S.A. shares that result from or are liable to result from the exercise of stock options granted by Eutelsat S.A. under the different "Managers" stock-option plans (see Note 13.4). Almost 18.3 million Eutelsat S.A. shares are concerned. The formal commitments to buy and sell have the following characteristics:

Commitment to sell:

- given by each of the managers and *mandataires sociaux* to Eutelsat Communications;
- exercise price per share at June 30, 2006: 2.70 euros;
- exercise period: for three months after the end of the period of fiscal unavailability for each tranche of shares concerned.

Commitment to buy:

- given by Eutelsat Communications;
- exercise price determined on the basis of a Eutelsat S.A. valuation of 8.5 times the group's consolidated EBITDA, after deducting the Group's net debt (or adding the net cash position).

Exercise period:

- for each tranche of shares concerned, for one month after the end of the period for exercising the corresponding commitment to sell.

In accordance with IFRS 2, the company's obligation with respect to liquidity has been treated as a change to the initial plans and recognised as a forward repayment of a shareholders' equity instrument. The obligation was measured at the date of the operation and recognised as debt, offset by an equivalent reduction in shareholders' equity. The debt was measured at present value as of June 30, 2006 on the basis of the timetable for purchasing the securities. The effect of unwinding the discount on the debt is recognised in financial expenses.

At June 30, 2006, the amount deducted from shareholders' equity is 19,592 thousand euros. The figure for the debt is 21,245 thousand euros, and a financial expense of 1,653 thousand euros is recognised.

Offer of liquidity for employees of the Group who are shareholders in Eutelsat S.A.

At its meeting on June 28, 2006, the Board of Directors decided to introduce a liquidity mechanism for employees of the Group who are shareholders in Eutelsat S.A. in the form of an offer to purchase their Eutelsat S.A. shares for cash. This offer to buy shares does not include shares allocated under the ABSA operation described above.

The liquidity mechanism will be implemented twice each year for periods of 15 to 20 days as set by the Board of Directors and will expire in 2010. The price will be determined with reference to the Eutelsat Communications' share price and will take account of all net bank debt of the companies in the Group that are not included in the Eutelsat S. A. sub-group.

In similar fashion to the operation described above, the obligation with respect to liquidity has been treated as a change to the initial stock-option plans and has been recognised as a future repayment of an equity instrument. The obligation was measured as of June 30, 2006 and recognised as debt, offset by an equivalent reduction in shareholders' equity for an amount of 22,005 thousand euros. The debt was measured at present value at June 30, 2006 on the basis of all the shares being purchased in 2010.

Description of the Eutelsat S.A. stock-option plans

In accordance with Standard IFRS 2, *"Remuneration in shares and similar"*, only stock-option plans in effect within the Group after November 7, 2002, and for which rights have not vested at January 1, 2005, have been measured and recognised.

On July 2, 2001, the shareholders authorised a "Partners" stock-option plan, which provided for the grant of stock options to the employees and the members of the Management Board of the Company. 4,233,788 options were granted at an exercise price of 1.1 euro, half of which vested immediately. However, if not exercised within one month of the grant date, vesting was deferred until the end of a two-year period after the grant date. The remaining half vested two years after the grant date. The options expire eight years after the grant date.

On October 15, 2001, the shareholders authorised a "Managers" stock-option plan, which provided for the grant of stock options to certain employees and to the members of the Management Board of the Company after deduction of the previous grant. 2,010,000 options were granted at an exercise price of 2.0 euros. The options vested four years after the grant date and expire eight years later.

On November 5, 2002, an Extraordinary General Meeting authorised a "Managers II" stock-option Plan, for the grant of stock options to *mandataires sociaux,* senior managers and key personnel of Eutelsat S. A. 3,206,180 options were granted at an exercise price of 1.79 euro. The options vested in thirds at July 1, in the three years after the year of the grant date and expire eight years later.

Under the delegation of authority given by the General Meeting of November 25, 2003, a "Managers III" Plan was introduced for the grant of stock options to the benefit of mandataires sociaux, employees of the Company and employees of the Group. Under the "Managers III" Plan so authorised, 9,113,938 options were granted at an exercise price of 1.7 euro (these options vested in portions of one third at April 8, in the three years following the year of the grant date and expire eight years later) and 325,000 options at an exercise price of 2 euros (these options vested from the Meeting of Shareholders approving the financial statements for the year ended 2004 and expire eight years later).

Under this same programme, 3,000,000 stock options ("Managers IV" Plan) were granted to key managers and employees at an exercise price of 2.2 euros on November 23, 2004. The options vested in thirds at November 23, in the three years after the year of the grant date and expire eight years later.

At June 30, 2006, the authorisation issued by the Extraordinary General Meeting of November 25, 2003 expired. No new authorisation has been given since this date and there are therefore no further shares reserved for future allocation as of June 30, 2006.

A summary of the stock-option plans movements is presented below:

	Number of shares reserved for future grants	Stock options outstanding	Weighted average exercise price *(in €)* after distribution
Balance as of July 1, 2005	5,946,498	23,010,343	1.41
Authorised	-	-	-
Granted	(810,937)	(810,937)	1.36
Exercised	-	(4,443,334)	1.39
Cancelled	(5,135,561)	(24,326)	1.00
BALANCE AT JUNE 30, 2006	**-**	**19,353,620**	**1.35**

Change in Eutelsat S.A. stock-option plans

Following the exceptional distribution of a dividend (upon a decision by the General Meeting of December 22, 2005) taken from the distributable reserves and from "Additional paid-in capital", and in accordance with the protective measures defined by the "Partners" and "Managers" stock-option plans and by legislation in force, the conditions for subscription (at a reduced exercise price), conversion, exchange or grant of shares that had initially been foreseen were adjusted for options not yet exercised.

Specific protection measures were granted to beneficiaries of "Partners" stock options not yet exercised, the downward adjustment of the subscription price (originally fixed at 1.1 euro for this plan) cannot have the effect of reducing the subscription price to below the nominal value of the shares (fixed at 1.00 euro)

The Ordinary and Extraordinary General Meeting therefore approved a resolution to assign 0.16 euro per "Partners" plan option not yet exercised (a total amount of 45,559.36 euros) to a special reserve account for those holding such options, with the amount required being taken from "Additional paid-in capital". The reserve so constituted is released as and when these options are exercised by their holders.

An exceptional distribution in 2004 (decided by the Ordinary and Extraordinary General Meeting of December 10, 2004) had also led to the implementation of measures to protect the rights of those holding stock options granted but not yet exercised by adjusting the exercise price and the number of options granted.

The Board of Directors also decided (on May 12, 2005) to cancel the conditions for a holding period before exercising options under all stock-option plans outstanding as of that date, so as not to penalise the holders of options in the event of a dividend payment. All options granted are therefore exercisable. The effects of this change had resulted in recording an expense of 5,345 thousand euros as of June 30, 2005.

The following table presents the summary of how the plans have evolved:

CLOSING POSITION JUNE 30, 2005 AFTER THE DISTRIBUTION OF DECEMBER 10, 2004

	Granted	Exercised	Cancelled	Balance	Exercice price *(in euros)*
Partners	4,389,963	(3,545,738)	(191,878)	652,347	1.00
Managers	2,603,627	(97,151)	-	2,506,476	1.54
Managers II					
- 13/12/02	4,063,336	(154,555)	-	3,908,781	1.38
- 24/02/03	72,539	-	-	72,539	1.38
Managers III					
- 17/12/03	10,378,158	-	-	10,378,158	1.31
- 08/04/04	1,427,461	(64,042)	(64,767)	1,298,652	1.31
- 28/06/04	420,985	-	-	420,985	1.54
Managers IV	3,886,033	(113,628)	-	3,772,405	1.70
TOTAL	**27,242,102**	**(3,975,114)**	**(256,645)**	**23,010,343**	**-**

CLOSING POSITION JUNE 30, 2006 AFTER THE DISTRIBUTION OF DECEMBER 22, 2005

	Granted	Exercised	Cancelled	Balance	Exercice price *(in euros)*
Partners	4,389,963	(3,925,218)	(216,204)	248,541	1.00
Managers	2,665,914	(2,612,083)	-	53,831	1.48
Managers II					
- 13/12/02	4,198,098	(1,075,221)	-	3,122,877	1.33
- 24/02/03	75,171	(4,927)	-	70,244	1.33
Managers III					
- 17/12/03	10,782,174	-	-	10,782,174	1.26
- 08/04/04	1,476,130	(553,258)	(64,767)	858,105	1.26
- 28/06/04	437,374	-	-	437,374	1.48
Managers IV	4,028,215	(247,741)	-	3,780,474	1.64
TOTAL	**28,053,039**	**(8,418,448)**	**(280,971)**	**19,353,620**	**-**

Assumptions used to determine the fair value of the stock-option plans

The weighted average remaining contractual life of options outstanding is 5.47 years: 3.01 years for "Partners" plan options; 3.32 years for "Managers" plan options; 4.46 years for "Managers II" plan options; 5.51 years for "Managers III" plan options and 6.41 years for "Managers IV" plan options.

Options have been measured at fair value by the Company using the Black & Scholes method based on the following characteristics:

- calculated volatility of 26.30%;
- a risk-free rate of 2.98%;
- a cancellation rate estimated at 37.5% over 3 years;
- a weighted average unit cost of 1.68 euro per option.

Valuations are performed when options are issued and are not subsequently modified. The value of options is then depreciated on a straight-line basis over the vesting period, while taking account of option cancellations.

Following the immediate vesting of rights on the basis of the decision of the Board of Directors of May 12, 2005, compensation expense of 3.6 million euros was recognised in respect of stock option plans for the period ended June 30, 2005, offset by a corresponding entry to equity. This applies to all stock-option plans. No expense was therefore recorded for the period ended June 30, 2006.

13.4 – Minority interests

Nebozzo S.àr.l. and a minority shareholder signed an agreement on March 14, 2005 relating to the sale by the minority shareholder of 34,284,270 shares of Eutelsat S.A. at a price of 2.58 euros per share. The completion of this sale is subject to several conditions, such as the minority shareholder receiving the required administrative authorisations. Nebozzo S.àr.l. will purchase these shares and the transaction will be financed jointly by the principal shareholders. Nebozzo S.àr.l. has committed to Eurazeo, GSCP and to Cinven that it will immediately sell these Eutelsat S.A. shares purchased from the minority shareholder to SatBirds 2. In exchange, it is planned that Nebozzo S.àr.l. will redistribute to Eurazeo, GSCP and to Cinven their share of the proceeds from the sale of the Eutelsat shares as a payment in both cash and in SatBirds 2 notes. Thereafter, it is envisaged that these notes will be contributed to Eutelsat Communications. The agreement is binding upon the two parties until September 2006, at which time, if the transaction has not taken place, each of the parties may terminate this agreement. In view of the uncertainty surrounding this operation, no commitment has actually been recorded in the consolidated financial statements for the periods ended June 30, 2005 and June 30, 2006.

Note 14 Bank debt

14.1 – Non-current portion

For the periods ended June 30, 2005 and June 30, 2006, all debt is denominated in euros.

a) Changes since June 30, 2005:

Eutelsat Communications' IPO took place on December 2, 2005. The funds were paid on December 6, 2005.

As at the date the funds were received, the Group made early repayment of the following bank loans:

- the Floating Rate Senior PIK Loan Facility for 300 million euros entered into as of March 30, 2005 by SatBirds Capital Participations on an interest-only basis and therefore repayable at maturity at May 1, 2014 was redeemed early (December 6, 2005);
- the 8-year Second Lien Credit Facility, on which a total of 475 million euros had been drawn, contracted on April 4, 2005 by SatBirds Finance, was redeemed early (December 6, 2005), following an agreement with the lenders to accept a 100% repayment of this credit facility.

As this was extinguishment of a liability under IAS 39, "*Financial Instruments: Recognition and Measurement*", the costs incurred for the reimbursements, i.e. 39,246 thousand euros, including 14,165 euros thousand in respect of penalties for early repayment, were recognised as an expense for the period.

Refinancing of the SatBirds Finance Senior credit facilities was performed at the level of Eutelsat Communications in June 2006.

On June 8, 2006, Eutelsat Communications entered into an agreement with a group of banks to obtain a syndicated credit facility amounting to 1,915 million euros over a period of seven years, divided into two parts:

- tranche A: a long-term interest-only loan for 1,615 million euros, bearing interest at Euribor plus a margin;
- tranche B: a revolving credit facility for 300 million euros. Drawdowns have a maximum duration of six months and bear interest at Euribor plus a margin.

The agreement of June 8, 2006 includes neither a guarantee by Eutelsat Communications' subsidiaries nor the pledging of assets to the lenders.

Once again, the refinancing operation was, under IAS 39, "*Financial Instruments: Recognition and Measurement*", considered as extinguishment of a liability for SatBirds Finance. Costs incurred as a result of these reimbursements were recorded as an expense for the period and amounted to 35,030 euros thousand.

This credit agreement includes restrictive clauses (subject to the usual exceptions contained in loan agreements) limiting the capacity of Group companies, in particular to:

- grant security interests or guarantees;
- enter into agreements resulting in additional liabilities;
- grant loans and carry out certain types of investments;
- enter into merger, acquisition, asset disposal, or lease transactions (with the exception of those carried out within the Group and expressly provided for in the loan agreement);
- modify the nature of the business of the Company or its subsidiaries.

The agreement allows each lender to request early repayment of all sums due if there is a change of control of the Company and of Eutelsat S.A. or in the event of concerted action. The Company must also hold, directly or indirectly, 95% of the capital and voting rights of Eutelsat S.A. for the entire duration of the loan. The agreement entails an obligation to maintain launch-plus-one-year insurance policies for any satellite located at 13°East, and for any satellite located at another orbital position with a commitment not to have more than one satellite not covered by an insurance policy.

The credit facilities are linked to the following financial covenants, calculated on the basis of the Group's consolidated financial statements presented under IRFS:

- "leverage ratio": Consolidated net debt/consolidated EBITDA less than or equal to 5.5 for the half-year and full-year periods defined in the agreement, with the first being June 30, 2006;
- "interest cover ratio": Consolidated EBITDA/interest payable (due) greater than or equal to 2.75 (if leverage ratio greater than 3.5).

In addition, interest rate hedging is required for a minimum period of three years to limit exposure to interest rate risk for no less than 50% of the amounts drawn under the Term Loan facility.

On June 19, 2006, the SatBirds Finance subsidiary accordingly transferred to the Company the interest rate hedge set in place for the previous loan.

At the date the Tranche A funds were received (June 19, 2006), Eutelsat Communications made early repayment of the Senior credit facilities signed for on April 4, 2005 by SatBirds Finance:

- the 7-year term "A" loan for a maximum principal amount of 750 million euros (642.3 million euros had been drawn as of June 19, 2006);
- the 8-year term "B" loan for a maximum principal amount of 875 million euros (drawn in full as of June 19, 2006);
- the 7-year revolving credit facility for a maximum principal amount of 150 million euros (106.5 million euros had been drawn as of June 19, 2006).

In November 2004, the Eutelsat S.A. sub-group completed a 1,300 million euros 7-year syndicated credit facility, comprising:

- a 650 million euros interest-only loan;
- a revolving credit facility for 650 million euros (200 million euros used as of June 30, 2006).

The amounts drawn on this credit facility bear interest at EURIBOR (or LIBOR for amounts drawn in U.S. dollars) plus a margin of between 0.25% and 0.75%, depending on Eutelsat S.A.'s long-term debt rating assigned by Standard & Poor's.

Under the terms of this credit facility, Eutelsat S.A. is required to maintain a total net debt to annualised EBITDA (as these terms are defined contractually) ratio less than or equal to 3.75 to 1 and this ratio is tested at June 30, and December 31, each year.

b) Financial information at June 30, 2006

The non-current portion of the Group's long-term bank debt at June 30, 2006 breaks down as follows:

(In thousands of euros)	June 30, 2005		June 30, 2006	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Senior Term "A" loan (variable rate)	585,293	585,293	-	-
Senior Term "B" loan (variable rate)	875,000	875,000	-	-
Revolving credit facility (variable rate)	8,000	8,000	-	-
Second Lien Credit Facility (variable rate)	475,000	475,000	-	-
Senior PIK loan (variable rate)	300,000	300,000	-	-
Eutelsat Communications credit facility (variable rate)	-	-	1,615,000	1,615,000
Eutelsat Communications revolving credit facility (Variable rate)	-	-	-	-
Eutelsat S.A. revolving credit facility (Variable rate)	70,000	70,000	200,000	200,000
Eutelsat S.A. interest-only loan (Variable rate)	650,000	650,000	650,000	650,000
Eutelsat S.A. loan (fixed rate)(1)	26,072	26,527	-	-
Sub-total of debt (non-current portion)	**2,989,365**	**2,989,820**	**2,465,000**	**2,465,000**
Issue costs		(68,270)		(19,150)
TOTAL		**2,921,550**		**2,445,850**

(1) The fixed-rate loan corresponds to a 150 million euros amortisable loan at a fixed rate of 4.8%, contracted on December 24, 2001. Repayment is scheduled at 6-month intervals and began on June 24, 2004. The loan reaches maturity on December 24, 2006.

Issue costs for the loans contracted for the acquisition of Eutelsat S. A. shares were deducted from the carrying amount of the loans and subsequently recognised in full as an expense at the time the loans are repaid.

The fair value of the fixed-rate loan was estimated on the basis of the present value of future cash flows with reference to interest rates available for a loan with similar characteristics.

Issue costs of 1,915 million euros contracted for the syndicated credit facility (refinancing of the SatBirds Finance Senior credit facilities) were amortised over the duration of the loan. Costs remaining to be amortised at June 30, 2006 were deducted from the carrying amount of the loans. At June 30, 2006, they represent a balance of 19,150 thousand euros.

At June 30, 2006, the Group had access to the following main credit facilities:

(In thousands of euros)	Amount granted	Amount used	Maturity
Interest-only loan	1,615,000	1,615,000	June 8, 2013
Revolving credit facility	300,000	-	June 8, 2013
Revolving credit facility	650,000	650,000	November 24, 2011
Interest-only loan	650,000	200,000	November 24, 2011
TOTAL	**3,215,000**	**2,465,000**	

The weighted average interest rate on amounts drawn under the credit facilities is 3.2% for the financial year ended June 30, 2006.

The effective interest rates for the 1,615 thousand euros and 650 thousand euros interest – only loans are 3.74% and 4.44% respectively at June 30, 2006.

At June 30, 2006, the non-current debt maturity analysis is as follows:

(In thousands of euros)	June 30, 2006	Maturity within one year	Maturity between 1 and 5 years	Maturity after 5 years
Eutelsat Communications interest-only loan	1,615,000	-	-	1,615,000
Eutelsat Communications revolving credit facility	-	-	-	-
Eutelsat S.A. interest-only loan	650,000	-	-	650,000
Eutelsat S.A. fixed rate loan	26,527	26,527	-	0
Eutelsat S.A. revolving credit facility	200,000	-	-	200,000
TOTAL	**2,491,527**	**26,527**	**-**	**2,465,000**

14.2 – Current portion

Current debts include accrued interest at June 30, 2006 on the debts described above in Note 14.1. These current debts consist of the following elements:

(In thousands of euros)	June 30, 2005	June 30, 2006
Bank overdrafts	4,437	1,024
Accrued interest	22,193	2,206
Portion of the fixed-rate loan due within one year	51,181	26,527
TOTAL	**77,811**	**29,757**

An increase of 10 basis points (+0.1%) in the EURIBOR interest rate has an impact of 2,465 thousand euros on a full-year basis on the consolidated income statement at June 30, 2006. At June 30, 2005, the impact on an annual basis was 2,763 thousand euros.

Note 15 Other liabilities

15.1 – Non-current portion

Other liabilities principally comprise “performance incentives” and liabilities recognised under finance leases. (See Note 3.7 – *Satellites and other property and equipment*).

(In thousands of euros)	June 30, 2005		June 30, 2006	
	Fair value	Carrying value	Fair value	Carrying value
Performance incentives	92,369	83,827	79,482	76,048
Finance leases(1)	31,327	31,760	-	-
TOTAL	**123,696**	**115,587**	**79,482**	**76,048**

(1) The restated value of the finance lease at June 30, 2005 takes into account the adjusted provisional values (see Note 4.2 – Definitive adjustments related to finalisation of initial recognition*).*

Long-term interest related to “Performance incentives” amounted to 16,462 thousand euros and 16,517 thousand euros at June 30, 2005 and 2006 respectively.

15.2 – Current portion

Current liabilities are as follows at June 30, 2005 and 2006:

(In thousands of euros)	June 30, 2005	June 30, 2006
Performance incentives(1)	18,123	19,498
Finance leases(2)(3)	36,769	-
TOTAL	**54,892**	**19,498**

(1) Including interest related to “Performance Incentives” of 5,017 thousand euros at June 30, 2005, after taking account of the effects of the adjustments of provisional values (see Note 4.2 – Definitive adjustments related to finalisation of initial recognition*), and 7,089 thousand euros at June 30, 2006.*

(2) The restated value of the finance lease at June 30, 2005 takes into account the adjusted provisional values (see Note 4.2 – Definitive adjustments related to finalisation of initial recognition*).*

(3) Including interest related to finance leases of 17,586 thousand euros at June 30, 2005.

Note 16 Operating and finance leases

16.1 – Operating leases

Eutelsat S.A. pays rent for use of its registered office located in Paris. The lease was renewed on June 21, 2005 for a period of nine years.

Rent expense amounted to 1,036 thousand euros and 3,321 thousand euros for the periods ended June 30, 2005 and 2006 respectively. Future lease payments are shown in the following table:

(In thousands of euros)	Total	Less than 1 year	From 1 to 5 years	More than 5 years
Future payments for operating leases	**28,896**	3,612	14,448	10,836

16.2 – Finance leases

The Group operates four satellites under finance leases. None of the finance leases contains a purchase option at the expiry of the lease term.

The finance lease contracts expire in 2016.

At June 30, 2006, all finance leases had been prepaid.

Financial charges for satellites operated under finance leases amounted to 964 thousand euros and 1,570 thousand euros at June 30, 2005 and 2006 respectively.

Note 17 Provisions (current portion)

The change in provisions (short-term portion) is as follows:

(In thousands of euros)	**Provisions**
April 1, 2005	**7,876**
Increase in provisions	972
Reversal of provisions not required	(1,620)
Provisions used	(90)
June 30, 2005	**7,138**
Increase in provisions	6,065
Reversal of provisions not required	(617)
Provisions used	(986)
June 30, 2006	**11,600**

The short term provisions recorded at period end correspond to business and employee litigation.

Note 18 Other payables and deferred revenues

18.1 – Non-current portion

Details of "Other payables and deferred revenues" were as follows at June 30, 2005 and 2006:

(In thousands of euros)	**June 30, 2005***	**June 30, 2006**
Deferred revenues	12,277	10,043
Guarantees and advances	9,012	5,519
Social liabilities(1)	-	41,597
Other liabilities	-	1,323
TOTAL	**21,289**	**58,483**

* *Other payables and deferred revenues at June 30, 2005 have been broken down into current portion and non-current portion to allow comparability with the presentation method used for the year ended June 30, 2006.*

(1) *Including the liability related to the ABSA commitments (19,592 thousand euros) and the offer of liquidity (22,005 thousand euros) – See Note 13.3 –* Remuneration in shares and similar.

18.2 – Current portion

Other payables and deferred revenues break down as follows at June 30, 2005 and 2006:

(In thousands of euros)	**June 30, 2005***	**June 30, 2006**
Deferred revenues	30,598	31,108
Guarantees and advances	12,726	11,362
Tax liabilities	22,812	16,224
Liabilities for social contributions	8,875	19,560
Other liabilities	3,991	1,886
TOTAL	**79,002**	**80,140**

* *Other payables and deferred revenues at June 30, 2005 have been broken down into current portion and non-current portion to allow comparability with the presentation method used for the year ended June 30, 2006.*

Note 19 Current and deferred tax

Income tax payable for Eutelsat S.A. for the periods ended June 30, 2005 and 2006 has been estimated by applying the transitional arrangements for the five-year period, as defined by the French tax authorities, with effect from the transfer of operations, according to which the standard corporate income tax rate is applied to a tax base reduced by 20% in the fourth year and by 10% in the fifth year. This percentage then reduces by ten points each year and expires in the sixth year.

19.1 – Income statement tax balances

"Income tax" expense comprises current and deferred tax expenses of consolidated entities.

The Group's income tax expense is composed of the following:

(In thousands of euros)	3-month period ended June 30, 2005	12-month period ended June 30, 2006
Current tax expense	(14,518)	(100,467)
Deferred tax expense (income)	268	10,743
TOTAL INCOME TAX EXPENSE	**(14,250)**	**(89,724)**

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

(In thousands of euros)	June 30, 2005	June 30, 2006
Income before tax and income from equity investments	5,840	124,271
Standard French corporate income-tax rate	*34.93%*	*34.43%*
Theoretical income tax charge	(2,040)	(42,787)
Impact of transitional arrangements	4,220	11,065
Permanent differences and other items	(16,430)	(58,003)
Corporate income tax expense in the income statement	**(14,250)**	**89,724**
Actual corporate income tax rate	*243%*	*72%*

At June 30, 2005, the actual corporate income tax rate of 243% recorded in the consolidated financial statements of the Eutelsat Communications Group is mainly the result of not recognising a deferred tax asset in relation to the interest expense incurred by the companies which carry the debt related to the acquisition of Eutelsat shares. This interest expense does not give rise to a recoverable tax loss. The unrecognised tax asset in relation to this item amounts to 13,817 thousand euros.

At June 30, 2006, the corporate income tax rate of 72% is the result of not recognising a deferred tax asset in relation to the interest expense resulting from the debt generated by the acquisition of Eutelsat S.A. shares. Consequently, out of a total deferred tax asset of 62,679 thousand euros generated by these financial expenses, only 4,815 thousand euros could be activated due to their recoverability.

19.2 - Balance-sheet tax balances

Deferred tax assets and liabilities correspond with the aggregate net positions of the consolidated entities. Changes in the deferred tax balances between June 30, 2005 and June 30, 2006 were as follows:

(In thousands of euros)	June 30, 2005	Recognised in net income for the period	Recognised in equity	June 30, 2006
Bad debt provisions	20,285	(5,057)	-	15,228
Financial guarantee granted to the pension fund	8,258	(493)	-	7,765
Provisions for impairment of assets	18,873	(904)	-	17,969
Finance leases	(6,281)	5,324	-	(957)
Capitalised salaries and performance incentives	7,286	(684)	-	6,602
Pension provision	1,828	89	-	1,917
Capitalised interest	(6,770)	557	-	(6,213)
Tax driven depreciation	(18,801)	(8,120)		(26,921)
Financial instruments	9,875	(2,316)	(14,812)	(7,253)
Provisions for risks and charges	1,989	1,542	-	3,531
Accrued liabilities	2,714	577	-	3,291
Activation of transferred deficits	-	4,815	-	4,815
Miscellaneous items	(1,145)	109	-	(1,036)
Net deferred tax assets	***38,111***	***(4,561)***	***(14,812)***	***18,738***
Intangible assets	(316,304)	15,304	-	(301,000)
Financial instruments	-	(11,391)	(1,985)	(13,376)
Activation of transferred deficits	-	11,391	-	11,391
Deferred tax liabilities	***(316,304)***	***15,304***	***(1,985)***	***302,985***
NET TOTAL	**(278,193)**	**10,743**	**(16,797)**	**(284,247)**

Deferred tax liabilities break down as follows:

	Deferred tax assets	Deferred tax liabilities
Due within one year	3,291	(3,913)
Due after one year	15,447	(299,072)
TOTAL	**18,738**	**(302,985)**

Deferred tax liabilities relate to the taxable time difference generated by the accounting treatment at fair value of "Customer contracts and similar arrangements" and of the Eutelsat brand, valued at 929,800 thousand euros, giving rise at consolidation to a deferred tax liability of 320,130 thousand euros. The amortisation of customer contracts over 20 years, amounting to 44,452 thousand euros, generated deferred tax income of 15,304 thousand euros.

Under an agreement dated June 28, 2006, the scope of the tax integration for the group headed by SatBirds 2 was enlarged to the Eutelsat S.A. Company.

19.3 - Tax risks

On December 12, 2003, Eutelsat S.A. transferred its shares in the Spanish company, Hispasat S.A., to its German subsidiary, Eutelsat Services und Beteiligungen GmbH. As a result of this transfer, Eutelsat S.A. recognised a capital loss of 140.4 million euros, which generated a tax saving on the companies of 34.8 million euros for the financial period ended June 30, 2004. The transfer price was based on the valuation of an independent expert, which reflected corporate valuation methods habitually employed.

Eutelsat S.A. underwent an accounting audit by the French fiscal authorities in respect of the financial periods ended June 30, 2002, 2003 and 2004. Following this audit, the fiscal authorities notified Eutelsat S. A., in a letter dated December 19, 2005, of their intention to reassess Eutelsat S.A.'s taxable income for the period ended June 30, 2004. The fiscal authorities are rejecting any deductibility for tax purposes of the capital loss arising from transfer of the Hispasat shares to the German subsidiary and, questioning the valuation assigned to the shares.

The total amount of the tax reassessments notified in December 2005 (69.9 million euros) was reduced to 56 million euros, including interest for late payment and deduction at source, as a result of the written exchanges between Eutelsat S.A. and the fiscal authorities. Exchanges and discussions with the fiscal authorities continue.

Eutelsat S.A. is continuing to contest the grounds for these tax reassessments and, in the light of the information in the Company's possession at the date of the annual close of the Company financial statements, has not recognised any corresponding provision for risk, being a contingent liability as defined by IAS 37.

Note 20 Provisions (long-term portion)

(See Note 17 – *Provisions - Short-term portion*).

(In thousands of euros)	June 30, 2005	June 30, 2006
Financial guarantee granted to a pension fund	43,129	35,934
Retirement indemnities and other post-employment benefits	6,258	6,554
Other	-	7,845
PROVISIONS (LONG-TERM PORTION)	**49,387**	**50,333**

20.1. – Financial guarantee granted to a pension fund

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

This guarantee can be called under certain conditions to compensate for future under-funding of the plan. During the period ended June 30, 2005, as a result of the significant decline in long-term interest rates, the guarantee was called upon in an amount of 22.3 million euros. This amount was valued on the basis of the trust's projections of future market developments. At June 30, 2005, no payments had yet been made.

In November 2005, an agreement was reached with the Trust to spread payment of the amount called as follows: 4.46 million euros when the agreement is signed, and a further 4.46 million euros at June 30, 2006, 2007, 2008 and 2009. It was agreed that the Trust would carry out a new valuation at June 30, 2007 and that, depending on the results of that valuation, subsequent contributions could be revised downwards or upwards.

As of June 30, 2006, therefore, the amount that had been paid was 8.92 million euros.

The actuarial valuation performed at June 30, 2005 and 2006 used the following assumptions:

	June 30, 2005	June 30, 2006
Discount rate	4.00%	4.75%
Expected rate of return on assets	4.00%	4.00%
Inflation rate	2.00%	2.00%

As of June 30, 2005 and June 30, 2006, the liability is as follows:

RECONCILIATION OF ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

(In thousands of euros)	June 30, 2005	June 30, 2006
Present value of defined benefit obligations wholly or partly funded	168,714	140,889
Fair value of plan assets	(125,585)	(135,378)
Net financing	**43,129**	**5,511**
Actuarial and other gains/(losses) amortised over 12 years	-	30,423
Net (ASSET)/LIABILITY recognised in the balance sheet	**43,129**	**35,934**

The fair value of plan assets includes no amounts relating to any financial instruments issued by Eutelsat S.A. nor any property occupied by, or other assets used by, the Company.

MOVEMENTS DURING THE FINANCIAL PERIOD IN THE LIABILITY RECOGNISED IN THE BALANCE SHEET

(In thousands of euros)	
Provision at April 1, 2005	**43,012**
Net expense recognised in the income statement	117
Provision at June 30, 2005	**43,129**
Net expense recognised in the income statement	1,725
Contributions paid	(8,920)
Provision at June 30, 2006	**35,934**

NET EXPENSE RECOGNISED IN THE INCOME STATEMENT

(In thousands of euros)	3-month period ended June 30, 2005	3-month period ended June 30, 2006
Service cost of the period	-	-
Financing cost	1,614	6,694
Expected return on plan assets	(1,497)	(4,969)
Actuarial (gains)/losses	-	-
Net expense recognised in the income statement	**117**	**1,725**

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

The actual return on the plan's assets was 3.1 million euros and 3.9 million euros at June 30, 2005 and 2006 respectively.

20.2 – Post-employment benefits

a) Retirement indemnities

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

The actuarial valuations performed at June 30, 2005 and 2006 were based on the following assumptions:

	June 30, 2005	June 30, 2006
Discount rate	4.00%	4.75%
Inflation rate	2.50%	2.00%

As of June 30, 2005 and 2006, the liability is as follows in thousands of euros:

RECONCILIATION OF ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

(In thousands of euros)	June 30, 2005	June 30, 2006
Present value of obligations not financed	3,740	3,425
Past-service cost amortised over 21 years	1,419	1,354
Actuarial gains/(losses)	(29)	674
Liability recognised in the balance sheet	**5,130**	**5,453**

MOVEMENTS OVER THE FINANCIAL PERIOD IN NET LIABILITY RECOGNISED IN THE BALANCE SHEET

(In thousands of euros)	
Liability at April 1, 2005	**5,052**
Net expense recognised in the income statement	78
Benefits paid	-
Liability at June 30, 2005	**5,130**
Net expense recognised in the income statement	376
Benefits paid	(53)
Liability at June 30, 2006	**5,453**

NET EXPENSE RECOGNISED IN THE INCOME STATEMENT

(In thousands of euros)	3-month period ended June 30, 2005	12-month period ended June 30, 2006
Service cost of the period	57	293
Financing cost	38	148
Past-service costs	(17)	(65)
Actuarial (gains)/losses	-	-
NET EXPENSE RECOGNISED IN THE INCOME STATEMENT	**78**	**376**

b) Supplementary schemes

The Group also has a defined-contribution “*sur-complémentaire*” funded pension fund for its employees (excluding *mandataires sociaux* employed by the Group), financed by contributions of 6% of gross annual salary, limited to eight times the Social Security threshold. The Group has no other commitments in relation to these contributions. The employer’s contributions paid for this purpose were 262 thousand euros and 1,196 thousand euros at June 30, 2005 and 2006 respectively.

The *mandataires sociaux* of Eutelsat Communications S.A. and Eutelsat S.A. have a supplementary defined-benefits plan, which is financed by contributions of 12% of their total gross compensation. The present value of the obligations as of June 30, 2005 and 2006, amounts to 1,127 thousand euros and 987 thousand euros respectively and is only partly funded.

c) Mandatory schemes

In accordance with French law, the Group meets its obligations to finance pensions for employees in France by paying contributions based on salaries to the relevant entities that manage mandatory pension schemes. The Group has no other commitments in relation to these contributions. The employer’s contributions paid for this purpose were 2,882 thousand euros and 5,020 thousand euros at June 30, 2005 and 2006 respectively.

Note 21 Segment information

The Group operates in a single industry segment, providing satellite-based video, business and broadband networks, and mobile services mainly to major international telecommunication operators and broadcasters, corporate network integrators and companies for their own needs. With the exception of the Eutelsat satellites in orbit, most of the Group's operating facilities are located in France.

The Group's revenues by geographic zone, based on invoice addresses, for the periods ended June 30, 2005 and 2006, are as follows:

(In thousands of euros and as a percentage)	3-month period ended June 30		12-month period ended June 30	
	2005		2006	
Region	**Amount**	**%**	**Amount**	**%**
France	29,429	15.6	110,204	13.9
Italy	28,032	14.9	126,552	16
United Kingdom	33,580	17.8	129,056	16.3
Europe (other)	67,352	35.8	262,688	33.2
Americas	14,808	7.9	69,029	8.7
Middle East	9,520	5.1	51,970	6.6
Other*	5,959	3.0	41,569	5.3
TOTAL	**188,680**	**100.0**	**791,068**	**100.0**

* *Revenues include compensation for late delivery of satellite and service interruption amounting to 17.4 million euros for the period ended June 30, 2006 (see Note 4.2 –* Definitive adjustments related to finalisation of initial recognition).

Note 22 Financial result

The financial result is made up as follows:

(In thousands of euros)	3-month period ended June 30, 2005	12-month period ended June 30, 2006
Interest expense (banks)	(38,799)	(133,626)
Other interest expense	(1,589)	(4,873)
Loan set-up fees	(2,291)	(68,605)
Early repayment fees	-	(14,165)
Commitment fees and other similar charges	(502)	(3,588)
Change in financial instruments	(14,265)	-
Provisions for risks and charges	(117)	(2,004)
Foreign-exchange losses	(362)	(2,374)
Financial expenses	**(57,925)**	**(229,235)**
Change in financial instruments	-	40,773
Interest income	646	6,007
Provision on financial assets	370	-
Foreign-exchange gains	1,124	2,885
Financial revenues	**2,140**	**49,665**
FINANCIAL RESULT	**(55,785)**	**(179,570)**

Borrowing and early repayment costs for the year ended June 30, 2006 are the result of the early repayment and refinancing operations described in Note 14 – *Long-term bank debt*.

Variation in financial instruments is described in Note 24 – *Financial instruments*.

Other interest expenses include capitalised interest. Interest during the periods was 895 thousand euros at June 30, 2005 and 4,528 thousand euros at June 30, 2006.

The capitalisation rates used to determine the amount of interest expense eligible for capitalisation were 4.0% for the period ended June 30, 2005 and 4.2% for the period ended June 30, 2006. "Other interest expense" comprises interest related to satellite performance incentives and to finance leases for 1.5 million euros and 1.8 million euros respectively for the period ended June 30, 2005 and 5.9 million euros and 1.6 million euros respectively for the period ended June 30, 2006.

Note 23 Earnings per share

The following two tables show the reconciliation between the net income and the net income (basic and diluted) of shareholders used to calculate earnings per share (basic and diluted):

	June 30, 2005	June 30, 2006
Net income	(7,322)	40,234
Share of income from subsidiaries attributable to minority interests before taking account of the dilutive instruments in the subsidiaries	(6,177)	(11,934)
NET EARNINGS USED TO COMPUTE BASIC EARNINGS PER SHARE	**(13,499)**	**28,300**

	June 30, 2005	June 30, 2006
Net income	(7,322)	40,234
Share of income from subsidiaries attributable to minority interests after taking account of the dilutive instruments in the subsidiaries	(6,566)	(14,734)
NET EARNINGS USED TO COMPUTE DILUTED EARNINGS PER SHARE	**(13,888)**	**25,500**

The reconciliation between the number of ordinary shares used to compute basic and diluted earnings per share is provided below, as of June 30, 2005 and 2006:

	June 30, 2005	June 30, 2006
Restated weighted average number of shares outstanding used to compute basic earnings per share(1)	128,451,382	206,926,817
Incremental number of additional shares that would result from the exercise of outstanding stock options(2)(3)	-	1,443,656
RESTATED WEIGHTED AVERAGE NUMBER OF SHARES USED TO COMPUTE DILUTED EARNINGS PER SHARE(1)	**128,451,382**	**208,370,473**

(1) The weighted average number of shares at June 30, 2005 was 256,902,763. A retroactive adjustment was made after the consolidation of shares undertaken at August 31, 2005. This adjustment resulted in dividing the initial number of shares by two (see Note 13.1 – Shareholders' equity).

(2) At June 30, 2005, there are no dilutive instruments originating from Eutelsat Communications. The only instruments of dilution relate to its subsidiary, Eutelsat S.A.

(3) At June 30, 2006, Eutelsat Communications and its subsidiary Eutelsat S.A. had issued dilutive instruments (see Note 13.3 – Share based payments). The number of incremental shares which could be issued upon the exercise of outstanding stock options is computed using the average market price during the related period.

As Eutelsat S.A. is not listed, Management estimated the average market price based on the latest evaluations performed and the latest transactions between shareholders.

Note 24 Financial instruments

The Group has exposure to market risks in particular with regard to foreign exchange and interest rates. Such risks are actively managed by Management and for this purpose the Group employs a certain number of derivatives, the objective of which is to limit, where appropriate, exposure of revenue and cash flows to interest rate and foreign exchange risks. The Group's policy is to use derivatives to manage exposure to such risks. The Group does not engage in financial transactions whose associated risk cannot be quantified at their outset i.e. the Group never sells assets it does not possess or does not know it will subsequently possess.

24.1 – Foreign exchange risk

The Group's functional currency is the euro and the Group is therefore principally exposed to fluctuations in the value of the U.S. dollar. The Group consequently, as a means of preserving the value of assets, commitments and forecast transactions, enters into contracts whose value fluctuates in line with changes in the euro/dollar exchange rate. In particular, the Group hedges certain future U.S. dollar revenues by means of financial instruments such as options, forward currency transactions and foreign currency deposits. These instruments are traded over-the-counter with first-rate banking counterparties.

Purchase commitments relate to construction contracts for satellites and to launch contracts. They generally cover a three-year period with a pre-established schedule of payments.

Commitments to sell relate to contracts denominated in U.S. dollars.

During the periods ended June 30, 2005 and 2006, the Group only purchased foreign exchange options (euro calls/U.S. dollar puts).

24.2 – Interest rate risk

The Group's exposure to interest rate risk is managed by apportioning its borrowings between fixed and variable interest rates.

To hedge its debt, the Group has set up the following interest rate hedges through its subsidiary SatBirds Finance:

- a 3-year tunnel (purchase of a cap and sale of a floor) for a nominal amount of 1,700 million euros intended to hedge Eutelsat Communications' credit facilities;
- a forward pay fixed/receive variable swap for an amount of 850 million euros and a purchase of a forward cap for a nominal amount of 850 million euros, intended to serve as a partial hedge of Eutelsat Communications' credit facilities, both covering an additional two years (years 4 and 5) with deferred start-dates.

On June 19, 2006, in parallel to the refinancing arrangements (see Note 14), the hedging instruments of the SatBirds Finance subsidiary were transferred to the Eutelsat Communications S.A. Company for purposes of managing that Company's interest rate risk.

Following signature of the 1,300 million euros syndicated credit facility at Eutelsat sub-group level, the following interest rate hedging transactions were immediately implemented: i.e.

- a fixed payable/variable receivable rate swap covering the long-term 650 million euros portion of the interest-only loan repayable on maturity;
- a five-year tunnel (purchase of a cap and sale of a floor) for a nominal amount of 450 million euros intended to act as a partial hedge of the 650 million euros revolving credit facility.

24.3 – Financial counterparty risk

Counterparty risk includes issuer risk, execution risk in connection with derivatives or monetary instruments, and credit risk related to liquidity and long-term investments. The Group minimises its exposure to issuer risk and its exposure to credit risk by acquiring only financial products with first-rate financial institutions or banks. Exposure to these risks is closely monitored and maintained within predetermined limits. The Group does not foresee any loss that would result from a failure by its counterparties to respect their commitments under the agreements concluded. The risks to which the Group is exposed are confined neither to the financial sector nor to a particular country.

24.4 – Key figures as of June 30, 2006

The following table analyses the contractual or nominal amounts and fair value of the Group's derivatives at June 30, 2005 and 2006 by type of contract:

(In thousands of euros)	Contractual or nominal Amounts	Fair value June 30, 2005	Change in fair value during the period	*Impact on income statement*	*Impact on equity*
Foreign exchange options (Eutelsat S.A.)	82,400	1,499	(1,540)	*(1,540)*	
Total foreign exchange derivatives		***1,499***	***(1,540)***	***(1,540)***	
Swap (Eutelsat S.A.)	650,000	(26,021)	(20,917)		*(20,917)*
Forward swap (Eutelsat Communications)	850,000	(4,287)	(1,081)		*(1,081)*
Purchased cap (Eutelsat Communications)	850,000	3,029	(177)	*(177)*	
Tunnel (Eutelsat Communications)	1,700,000	(5,709)	(12,152)	*(9,350)*	*(2,802)*
Tunnel (Eutelsat S.A.)	450,000	(2,039)	(3,198)	*(3,198)*	
Total interest rate derivatives		***(35,027)***	***(37,524)***	***(12,725)***	***(24,800)***
TOTAL DERIVATIVES		**(33,528)**	**(39,064)**	***(14,265)***	***(24,800)***

(In thousands of euros)	Contractual or nominal amounts	Fair value June 30, 2006	Change in fair value during the period	*Impact on income statement*	*Impact on equity*
Foreign exchange options (Eutelsat S.A.)	104,000	4,792	595	*595*	-
Total foreign exchange derivatives		***4,792***	***595***	***595***	***-***
Swap (Eutelsat S.A.)	650,000	17,001	43,023	-	*43,023*
Forward swap (Eutelsat Communications)	850,000	12,224	16,511	*13,587*	*2,924*
Purchased cap (Eutelsat Communications)	850,000	6,964	3,935	*3,505*	*430*
Tunnel (Eutelsat Communications)	1,700,000	19,661	25,370	*19,076*	*6,294*
Tunnel (Eutelsat S.A.)	450,000	1,971	4,012	*4,012*	-
Total interest rate derivatives		***57,821***	***92,851***	***40,180***	***52,671***
TOTAL DERIVATIVES		**62,613**	**93,446**	***40,775***	***52,671***

During the periods ended June 30, 2005 and 2006, the changes in fair value recognised within financial income or expense in respect of financial instruments amounted to an expense of 14,265 thousand euros and income of 40,775 thousand euros respectively.

Breakdown of financial instruments qualifying as hedges as of June 30, 2005 and 2006:

(In thousands of euros)	**Contractual or notional values**	**Fair value June 30, 2005**	**Change in fair value during the period**	***Impact on income statement (ineffective portion)***	***Impact on equity (effective portion)***
Forward swap (Eutelsat Communications)	850,000	(4,287)	(1,081)		*(1,081)*
Swap (Eutelsat S.A.)	650,000	(26,021)	(20,917)		*(20,917)*
Tunnel (Eutelsat Communications)	1,700,000	(5,709)	(12,152)	*(9,350)*	*(2,802)*
TOTAL HEDGING DERIVATIVES		**(36,017)**	**(34,150)**	***(9,350)***	***(24,800)***

(In thousands of euros)	**Contractual or notional values**	**Fair value June 30, 2006**	**Change in fair value during the period**	***Impact on income statement (ineffective portion)***	***Impact on equity (effective portion)***
Forward swap (Eutelsat Communications)	850,000	12,224	16,511	*13,587*	*2,924*
Swap (Eutelsat S.A.)	650,000	17,001	43,023	-	*43,023*
Purchased cap (Eutelsat Communications)	850,000	6,964	3,935	*3,505*	*430*
Tunnel (Eutelsat Communications)	1,700,000	19,661	25,370	*19,076*	*6,294*
TOTAL HEDGING DERIVATIVES		**55,850**	**88,839**	***36,168***	***52,671***

At June 19, 2006, following the refinancing operations described above, the SatBirds Finance tunnel and swap-hedging relationship was discontinued. The hedging instruments therefore became totally ineffective due to extinguishment of the financial liability according to IAS 39, *"Financial Instruments: Recognition and Measurement"*. The amounts accumulated for changes in fair value in equity were consequently transferred to the income statement.

The hedging instruments were transferred to Eutelsat Communications and a new hedging relationship was set in place, which took account of the characteristics of the new debt (see Note 14 – *Bank debt*).

Note 25 Other commitments and contingencies

As of June 30, 2006, Management considers that, to the best of its knowledge, no commitments existed that may have an impact on the Group's present or future financial position with the exception of the following items:

25.1 – Purchase commitments

The Group has commitments with suppliers for the acquisition of assets and provision of services related to monitoring and control of its satellites.

Future minimum payments, as of June 30, 2005 and June 30, 2006, are scheduled to be paid as follows:

(In millions of euros)	June 30, 2005	June 30, 2006
2006	25	
2007	8	28
2008	8	14
2009	7	12
2010 and thereafter*	20	11
2011 and thereafter		10
TOTAL	**68**	**75**

* *Up to June 30, 2005 end-of-period.*

The above total includes 4.8 million euros for purchase commitments entered into with related parties (see Note 26 – *Related parties*).

At June 30, 2006, future payments under satellite construction contracts amount to 133 million euros and future payments under launch agreements amount to 131 million euros.

25.2 – In-orbit insurance

The Group's in-orbit insurance programme expired on November 26, 2005 and was replaced by a new 12-month programme defined by the Group with a view to minimising, at an acceptable cost, the impact on its balance sheet and its income of losing one or more satellites. Under this programme, 15 of the satellites belonging to the Group (excluding the HOT BIRD™ 1, W1 and ATLANTIC BIRD™ 1 satellites) are covered by insurance, subject to certain limitations applying in the sole cases of total constructive loss or total loss resulting from technical problems already identified.

The insurance policy taken out against damage and loss of revenues under this programme covers cumulative partial or total constructive losses of the 15 satellites insured, up to a ceiling of 165 million euros per satellite, subject to a total maximum claim or claims each year of 390 million euros.

- The HOT BIRD™ 2, HOT BIRD™ 3, HOT BIRD™ 4 and HOT BIRD™ 6 satellites located at 13° East are each covered for a value that represents, for each satellite, its net book value and the revenues generated by operating it over a 12-month period. As from March 27, 2006, the insurance cover of the HOT BIRD™ 2, HOT BIRD™ 3 and HOT BIRD™ 4 satellites has been limited to their net book value only. The insurance cover of the HOT BIRD™ 6 satellite has also been limited to its net book value since May 27, 2006.
- The other satellites covered under this policy are insured for their net book value.

This new insurance programme results in a higher level of risk retention (limited in all cases to a cumulative annual amount of 80 million euros) and to a reduced annual cost.

25.3 – Launch insurance

The HOT BIRD™ 7A and HOT BIRD™ 8 satellites are covered by L+1 launch insurance (launch + one year), which was set in place at the end of December 2005.

The total amount of the liability, which was paid prior to the launches, is 54.4 million euros.

W1 incident:
At the end of 2005, Eutelsat submitted a claim for compensation as a result of the incident that occurred on August 10, 2005. It is a complex claim, which involves three insurance policies. It is currently being processed but should be settled before the end of 2006.

25.4 – Litigation

The Group is involved in litigation in the normal course of its business. Expenses that can arise from litigation, estimated probable by the company and its advisers, have been the subject of provisions considered to be sufficient to cover the expected costs of such litigation.

Note 26 Related-party transactions

Amounts included in current assets and current liabilities in the balance sheet, due and owed to related parties (mainly direct and indirect shareholders of the Group) as of June 30, 2005 are as follows:

(In thousands of euros)	**3-month period ended June 30, 2005**	**12-month period ended June 30, 2006**
Gross receivables (includes unbilled revenues)	130,576	11,197
Liabilities (includes accrued invoices)	15,338	643

Transactions with related parties included in the income statements for the periods ended June 30, 2005 and June 30, 2006 are as follows:

(In thousands of euros)	**3-month period ended June 30, 2005**	**12-month period ended June 30, 2006**
Revenues	48,640	48,365
Operating costs, Selling, general and administrative expenses	1,095	1,696
Financial result	67	0

For the period ended June 30, 2005, two related parties account individually for more than 10% of consolidated revenues or, in total, 29 million euros. As of June 30, 2005, receivables due from all these related parties amount to 38 million euros.

For the year ended June 30, 2006, no related party individually represented more than 10% of revenues.

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

Transactions with related parties included in the acquisition cost of Eutelsat S.A. shares amount to 37,961 thousand euros at June 30, 2005 compared to 2,316 thousand euros at June 30, 2006.

COMPENSATION OF THE MEMBERS OF THE MANAGEMENT BODIES

(In thousands of euros)	**3-month period ended June 30, 2005**	**12-month period ended June 30, 2006**
Short-term benefits, excluding employer's charges	346	2,546
Short-term benefits: employer's charges	141	921
Post-employment benefits	8% of annual salary at end of career	8% of annual salary at end of career
Other long-term benefits (indemnity payment in the event of involuntary cessation of activity)	1,000	1,000

Share-based payments

On August 2, 2005 the Group issued 835,200 ABSA1s and 187,710 ABSA2s to the members of the Group's management bodies, as follows:

- ABSA 1: unit price of 1.378 euro;
- ABSA 2: unit price of 1.54 euro;
- 2.7 BSAs per ABSA;
- with each BSA conferring the right to subscribe for 1 Company share.

These instruments were fully paid-up in cash, and the difference between the unit subscription price for the ABSAs and the par value of the shares was charged to additional paid-in capital.

The BSAs were detached from the shares when the ABSAs were issued.

Following the consolidation of shares decided by the General Meeting of August 31, 2005, the terms of the BSAs were modified:

- two BSAs are now required to subscribe for one Company share;
- the unit subscription price is two euros.

The following table shows the history of the BSAs held by the members of the management bodies:

Type	BSAs issued	BSAs exercised	Shares issued	Subscription price per share *in euros*	Expiry date
BSA 1	2,255,040	1,200,000	600,000	2	31/03/2008
BSA 2	506,817	-	-	2	02/08/2015
TOTAL	**2,761,857**	**1,200,000**	**600,000**		

Note 27 Staff costs

Staff costs (including mandatory employee profit-sharing) are as follows:

(In thousands of euros)	3-month period ended June 30, 2005	12-month period ended June 30, 2006
Operating costs	4,824	23,791
Selling, general and administrative expenses	13,710	39,002
TOTAL	**18,534**	**62,793**

The average number of employees is as follows:

	3-month period ended June 30, 2005	12-month period ended June 30, 2006
Operations	178	179
Selling, general and administrative	299	306
TOTAL	**477**	**485**

As of June 30, 2006, the Group has 493 employees, compared with 481 as of June 30, 2005.

Compensation paid to the Eutelsat Communications *mandataires sociaux* employed by the Group is 1.4 million euros for the period ended June 30, 2006.

No attendance fees were paid to members of the Board of Directors during this period.

The Group has a corporate savings plan (*plan d'épargne d'entreprise*) reserved for Eutelsat S.A. employees with more than 3 months of service, funded by voluntary contributions by the employees.

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

Note 28 Companies included in the consolidation

The list of companies included in the consolidation is as follows:

Company	Country	Consolidation method	% of voting rights as of June 30, 2006	% interest as of June 30, 2006
SatBirds Capital Participations S.A.	Luxembourg	Full consolidation	100.00%	100.00%
SatBirds Capital Sàrl	Luxembourg	Full consolidation	100.00%	100.00%
SatBirds Finance S.A.	Luxembourg	Full consolidation	100.00%	100.00%
Eutelsat Communications Finance	France	Full consolidation	100.00%	100.00%
Eutelsat Finance S.A.S.	France	Full consolidation	100.00%	100.00%
SatBirds 2 S.A.S.	France	Full consolidation	100.00%	100.00%
WhiteBirds	France	Full consolidation	100.00%	100.00%
Eutelsat S.A.	France	Full consolidation	95.15%	95.15%
Eutelsat S.A. Group				
Eutelsat do Brazil S.A.	Brazil	Full consolidation	100.00%	95.15%
- Eutelsat Italia	Italy	Full consolidation	100.00%	95.15%
- Skylogic Italia S.p.A.	Italy	Full consolidation	100.00%	95.15%
- Eutelsat Services und Beteiligungen GmbH	Germany	Full consolidation	100.00%	95.15%
- VisaVision GmbH	Germany	Full consolidation	100.00%	95.15%
- Eutelsat Inc.	United States	Full consolidation	100.00%	95.15%
- Eutelsat UK Limited	United Kingdom	Full consolidation	100.00%	95.15%
- Eutelsat Polska s.p.Z.o.o.	Poland	Full consolidation	100.00%	95.15%
- Skylogic Polska s.p.Z.o.o.	Poland	Full consolidation	100.00%	95.15%
-Wins Ltd	Malta	Full consolidation	50.00%	47.58%
- Hispasat	Spain	Equity method	27.69%	26.35%

The financial year-end of Hispasat is 31 December. The consolidation of Hispasat under the equity method was performed using the Hispasat Group's financials as of June 30, 2006.

The financial year-end of the SatBirds Capital Participations, SatBirds Capital and SatBirds Finance Companies is 31 March.

The consolidation of these subsidiaries under the full-consolidation method was performed using Company financials as of June 30, 2006.

Note 29 Events after the balance sheet date

On July 1, 2006, the Skylogic East Company, a wholly owned subsidiary of Skylogic Italia S.p.A., was created in Turkey.

On July 18, 2006, the SatBirds Capital Participations Company was absorbed under a merger-absorption arrangement by the SatBirds Finance Company.

On July 28, 2006, the Group signed a pre-agreement with Alcatel Space for an amount of 15 million euros for the procurement of the W2A satellite.

The HOT BIRD™ 8 satellite was successfully launched by a Proton launcher from the Baïkonour cosmodrome on August 4, 2006. Its entry into operational service is scheduled for October 2006.

>> 20.3 Financial information for the year ended June 30, 2005

20.3.1 Auditors' report on the consolidated financial statements of Eutelsat Communications prepared in accordance with IFRS for the year ended June 30, 2005

Mazars & Guérard
39, rue Wattignies
75012 Paris
S.A. with capital of 8,320,000 euros

Auditors
Member of the Compagnie
Régionale de Paris (Paris Regional
Association of Statutory Auditors)

Ernst & Young Audit
Faubourg de l'Arche
11, allée de l'Arche
92037 Paris-La Défense Cedex
S.A.S. with variable capital

Auditors
Member of the Compagnie
Régionale de Versailles (Versailles Regional
Association of Statutory Auditors)

Report of the Statutory Auditors on the consolidated financial statements

Dear Shareholders,

In performance of the task entrusted to us by your General Meeting and your By-laws, we have audited the attached consolidated financial statements of Eutelsat Communications for the financial year ended June 30, 2005.

The Board of Directors adopted the consolidated financial statements. On the basis of our audit, it is our responsibility to express an opinion on these financial statements.

I. Opinion on the consolidated financial statements

We performed our audit in accordance with accounting standards applicable in France. These accounting standards require us to take due care in ensuring that we obtain reasonable assurance that the consolidated financial statements are free of material misstatement. Through sampling, an audit consists of reviewing the relevant entries justifying the information contained in these financial statements. An audit also consists of assessing the accounting principles and the key estimates applied for the closing of the financial statements and the overall presentation of these statements. We believe that our audits provide a reasonable basis for the opinion expressed hereafter.

With respect to the IFRS guidelines, such as they were adopted by the European Union, we certify that the consolidated financial statements for the year are true, accurate, and present a fair view of assets and liabilities, of the financial position, and of the overall results of the bodies and entities included in the consolidation.

II. Justification of our assessments

Pursuant to Article L. 225-235 of the Commercial Code relating to the justification of our assessments, we inform you of the following:

As stated in Note 2.2 to the consolidated financial statements, the management of your Company is required to make estimates and formulate assumptions affecting the sums appearing in the financial statements and their accompanying Notes. The material estimates attracting a justification of our assessments concern the following items:

- as stated in Note 2.9, every year your Company reviews the remaining economic working life of its in-orbit satellites based both on their expected use and on a technical assessment of their working lives. We evaluated the reasonableness of the assumptions applied;
- as stated in Note 2.10, the book value of long-term assets, which include goodwill, intangible assets, satellites, and shares subject to in the equity method, are subject to impairment tests. Your Company compares the book value of these assets to their estimated recoverable value on the basis of discounted future cash flows. We have evaluated the reasonableness of the assumptions used in the business plan and the resulting assessments.

Our assessments form part of our auditing procedures for consolidated financial statements and, taken in their totality, have contributed to the development of our opinion as expressed in the first part of this report.

III. Specific audit

In compliance with the generally accepted accounting standards in France, we also conducted an audit of the information related to the Group as provided in the management report.

We have no remarks to make regarding the sincerity of the information disclosed therein, nor on its consistency with the consolidated financial statements.

Done at Paris and Paris-La Défense, September 1, 2005

The Auditors

French original signed by

Mazard & Guérard	**Ernst & Young Audit**
Isabelle Massa	**Jean-Yves Jégourel**

20.3.2 Auditors' report on the *pro forma* financial information for the year ended June 30, 2005

"In our capacity as auditors and in application of Regulation (EC) No. 809/2004, we have prepared this report on the *pro forma* financial information of Eutelsat Communications S.A. (formerly SatBirds S.A.S.) in respect of the reporting period ended June 30, 2005, as given in Note 29 of paragraph 1 of chapter 7 of its prospectus dated September 7, 2005.

This *pro forma* information was prepared for the sole purpose of illustrating the effect of:

- the acquisition of 85.65% of the Eutelsat Group on April 4, 2005 and the additional acquisition of 7.67% on June 30, 2005;
- the putting in place of loans contracted to finance these acquisitions;

on the unaudited income statement of the Eutelsat Communications S.A. Group at June 30, 2005 had these two acquisitions and the creation of Eutelsat Communications S.A. taken place on July 1, 2004.

By their very nature, they describe a hypothetical situation and are not necessarily representative of the financial position or performance which might have been achieved if the transaction or event had happened at a date prior to that of its actual or envisaged occurrence.

This *pro forma* information has been prepared by the Board of Directors in application of the provisions of Regulation (EC) No. 809/2004, and the CESR recommendations relating to *pro forma* information.

It is our responsibility, on the basis of work undertaken, to express an opinion, in the terms required by annex II, point 7 of regulation (EC) No. 809/2004 as to whether the *pro forma* information has been properly prepared.

We performed our work in accordance with professional standards applicable in France. This work, which constitutes neither an audit nor a limited examination, and which did not include an examination of the financial information underlying the *pro forma* financial disclosures, consisted mainly of checking that the basis on which the *pro forma* information had been prepared was consistent with the source documents, of examining evidence supporting the *pro forma* restatements, and holding meetings with the Management of Eutelsat Communications S.A. to obtain such information and explanations concerning this *pro forma* information as we considered necessary.

In our opinion:

- the *pro forma* financial information was properly prepared on the basis stated;
- the accounting basis used for the purpose of preparing this *pro forma* financial information is consistent with the accounting methods that were applied for preparing the consolidated financial statements for the year ended June 30, 2005.

This report has been issued within the context of an Initial Public Offering within the European Union and should be viewed in the context of French law, including Regulation (EC) No. 809/2004 and the professional standards applicable in France."

Done at Paris and Paris-La Défense, September 7, 2005

The Auditors

French original signed by

Mazard & Guérard	**Ernst & Young Audit**
Isabelle Massa	**Jean-Yves Jégourel**

20.3.3 Consolidated Financial Statements of Eutelsat Communications prepared in accordance with IFRS for the three months to June 30, 2005

Consolidated balance sheet

(In thousands of euros)	Notes	June 30, 2005
ASSETS		
Non-current assets		
Goodwill	3,4	790,996
Intangible assets	3,4	918,688
Satellites and other fixed assets, net	5	1,827,903
Prepayments for satellites under construction	5	236,341
Investments in associates	6	111,425
Financial assets	7	1,585
Deferred tax assets, net	18	72,841
TOTAL NON-CURRENT ASSETS		**3,959,779**
Current assets		
Inventories	8	1,371
Accounts receivable	9	212,183
Other current assets	10	29,828
Current tax receivable	18	-
Financial instruments	23	1,499
Cash and cash equivalents	11	37,043
Total current assets		**281,924**
TOTAL ASSETS		**4,241,703**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Common stock	12	278,733
Additional paid-in capital		
Retained earnings		(26,281)
Cumulative translation adjustments		
Minority interests		120,400
Total shareholders' equity		**372,852**
Non-current liabilities		
Long-term bank debt	13	2,921,550
Financial Instruments	23	35,027
Other long-term liabilities	14,15	195,659
Provisions	19	49,387
Deferred tax liabilities	18	316,304
Total non-current liabilities		**3,517,927**
Current liabilities		
Short-term bank debt/current portion of long-term bank debt	13	77,811
Current portion of other debt	14,15	73,233
Accounts payable		44,354
Fixed assets payable		25,630
Taxes payable		22,468
Other payables and deferred revenues	17	100,291
Provisions	16	7,137
Total current liabilities		**350,924**
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY		**4,241,703**

Consolidated income statement

(In thousands of euros, except for share data)	**Notes**	**3 month period ended June 30, 2005**
Revenues	20	188,680
Revenues from Operations		**188,680**
Operating costs		(19,351)
Selling and administrative expenses		(32, 949)
Depreciation and amortisation	4,5	(73,241)
Other operating costs		(695)
Operating income		**(62,444)**
Financial Revenues		3,035
Financial Expenses		(59,640)
Financial result	21	**(56,605)**
Income from equity investments	6	66
Income before tax and minority interests		**5,905**
Income tax expense	16	(14,250)
Net income (loss)		**(8,345)**
Net income before minority interests		(13,428)
Minority interests		5,083
Earnings per share attributable to Eutelsat Communications' shareholders	22	
Basic earnings per share in €		(0.056)
Diluted earnings per share in €		(0.057)

Consolidated statements of cash flows

(In thousands of euros)	Notes	3 month period ended June 30, 2005
Cash flow from operating activities		
Net income (loss)		(8,345)
Income from equity investments		(66)
(Gain)/loss on disposal of assets		95
Other non-operating items		38,148
Depreciation, amortisation and provisions		75,179
Deferred taxes		(268)
Accounts receivable		28,440
Other assets		(2,657)
Accounts payable		2,356
Other payables and deferred revenues		(11,168)
Taxes paid		(12,003)
Net cash inflow from operating activities		**132,047**
Cash flow from investing activities		
Acquisition of Eutelsat, net of cash acquired(1)		(1,856,513)
Satellites and other property and equipment	5	(27,221)
Proceeds from disposal of assets		8
Acquisition of investments		
Changes in other long-term assets		759
Net cash inflow from investing activities		**(1,882,967)**
Cash flow from financing activities		
Additional long-term and short-term debt		2,163,294
Repayments in respect of performance incentives and long-term leases		(256,923)
Repayment of debt		(29,304)
Interest and other fees paid		(94,300)
Interest received		604
Other variations		22
Net cash inflow from financing activities		**1,783,393**
Impact of exchange rate on cash and cash equivalents		96
Increase/(decrease) in cash and cash equivalents		**32,569**
Cash and cash equivalents, beginning of period		**37**
Cash and cash equivalents, end of period		**32,606**
Cash reconciliation		
Cash and cash equivalents	11	37,043
Bank overdraft included under debt		(4,437)
CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT		**32,606**

(1) Including Eutelsat's cash and cash equivalents with a balance of 37,948 thousand euros at the acquisition date.

Consolidated statements of shareholders' equity

(In thousands of euros except for share data)	Common stock Number	Common stock Amount	Retained earnings and reserves	Minority interests	Total
As of April 1, 2005	**37,000**	**37**			**37**
Net profit for the period ended in 2005			(13, 428)	5,083	(8,345)
Variation of capital	278,695,598	278, 696			278,696
Consolidation variation			20	116,838	116,858
Translation adjustment			66	11	77
Financial Instruments			(15,614)	(1,985)	(17,599)
Grant of Stock Options			3,090	523	3,613
Adjustment of rights on stock options granted			(414)	(70)	(484)
As of 30 June 2005	**278,732, 598**	**278, 733**	**(26, 280)**	**120,400**	**372, 852**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

Detailed headlines of notes on the accounts

Note 1 General overview

1.1 – Incorporation

SatBirds was incorporated on February 25, 2005 as a simplified joint stock company (*société par actions simplifiée*) under French law. Its trade register listing will expire on February 25, 2104.

On April 4, 2005, the main direct and indirect shareholders of Eutelsat S.A. contributed and sold their Eutelsat shares to SatBirds S.A.S., hereinafter referred to as the "Group" (see Note 3 – *Impact of the Acquisition of Eutelsat S.A.*).

On August 31, 2005, SatBirds changed its corporate name to Eutelsat Communications. Simultaneously, the Company changed its legal form and became a French *société anonyme.*

1.2 – Information relating to the Company

As of August 16, 2005, the *Conseil d'administration* has decreed and authorised the publication of the Consolidated Financial Statements of Eutelsat Communications (previously known as SatBirds) for the three month period ending June 30, 2005.

1.3 – Business

Eutelsat Communications S.A. is a holding company which does not have any other business activity than having an indirect ownership in Eutelsat S.A. The Eutelsat Communications Group via Eutelsat S.A. and its subsidiaries is a private satellite communications operator involved in the design, establishment, operation and maintenance of a satellite telecommunications system covering a large geographical area (Extended Europe – which includes North Africa, Russia and the Middle East – the east of North America, Latin America, Sub-Saharan Africa and Asia).

On July 2, 2001, Eutelsat S.A., a shell company, has received all the operating activities, assets, liabilities and contingent liabilities of the Eutelsat Inter-Governmental Organisation (IGO). Since then, the assignment of frequencies for the use of the frequency spectrum resources used by Eutelsat S.A. in regards to the operations of these satellites are still under the joint responsibility of the member countries of the IGO, and of the IGO.

As of June 30, 2005, via Eutelsat S.A., the Group owns and operates 18 satellites in geostationary orbit, which provide capacity to major international telecommunications operators and broadcasting companies for television and radio broadcasting services (both analog and digital), business telecommunications services, multimedia applications and messaging and global positioning services. The satellites are operated through five earth stations, located in Belgium (Redu), France (Rambouillet), Italy (Fucino), Portugal (Sintra) and Russia (Dubna). In addition, the Group leases capacity on certain transponders on five satellites owned by related and unrelated parties.

Two additional satellites (HOT BIRD™ 7A, HOT BIRD™ 8) are currently under construction and expected to be launched at the end of 2005 and the beginning of 2006.

1.4 – Basis of Presentation

The annual closing date for the financial statements of individual companies is 30 June. Due to the fact that the Group was created on February 25, 2005 and that its first fiscal period lasted 33 days and ended on March 31, 2005, the consolidated financial statements at June 30, 2005 cover a three-month period.

The consolidated financial statements do not include a comparison with the year ended March 31, 2005 due to:

- the unequal lengths of the financial years;
- the character of the financial statements of Eutelsat Communications for the first year ended March 31, 2005, which, due to the recent formation of the company, included only capital of 37 thousand euros and a loss of 0.7 thousand euros.

In addition, unaudited *pro forma* financial information for a period of twelve months is presented in Note 29.

Note 2 Significant accounting policies

2.1 – Accounting standards

According to regulation 1602/2002 of the European Union regarding the application of international accounting standards, the Group has elected at its inception to issue its financial statements based upon the IFRS principles.

The consolidated financial statements have thus been prepared in accordance with IFRS principles: substance over form, going concern, accruals basis, consistency, materiality principles and aggregation. They have been prepared on a cost basis, except for certain elements for which the standards requires measurement at fair value.

IFRS framework rules include International Financial Reporting Standards (IFRS), International Accounting Standards and interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), such as those adopted by the European Union and in force as of June 30, 2005.

2.2 – The use of estimates

The preparation of consolidated financial statements requires Management to make assumptions and estimates that may affect the amounts appearing in these statements and their accompanying Notes.

Eutelsat Communications constantly updates its estimates using past experience as well as other factors which appear relevant in regards to the economic environment. Based upon the fluctuation of these assumptions or other different conditions, balances which will be part of future financial statements may differ from present estimates.

2.3 – Consolidation methods

The consolidated financial statements include the accounts of all companies controlled directly or indirectly by Eutelsat Communications, even if the Group does not own any equity of these companies. The Group has control when it holds directly or indirectly more than 50% of voting rights. The determination of control takes into account the existence of potential voting rights, provided that these are immediately exercisable or convertible.

Affiliated companies, defined as companies over which the Group exerts significant influence (generally between 20% and 50% of voting rights), are consolidated using the equity method. Significant influence is defined as the power to participate in the financial and operational decisions of the investee without having joint or separate control over them.

Companies are consolidated as of the date when control or significant influence is transferred to the Group. The Group's proportional interest in the earnings of these companies subsequent to acquisition is recorded in its income statement. Similarly the changes in their reserves following the acquisition which are not related to events having had an impact on the income statement are recorded in the consolidated reserves to the limit of the Group's proportional interest. Companies are deconsolidated as of the date when the Group transfers control or significant influence.

Intra-group balances and transactions are eliminated on consolidation.

2.4 – Accounting treatment for business combinations

In the event of a business combination, the acquired identifiable assets, liabilities, and contingent liabilities meeting the criteria defined under IFRS are measured initially at their fair values at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are measured at fair value less costs to sell.

Only the acquiree's identifiable liabilities satisfying the recognition criteria specified by IFRS are recognised following a business combination. Restructuring costs are only recognised to the extent that a liability exists at the date of acquisition.

Provisional fair values assigned at the date of acquisition to identifiable assets and liabilities may require adjustment as additional evidence becomes available to assist with the estimation (expert assessments still in progress at the acquisition date or additional analyses). When such adjustments are made prior to the end of a 12-month period commencing after acquisition, goodwill or negative goodwill is adjusted to the amount that would have been determined if the adjusted fair values had been available at the date of acquisition. When the carrying amounts are adjusted following the end of the 12-month period, income or expense is recognised rather than an adjustment to goodwill or negative goodwill, except where these adjustments correspond to corrections of errors.

Finally, any minority interest's share in net acquired assets is initially measured at fair value.

2.5 – Acquisition of minority interests

No accounting treatment for the acquisition of additional minority interests is currently specified under IFRS and the IASB is currently examining possible methods for the treatment of this type of transaction, expected to be among the proposed amendments to IFRS 3, "Business combinations". Therefore, in the absence of specific guidelines, the group is applying the following method: in the event of an acquisition of additional interests in a subsidiary, the difference between the purchase price and the carrying amount of acquired minority interests as indicated in the consolidated financial statements of the Group prior to the acquisition is recognised as goodwill.

2.6 – Foreign currency transactions

The Company's functional currency as well as the currency in which the Company's financial statements are presented is the euro.

Transactions in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the rate prevailing at the date of the transactions. The differences arising from it are recorded in the income statement. The main foreign currency used is the U.S. dollar. The closing exchange rate used is 1.21 U.S. dollar per euro and the average exchange rate used for the period is 1.22 U.S. dollar per euro.

At period-end, receivables and payables denominated in currencies other than the euro are translated into euro at the rate prevailing at the balance sheet date. The resulting unrealised gains and losses are recorded in the income statement for the period. Foreign exchange gains and losses arising from the translation of advances made to foreign subsidiaries and included in the net investment of the in the foreign operation are recognised directly under the "Cumulative translation adjustment" heading within the shareholders' equity.

Translation of foreign subsidiaries' financial statements

Each subsidiary outside the euro zone maintains its accounting records in the currency that is most representative of its economic environment. Their financial statements are translated into euros using the closing rate method at the balance sheet date. All assets and liabilities are translated into euros using the exchange rate prevailing at the balance sheet date. Revenues and expenses are translated using a weighted-average exchange rate for the period. The resulting translation difference is included under a separate component of shareholders' equity.

2.7 - Intangible assets

Intangible assets purchased separately or acquired by a business combination

Intangible assets purchased separately are recorded at their historical cost while those purchased in a business combination are recorded at fair value at the acquisition date during the allocation of the acquisition cost to each individual item. The fair value is determined by reference to the generally used methodology, such as those used, based on revenues, costs or the market value.

Intangible assets consist of the "Eutelsat" brand the client contracts and relationships, orbital rights and development costs. The "Eutelsat" brand is not amortised, but is tested for impairment on a yearly basis.

Brands as well as "Customer Contracts and Relationships" are recognised at acquisition cost. The latter is most often determined upon the allocation of the purchase price of a company applying generally accepted principles, which call for determination based on earnings, costs, or market value.

The "Eutelsat" brand is not amortised, but is tested for impairment on a regular basis.

The client portfolio is amortised on a straight-line basis over 20 years.

This useful estimated life was estimated on the basis of the average life of contractual relationships existing at the date of acquisition of Eutelsat, taking account of the expected renewal rate.

(See Note 2.10 – *Impairment of non-current assets).*

Research and Development Costs

Development costs are recorded as intangible assets as long as the capitalisation criteria defined under IAS 38, "Intangible assets" are met. Otherwise, they are expensed as incurred. Research costs are recognised as expenses.

For the period ending June 30, 2005, no development costs were capitalised by the Group.

Research and development costs were mainly incurred for the Group's multimedia operations and are recorded in the income statement under "Selling and administrative expenses."

2.8 - Goodwill

Goodwill is valued at the date of the business combination at its cost, which is the difference between the purchase price, including directly attributable costs, over the fair value of the Group's share of the acquired identifiable assets, liabilities and contingent liabilities.

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

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

It is tested for impairment at least annually or whenever events or circumstances indicate that the carrying amount may be impaired. Such events or circumstances include significant, other-than-temporary, adverse changes in the assumptions or expectations relating to the recoverable amount of the initial investment.

2.9 - Satellites and other fixed assets

Satellites and other fixed assets ("tangible fixed assets") are recognised at their acquisition cost, which includes all the related set up costs, less accumulated depreciation. Tangible fixed assets are recognised using the component approach which requires separate recognition and depreciation of each significant cost component of a tangible fixed asset whose useful life differs from that of the asset's other components.

Borrowing costs for the financing of tangible fixed assets are recognised as expenses for the part incurred during the construction period.

Satellites – Satellite costs include all expenses incurred in bringing individual satellites into operational use, and comprise manufacturing, launch and attributable launch insurance costs, capitalised interest, performance incentives and costs directly associated with the monitoring and support of the satellite programme (studies, staff and consultancy costs).

Satellite performance incentives – The Group has certain contracts with its satellite manufacturers that require the Group to make certain performance incentives payments upon the initial successful operation of the satellites and with respect to future years of successful satellite operation. The Group records the present value of such payments as a liability and capitalises these costs in the cost of the satellite. The performance incentive obligations are subject to reduction or refund if the satellite fails to meet certain technical operating standards. If the performance incentive is cancelled for one or more years, the cost of the satellite is adjusted, as well as the debt, and the depreciation is reviewed on a prospective basis.

Ground equipment – Ground equipment comprises the monitoring and control equipment at various European locations, and equipment at Headquarters, including technical installations, office furniture and computer equipment.

Depreciation – Depreciation is calculated on a straight-line basis over the estimated remaining useful life of each asset, or group of assets, starting from the in-service date of each asset or group of assets. The value in use is based on the economic useful life of the asset.

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

Satellites	10-16 years
Traffic monitoring equipment	5-10 years
Computer equipment	2-5 years
Leasehold improvements	3-9 years

The Group performs an annual review of the remaining useful lives of its in-orbit satellites on the basis of both their forecast utilisation and the technical assessment of their useful lives. When changes occur, depreciation is charged over the residual useful lives.

Assets under construction – Assets under construction are made up primarily of percentage-completion payments for future satellites, and prepaid amounts on launch vehicles and related insurance. Studies, staff and consultancy costs, capitalised interest and other costs incurred directly in connection with this activity have also been capitalised.

Assets under financial leases – Agreements for the Group to use capacity on all or part of the satellite's transponders are recognised, in accordance with IAS 17, "Leases" as finance lease. The Group shall recognise a finance lease as assets and liabilities in its balance sheet if the lease transfers substantially all risks and rewards incidental to ownership. Assets are depreciated over the shorter of their useful lives and the corresponding lease terms.

2.10 - Impairment of non-current assets

Goodwill and other intangible assets with an indefinite useful life, such as the brand, are tested for impairment once a year, irrespective of whether there is any evidence indicating that an asset may be impaired, or when an event occurs indicating a decline in their value.

For property and equipment and intangible assets having a determined useful life, such as the "Customer Contracts & Relationships", this test is performed each time there is an indication that their recoverable values may be lower than their carrying amount.

The impairment test consists of valuing the recoverable amount of an asset, which is the higher of its fair value net of selling costs and its value in use. If it is not practicable to estimate the recoverable value of a particular asset, the Group determines the recoverable value of the cash-generating unit (CGUs) with which it is associated. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets or groups of assets.

The Group estimates value in use on the basis of the estimated future pre-tax cash flows to be generated by an asset or CGU during its useful life, using the same methods as when the asset was acquired. Beyond a certain period, cash flows may be estimated on the basis of stable rates of growth or contraction.

Future cash flows are discounted using the long-term pre-tax interest rates that, in the opinion of the Group, best reflect the time value of money and the specific risks associated with the related assets or CGUs.

The fair value net of sale costs is equal to the amount which could be received from the sale of the asset (or of one unit) in the course of a regular competitive environment between interested and well informed parties, less the fees relating to the deal.

Impairment losses and reversals of impairment losses are recognised respectively within the income statement captions "Other operating costs" and "Other operating income". The impairment booked on goodwill cannot be reversed.

As of June 30, 2005, the CGUs that have been identified for impairment test are as follows:

- each of the 23 satellites;
- the investment in Hispasat Group;
- each of the four assets related to "client contracts and relationships."

Goodwill and the Eutelsat brand are tested for impairment at the level of Eutelsat.

2.11 - Inventories

Inventories are measured at the lower of acquisition cost and net realisable value. The cost is calculated on a weighted average basis.

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

2.12 - Financial instruments

Financial assets including trading financial assets and derivative instruments are booked at fair value at their initial recognition. The other financial assets and liabilities are booked at fair value after taking into consideration the transaction costs.

In accordance with IAS 39, "Financial instruments: recognition and measurement" and IAS 32, "Financial instruments: disclosure and presentation", the Group has adopted the following classification for financial assets and liabilities which is based upon the objectives determined by management at the time of their purchase. The designation and classification of marketable securities are determined at initial recognition.

2.12.1 – Financial assets

Financial assets are classified, reported and measured as follows:

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include assets held for trading and financial instruments designated as being measured at fair value through the income statement at initial recognition. This category includes financial assets acquired for the purpose of selling in the short term (generally within a period of less than 12 months). All derivative instruments are designated as hedging instruments.

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

Assets held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has the positive intent and ability to hold to maturity.

Held-to-maturity investments are measured at amortised cost using the effective interest method.

Assets available for sale

Financial assets available for sale are classified as non-derivative financial assets where they have been designated as available for sale by management or where assets have not been classified under the "Financial assets measured at fair value through profit or loss" or "Assets held to maturity" categories. Available-for-sale financial assets include investments other than investments in companies under the equity method of accounting which management intends to hold for an indefinite period of time. These investments are classified as financial assets under "Non-current financial assets".

They are recognised at fair value. Gains and losses arising from changes in the fair value of available-for sale assets are recorded in shareholders' equity in the period in which they arise. Upon their sale or where there is objective evidence that the asset is impaired, the cumulative gains and losses initially recognised in shareholders' equity are recognised in the income statement (financial result).

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that do not have a quoted market price in an active market. Loans are included in current assets under "Other current assets" and trade receivables are recorded in "Accounts receivable", except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets under "Financial assets". Loans and receivables are measured at amortised cost using the effective interest method.

2.12.2 – Financial Liabilities

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

2.12.3 – Financial instruments

Derivative instruments that are not designated as hedging instruments are recognised at fair value and re-measured at fair value. Variations in fair value are recorded under financial result.

Where a financial instrument can be qualified as a hedging instrument, these instruments are valued and recorded in accordance with the hedge accounting rules in IAS 39 (see Note 2.12.5 – *Hedging transactions*).

2.12.4 – Impairment

At each balance sheet date, the Company applies impairment tests to all financial assets in order to determine if there is an indication of impairment. Examples of impairment indicators include the following: breach of contract involving default in payment terms, significant financial difficulty of the lender or borrower, a likelihood of bankruptcy or a significant decline, other than temporary, in stock market capitalisation. Impairment is recognised in the income statement where there is objective evidence that the asset is impaired.

Impairment losses are accounted as financial expenses.

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

Specific cases of changes of allowances on client receivables

The Group's customers mainly comprise international telecommunications operators, broadcasters and other users of commercial satellite communications. Management monitors its exposure to credit risk and maintains, based upon expected collections, the allowances for probable losses that are charged to Selling and Administrative expenses.

2.12.5 – Hedging transactions

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

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

These criteria are applied where the Group uses derivative instruments designated as fair value hedging instruments, cash flow hedging instruments or hedging instruments for net investments in foreign entities.

Fair value hedging

Fair value hedging involves a hedge of the exposure to changes in the fair value of a recognised asset or liability or a hedge of the exposure to changes in the fair value of an unrecognised firm commitment that will affect reported income.

Cash flow hedging

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

The change in the fair value of a hedging instrument relating to the effective portion of a hedge is recognised in shareholders' equity. The change in fair value relating to the ineffective portion of a hedge is recognised in the income statement under “Other operating income” or under “Other operating costs” in the case of cash flow hedges of operational exposures and under financial revenues in the case of cash flows hedges of investment and financing exposures.

The cumulative changes in the fair value of a hedging instrument previously recognised in shareholders' equity are reclassified in the income statement when the hedged item affects profit or loss. Reclassified gains and losses are recorded under “Other operating income” or “Other operating costs” in the case of cash flow hedges of operational exposures and under financial income in the case of cash flows hedges of investment and financing exposures.

Where the anticipated transaction involves the hedging of an item other than a financial asset or financial liability, the cumulative changes in the fair value of the hedging instrument previously recognised in shareholders' equity are incorporated into the initial measurement of the asset or liability concerned.

Hedging of net investment in a foreign entity

Hedging of net investments in foreign entities is accounted for in a similar manner to cash flow hedges. Any gain or loss in the fair value of the hedging instrument relating to the effective portion of the hedge is recorded in shareholders' equity; the gain or loss relating to any ineffective portion is recognised in the income statement. Gains and losses accumulated in shareholders' equity are included in the income statement under “Other operating income” or under “Other operating costs” when the investment in the foreign entity is transferred.

2.12.6 – Fair value of financial instruments

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

The fair value of financial assets and liabilities traded in on active markets (current and non-current investments, derivatives) is determined on the basis of their quoted values on those markets at the balance sheet date.

The fair value of other financial assets or liabilities not quoted on an active market is determined by the Group using appropriate valuation methods and hypotheses reflecting market conditions at the balance sheet date.

2.13 – Cash and Cash Equivalents

Cash and cash equivalents consist mainly of cash on hand and at bank and highly liquid investments or deposit warrants with original maturities of three months or less.

2.14 – Shareholders' equity

External costs directly related to increases in capital, reduction of capital and share buy-backs are allocated to the share premium and contribution accounts net of taxes when an income tax saving is generated.

2.15 – Revenue recognition

The Group's operating revenues are mainly attributable to the leasing of satellite transponders on the basis of terms and conditions set out in the lease contracts.

These contracts are mainly defined over periods ranging from one year to the end of life of the satellite. Contracts usually provide for the right to free-of-charge time in case of interruptions caused by under-performing transponders. However, the Group is not liable for damage or loss suffered by a customer when the Group was not able, despite its efforts, to restore the allotted capacity in case of a service interruption or a degradation of the technical parameters of a transponder. The Group is liable only for damages resulting from the violation of its obligation under a customer lease. This liability is usually limited to a specified amount. Pursuant to certain contractual termination rights, the agreement can usually be terminated after two years with a one-year notice period and, depending on the type of lease, payment of the difference between the contractual price and the price that would have been paid for a lease with a duration similar to the expired period, plus interest for late payment, or by paying a percentage of the annual price applied to the residual period of the lease.

Revenues are recognised over the contractual period during which services are rendered, provided that a contract exists and the price is fixed or determinable and provided that, as of the date it is reported in the financial statements, it is probable that the trade receivable will be recovered.

Deferred revenues include the unearned balances of amounts for a period of no more than one year received from customers pursuant to transponder lease prepayment options. These amounts are released to revenues on a straight-line basis over the respective service period.

2.16 - Deferred taxes

Deferred taxes are recognised using the balance sheet liability method with respect to temporary differences arising between the tax base of an asset or liability and its carrying amount.

The determination of deferred tax is performed by each taxable entity and through the use of the liability method, according to which all temporary differences are taken into account.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from goodwill for which amortisation is not deductible for tax purposes or from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit, or the tax loss; and
- where the deferred tax liability arises from undistributed profits from investments for which the enterprise is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. However, a deferred tax asset is not recognised if it arises from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit, or the tax loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

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

2.17 - Earnings per share

Earnings per share are calculated by dividing the net allocable income of the period to the shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share are calculated using the share repurchase method, assuming (i) the exercise of all outstanding options and (ii) the conversion of any financial instruments, including the theoretical impact on net income of these transactions.

2.18 - Post-employment benefits

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

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

The present value of expected future payments is determined on the basis of demographic and financial assumptions such as mortality, staff turnover, salary growth and age at retirement. The rate used to discount estimated cash flows is determined by reference to market yields on high quality corporate bonds.

A complete assessment of the present value of the obligation is conducted each year and reviewed at intervening periods to identify any significant changes.

When actuarial gains and losses arising as a result of changes in actuarial assumptions exceed 10% of the greater of the defined benefit obligation or the fair value of plan assets at the balance sheet date, a portion of that net gain or loss is recognised immediately as income or expense. The portion recognised is the excess divided by the expected average remaining working lives of the employees benefiting from these plans.

The net pension cost for the period, consisting of the total service cost, interest cost, less the expected return on plan assets, is fully recognised in operating income or expense.

The management of defined contribution plans is assured by an independent entity (or fund) to which the subsidiary has the obligation to make regular contributions. All payments made by the Group with respect to defined contribution plans are expensed as incurred.

2.19 - Financial guarantee granted to a pension plan

Following the purchase of Eutelsat in April 2005, the Group granted a guarantee to the pension fund which engagements had been externalised prior to the contribution relating to the set up of Eutelsat. This defined-benefit pension scheme was closed and the vested pension rights frozen prior to the transfer. The risk resulting from this financial guarantee is analysed, assessed and reported according to accounting standards applicable to consolidated financial statements in the same way as the pension obligation described in Note 2.18, despite the fact that the Group has not assumed the legal commitments entered into by the Inter Governmental Organisation "IGO" in respect of the fund.

2.20 – Stock options

Benefits granted to employees in the form of stock options are recognised upon the granting of the options and are taken into account as additional compensation awarded to employees. These costs are recorded under personnel expenses, offset by increases in equity for the duration of the vesting period of the rights corresponding to the benefits granted.

In accordance with IFRS 2, "Share-based payments", only Group stock options granted after November 7, 2002 which had not yet vested at January 1, 2005 have been accounted for.

2.21 – Provisions

A provision is recognised when, at the balance sheet date, (i) the Group has a present legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) a reliable estimate of the amount involved can be made.

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

Where the effect of the time value of money is material, the amount of the provision recognised corresponds to the discounted value of expected cash flows deemed necessary to settle the obligation. This discounted value uses a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Any movement in provisions due to the time value of money or discounting is recognised as financial expenses on the face of the income statement.

Note 3 Impact of the acquisition of Eutelsat S.A.

Description of the acquisition

On April 4, 2005, the main direct and indirect shareholders of Eutelsat S.A. contributed and sold the majority of their Eutelsat shares to Eutelsat Communications.

The total consideration with respect to this transaction included a cash portion (88.2%) and a stock component, consisting of Eutelsat Communications S.A. shares (11.8%). The payment of the cash portion was funded by several credit facilities contracted by two intermediary structures, SatBirds Capital Participations S.C.A. and SatBirds Finance S.àr.l, both wholly owned subsidiaries of Eutelsat Communications S. A. (see Note 13 – *Bank Debt*). Following these contribution and sale transactions performed by Eutelsat Communications S.A., the acquired interest was contributed, through the intermediary of the two holding structures having obtained the financing, to SatBirds 2, a wholly owned subsidiary of SatBirds Finance S.àr.l and an indirect subsidiary of Eutelsat Communications S.A. On completion of these transactions, SatBirds 2 had direct control of 75.28% of the capital of Eutelsat S.A. and indirect control, through WhiteBirds S.A.S., of 10.36% of the capital of this same company.

Throughout all these contribution and sale transactions, Eutelsat S.A. shares were valued at 2.57 euros per share, on the basis of a multi-criteria approach and Eutelsat capital transactions in December 2004.

Accounting treatment of the acquisition

The arrangement between Eutelsat Communications and Eutelsat S.A. was recognised as a business combination in compliance with IFRS 3, "Business combinations", in which Eutelsat Communications was considered as the acquirer. On this basis, the assets and liabilities of Eutelsat S.A. were measured initially, in application of the acquisition method, at their fair values at the acquisition date.

The acquisition date is considered to be the date of the share exchange transaction and thus April 4, 2005.

The total acquisition cost of this investment correspondingsto 85.65% of Eutelsat amounted to 2,221,095 thousand euros and breaks down as follows:

(In thousands of euros)	
Number of Eutelsat Communications shares issued in exchange for Eutelsat S.A. shares	222,956
Number of Eutelsat Communications shares issued in exchange of receivables	2,488
Price of Eutelsat Communications shares issued	1 euro
Portion of the price remunerated in Eutelsat Communications shares	225,444
Portion of the price paid in cash in exchange for Eutelsat S.A. shares	1,685,096
Direct Acquisition expenses, after tax	47,200
Total acquisition cost by SatBirds 2	1,957,740
Acquisition costs of the shares owned by WhiteBirds	263,355
TOTAL ACQUISITION COST	**2,221,095**

As of March 31, 2005, the net worth of Eutelsat S.A. acquisition is the following in net value:

(In thousand of euros)	**Fair Value**	**Carrying Amount**
NON-CURRENT ASSETS		
Other intangible assets(1)	929,800	-
Satellites and other fixed assets, net (including satellites under construction)	2,085,478	2,085,478
Investments in associates(2)	111,359	111,359
Financial assets	3,133	3,133
Deferred tax assets, net	61,416	61,416
Total non-current assets	**3,191,186**	**2,261,386**
CURRENT ASSETS		
Inventories	2,336	2,336
Accounts receivable	217,847	217,847
Other current assets	28,378	28,378
Financial instruments	849	849
Cash and cash equivalents	50,613	50,613
Total current assets	**300,023**	**300,023**
TOTAL ASSETS	**3,491,209**	**2,561,409**
NON-CURRENT LIABILITIES		
Long-term bank debt	772,430	772,430
Financial Instruments	5,104	5,104
Other long-term liabilities	203,766	203,766
Provisions (3)	49,000	26,401
Deferred tax liability	312,349	-
Total non-current liabilities	**1,342,649**	**1,007,701**
CURRENT LIABILITIES		
Short-term bank debt / current portion of long-term bank debt	144,033	144,033
Current portion of other debt	89,894	89,894
Accounts payable	34,343	34,343
Fixed assets payable	13,885	13,885
Taxes payable	19,569	19,569
Other payables and deferred revenues	97,756	97,756
Provisions	9,408	9,408
Total current liabilities	**408,888**	**408,888**
TOTAL LIABILITIES	**1,751,537**	**1,416,589**
Eutelsat's Net Asset	**1,739,672**	**1,144,820**
% of Interest	**85.648%**	
Portion of Eutelsat Communications fair value in the acquired net asset	**1,489,995**	
Acquisition Cost	**2,221,095**	
Goodwill(4)	**731,100**	

(1) Intangible fixed assets identified and evaluated in connection with the acquisition consist of Customer contracts and relationships (889,000 thousand euros) and the Eutelsat brand (40,800 thousand euros).
"Customer contracts and similar arrangements" include all contracts signed as of the valuation date for a given orbital position, four of which pertain to Eutelsat. These were recognised using the surplus profits method incorporating:
- revenue assumptions based on the order book used to prepare the medium-term business plan, which takes into account the likelihood of renewals at the expiry of contracts;
- assumptions of recognition on a straight-line basis per transponder of operating costs and depreciation, and of their allocation to each orbital position taking into account the number of transponders per position.
- a discount rate of 8.5%.
The Eutelsat brand was measured using the royalty exemption method, on the basis of a royalty rate of 0.5% and a discount rate of 8.5%.

(2) The measurement of equity-accounted investments did not give rise to any adjustment in the carrying amount, as the latter was already adjusted to the recoverable amount or fair value determined on the basis of the business plans prepared by management at the entity in question (see Note 6).

(3) The adjustment to provisions is related to the measurement at fair value of the pension benefit obligation.
The accumulated actuarial gains or losses at the acquisition date arising from the financial guarantee given to a pension fund (see Note 2.19) *were taken into account upon the measurement of the fair value of the pension fund obligation.*

(4) Goodwill (731,100 thousand euros). Goodwill arises from the difference between the acquisition price and the acquirer's share in the fair value of Eutelsat S.A.'s assets and liabilities. It represents Eutelsat's potential for generating new contracts for new or existing orbital positions.

The fair values of assets acquired are determined with the assistance of independent values, depending upon the situation of Eutelsat S.A. at the acquisition date. However, in consideration of the agreed deadline as well as the size and complexity of the acquisition, they represent provisional assessments that may be adjusted with respect to additional information obtained upon the definitive allocation of the purchase price. Should any adjustments be necessary, both the new value obtained and related goodwill will be corrected as if this information had been available at the initial measurement of the business combination.

As of June 30, 2005, Eutelsat's S.A. income and expense items recorded in the consolidated income statement of Eutelsat Communications are as follows:

(In thousands of euros)	**3 month period ended June 30, 2005**
Revenues	188,680
Operating costs	(19,351)
Other operating income	-
Selling and administrative expenses	(31,944)
Depreciation and amortisation	(62,128)
Other operating costs	-
Operating income	**75,257**
Financial result	(14,851)
Income from equity investments	66
Income before tax and minority interests	**60,472**
Income tax	(18,076)
NET INCOME BEFORE MINORITY INTERESTS	**42,396**

Purchase of Minority Interests

On June 30, 2005, the minority shareholders of Eutelsat S.A., representing 7.67% of the capital of Eutelsat S.A., sold and/or contributed their Eutelsat shares valued at 2.57 euros per share in exchange for shares of the Company valued at 1 euro per share of Eutelsat Communications (formerly known as SatBirds S.A.S.). This additional acquisition of 7.67% of the capital of Eutelsat S.A. gave rise to the recognition of additional goodwill of 59,896 thousand euros in the consolidated financial statements of the Group. The additional acquisition cost for Eutelsat's minority shareholders resulted in the issue of 22,075,116 shares of the Company and a cash payment of 172,630 thousand euros. The total amount of acquisition expenses before tax equals to 384 thousand euros.

Note 4 Goodwill and other intangibles

"Goodwill and Other Intangibles", breaks down as follows:

CHANGE IN GROSS VALUE OF ASSETS

(In thousands of euros)	**Goodwill**	**Customer Contract and Relationships**	**Eutelsat Brand**	**Total**
APRIL 1, 2005	**-**	**-**	**-**	**-**
Change in the number of companies included in the Consolidation	790,996	889,000	40,800	1,720,796
Additions		-	-	-
Disposals		-	-	-
Transfers		-	- -	
JUNE 30, 2005	**790,996**	**889,000**	**40,800**	**1,720,796**

Goodwill includes the amount of goodwill relating to the purchase of the minority interests for 59,896 thousand euros (see Note 3 – *Impact of the Acquisition of Eutelsat S.A.*).

CHANGE IN DEPRECIATION AND IMPAIRMENT

(In thousands of euros)	Goodwill	Customer Contract and Relationships	Eutelsat Brand	Total
APRIL 1, 2005	**-**	**-**	**-**	**-**
Depreciation and Amortisation Expense	-	(11,112)	-	-
Reversals	-	-	-	-
Impairment	-	-	-	-
JUNE 30, 2005	-	**(11,112)**		-
Net value at June 30, 2005	**790,996**	**877,888**	**40,800**	**1,709,684**

Note 5 Satellites and other property and equipment, net

"Satellite and other property and equipment, net", breaks down as follows (including assets acquired under finance lease):

CHANGE IN GROSS VALUE OF ASSETS

(In thousands of euros)	Satellites	Other property and equipment	Satellites under construction	Total
APRIL 1, 2005	**1,820,260**	**58,016**	**207,202**	**2,085,478**
Change in the numbers of companies included in the Consolidation	1 820 260	58 016	207 202	2 085 478
Additions	-	11,882	29,139	41,021
Disposals	-	(127)	-	(127)
Transfers	-		-	
JUNE 30, 2005	**1,820,260(1)**	**69,771**	**236,341**	**2,126,372**

CHANGE IN DEPRECIATION AND IMPAIRMENT

(In thousands of euros)	Satellites	Other property and equipment	Satellites under construction	Total
APRIL 1, 2005	**-**	**-**	**-**	**-**
Depreciation and Amortisation Expense	57,473	4,668	-	62,141
Reversals	-	(13)	-	(13)
Impairment	-		-	-
JUNE 30, 2005	**57,473**	**4,655**	**-**	**62,128**
Net value at June 30, 2005	**1,762,787(1)**	**65,116**	**236,341**	**2,064,244**

(1) Satellites and other property and equipment subject to finance leases.

(In thousands of euros)	
Gross amount at acquisition	130,549
NET AMOUNT AT JUNE 30, 2005	**126,092**

This item refers in particular to three satellites for which capacity is leased, the relevant agreements considered as finance leases recognised as assets in the context of the business combination:

- in the amount of 59,959 thousand euros, for the agreement signed with the related party in March 2004 covering 12 transponders of the SESAT 2 satellite for a term equal to the satellite's lifetime;
- in the amount of 9,046 thousand euros, for the agreement signed with the related party in May 2001 covering 5 transponders of the Express A3 satellite for a term equal to the satellite's lifetime. The entire lease payment was settled in advance for this contract;
- in the amount of 45,237 thousand euros, for the agreement signed in April 2000 with a financial institution and a satellite manufacturer for the in-orbit delivery of ATLANTIC BIRD™ 1 and for a term of 11.25 years commencing on its date of entry into service in October 2002.

This amount takes into account the expected impairment of this satellite subsequent to its entry into operation arising from several interruptions in service requiring the implementation of corrective measures (as of today, the manufacturer is not able to guarantee the absence of further interruptions) and the inability to make commercial use of the transponders.

The joint insurance claim brought by the manufacturer and by Eutelsat S.A., in their respective capacities as insured and additional insured, asserting the satellite as a total loss was rejected by the insurers in January 2005. While reserving its right to contest this rejection, Eutelsat maintains its participation alongside the manufacturer in discussions with the insurers with a view to reaching an alternative settlement for damages. This fact was not taken into account in the valuation of the acquired assets and liabilities of Eutelsat.

As of June 30, 2005, two satellites were under construction, HOT BIRD™ 7A and HOT BIRD™ 8.

Note 6 Investments in associates

As of June 30, 2005, the Group owns, through its subsidiary Eutelsat S.A., 27.69% of Hispasat, a non-listed Spanish satellite operator, acquired on December 28, 2001 in the initial amount of 21.15%, followed by an additional 6.54% on April 8, 2002.

The effects of the acquisition of Eutelsat S.A. by Eutelsat Communications based upon the valuation of independent experts as of December 31, 2004 did not change the value of the assets and liabilities as indicated in the table below:

(In millions of euros)	**June 30, 2005**
Intangible assets[(1)]	27.7
Service contract[(2)]	2.1
Investment in Hispasat	5.0
Subtotal	**34.8**
Hispasat net assets	76.6
TOTAL	**111.4**

(1) These relate to rights to the use of frequencies at the 30 degrees West orbital position, together with long-term contractual relationships with customers. The useful life of the orbital position has been considered indefinite, given the high probability of renewal of the administrative authorisations for the use of frequencies, and the specific nature of the customer contracts.

(2) The useful lives of the other identified intangible assets have been estimated at 15 years.

As of June 30, 2005, the follow up of the value in use of the investment has not led to an adjustment of its value in the balance sheet. It has been determined from projections of the cash inflow based on the business plan set up for a period of 5 years by the Company's management and reviewed by Eutelsat's S.A. management. The cash inflows have been extrapolated with a growth rate of 1% until the probable expiry of the rights on the orbital positions and discounted on the base of 10% and 11% respectively for European and South American operations

In terms of sensitivity analysis, a change of 1% in the discount rate has an impact of approximately 15% on the investment value.

This analysis took into account the problems related to the operation of the AMAZONAS satellite. In fact following the orbiting phase beginning August 5, 2004, a performance test uncovered a loss of pressure on the satellite's propulsion tanks. According to analysis performed by the supplier, the satellite's operational life has been reduced to less than 10 years. This useful life has not been subject to any revisions at the acquisition date.

At this phase and because the damage has been notified to the insurance, Hispasat's management considers that the insurance policy is sufficient to cover the damage and its consequences.

At June 30, 2005, "Income from equity investments" in the consolidated income statement corresponds to the Group's share of income from Hispasat as of June 30, 2005, after amortisation for the period of the intangible assets identified.

The following table summarises data for the Hispasat Group at December 31, 2004:

(In millions of euros)	**December 31, 2004**
Assets	646,988
Equity	277,917
Revenue	84,368
NET INCOME	**921**

Note 7 Non-current financial assets

Non-current financial assets are made up of:

(In thousands of euros)	**June 30, 2005**
Available for sale financial assets(1)	400
Long term loans and advances	1,185
TOTAL	**1,585**

(1) Non-listed investments valued at cost less impairment.

Available-for-sale financial assets

Available-for-sale, non-consolidated investments are mainly made up of investments in Sitcom representing 11.56% of ownership. These investments were acquired by Eutelsat S.A. and had a net value of 370 thousand euros as of March 31, 2005. No impairment has been recorded on these investments as of June 30, 2005.

Long-term loans and advances

Long-term loans and advances are mainly composed of employee loans in the net amount of 0.9 million euros at June 30, 2005. The balance represents rental guarantee deposits for Eutelsat's S.A. Paris premises.

Note 8 Inventories

Net inventories amount to 1,371 thousand euros at June 30, 2005. They are mainly comprised of reception aerials and modems.

Note 9 Accounts receivable

Accounts receivable are mainly composed of receivables towards international telecommunication operators, providers and other communication professional users via satellites.

As of June 30, 2005, the net value of these receivables is of 212,183 thousand euros. The amount of the allowance for bad debt is of 2,465 thousand euros.

Note 10 Other current assets

Other current assets were as follows at June 30, 2005:

(In thousands of euros)	**June 30, 2005**
Prepaid expenses	18,633
Foreign VAT receivable	6,504
Other receivables	4,691
TOTAL	**29,828**

10.1 – Prepaid expenses

At June 30, 2005, prepaid expenses mainly comprised prepaid satellite insurance in an amount of 12.7 million euros and prepaid satellite operating expenses in an amount of 5.8 million euros.

10.2 – Other receivables

At June 30, 2005, other receivables mainly included VAT receivables.

Note 11 Cash and cash equivalents

At June 30, 2005, cash and cash equivalents were as follows in thousands of euros:

(In thousands of euros)	**June 30, 2005**
Cash	15,347
Short-term investments	21,696
TOTAL	**37,043**

Note 12 Shareholders' equity

12.1 – Shareholders' equity

As of June 30, 2005, the share capital of Eutelsat Communications S. A. consists of 278,732,508 shares, with a par value of 1 euro per share. Eutelsat Communications does not hold any treasury stocks.

12.2 – Impact of the acquisition of Eutelsat S.A. on shareholders' equity

As a result of the acquisition of 85.65% of Eutelsat on April 4, 2005, and an additional 7.67% on June 30, 2005, the Group increased it's capital by a total amount of 278,696 thousand euros, through the issue of 278,695,698 new shares with a par value of 1 euro, as consideration respectively for the 86,753,409 Eutelsat S.A. shares contributed, and for the contribution by SatBirds Capital Participations of 86,198 shares and of 55,642 thousand euros of receivables.

12.3 – Share subscription and share purchase option plans of Eutelsat S.A.

The information detailed in this Note is only of interest in regards to the sub-group Eutelsat and of its governing bodies.

In accordance with the rules of the "Partners" and "Managers" stock-option plans and pursuant to legal and regulatory provisions, the General Meeting of Shareholders of December 10, 2004, decided to make an exceptional distribution of reserves from the distributable reserves and from "Additional paid-in capital". In light of this decision, the Board of Directors implemented measures to protect the rights of those holding stock options granted but not yet exercised as of the date of the General Meeting in question (December 10, 2004).

These protective measures generally involve adjusting the subscription conditions, the conversion bases and the original procedures for exchange or grant, in order to take into account of the effect of the distribution of reserves.

Pursuant to regulatory provisions, this adjustment involved the following measures: downward adjustment to the exercise price for options granted but not exercised, and an upward adjustment to the number of underlying shares for each option not yet exercised, so that each holder would be able to invest the amount originally foreseen.

It should also be noted that beneficiaries of "Partners" stock options not yet exercised at the date of the General Meeting have benefited from particular protection measures, since the reduction in the subscription price (originally fixed at 1.1 euro for this plan) cannot have the effect of reducing the subscription price to below the par value of the shares (fixed at 1.0 euro).

If Article D 174-12 had been applied, the subscription price of the stock option would have been at less than 1 euro.

The General Meeting of shareholders therefore voted a resolution to assign 0.47 euro(i.e. 0.57-0.10 euro) per "Partners" plan option not yet exercised (a total amount of 734,023.44 euros) to a special reserve account for those holding such options, with the amount required being taken from "Additional paid-in capital". The reserve so constituted is released as and when these options are exercised by their holders.

The Board of Directors also decided (on May 12, 2005) to cancel the conditions for a holding period before exercising options under all stock-option plans outstanding as of that date, so as not to penalise the holders of options in the event of dividend payment. All options granted, therefore, are exercisable. The following table presents the summary of how the plans have evolved:

Plans	Granted	Exercised	Cancelled	Balance	Exercise price *(In €)*
BEFORE DISTRIBUTION					
Partners	4,233,788	(2,515,497)	(156,539)	1,561,752	1.10
Managers	2,010,000	-	-	2,010,000	2.00
Managers II					
- 13/12/02	3,150,180	(58,266)	-	3,091,914	1.79
- 24/02/03	56,000	-	-	56,000	1.79
Managers III					
- 17/12/03	8,011,938	-	-	8,011,938	1.70
- 08/04/04	1,102,000	-	-	1,102,000	1.70
- 28/06/04	325,000	-	-	325,000	2.00
Managers IV	3,000,000	-	-	3,000,000	2.20
TOTAL	**21,888,906**	**(2,573,763)**	**(156,539)**	**19,158,604**	**-**
AFTER DISTRIBUTION					
Partners	4,389,963	(3,545,738)	(191,878)	652,347	1.00
Managers	2,603,627	(97,151)	-	2,506,476	1.54
Managers II					
- 13/12/02	4,063,336	(154,555)	-	3,908,781	1.38
- 24/02/03	72,539	-	-	72,539	1.38
Managers III					
- 17/12/03	10,378,158	-	-	10,378,158	1.31
- 08/04/04	1,427,461	(64,042)	(64,767)	1,298,652	1.31
- 28/06/04	420,985	-	-	420,985	1.54
Managers IV	3,886,033	(113,628)	-	3,772,405	1.70
TOTAL	**27,242,102**	**(3,975,114)**	**(256,645)**	**23,010,343**	**-**

On July 2, 2001, the shareholders authorised a "Partners" Stock Option Plan that provided for the grant of stock options to the employees and the members of the Management Board within a period of one month for a maximum of 0.5% of the Company's share capital. A total of 4,233,788 options were granted at an exercise price of 1.1 euro. Half of the options vested immediately. However, if not exercised within one month of the grant date, vesting occurred after a two-year period. The remaining half vested two years after grant date. The options expire eight years after the grant date.

On October 15, 2001, the shareholders authorised a "Managers" Stock Option Plan, which provided for the grant of stock options to certain employees and members of the Management Board within a period of one month, for a maximum of 1% of the Company's share capital less the number of options already granted under the earlier authorisation. A total of 2,010,000 options were granted at an exercise price of 2.0 euros. The options vested four years after the grant date and expire eight years after the grant date.

On November 5, 2002, at an Extraordinary General Meeting of shareholders, authorisation was granted for a "Managers II" Stock Option Plan, which provides for the grant of stock options to Corporate officers (*mandataires sociaux*) of Eutelsat S.A., senior managers and key personnel within a period of 38 months, for a maximum of 2.7% of the Company's share capital. A total of 3,206,180 options were granted at an exercise price of 1.79 euro. The options vest in portions of one third at July 1 in the three years following the year of the grant date and expire eight years after the grant date.

At an Extraordinary General Meeting of shareholders on November 25, 2003, the delegation of authority given to the Management Board on November 5, 2002 was amended in order to grant Company stock options. The Management Board now has authority to implement a programme over the next 26 months for the grant of stock options or buy-back of shares to the benefit of the Company's Corporate officers, employees and staff employed by the Group, up to a maximum of 2.37% of the Company's share capital. According to the "Managers III" Plan so authorised, 9,113,938 options were granted at an exercise price of 1.7 euro (the options vest in portions of one third at April 8 in the three years following the year of the grant date and expire eight years later) and 325,000 options were granted at an exercise price of 2.0 euros (the options vest from the meeting of shareholders that approves the financial statements for the year 2004 and expire eight years later).

On November 23, 2004, the Board of Directors, acting in pursuance of the Company's stock-option programme authorised by the Extraordinary General Meeting of November 25, 2003, decided to introduce the "Managers IV" plan to grant 3,000,000 stock options to key managers and personnel at an exercise price of 2.2 euros. The options vested in portions of one third as at November 23 in the three years following the year of the grant date and expire eight years later.

A summary of the stock options plans activity is presented below:

	Number of shares reserved fo future grants	Stock options outstanding	Weighted average exercise price *(in €)* after distribution
Balance as of April 1, 2005	5,946,498	24,449,952	1.32
Authorised	-	-	-
Granted	-	-	-
Exercised	-	(1,374,842)	1.14
Cancelled	-	(64,767)	1.20
BALANCE AT JUNE 30, 2005	**5,946,498**	**23,010,343**	**1.41**

The weighted average remaining contractual life of options outstanding is 6.17 years: 4.01 years for "Partners" plan options; 4.32 years for "Managers" plan options; 5.46 years for "Managers II" plan options; 6.52 years for "Managers III" plan options and 7.41 years for "Managers IV" plan options.

Options have been measured at fair value by the Company using the Black & Scholes method based on estimated volatility of 26.36% and a weighted average unit cost of 1.68 euro per option. Valuations are performed when options are issued and are not subsequently modified. The value of options is then spread on a straight-line basis over the vesting period whilst taking account of option cancellations.

Compensation expense charged directly to equity in respect of stock option subscription plans amounted to 3.6 millions euros for the three-month period ended as of June 30, 2005 following the Board of Directors meeting as of May 12, 2005, which has decided to immediately grant the acquisition of the rights.

12.4 - Minority Interests

Nebozzo S.àr.l. and a minority shareholder have signed an agreement on March 14, 2005 relating to the sale by RSCC of 34,284,270 shares of Eutelsat S.A. at a price of 2.58 euros per share. The success of this sale is submitted to several conditions, such as the delivery of administrative authorisations to the minority shareholder. The purchase of these shares will be done by Nebozzo S.àr.l. and will be jointly financed by the main shareholders. Nebozzo has committed towards Eurazeo, GSCP and to Cinven to reconvey these Eutelsat shares received by the minority shareholder to SatBirds 2 immediately. In exchange as planned, Nebozzo S.àr.l. will redistribute to Eurazeo, GSCP and to Cinven their share of the proceeds from the sale of the Eutelsat shares as a payment in both cash and in SatBirds 2 borrower's notes. Thereafter, these notes should be given to Eutelsat Communications on October 6, 2005.

Note 13 Bank debt

13.1 – Non-current portion

In order to fund the acquisition of Eutelsat on April 4, and June 30, 2005, the Group entered into the following loan agreements on March 30 and April 4, 2005: on April 4, 2005, SatBirds Finance S.àr.l completed a senior credit lines facility (“Senior Credit Facility”), which consists of three components: (i) a 7-year Term “A” loan with a maximum principal amount of 750 million euros, (ii) an 8-year Term “B” loan with a maximum principal amount of 875 million euros, and (iii) a 7-year revolving credit facility with a maximum principal amount of 150 million euros; on the same date, SatBirds Finance S.àr.l also completed an 8½-year second lien credit facility (“Second Lien Credit Facility”), with a maximum principal amount of 475 million euros; on March 30, 2005, SatBirds Capital Participations S.C.A. entered into a 300 million euros floating rate senior PIK loan facility agreement, the “PIK Loan”, repayable at maturity on May 1, 2014.

a) Senior Credit Facility and Second Lien Credit Facility

The undrawn amounts of the Term A and Term B loans must be used mainly to fund future contribution and sale transactions involving Eutelsat shares.

Interest rates

The amounts drawn on the components of the Senior Credit Facilities bear interest at EURIBOR plus a margin, subject to quarterly adjustments based on the ratio of total net debt to EBITDA (as defined under the terms of the contract, total net debt notably excludes the PIK Loan). With respect to the Senior Credit Facilities, this margin falls in the range of 1.25 to 2.25% for the Term A loan and the revolving credit facility, and in the range of 2 to 2.75% for the Term B loan. Amounts drawn on the Second Lien Credit Facility bear interest at EURIBOR plus 4.25%.

Early repayment obligations

The terms of the agreements include the obligation to make early repayment of all amounts due, in the event of certain types of modifications in the control of the Company and/or its investment in Eutelsat S.A.

Furthermore, these agreements entail an obligation to make partial early repayment of amounts due in the event of a cash surplus at the level of the parent companies of Eutelsat S.A. However, following a “qualifying” IPO, this obligation for partial early repayment applies only if the ratio of total net debt to EBITDA (as defined under the terms of the agreement, total net debt notably excluding the PIK Loan) is greater than 5.00 to 1.

Under the terms of these agreements, an IPO by the Company is considered to be “qualifying” if upon its completion the ratio of total net debt to EBITDA is less than or equal to 5.00 to 1.

Restrictive clauses

The Senior Credit Facilities and the Second Lien Credit Facility also include restrictive clauses limiting the capacity of Group companies, in particular to: pay dividends or carry out other types of distributions. Specifically, the payment of dividends or other distributions is not authorised if the ratio of total net debt to EBITDA is greater than 5.00 to 1; create security interests; enter into agreements creating additional liabilities (including hedging instruments) or issue preferred shares; purchase or redeem subordinated debt prior to maturity; grant loans and carry out certain types of investments; enter into merger, acquisition, asset disposal, or lease transactions; and modify the nature of the business of Eutelsat S.A. or its subsidiaries.

In addition, the agreements entail an obligation concerning the subscription of launch-plus-one- year insurance policies similar to that entailed by Eutelsat S.A.’s syndicated credit facility, described below under (c).

Early redemption options

SatBirds Finance S.àr.l has the option to redeem (in part or in full) all components of the Senior Credit Facilities at any time prior to maturity, without penalty or premium. In addition, it may opt for early redemption of the Second Lien Credit Facility (in part or in full) (i) by April 4, 2006 upon payment of 102% of its face value, (ii) between April 5, 2006 and April 4, 2007 upon payment of 101% of its face value, and (iii) from April 4, 2007 upon payment of 100% of its face value. In general, any early redemption must be split between the two types of facilities, with two-thirds of the amount allocated to the Senior Credit Facilities and one-third allocated to the Second Lien Credit Facility.

Financial ratios

The Senior Credit Facilities agreement and the Second Lien Credit Facility agreement require the Group to maintain certain financial ratios, which are tested each quarter on the basis of financial information for the four quarters preceding the test date. In the event of a “qualifying” IPO, and provided that the ratio of total net debt to EBITDA remains less than 5.00 to 1, the financial ratios will be tested twice a year and two of them will no longer apply. The first test date for these ratios is September 30, 2005. In the normal course of events, the applicable net debt ratios and that of consolidated EBITDA to the total payable cash interest expense decrease over time.

The table below presents the applicable ratios at June 30, 2006 and June 30, 2007:

	Prior to a "qualifying" IPO		Subsequent to a "qualifying" IPO	
	At 30 June			
	2006	2007	2006	2007
Maximum ratio of total net debt(1) to consolidated EBITDA(2)	6.10	5.70	–	–
Maximum ratio of senior net debt(3) to consolidated EBITDA(2)	5.15	4.80	5.15	4.80
Minimum fixed charge coverage ratio(4)	1.00	1.00	–	–
Minimum ratio of consolidated EBITDA(2) to total payable cash interest expense(5)	3.20	3.25	3.20	3.25

(1) The total consolidated debt of SatBirds Capital Participations S.C.A. and its subsidiaries, less the PIK Loan and cash on hand; the total net debt of Eutelsat S.A. and its subsidiaries being multiplied by the percentage of Eutelsat shares held directly or indirectly by SatBirds Capital Participations S.C.A. at the test date.

(2) The EBITDA of Eutelsat S.A. and its subsidiaries multiplied by the percentage of Eutelsat S.A. shares held directly or indirectly by SatBirds Capital Participations S.C.A. at the test date.

(3) The total net debt as defined above, less any amounts owed under the Second Lien Credit Facility.

(4) All distributions made by Eutelsat S.A. to its shareholders, multiplied by the percentage of Eutelsat S.A. shares held directly or indirectly by SatBirds Capital Participations S.C.A. at the test date, plus certain amounts that may have been drawn on the revolving credit facility component of the Senior Credit Facilities, plus certain accrued interest amounts on cash balances, divided by the net interest expense related to the Senior Credit Facilities and the Second Lien Credit Facility.

(5) The cash interest expense of SatBirds Capital Participations S.C.A. and its subsidiaries (with the exception of Eutelsat S.A. and its subsidiaries).

All these ratios are defined for the entire term of the various credit facilities and decrease over the period, except for the minimum ratio of "consolidated EBITDA to total payable cash interest expense, which increases over the period.

Default

These credit facilities are subject to an early redemption obligation in the event of default for the usual reasons, notably if a circumstance has an unfavourable, material impact on the business or the financial position of the Group and on its capacity to discharge its debt, or if the statutory auditors have reservations concerning the Group's consolidated financial statements that might have a material impact on the financing.

Security interests and guarantors

SatBirds Finance S.àr.l's obligations under the terms of the Senior Credit Facilities agreement are secured by certain of its subsidiaries as guarantors. These obligations are also secured by a lien on the entirety of shares held by the Company and its subsidiaries (with the exception of shares held by Eutelsat S.A. in its subsidiaries) as well as on all inter-company loans.

The Second Lien Credit Facility is secured in the same manner as the Senior Credit Facilities, on a subordinated basis, and with the same security interests, but by a second priority lien.

Interest rate hedging

In accordance with its obligations under the terms of the Senior Credit Facilities and Second Lien Credit Facility agreements, SatBirds Finance S.àr.l uses hedging instruments to limit its exposure to interest rate risk for no less than 50% of the amounts drawn on the Senior Credit Facilities (for a minimum period of three years). (see Note 23 – *Financial instruments*).

b) PIK Loan

On March 30, 2005, SatBirds Capital Participations S.C.A. entered into a 300 million euros floating rate senior PIK Loan facility agreement ("PIK Loan"), bearing interest at 6-month EURIBOR plus 8.25% (with the possibility of an additional 2% increase from May 1, 2008 if certain debt reduction targets have not been met). The PIK Loan is redeemable at maturity on May 1, 2014. Interest on the PIK Loan is payable, at the discretion of the borrower, either in cash or through capitalisation of the interest expense.

The PIK Loan agreement includes restrictive clauses, combined with exceptions and reservations, limiting the capacity of the Group's companies, in particular to: dispose of assets (including equity investments), with the requirement that the income from such a disposal be allocated, in its entirety or in part, to the repayment of the loan or the acquisition of other assets; merge with other companies; carry out certain types of investments or acquisitions; subscribe to or act as guarantor for additional borrowings, or issue preferred shares; create certain security interests; perform certain transactions with subsidiaries; enter into leases.

Furthermore, under the terms of the PIK Loan agreement, SatBirds Capital Participations S.C.A. may not (i) pay dividends or other types of distributions (with the exception of dividends paid in shares), (ii) buy back or redeem its own shares, or (iii) complete early redemption of any subordinated debts.

The agreement also entails an obligation concerning the subscription of launch-plus-one- year insurance policies similar to that entailed by Eutelsat S.A.'s syndicated credit facility, described below under (c).

SatBirds Capital Participations S.C.A. may redeem the PIK Loan, in part or in full, (i) between October 1, 2005, and October 1, 2006, upon payment of 100.5% of its face value, (ii) between October 1, 2006, and October 1, 2007, upon payment of 102% of its face value, (iii) between October 1, 2007, and October 1, 2008, upon payment of 101% of its face value, and (iv) from October 1, 2008, upon payment of 100% of its face value. Moreover, if the control structure of SatBirds Capital Participations is modified, each lender may also obtain early redemption.

c) Syndicated credit facility

On November 24, 2004, Eutelsat S.A. completed a 1.3 billion euros 7-year syndicated credit facility including (i) a 650 million euros loan repayable at maturity, and (ii) a 650 million euros renewable credit facility, to be utilised, in order of priority, in the following manner: for the early redemption of pre-existing credit facilities; for the refinancing of other liabilities; and for the general requirements of the Company.

The amounts drawn on this credit facility bear interest at EURIBOR (or LIBOR for amounts drawn in U.S. dollars) plus a margin of between 0.25 and 0.75%, depending on Eutelsat S.A.'s long-term debt rating assigned by Standard & Poor's.

Under the terms of this credit facility, Eutelsat S.A. is required to maintain a total net debt to EBITDA (as these terms are defined contractually) ratio less than or equal to 3.75 to 1, and this ratio is tested at June 30, and December 31, each year. In addition, apart from the usual restrictions, the agreement includes clauses limiting the capacity of Eutelsat S.A. to create security interests on its assets, to dispose of assets or to utilise the income from the disposal of assets for the payment of dividends. However, Eutelsat S.A. is authorised to sell one or more of its satellites (or related assets) for a total maximum amount of 450 million euros, provided that less than half of the net income from these disposals is allocated to the payment of dividends or other types of distributions. Furthermore, this credit facility includes a clause requiring that Eutelsat S.A. subscribe to launch-plus-one- year insurance policies for nearly all its satellites.

d) Medium-term loan agreement

On December 5, 2001, Eutelsat S.A. concluded an agreement for a 150 million euros medium-term loan with Banca OPI, which reaches maturity on December 24, 2006. Proceeds from this loan were utilised in part to refinance the 500 million euros bilateral renewable credit facility that was completed on May 30, 2001 with Banca OPI.

Under the terms of this medium-term loan agreement, Eutelsat S.A. must maintain certain financial ratios, which are tested each year. The agreement requires Eutelsat S.A. to maintain a ratio of total net debt to total equity of 1.35 to 1, a ratio of total net debt to EBITDA of 3.5 to 1 and a ratio of EBITDA to net interest expense less than or equal to 5 to 1. At the most recent test date (June 30, 2005), Eutelsat S.A. was in compliance with the financial clauses contained within this loan agreement. In addition, these clauses limit Eutelsat S.A.'s capacity to create security interests on its assets, dispose of its assets and undertake any other action generally subject to restriction in loan agreements. Furthermore, this credit facility includes a clause requiring Eutelsat to maintain a launch-plus-one-year insurance policy for its satellites. The amounts drawn on this credit facility bear interest at the nominal annual rate of 4.8%.

e) Financial information at June 30, 2005

The non-current portion of the Group's long-term bank debt at June 30, 2005 breaks down as follows:

in thousands of euros	June 30, 2005	
	Fair value	**Carrying Amount**
Senior Term "A" loan (variable rate)	585,293	585,293
Senior Term "B" loan (variable rate)	875,000	875,000
Revolving credit facility (variable rate)	8,000	8,000
Second lien credit facility (variable rate)	475,000	475,000
Senior PIK Loan (variable rate)	300,000	300,000
Credit facilities (variable rate)	70,000	70,000
Interest-only loan (variable rate)	650,000	650,000
Loan (fixed rate)*	26,072	26,527
Subtotal of debts (non-current portion)	**2,989,365**	**2,989,820**
Issue costs		(68,270)
TOTAL		**2,921,550**

* *The fixed-rate loan corresponds to a 150 million euros amortisable loan at a fixed rate of 4.8%, contracted on December 24, 2001. Repayment is scheduled at 6-month intervals and began on June 24, 2004. The loan reaches maturity on December 24, 2006.*

Issue costs for the loans contracted for the acquisition of Eutelsat S.A. shares were amortised using the effective interest rate method. Costs remaining to be amortised at June 30, 2005 were charged to the carrying amount of the loans. At June 30, 2005, they represent a balance of 68,270 thousand euros.

The fair value of the fixed-rate loan was estimated on the basis of the present value of future cash flows with reference to interest rates available for a loan presenting similar characteristics.

At June 30, 2005, the Group has access to the following main credit facilities:

	June 30, 2005		
(In millions of euros)	**Amount granted**	**Amount utilised**	**Maturity**
Senior Term "A" loan	750	585	4/4/2012
Senior Term "B" loan	875	875	4/4/2013
Revolving credit facility	150	8	4/4/2012
Second lien credit facility	475	475	10/4/2013
Senior PIK Loan	300	300	5/1/2014
Revolving credit facility	650	70	11/24/2011
Interest-only loan	650	650	11/24/2011
TOTAL	**3,850**	**2,963**	

The weighted average interest rate for the period ending June 30, 2005 on amounts drawn under these credit facilities is 5.5%.

At June 30, 2005, the non-current debt maturity analysis is as follows:

(In thousands of euros)	**June 30, 2005**	**Maturity within one year**	**Maturity between 1 and 5 years**	**Maturity after 5 years**
Senior Term "A" loan	585,293			585,293
Senior Term "B" loan	875,000			875,000
Revolving credit facility	8,000			8,000
Second lien credit facility	475,000			475,000
Senior PIK Loan	300,000			300,000
Interest-only loan	650,000	-	-	650,000
Fixed-rate loan	77,708	51,181	26,527	-
Revolving credit facility	70,000		-	70,000
TOTAL	**3,041,001**	**51,181**	**26,527**	**2,963,293**

13.2 – Current portion

Current debts include accrued interest at June 30, 2005 on the debts described above in Note 12.1. These current debts consist of the following elements:

(In thousands of euros)	**June 30, 2005**
Bank overdrafts	4,437
Accrued interest	22,193
Portion of the fixed-rate loan due within one year	51,181
TOTAL	**77,811**

An increase of 10 base points (+0.1%) in the EURIBOR interest rate has an impact amounting to 2,763 thousand euros for the entire year in the income statement at June 30, 2005.

Note 14 Other liabilities

14.1 – Long-term portion

Other liabilities principally comprise “Performance Incentives” and liabilities recognised under finance leases (cf. Note 2.9 – *Satellites and other fixed assets*).

	June 30, 2005	
(In thousands of euros)	Fair value	Carrying amount
Performance incentives	92,369	83,827
Capital leases	115,377	111,832
TOTAL	**207,746**	**195,659**

Long-term interests related to “Performance Incentives” amounted to 16,462 thousand euros at June 30, 2005.

14.2 – Current portion

Current liabilities are as follows at June 30, 2005:

(In thousands of euros)	June 30, 2005
Performance incentives(1)	18,123
Capital leases(2)	55,110
TOTAL	**73,233**

(1) Including accrued interest of 5,017 thousand euros on “Performance Incentives” at June 30, 2005.
(2) Including accrued interest of 18,406 thousand euros on capital leases at June 30, 2005.

Note 15 Operating and finance leases

15.1 – Operating lease

Eutelsat S.A. pays rent for use of its registered office located in Paris. The lease was renewed on June 21, 2005 for a period of nine years. Rent expense amounted to 1,036 thousand euros for the period ended June 30, 2005. Future rent expense is as follows:

(In thousands of euros)	Total	Short term	From 1 to 5 years	Thereafter
Future commitments	32,106	3,210	14,448	14,448

15.2 – Finance leases

The Group operates five satellites, which are covered by finance leases. Except for the ATLANTIC BIRD™ 1 (cf. Note 24.1 Purchase Commitments) no other satellites provide for a purchase option at the expiry of the lease term.

The contracts do not expire until 2016. The minimum future lease payments due in their respect are as follows:

(In thousands of euros)	**June 30, 2005**
Less than 1 year	55,110
From 1 to 5 years	80,560
After 5 years	60,387
TOTAL	**196,057**
Interest component	47,521
Present value of minimum lease payments	**148,536**

Interest expense for the satellites subject to capital leases amounted to 1,784 thousand euros for the period ended June 30, 2005.

Note 16 Provisions (short term portion)

The change in provisions (short term portion) for 2005 is as follows:

(In thousands of euros)	**Provisions**
APRIL 1, 2005	**7,876**
Increases in provisions	972
Reversal of provisions not required	(1,620)
Use of provisions	(90)
JUNE 30, 2005	**7,138**

The short term provisions correspond to business and employee litigations in progress at period end.

Note 17 Other liabilities and deferred revenue

Other liabilities and deferred revenue were as follows at June 30, 2005:

(In thousands of euros)	**June 30, 2005**
Deferred revenue	42,875
Guarantees and advances	21,738
Tax liabilities	22, 812
Liabilities for social contributions	8,875
Other creditors	3,991
TOTAL	**100,291**

Note 18 Current and deferred tax

Income tax payable for the year ended June 30, 2005, has been estimated by applying the transitional arrangements for the five-year period, as defined by the French tax authorities, with effect from the transfer of operations, according to which the standard corporate income tax rate is applied to a tax base reduced by 20% the fourth year and by 10% the fifth year before the reduction disappears the sixth year.

It may be noted that the supplementary finance act for 2003 introduced the possibility of accelerated depreciation of satellites acquired or built with effect from January 1, 2003. This measure is applied in the Company's statutory financial statements but has no impact on its consolidated results.

18.1 - Income Tax

"Income tax" expense comprises current and deferred tax expenses of consolidated entities.

The Group's income tax expense is composed of the following:

(In thousands of euros)	**3 month period ended June 30, 2005**
Current tax expense	(14,518)
Deferred tax income	268
TOTAL INCOME TAX EXPENSE	**(14,250)**

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

(In thousands of euros)	**Year ended June 30, 2005**
Income before tax and share of associates	5,840
Standard French corporate income tax rate	*34,93%*
Theoretical income tax charge	(2,040)
Impact of transitional provisions	4,220
Permanent differences and other items	(16,430)
Actual corporate income tax expense	**(14,250)**
Actual corporate income tax rate	*243%*

The actual corporate income tax rate of 243% recorded in the Eutelsat Communications group's consolidated financial statements is mainly explained by the fact that a deferred tax asset was not recognised in relation to the interest expense incurred by the companies bearing increased liability related to the acquisition of Eutelsat shares. This interest expense does not give rise to a recoverable tax loss. The unrecognised tax asset in relation to this liability amounts to 13,817 thousand euros.

18.2 – Balance sheet tax balances

Changes in the nature of deferred tax between April 1, 2005 and June 30, 2005 were as follows:

(In thousands of euros)	Date of acquisition of Eutelsat	Result of the period	Recognised in equity	June 30, 2005
Client provisions	17,583	2,702	-	20,285
Financial guarantee given to the pension fund	14,810	(6,552)		8,258
Provisions on impairment of assets	45,489	110		45,599
Finance lease	2,670	(799)		1,871
Performance incentives	2,379	768		3,147
Retirement provisions	1,793	35		1,828
Capitalised interests	(2,755)	(15)		(2,770)
Accelerated depreciation	(16,431)	(2,370)		(18,801)
Financial instruments	1,170	1,503	7,202	9,875
Provision on risks and charges	1,857	133		1,190
Other payables	2,269	445		2,714
Other non deductible provisions and miscellaneous items	(1,637)	482		(1,155)
Total net deferred tax assets/(liabilities)	**69,197**	**(3,558)**	**7,202**	**72,841**
Intangible Assets	(320,130)	3,826		(316,304)
Total deferred tax liabilities	**(320,130)**	**3,826**		**(316,304)**
NET TOTAL	**(250,933)**	**268**	**7,202**	**(243,463)**

Net deferred tax liabilities break down as follows:

	Deferred tax assets	Deferred tax liabilities
Due within one year	6,601	(15,304)
Due after one year	66,240	(301,000)
TOTAL	**72,841**	**(316,304)**

Deferred tax liabilities relate to the fair value of "customer contracts and similar arrangements" and of the Eutelsat brand, valued at 929,800 thousand euros, giving rise to a deferred tax liability of 320,130 thousand euros. The 20-year amortisation of customer contracts amounting to 11,113 thousand euros gave rise to a deferred tax asset of 3,826 thousand euros.

Eutelsat S.A. was subject to a tax audit for the periods ending June 30, 2002, 2003 and 2004. No notification had been received from the tax authorities with respect to this audit at the year-end closing. At this point in time, the Company is not aware of any specific comments likely to give rise to a contingent liability.

Note 19 Provisions (long term portion)

(See Note 16 – *Provisions Short term Portion*).

(In thousands of euros)	**June 30, 2005**
Financial guarantee to a pension fund	43,129
Retirement and other post-employment benefits	6,258
TOTAL LONG TERM PROVISIONS	**49,387**

19.1 – Pension fund

Eutelsat S.A., as a consequence of the transfer by the IGO of its operational business as of July 2, 2001, granted its financial guarantee to the Trust managing the pension plan established by the IGO. Before this date, the pension plan has been shut down, and the accrued rights have been frozen.

This guarantee can be called under certain conditions to compensate for future under-funding of the plan. During the year ended June 30, 2005, as a result of the significant fall in long term interest rates, the financial guarantee was called in the amount of 22.3 million euros, which has been valued based on the trust's projections for the future market movements.

At year end, no payment had been made.

The actuarial valuations performed at June 30, 2005 were based on the following assumptions:

	June 30, 2005
Discount rate	4.00%
Expected rate of return on assets	4.00%
Inflation rate	2.00%

At June 30, 2005, the situation is as follows:

RECONCILIATION OF ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

(In thousands of euros)	**June 30, 2005**
Present value of liabilities wholly or partly unfunded	168,714
Fair value of plan assets	(125,585)
NET FINANCING	**43,129**

The fair value of plan assets does not include any amounts relating to any financial instruments issued by Eutelsat S.A. nor any immovable property or other fixed assets owned or used by the Company.

MOVEMENTS OVER THE YEAR IN THE PROVISION RECOGNISED IN THE BALANCE SHEET

(In thousands of euros)	
Provision at April 1, 2005	**(43,012)**
Net expense recognised in the income statement	(117)
Provision at June 30, 2005	**(43,129)**

NET EXPENSE RECOGNISED IN THE INCOME STATEMENT

(In thousands of euros)	**3 month period ended June 30, 2005**
Current service cost	-
Interest expense	1,614
Expected return on plan assets	(1,497)
Actuarial difference: (gain)/loss	-
NET EXPENSE RECOGNISED IN THE INCOME STATEMENT	**117**

Due to the frozen rights and to the termination of the IGO plan being in existence before the transfer taking place on July 2, 2001, there have been no service costs for the services rendered.

The effective return of the plan's assets has been of 3.1 million euros.

19.2 – Post employment benefits

a) Retirement indemnities

French law also requires payment, as appropriate, of a lump sum retirement indemnity to employees based upon years of service and compensation at retirement. Benefits do not vest prior to retirement. This scheme is not financed.

The actuarial valuations performed at June 30, 2005 took into account the following assumptions:

	June 30, 2005
Discount rate	4.00%
Inflation rate	2.50%

As of June 30, 2005, the situation is as follows (in thousands of euros):

RECONCILIATION OF THE ASSETS AND LIABILITIES BOOKED TO THE BALANCE SHEET

	June 30, 2005
Fair Value of unfinanced debts	3,740
Past service costs amortised over 23 years	1,419
Actuarial losses	(29)
LIABILITY RECOGNISED WITHIN THE BALANCE SHEET	**5,130**

MOVEMENTS DURING THE YEAR IN THE LIABILITY RECOGNISED IN THE BALANCE SHEET

(In thousands of euros)	
Liability at April 1, 2005	**5,052**
Net expense recognised in the income statement	78
Benefits paid	-
LIABILITY AT JUNE 30, 2005	**5,130**

NET EXPENSE RECOGNISED IN THE INCOME STATEMENT

(In thousands of euros)	**3 month period ended June 30, 2005**
Service cost of the period	57
Financing cost	38
Past service cost	(17)
Actuarial (gains)/losses.	
NET EXPENSE RECOGNISED WITHIN NET INCOME	**78**

b) Supplementary schemes

The Group has an additional defined contribution plan by capitalisation for its employees (excluding members of the Management Board), financed by contributions of 6% of gross annual salary, limited to eight times the Social Security threshold. The Group has no further liability in connection with these contributions. The employer's contributions paid for this purpose are of 262 thousand euros.

The sub-group Eutelsat S.A. has an additional defined benefit plan for Management Board financed by contributions of 12% of the total gross compensation of the members of the Management Board. The present value as of June 30, 2005, amounts to 1,127 thousand euros and is partly financed.

c) Mandatory schemes

In accordance with French law, the Group meets its obligations to finance pensions for employees in France by paying contributions based on salaries to the relevant entities that manage mandatory pension schemes. There is no other commitment in relation to these contributions. The employer's contribution paid for this purpose during the period are of 2,882 thousand euros.

Note 20 Segment information

20.1 – Segment analysis

The Group operates in a single industry segment, which is to provide satellite-based video, business and broadband networks, and mobile services to major international telecommunication operators and broadcasters, corporate network integrators and companies for their own needs. With the exception of the satellites in orbit, most of the Group's operating facilities are located in France.

The distribution of the Group's revenues by services for the period ended June 30, 2005 is as follows:

(In thousands of euros)	**3 month period ended June 30, 2005**
Full-time transponder lease services	159,177
Part-time transponder lease services	3,328
Business services	23,926
Mobile services	1,498
Other	751
TOTAL CONSOLIDATED REVENUES	**188,680**

20.2 – Analysis by geographical zone

The Group's revenue by geographical zone, based on invoice addresses for the year ended June 30, 2005, was as follows (in thousands of euros and as a percentage of total revenue):

(In thousands of euros and as a percentage)	**3 month period ended 30 June, 2005**	
Region	**Amount**	**%**
France	*29,429*	15.6
Italy	*28,032*	14.9
United Kingdom	*33,580*	17.8
Europe (other)	*67,352*	35.8
North and South America	*14,808*	7.9
Middle East	*9,520*	5.1
Other	*5,959*	3.0
TOTAL	***188,680***	**100.0**

Note 21 Financial result

The financial result is made up as follows:

(In thousands of euros)	**June 30, 2005**
Interest expense (banks)	(38,799)
Other interest expense	(3,304)
Loan set up fees	(2,291)
Capitalised interest	895
Interest income	646
Commitment fees and other charges	(502)
Financial instruments costs	(14,265)
Provisions for risks	(117)
Provisions on non-consolidated investments	370
Foreign exchange losses	(362)
Foreign exchange gains	1,124
NET FINANCIAL EXPENSE	**(56,605)**

Capitalised interest for the period ended June 30, 2005 amounted to 895 thousand euros.

The capitalisation rates used to determine the amount of interest expense eligible for capitalisation were 4% for the twelve-month period ended June 30, 2005. “Other interest expense” comprises interest related to satellite performance incentives and to finance leases for respectively 1.5 million euros and 1.8 million euros for the period ended June 30, 2005.

Note 22 Earnings per share

The reconciliation between the number of ordinary shares used to compute basic and diluted earnings per share is provided below, as of June 30, 2005:

	June 30, 2005
Weighted average number of shares outstanding used to compute basic non diluted earnings per share	256,902,763
Incremental number of shares issuable upon the assumed exercise of stock options	0
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO COMPUTE DILUTED EARNINGS PER SHARE	**256,902,763**

As of June 30, 2005, there are no dilutive instruments originating from Eutelsat Communications. The only instruments of dilution are in regards to Eutelsat S.A.

The number of incremental shares which could be issued upon the assumed exercise of outstanding stock options is computed using the average market price during the related period.

The Group is not listed. Management estimated the average market price based on the latest evaluations performed and the latest transactions between shareholders.

BASIC EARNINGS PER SHARE

	June 30, 2005
Net earnings (*in thousands of euros*)	(14,379)
Weighted average number of shares outstanding	256,902,763
BASIC EARNINGS PER SHARE (*euros*)	**(0.056)**

DILUTED EARNINGS PER SHARE

	June 30, 2005
Net earnings (in thousands of euros)	(14,756)
Weighted average number of shares used to compute diluted earnings per share	256,902,763
DILUTED EARNINGS PER SHARE (*euros*)	**(0.057)**

Note 23 Financial instruments

The Group has exposure to market risks in particular as regards foreign exchange and interest rates. Such risks are actively dealt by management and for this purpose the Group employs a certain number of derivatives. The objective is to limit, where appropriate, exposure of revenue and cash flows to interest rate and foreign exchange risks. The Group does not engage in financial transactions whose associated risk cannot be quantified at their outset, i.e. the Group never sells assets it does not own or does not know it will subsequently own.

23.1 – Foreign exchange risk

The Group's reference currency is the euro and the Group is therefore principally exposed to fluctuations in the value of the dollar. The Group consequently, as a means of preserving the value of assets, commitments and forecast transactions, enters into contracts whose value fluctuates in line with changes in the euro/dollar exchange rate. In particular, the Group hedges certain future dollar revenues by means of financial instruments such as options, forward currency transactions and foreign currency deposits which are entered into with first rate banking counterparties.

Purchase commitments relate to construction contracts for satellites and to launch contracts. They generally cover a three-year period with a pre-established schedule of payments.

During the period ended June 30, 2005, the Group only purchased foreign exchange options (euro calls and U.S. dollar puts).

23.2 – Interest rate risk

The Group's exposure to interest rate risk is managed by apportioning its borrowings between fixed and variable interest rates.

Following the completion of credit contracts for the acquisition of Eutelsat, the Group has set up the following interest rate hedges:

- a 3-year tunnel (purchase of a cap and sale of a floor) for a nominal amount of 1,700 million euros intended to hedge Eutelsat Communications' credit facilities;
- a forward-starting pay fixed/receive variable swap for an amount of 850 million euros and a purchase of a cap forward for a nominal amount of 850 million euros, intended to serve as a partial hedge of Eutelsat Communications' credit facilities, both covering an additional two years (years 4 and 5).

Following signature of the 1,300 million euros syndicated loan at the level of the Eutelsat sub-group, the following interest rate hedging transactions were immediately implemented:

- a fixed payable rate/variable receivable rate swap covering the long term 650 million euros portion of the loan repayable on maturity;
- a five-year tunnel (purchase of a cap and sale of a floor) for a nominal amount of 450 million euros intended to act as a partial hedge of the 650 million euros revolving credit facility.

23.3 – Counterparty risk

Counterparty risk includes issuer risk, execution risk in connection with derivatives or monetary instruments, and credit risk related to liquidity and long-term investments. The Group minimises its exposure to issuer risk and its exposure to credit risk by acquiring only financial products with banks or with financial institutions. Exposure to these risks is closely monitored and maintained within predetermined limits. The Group does not foresee any loss that would result from a failure by its counterparties to respect their commitments under the agreements concluded. The risks to which the Group is exposed are confined neither to the financial sector nor to a particular country.

23.4 – Breakdown as of June 30, 2005

The following table analyses the contractual or nominal amounts and fair value of the Group's derivatives at June 30, 2005 by type of contract:

(In thousands of euros)	Contractual or nominal amounts	Fair Value at June 30, 2005	Change of the Fair Value during the period	*Impact on Income Statement*	*Impact on Equity*
Foreign exchange options	82,400	1,499	(1,540)	*(1,540)*	
Total foreign exchange derivatives	**82,400**	**1,499**	**(1,540)**	***(1,540)***	
Swap (Eutelsat S.A.)	650,000	(26,021)	(20,917)	-	*(20,917)*
Forward swap (Eutelsat Communications)	850,000	(4,287)	(1,081)	-	*(1,081)*
Purchased cap (Eutelsat Communications)	850,000	3,029	(177)	*(177)*	-
Tunnel (Eutelsat Communications)	1,700,000	(5,709)	(12,152)	*(9,350)*	*(2,082)*
Tunnel (Eutelsat S.A.)	450,000	(2,039)	(3,198)	*(3,198)*	-
Total interest rate derivatives	**4,500,000**	**(35,027)**	**(37,524)**	***(12,725)***	***(24,800)***
TOTAL DERIVATIVES	**4,582,400**	**(33,528)**	**(39,064)**	***(14,265)***	***(24,800)***

During the period ended June 30, 2005 the variations in fair value recognised within financial income or expense in respect of financial instruments amounted to expense of 14,265 thousand euros.

As of June 30, 2005, an increase in EURIBOR's interest rate of 10 basis point (0.1%) would have an impact on an annual basis of 2,762 millions euros on the finance costs.

Breakdown of financial instruments qualifying as hedges as of June 30, 2005:

(In thousands of euros)	Contractual or notional amounts	Fair Value at June 30, 2005	Change of the Fair Value during the period	*Impact on Income Statement (inefficient portion)*	*Impact on Equity (efficient portion)*
Forward swap (Eutelsat Communications)	850,000	(4,287)	(1,081)	-	*(1,081)*
Swap (Eutelsat S.A.)	650,000	(26,021)	(20,917)	-	*(20,917)*
Tunnel (Eutelsat Communications)	1,700,000	(5,709)	(12,152)	*(9,350)*	*(2,802)*
TOTAL INTEREST RATE DERIVATIVES	**3,200,000**	**(36,017)**	**(34,150)**	**(9,350)**	**(24,800)**

Note 24 Other commitments

As of June 30, 2005, management considers that, to the best of its knowledge, there existed no commitments that may have an impact on the Group's present or future financial position with the exception of the following items.

24.1 – Purchase commitments

The Group has commitments with suppliers for the acquisition of assets and provision of services related to monitoring and control of satellite operations.

Future minimum payments, as of June 30, are scheduled to be paid as follows:

(In millions of euros)	**As of June 30, 2005**
2006	25
2007	8
2008	8
2009	7
2010 and thereafter	20
TOTAL	**68**

The above total includes 8.9 million euros for purchase commitments with related parties (see Note 23 – *Financial Instruments*).

At June 30, 2005, future payments under satellite construction contracts amount to 92 million euros and future payments under launch and launch-insurance agreements amount to 42 million euros.

In April 2000, Eutelsat S.A. entered into initial agreements for use of satellite capacity with a financial institution and a satellite manufacturer from the in-orbit delivery of ATLANTIC BIRD™ 1. In-orbit insurance still outstanding over the next 8.5 years is 8.5 million euros. The Group has a satellite purchase option, which it can exercise between 5 and 9.25 years after this date.

In October 2000, Eutelsat S.A. entered into a lease with a related party for 12 transponders on the EXPRESS AM1 satellite. The agreement entered into with the same related party for SESAT 2 resulted in the termination of this agreement at no cost.

24.2 – Satellite insurance

As of June 30, 2005, most of the satellites are covered by in-orbit insurance over satellite lives. Satellites launched ten or more years ago (the Eutelsat II series, including HOT BIRD™ 1) are no longer insured in orbit.

The others are insured as follows: a first policy covers up to 80 million euros per satellite and applies to 11 of Eutelsat's 18 satellites. Each of these satellites is covered for its net book value, adjusted to cover the revenues at risk on certain satellites and in particular HOT BIRD™; a second policy covers 80 million euros to 110 million euros (cumulative) and applies to 16 of the 18 satellites; a third policy covers 110 million euros to 180 million euros (cumulative) and applies to the same 16 satellites; an additional amount is covered separately for W3A.

The last three policies cover satellite net book values.

These policies cover total loss and partial loss, except for the additional amount insured for W3A, which is limited to total loss.

This in-orbit insurance cost is recorded as an expense in the accounting period to which the insurance cover applies.

24.3 – Litigation

The Group is involved in litigation in the normal course of its business. The expenses, which could result from it, are estimated by the Company and its consultants, have a sufficient provision to cover the risks incurred.

Note 25 Related-party transactions

Amounts included in current assets and current liabilities (mostly composed of direct and indirect shareholders of the group), with respect to related parties in the balance sheets as of June 30, 2005 are as follows:

(In thousands of euros)	**3 month period ended June 30, 2005**
Gross receivables (includes unbilled revenue)	130,576
Debt (includes accrued expenses)	15,338

Current assets comprise trade receivable balances, and unbilled revenue, and do not take into account the provisions for bad debts.

Transactions with related parties included in the income statement for the period ended June 30, 2005 are as follows:

(In thousands of euros)	**3 month period ended June 30, 2005**
Revenues	48,640
Operating costs, selling, general and administrative expenses	1,095
FINANCIAL RESULT	**67**

For the period ended June 30, 2005, two related parties account individually for 10% or more of consolidated revenues or, in total 29 million euros. As of June 30, 2005, receivables for these related parties amount to 38 million euros.

The Group entered into transactions with certain shareholders for services related to the provision of monitoring and control of satellite operations.

Transactions with related parties included in the acquisition cost of Eutelsat S.A. shares amount to 37,961 thousand euros.

Note 26 Staff costs

Staff costs (including mandatory employee profit-sharing) are as follows:

(In thousands of euros)	**3 month period ended June 30, 2005**
Operating costs	4,824
Selling, general and administration expenses	13,710
TOTAL	**18,534**

The average number of employees is as follows:

	3 month period ended June 30, 2005
Operations	178
Selling, general and administrative	299
TOTAL	**477**

As of June 30, 2005, the Group has 481 employees.

No compensation has been paid to the Corporate officers of Eutelsat Communications for the three-month period ended June 30, 2005.

No attendance fees were paid to members of the Board of Directors for the three-month period ended June 30, 2005.

The Group has an employee savings plan (*Plan d'Epargne d'Entreprise*) reserved for its employees with more than three months of service, funded by voluntary contribution of the employees.

Via its subsidiary Eutelsat S.A., the Group has an employee incentive scheme (*accord d'intéressement*) which was set up for a duration of three years. The incentive scheme is based on objectives reviewable each year.

Note 27 Events after the balance sheet date

On August 10, 2005, the W1 satellite experienced a technical incident resulting in an interruption in service lasting for several hours. Preliminary inquiries revealed that a failure affecting one of the satellite's two solar panels had resulted in a reduction in the nominal power of the unit leading to a decrease in its operability and in all likelihood the satellite's life, to an extent that remained to be determined. On the morning of 11 August, the vast majority of customers were restored to normal operating conditions on the W1 satellite or, in a few cases, on other satellites in the Group's fleet.

At 30 June, the net carrying value of this satellite amounted to 114.8 million euros, including in-orbit satellite performance incentives.

Pursuant to the Group's policy with respect to in-orbit risk management, the satellite is partially covered. The Group will conduct a more precise assessment of damages in the very near future.

During the month of July 2005, the Group offered to allow all those holding shares originating from the issuing of stock options relating to the Eutelsat S.A. "Partners" plan exercised before June 30, 2005, and not invested in the employee savings plan (*plan d'épargne d'entreprise*), to benefit from a share buy-back option under the following conditions:

- purchase Price: 2,57 euros;
- sale order signed before September 8, 2005;
- payment taking place on September 30, 2005.

The number of qualifying shares for this offer is of 2,029,995.

On June 30, 2005, the meeting of shareholders gave its authorisation to the Chairman of the Board of Directors to issue shares with warrants attached warrants (*actions à bons de souscription d'action*) (ABSA). These shares are reserved for employees and for corporate officers of Eutelsat S.A. subject to a maximum capital increase (par value) of 6,660,000 euros. This increase can be immediate or made subject to a certain period of time but has to have been previously authorised by the Board of Directors.

The Board of Directors, at its meeting on July 15, 2005, authorised the Chairman to issue 835,200 ABSA1 and 882,380 ABSA2, detailed as follows:

- ABSA 1: sold at 1.378 euro per share;
- ABSA 2: sold at 1.54 euro per share;
- each ABSA is granted with 2.7 warrants;
- each warrant will give the right to purchase one share of Eutelsat Communications.

The subscription price of the ABSA is required to be fully available during the subscription period. The difference between the subscription price of each ABSA and its par value will be booked as "Additional Paid-in Capital."

The operation is connected to the conclusion of put and call options agreements (i.e. commitments to buy and sell) with each employee and officer concerned. The put and call agreements are related to shares originating or which could result from the vesting of stock options given by Eutelsat S.A. via its various "Managers" stock option plans, representing about 18.3 million shares, and are detailed as follows:

Commitment to sell:

- provided by employees and officers to the benefit of Eutelsat Communications;
- subscription price per share: 2.80 euros;
- exercise period: for a period of three months after the end of the period of fiscal unavailability applicable to each tranche of shares concerned.

Commitment to buy:

- provided by Eutelsat Communications;
- the exercise price was determined on the basis of a valuation of Eutelsat S.A. equal to 8.5 of Eutelsat's S.A. consolidated Group EBITDA (after having deducted the net debt of Eutelsat S.A.);
- exercise period: for each tranche of shares concerned, for a period up to one month after the end of the exercise period for the corresponding commitment to sell.

Note 28 Companies included in the consolidation

The following is the list of companies included in the consolidation:

Companies	Country	Consolidation method	% of voting rights as of June 30, 2005	% of shareholding interest as of June 30, 2005
SatBirds Capital Participations S.C.A.	Luxembourg	FC	100.00%	100.00%
SatBirds Capital S.àr.l	Luxembourg	FC	100.00%	100.00%
SatBirds Finance S.àr.l	Luxembourg	FC	100.00%	100.00%
SatBirds II S.A.S.	France	FC	100.00%	100.00%
White Birds	France	FC	100.00%	100.00%
Eutelsat S.A.	France	FC	93.18%	93.18%
Groupe Eutelsat S.A.				
- Eutelsat Do Brasil S.A.	Brazil	FC	100.00%	93.18%
- Eutelsat Italia	Italy	FC	100.00%	93.18%
- Skylogic Italia s.r.l.	Italy	FC	100.00%	93.18%
- Eutelsat Services und Beteiligungen GmbH	Germany	FC	100.00%	93.18%
- VisaVision GmbH	Germany	FC	100.00%	93.18%
- Eutelsat Inc.	United States	FC	100.00%	93.18%
- Eutelsat UK Limited	United Kingdom	FC	100.00%	93.18%
- Eutelsat Polska s.p.Z.o.o.	Poland	FC	100.00%	93.18%
- Skylogic Polska s.p.Z.o.o.	Poland	FC	100.00%	93.18%
- Hispasat	Spain	EM	27.69%	25.80%

FC: Full Consolidation.
EM: Equity method.

Hispasat's fiscal year ended 31 December. Hispasat's equity interest was carried out based on the Hispasat Group's accounts as of June 30, 2005.

Note 29 *Pro forma* financial information (not audited)

The *pro forma* financial information was prepared based on Eutelsat Communications' financial statements in IFRS over a three month period ended June 30, 2005 and Eutelsat's consolidated financial statements in IFRS over 12 months on June 30, 2005.The *pro forma* financial information includes the *pro forma* adjustments identified as the most significant ones made to Eutelsat Communications' income statement and consolidated balance sheet of the fiscal year ended June 30, 2005. These adjustments are intended to reflect, though without being representative, the Group's financial position and the result it would have recorded if the acquisition of 85.65% of the Eutelsat group carried out on April 4, 2005, and the additional acquisition of 7.67% carried out on June 30, 2005, had been carried out on July 1, 2004. Senior debts "A" and "B", the revolving credit, the second-class line and the senior PIK on April 4, 2005, for the successive acquisitions of the Eutelsat group had been implemented on July 1, 2004.

In addition, the interest rate coverage instruments (Swap, tunnel and purchased cap) implemented in April 2005 by the Group at conclusion of the debts described above did not receive a *pro forma* adjustment to reflect what the impact on the balance sheet and the income statement would have been if these coverage instruments had been implemented on July 1, 2004.

These adjustments were established based on the estimates and hypotheses considered by the Group's Management.

The *pro forma* financial information cannot reflect what the Group's financial position, the results, the variations in shareholders' equity and the cash flows would have been if the Group had carried out the acquisition of Eutelsat and implemented the related financing on July 1, 2004.

Description of the *pro forma* adjustments

a) Taking into account the amortisation charge over 12 months of the intangible asset "client contracts and associated relations" identified at the time of the acquisition of the Eutelsat group. This intangible asset identified during the allocation of the purchase price has a value of 918,688,000 euros and is amortised on a straight-line basis over 20 years.

b) Adjustment of the financial charges related to the debt contracts concluded to finance the acquisition of the Eutelsat group. The financial charges over 12 months were calculated by applying the actual interest rates of each line of debt, noted during the 3-month fiscal period for the income statement of the Eutelsat Communications Group closed on June 30, 2005.

c) Adjustment of the tax charge related to the acknowledgement of a deferred liability tax on the amortisable intangible asset "Clients' portfolio". The deferred liability tax acknowledged on July 1, 2004, amounts to 320,130,000 euros and was adjusted during the period by 15,305,000 euros, 3,826,000 euros of this amount was already adjusted during the period closed on June 30, 2005.

d) The portion of the income from minority shareholding interests was adjusted by 2,272,000 euros in order to reflect a percentage of the Group's holding in Eutelsat that was stable over the period. The consolidated *pro forma* income statement shows a minority shareholders' holding percentage of 6.82% between July 1, 2004, and June 30, 2005.

(In thousands of euros)	**Eutelsat 30/06/2005 (12 months)**	**Eutelsat Communications Subgroup (3 months)**	***Pro forma* adjustments**	**Ref.**	**Eutelsat Communications 30/06/2005 (12 months)**
Total revenues	750,402				750,402
Operating costs	(69,022)				(69,022)
Revenues and administrative expenses	(101,132)	(1,005)			(102,137)
Appropriation to amortisations	(262,392)	(11,112)	(33,339)	*(a)*	(306,843)
Other operating charges	(84,000)	(695)			(84,695)
Operating income	**233,856**	**(12,812)**	**(33,339)**		**187,705**
Financial income	**(47,312)**	**(41,755)**	**(109,361)**	*(b)*	**(198,428)**
Share of income of the equity interests	315				315
Net income before taxes and minority interests	**186,859**	**(54,567)**	**(142,700)**		**(10,408)**
Corporate taxes	(49,847)	3,826	11,479	*(c)*	(34,542)
Net income before minority interests	**137,012**	**(50,741)**	**(131,221)**		**(44,950)**
Minority interests		(5,083)	(2,272)	*(d)*	(7,355)
NET INCOME BY GROUP	**137,012**	**(55,824)**	**(133,493)**		**(52,305)**

>> 20.4 Quarterly financial information

On October 23, 2007, the Company issued a press release on its consolidated revenues as of September 30, 2007, (unaudited IFRS data). This press release also shows the Group's medium-term growth objectives (see Section 12.2, "Future prospects" for a presentation of these objectives). The financial information given in this section was not subject to an audit, nor to a limited examination by the Company's auditors.

Activity for the first quarter 2007/2008

REVENUES BY APPLICATION

	1st quarter closed 30 September		Change	
(In millions of euros)	**2006**	**2007**	*(In millions of euros)*	*As a %*
Video Applications	142.8	158.1	+15.3	+10.7%
Data & Value-Added Services	40.8	37.2	-3.5	-8.7%
Multi-Usage	14.7	14.5	-0.2	-1.3%
Other	1.3	2.0	+0.8	N/S
Subtotal	**199.5**	**211.9**	**+12.4**	**+6.2%**
TOTAL	**199.5**	**211.9**	**+12.4**	**+6.2%***

* *At a constant exchange rate, the growth in revenues compared to revenues for the first quarter of the prior period is +8.3%.*

The 6.2% progression in revenues compared to the first quarter of the financial year 2006-2007 mainly reflects the following elements:

- the increase in in-orbit resources the previous financial year with the introduction of three new orbital positions; bringing the number of operational transponders from 462 as of June 30, 2006, to 505 as of June 30, 2007;
- the strength of Video Applications in the Second Continent(9) in particular, but also in Western Europe;
- the progression of Value-Added Services in Western Europe and in the Second Continent, which partially makes up for the reduction in revenues from Data Services.

The almost 11% growth of Video Applications (74.6% of revenues) compared to the first quarter of the last financial year is largely explained by the full effect of the TV broadcasting contracts activated during the last financial year, mainly as a result of the opening up of new orbital positions at 7 ° West (ATLANTIC BIRD™ 4) and 9º East (EUROBIRD™ 9)(10).

The number of TV channels broadcast by the satellites in the Group's fleet is 2,733 as of September 30, 2007. Figures progressed by 125 channels during the first quarter, 91 of which are broadcast by the Group's major video positions that mainly serve Central Europe, Russia, the Middle East, Turkey and Africa. Compared to September 30, 2006, the number of channels has increased by 380.

The evolution of Data Services and Value-Added Services (17.6% of revenues) reflects contrasting performance levels:

- data Services are down, at 29.1 million euros, due in particular to the transformation, during the previous periods, of certain short-term contracts into long-term contracts (this offers visibility) and to the reassigning to video applications of part of the capacity previously used for Data Services, after the relevant contracts had ended;
- value-Added Services increased by 10.6% to 8.2 million euros largely due to strong growth in the D-STAR broadband access service: this growth reflects the full effect on the quarter, of the 2,100 D-STAR terminals brought into operation the previous financial year.

Multi-Usage services (6.8% of revenues) show a slight decline (-0.2 million euros) compared to the first quarter of the financial year ended June 30, 2007, reflecting:

- the end of a lease with a satellite operator in the Middle East in March 2007;
- the 26% growth, at constant exchange rates, in services to governments: this reflects the full effect on the quarter of the new contracts activated when the EUROBIRD™ 4 satellite was brought into service at 4º East, as well as the renewal of the contracts that were signed the previous year.

At a constant exchange rate, Multi-Usage services show a 6.6% increase compared to the first quarter of 2006-2007.

(9) Central and Eastern Europe, Russia, Central Asia, Turkey, the Middle East and Africa.

(10) Orbital positions opened during the first and fourth quarters, respectively, of 2006-2007.

>> 20.5 Auditors' fees

	ERNST				MAZARS				CAILLIAU DEDOUIT			
	Amount		%		Amount		%		Amount		%	
	N	N-1	N	N-1	N	N-1	N	N-1	N	N-1	N	N-1
Audit												
Auditing services, certification, review of individual and consolidated financial statements												
Entity	330,000.00	236,217.00	31%	17%	202,304.00	282,340.00	100%	36%			0%	0%
Fully consolidated subsidiaries	269,250.00	311,067.00	26%	22%			-	0%	66,146.00	208,800.00	100%	99%
Other services directly related to the auditors' mission	-				-	-			-			
- including fees for the IPO	-	715,318.00		51%	-	506,716.00		64%				
Entity	365,000.00	19,372.00	35%	1%						2,663.00	0%	1%
Fully consolidated subsidiaries	13,750.00	0.09	1%	0%								
Sub-total	**978,000.00**	**1,281,974.09**	**93%**	**91%**	**202,304.00**	**789,056.00**	**100%**	**100%**	**66,146.00**	**211,463.00**	**100%**	**100%**
Other services, where appropriate												
Legal, fiscal, social	74,512.79	122,120.20	7%	9%	-	-	0%	0%	-	-	0%	0%
Other (please specify if > 10% of auditors' fees)	-	-			-	-			-	-		
Sub-total	**74,512.79**	**122,120.20**	**7%**	**9%**	**-**	**-**	**0%**	**0%**	**-**	**-**	**0%**	**0%**
TOTAL	**1,052,512.79**	**1,404,094.29**	**100%**	**100%**	**202,304.00**	**789,056.00**	**100%**	**100%**	**66,146.00**	**211,463.00**	**100%**	**100%**

>> 20.6 Dividend distribution policy

The dividend distribution policy is defined by the Board of Directors after analysing, in particular, the Group's results and its financial position.

Because it was only recently incorporated, Eutelsat Communications did not pay a dividend for the 2006-2007 financial year, but distributed 0.54 euro per share, which was taken from the share premium account. In addition, the Board of Directors meeting held on July 25, 2007 decided to propose to the General Meeting of Shareholders that an amount of 0.58 euro per share be distributed, also taken from the share premium account.

In the future, the policy of Eutelsat Communications is to distribute to its shareholders between 50% and 75% of the Group's share of the net income in the form of dividends. These objectives do not under any circumstances constitute commitments by the Group, and future distributions will depend on the Group's results, its financial position, and a number of restrictions as defined below.

>> 20.7 Legal and arbitration procedures

To the Company's knowledge, in a period covering the last twelve months, no government, court or arbitration proceeding exists (nor any proceeding the Company knows is pending or threatened) that could have; or recently did have, significant effects on the financial position or profitability of the Company and/or Group.

>> 20.8 Significant changes in the commercial or financial position

To the Company's knowledge, there exists no significant change affecting the Company's commercial or financial position since the close of the financial year ended June 30, 2007.

21 ADDITIONAL INFORMATION

>> 21.1 General information concerning the capital

21.1.1 Share capital

As of the date of registering this reference document, the share capital is 218,392,414 euros. It is divided into 218,392,414 ordinary shares with a nominal value of 1 euro each.

The Company's shares are fully subscribed, fully paid-in and are all of the same category.

The Company's shares have been admitted on compartment A of Eurolist by Euronext Paris since December 2, 2005, under the code ISIN FR0010221234.

21.1.2 Securities not representing the capital

None.

21.1.3 Shares held by the Company or on its own account

As of the date of registering this reference document, and excluding liquidity agreements, none of the Company's shares are held by the Company itself or in its name or by its subsidiaries.

Share buy-back programme

The Company's Ordinary and Extraordinary General Meeting of Shareholders held on November 10, 2006 authorised the Board of Directors, for a period of 12 months and with the possibility of sub delegation under the relevant legal and regulatory terms and conditions, to purchase Company shares in accordance with Articles L. 225-209 and following of the Commercial Code and in application of the market practices permitted by the *Autorité des marchés financiers,* within the limit of 10% of the share capital existing at the time of the purchase. This limit is reduced to 5% of the share capital in the cases referred to in the 3rd bullet point below.

Shares shall be purchased in compliance with the applicable legal and statutory provisions and in accordance with the evolution of positive law in order to:

- stimulate the secondary market or the liquidity of the share via a provider of investment services with which it has signed a liquidity agreement compliant with a charter of ethics approved by the *Autorité des marchés financiers;*
- remit the shares at the time of the exercising of rights attached to securities that give access by any means, either immediately or at term, to the Company's share capital, and to perform any hedging operations by virtue of the Company's obligations associated with the said securities, in accordance with the conditions stipulated by the market authorities, and at the times judged appropriate by the Board of Directors;
- retain shares with a view to subsequently bringing them as a means of payment or exchange in the context of any operations relative to external growth, in compliance with market practices approved by the *Autorité des marchés financiers,* in the context, for example of mergers, demergers or contributions. It is specified that the maximum number of shares acquired by the Company in order to remit them later as a means of payment or exchange in the context of mergers, demergers or contributions, shall not exceed 5% of its share capital;
- allocate or grant shares to employees, former employees or senior managers of the Company or companies in the Group, in accordance with the conditions and procedures provided for by the law, such as in the context of the allocation of free shares provided for in Articles L. 225-197-1 to L. 225-197-3 of the Commercial Code, or in the context of sharing in the fruits of the Company's expansion, in the context of a stock-option plan or via a Company savings scheme;
- cancel them and thus reduce the share capital;

- implement any market practice that has been approved either by the law or by the *Autorité des marchés financiers.*

These shares may be acquired, sold or transferred by any means, in accordance with the conditions and limits, especially those with respect to volumes and prices, stipulated by the regulations applicable at the date of the operations under consideration, conducted either on the stock market or privately, including the purchase or sale of blocks of shares, by means of derivative financial instruments or warrants or securities giving access to the share capital or by introducing strategies involving the sale or purchase of call options or put options under the conditions stipulated by the market authorities, at times thought appropriate by the Board of Directors; including during a period of takeover or exchange bid within the limits permitted by the applicable regulations.

The maximum sum destined for the share purchase programme was set at 400 million euros and the maximum purchase price was set at 150% of the average weighted price of the shares, based on the 20 trading days immediately prior to the date of the Board of Directors meeting to decide on the implementation of this authorisation, without exceeding 18 euros per share, excluding acquisition costs.

The Board of Directors may, however, adjust the above-mentioned purchase price in the event of the incorporation of premiums, reserves or profits giving rise either to an increase in the nominal value of the shares, or to the creation and allocation of free shares, and also in the event of dividing the nominal value of the share or regrouping shares to take into account the impact of these operations on the nominal value of the share.

The draft resolutions decided by the Company's Board of Directors on September 25, 2007, which will be submitted for the shareholders' approval at their Ordinary and Extraordinary General Meeting of November 9, 2007, provide for the renewal of the above-mentioned authorisation and an increase in the maximum sum authorised for the purchase to 400 million euros and the maximum purchase price to 30 euros per share.

Liquidity agreement

Further to the General Meeting of Shareholders of October 6, 2005, the Company entered into a contract with SG Securities (Paris) on March 8, 2006 for the implementation of a liquidity agreement in accordance with the charter of ethics published by the French Association of Investment Companies (AFEI) on March 14, 2005, as approved by the *Autorité des marchés financiers* by a decision dated March 22, 2005. This agreement was concluded for a period of one year, renewable by tacit agreement. To implement it, the sum of 1,500,000 euros was allocated to the liquidity account.

As of September 30, 2007, the Company holds 797 of its own shares amounting to 13,859.83 euros under the liquidity agreement described above.

21.1.4 Other securities giving access to the capital

As of June 30, 2007, there were 150,015 stock warrants (the "BSAs") corresponding to a total of 77,970 new shares with a nominal value of 1 euro, representing approximately 0.03% of the Company's capital based on the number of shares existing at that date.

These BSAs derived from the issue of 1,717,580 shares with warrants attached (the "ABSAs"), divided into two categories (the "ABSA1s" and the "ABSA2s"), as decided by the Chairman of the Board on July 15, 2005 acting upon the authorisation of the General Meeting of Shareholders of June 30, 2005. The issue was made on August 2, 2005 to the benefit of 22 beneficiaries. The BSA1s and the BSA2s (the "BSA1s" and the "BSA2s") had been detached from the shares when the ABSA1s and the ABSA2s were issued.

All BSAs still in circulation as of June 30, 2007 have since been exercised at a unit subscription price of 1.9240 euros.

Consequently, as of the date of this reference document, there are no other securities giving access to the Company's capital other than the 331,524 Eutelsat Communications shares allocated free of charge to the Group's employees under the decisions taken by the Board of Directors on November 29, 2005, and May 10, 2007. The period for definitive acquisition of the shares was set at two years after these two dates and requires that the employee is still working for the Group. A detailed description of these allocations appears in Section 17.3 "Allocations of free shares in the Group" of this reference document.

Potential dilution

As of the date of registering this reference document, the Company's share capital consists of 218,392,414 shares of 1 euro each. On such basis, the potential dilution resulting from the issue of the 331,524 free shares would be approximately 0.15%.

21.1.5 Share capital authorised but not issued

The table below summarises the capital increase authorisations granted to the Board of Directors by the Ordinary and Extraordinary General Meetings of the Company's shareholders on October 6, 2005 and November 10, 2006, which are in force as of the date of registering this reference document:

	Operation concerned	Maximum nominal amount	Duration of the authorisation and expiry
1.	Capital increase with shareholders' preferential subscription right, by issuing marketable securities giving immediate and/or future access to the Company's capital or debt securities	120 million	26 months (December 6, 2007)
2.	Capital increase without shareholders' preferential subscription right, by issuing marketable securities giving immediate and/or future access to the Company's capital or debt securities	120 million*	26 months (December 6, 2007)
3.	Increase of the issues decided under points 1 and 2 above in the event of excess demand	15% of the amount of the initial issue*	26 months (December 6, 2007)
4.	Capital increase by incorporation of reserves, profits, premiums or other amounts whose capitalisation would be permitted	100 million*	26 months (December 6, 2007)
5.	Capital increase to remunerate contributions in kind granted to the Company (Art. L. 225-147 of the Commercial Code)	10% of the share capital	26 months (December 6, 2007)
6.	Capital increase in favour of the members of a savings plan	2 million*	26 months (December 6, 2007)
7.	Allocation of Company stock options or stock purchase options	6 million*	38 months (December 6, 2008)
8.	Allocation free of charge of new or existing shares of the Company to the employees and Company representatives of the Group headed by the Company	6 million**	38 months (December 6, 2008)
9.	Buy-back of Company shares	10% of the capital for a maximum amount of 400 million 150% of the average share price over 20 trading days	12 months (November 10, 2007)
10.	Reduction of share capital by cancellation of shares bought back	100% of the share capital	18 months (July 10, 2008)
11.	Allocation free of charge of stock warrants to the shareholders if the Company is targeted by a tender offer	100% of the share capital	18 months (July 10, 2008)

* *This maximum nominal amount is included in the total maximum amount of 120 million euros specified in point 1.*

** *These two issue caps are not independent. The maximum number of new or existing shares that can be granted under points 7 and 8 is an overall total of 6 million euros.*

During the financial year ended June 30, 2007, the Board of Directors used the powers authorising it to:

- buy back the Company's shares under a liquidity agreement in order to stimulate the secondary market (point 9 in the above table); and to
- allocate free shares in the Company to the employees and Company representatives within the Group (point 8 in the above table).

The draft resolutions of the Company's Board of Directors on September 25, 2007, which will be submitted for approval to the Ordinary and Extraordinary General Meeting of Shareholders on November 9, 2007, make provision for the above-mentioned authorisations to be renewed and for the Company to issue securities giving access to the capital of its subsidiaries (see Annex 4 of this reference document).

21.1.6 Options or agreements concerning the capital of the Company or of a member of the Group

Offer to purchase or exchange the shares held by the minority shareholders of Eutelsat S. A.

At the same time as the private purchase or exchange offer made to the employees, former employees and Company representatives (see Section 17.2 paragraph "Liquidity offer"), Eutelsat Communications concluded with certain historical shareholders of Eutelsat S.A. agreements to purchase or exchange their Eutelsat S.A. shares.

To date:

- LTN Liechtenstein Telenet AG, Albanian Radio Television and BH Telecom Sarajevo Joint Stock Company have undertaken to contribute their Eutelsat S.A. shares to Eutelsat Communications; and
- Servei De Telecommunications has undertaken to transfer its Eutelsat S.A. shares to Eutelsat Communications.

These agreements will allow Eutelsat Communications to increase its shareholding in Eutelsat S.A. by 3,563,490 shares representing approximately 0.36% of Eutelsat S.A.'s capital.

By virtue of the contributions made by the historical shareholders, Eutelsat Communications will issue a total of 942,611 new shares.

The above-mentioned contribution and transfer operations will be carried out on October 15, 2007, subject to approval of the contribution operations by the Eutelsat Communications Board of Directors.

The transfer commitments made by the Company representatives and certain key managers of the Group

The Company representatives and certain key managers entered into commitments with the Company to sell and to buy the Eutelsat S.A. shares resulting or that would result from the exercise of the stock options granted by Eutelsat S.A. under the "Managers 1", "Managers 2", "Managers 3" and "Managers 4" plans (see Note 4.2 to the consolidated financial statements for the year ended June 30, 2007 in Section 20.1.2 of this reference document), which gives a total of nearly 18.3 million Eutelsat S.A. shares with the following characteristics:

Commitment to sell:

- granted by each of the key managers and Company representatives to the benefit of Eutelsat Communications;
- exercise price for each share as of June 30, 2007: 2.70 euros;
- exercise period: during 3 months after the end of the period of fiscal unavailability applicable to each of the tranches of shares concerned.

Commitment to buy:

- granted by Eutelsat Communications;
- exercise price determined on the basis of a valuation of Eutelsat S.A. at 8.5 times the Group's consolidated EBITDA, reduced by Eutelsat S.A.'s consolidated net debt. (or increased by the net cash assets);
- exercise period: for each of the tranches of shares concerned, during one month after the end of the exercise period for the corresponding commitment to sell.

In application of the above-mentioned commitments to sell, the Company representatives and certain key managers of Eutelsat S.A. who are beneficiaries of shares issued due to the exercise of "Manager 2" options transferred to SatBirds 2 S.A.S. a total of 2,794,516 Eutelsat S.A. shares in February 2007 including 1,283,846 shares by persons connected to Mr Berretta, Chairman and CEO (at a price of 2.70 euros per share) and 438,087 shares by persons connected to Mr Brillaud, Deputy CEO (at a price of 2.70 euros per share).

On September 25, 2007, the Company's Board of Directors approved a modification of the provisions of the commitments to sell and to purchase the Eutelsat S.A.'s shares that would result from the exercise by Company representatives of stock options granted by Eutelsat S.A. under the "Managers 3" plan.

The Board of Directors decided:

- to fix two exercise periods for the commitments to sell, the first running from December 2007 to March 2008 and the second from March 2008 to June 2008, for shares that may be held by Mr Berretta and Mr Brillaud; and
- to unilaterally fix the maximum number of Eutelsat S.A. shares able to be sold by Mr Berretta and Mr Brillaud in the first period, with the balance to be transferred during the second period.

In return, the Board of Directors decided to modify the exercise price for the commitments to sell and to buy the shares resulting from the "Managers 3" plan that may be held by Mr Berretta and Mr Brillaud, as follows:

- 3.13 euros during the first period; and
- 3.37 euros during the second period.

21.1.7 Change in the share capital until the date of registering this reference document

The table below shows the progression of the Company's share capital since its incorporation on February 15, 2005, until the date of registering this reference document.

Date of definitive completion of the operation	Operation	Number of shares issued/cancelled	Nominal amount of the capital increase/reduction *(in euros)*	Global issue/ merger premium *(in euros)*	Successive amounts of the nominal capital *(in euros)*	Cumulative number of shares	Nominal value of the shares *(in euros)*
15/02/2005	Incorporation of the Company	3,700	37,000	-	37,000	3,700	10
21/03/2005	Capital reduction (division by 10 of the nominal value of the shares)	-	(33,300)	-	3,700	3,700	1
21/03/2005	Capital increase	33,300	33,300	-	37,000	37,000	1
04/04/2005	Capital increase (contributions in kind)	256,620,482	256,620,482	-	256,657,482	256,657,482	1
30/06/2005	Capital increase (contributions in kind)	22,075,116	22,075,116	-	278,732,598	278,732,598	1
20/07/2005	Capital reduction (reduction of the nominal value from 1 euro to 0,50 euro per share)	-	(139,366,299)	-	139,366,299	278,732,598	0.5
02/08/2005	Capital increase (issue of ABSAs – General Meeting of 30/06/2005)	1,717,580	858,790	792,190,80	140,225,089	280,450,178	0.5
31/08/2005	Regrouping of shares	(140,225,089)	-	-	140,225,089	140,225,089	1
06/10/2005	Capital increase (remuneration for contribution of receivables)	2,938,777	2,938,777	2,938,777	143,163,866	143,163,866	1
30/12/2005	Capital increase (IPO)	71,666,667	71,666,667	761,257,000 (deduction of charges related to the operation)	214,830,533	214,830,533	1
14/12/2005	Capital increase (exercise of BSAs)	600,000	600,000	600,000	215,430,533	215,430,533	1
19/12/2005	Capital increase (reserved for employees)	196,099	196,099	1,686,451	215,626,632	215,626,632	1
27/04/2006	Capital increase (contribution of Eutelsat S.A. shares)	65,960	65,960	65,960	215,692,592	215,692,592	1
during FY 2006	Capital increase (exercise of BSA1s)	548,362	548,362	507,000	216,240,954	216,240,954	1
during FY 2006	Capital increase (exercise of BSA2s)	1,160,128	1,160,128	1,072,000	217,401,082	217,401,082	1
15/10/2007	Capital increase Buy-back and exchange of Eutelsat S.A. shares)	991,332	991,332		218,392,414	218,392,414	

21.1.8 Pledges, guarantees and securities

Pledges of Company shares

To the Company's knowledge, as of the date of registering this reference document; Company shares have not been pledged.

Pledges, guarantees and securities regarding the Company's assets

As part of the refinancing exercise during the 2006-2007 financial year (see Section 10.3 "Changes in indebtedness and the Group's financing structure"), Eutelsat Communications has not given any guarantee or pledge regarding the group's assets as of the date of registering this reference document.

>> 21.2 Constitutive documents and By-laws

The provisions described in the following paragraphs provide a summary of the Company's By-laws applicable as of the date of registering this reference document.

21.2.1 Corporate purpose (Article 3 of the Company's By-laws)

The Company's purpose in France and abroad shall be:

- to supply space segment capacity, and satellite communications systems and services. To that end, the Company shall undertake any activities relating to the design, development, construction, installation, operation and maintenance of its Space Segment and those satellite systems and services;
- and more generally, to acquire an equity interest in any enterprise or company that has been formed or is to be formed and participate in any transactions of any nature, be they financial, commercial, industrial, civil, real-estate-related or other, pertaining directly or indirectly to that company purpose or to any similar, related or complementary purposes, and likely to promote, directly or indirectly, the aims pursued by the Company, its expansion into other fields, its growth and its assets.

The term "space segment" shall designate a set of telecommunications satellites, and the tracking, telemetry, command, control, monitoring and related facilities and equipment necessary for the operation of those satellites.

21.2.2 Board of Directors, Committees and Observers (Articles 13 to 19 of the Company's By-laws)

The Company shall be administered by a Board of Directors composed of at least three members and at most twelve members, subject to the exceptions stipulated by law. Directors shall be appointed by the Ordinary Meeting of Shareholders.

Directors may be reelected; their mandate may be revoked at any time by decision of the Ordinary Meeting of Shareholders.

No one may be appointed to be a director if he has passed the age of 70 and if, as a result of his appointment, more than one third of the members of the Board will have exceeded that age.

From among its members, the Board of Directors shall elect a Chairman, who shall be an individual, failing which the appointment shall be null and void.

The Chairman shall be appointed for a period that may not exceed the duration of his term in office as a director. He may be reelected.

The Board of Directors may revoke his appointment at any time.

The Chairman of the Board may not be older than 70 years old. If the Chairman reaches that age limit during his term in office as Chairman, he shall be considered automatically to have resigned. However, his term in office shall extend until the next meeting of the Board of Directors during which his successor shall be appointed.

The Chairman of the Board of Directors shall organize and manage the work of the Board, about which he shall report to the Meeting of Shareholders. He shall see to it that the bodies of the Company function properly and shall make sure specifically that the directors are able to do their work.

Each director must own at least one share throughout his term in office.

If, on the day of his appointment, a director does not own the required number of shares or if, during his term in office, he ceases to own them, he shall be considered automatically to have resigned if he has not rectified his situation within a period of three months.

Board Meetings

The Board of Directors shall meet as often as required by the Company's interest, in response to a notice from its Chairman. Moreover, if the Board has not met for more than two months, directors who constitute at least one third of the members of the Board may ask the Chairman to convene it for a specific agenda.

Notices of meetings shall be given by any means, even orally.

Quorum – Majority – Minutes of meetings

The Board of Directors may deliberate validly if at least half of its members are present.

Decisions shall be made by the majority of the members present or represented.

In the event of a tie, the Chairman's vote shall be decisive.

In compliance with statutory and regulatory provisions and except for the transactions indicated specifically by the applicable law, the internal regulations may provide that the directors who participate in the meeting by means of video conference or other telecommunications means that enable their identification and guarantees their actual participation under the conditions set by the applicable regulations, shall be considered present for calculating the quorum and the majority.

Meetings of the Board of Directors shall be recorded in minutes, written in a special register numbered and initialled and kept at the head office pursuant to the provisions of regulations.

Representation

Any director may, in writing, empower another director to represent him at a meeting of the Board.

During one and the same meeting, each director may have only one of the proxies received under the preceding paragraph.

These provisions shall be applicable to the permanent representative of a legal-entity director.

Powers

The Board of Directors shall determine the orientations of the Company's activity and shall see to their implementation. Subject to the powers expressly vested in Meetings of Shareholders and within the limit of the company's purpose, it shall take up any question involving the proper operation of the Company and shall settle, by its deliberations, the matters that concern it.

In relations with third parties, the Company shall be bound even by acts of the Board of Directors that do not fall within the company's purpose, unless it prove that the third party knew that the act exceeded that purpose or if the third party could not have been ignorant of that fact, considering the circumstances; the mere publication of the By-laws shall not be sufficient for constituting such proof.

Committees

The Board may decide to create committees to study the questions that it or its Chairman submits for examination and opinion. The Board shall set the composition and powers of the committees, which shall conduct their activity under its responsibility. It shall set the compensation of the persons who make up the Board.

Compensation

The Meeting of Shareholders may allocate to directors, in compensation of their activity, by way of directors' fees, an annual fixed sum that the Meeting of Shareholders determines, without being bound by previous decisions.

The Board of Directors shall freely distribute among its members the total amounts allocated to the directors in the form of directors' fees.

The Board of Directors may allocate extraordinary compensation for missions or mandates assigned to directors under the conditions provided by law.

Directors who are bound to the Company by an employment contract may receive compensation on that basis under the conditions provided by law.

The Board of Directors may authorise the reimbursement of travel costs and expenses incurred by the directors in the Company's interest reimbursement of travel expenses and expenses incurred by the directors in the Company's interest.

Observers

A Censor position is created.

Such Censor position is reserved for the individual who holds the position of Executive Secretary of Eutelsat IGO and may only be exercised by such person.

No person may be a Censor if he has any direct or indirect relationship with any direct or indirect competitor of any entity of the Eutelsat Group (such term being defined as Eutelsat Communications S.A. and all entities controlled directly or indirectly by Eutelsat Communications S. A., including Eutelsat S.A., "Control" having the meaning ascribed to such term by Article L. 233-3 of the French Commercial Code).

In case of a vacancy in the position of Executive Secretary of Eutelsat IGO, the Censor position shall remain vacant as long as the Executive Secretary position remains vacant.

The Censor shall be called to and may attend meetings of the Board of Directors and express his point of view on any item on the agenda, but he may not take part in the voting.

A Censor may not be represented at a meeting of the Board of Directors, unless, in case of an impossibility to attend a meeting, with the approval of the Chairman of the Board.

The Censor shall have the same information and the same documentation as the Directors, as said information and documentation shall be sent concurrently to the Directors and Censor.

All the information brought to the attention of the Censor in connection with his duties shall be considered strictly confidential and he shall be held to the same obligations as the Directors (unless such information has fallen into the public domain).

No confidential information may be disclosed to a third party by the Censor without first having been authorised by the Chairman of the Board of Directors, the CEO *(Directeur général),* if he is not the Chairman or the Deputy CEO *(Directeur général délégué).*

21.2.3 Form of shares – Identification of shareholders (Article 10 of the Company's By-laws)

The shares shall be in registered or in bearer form, at the option of each shareholder and shall be recorded in an account pursuant to law.

For purposes of identifying the holders of bearer shares, the Company shall have the right, at any time, against compensation at its expense, to ask the central depositary that keeps the Company's securities account, under current statutory and regulatory conditions, for information about the holders of shares that immediately or ultimately confer the right to vote at Meetings of Shareholders and the number of shares held by each of them and any restrictions that may affect such shares.

21.2.4 Rights and obligations attached to shares (Article 12 of the Company's By-laws)

The shares shall be indivisible with respect to the Company.

The co-owners of undivided shares shall be represented at Meetings of Shareholders by one of them or a single agent; in the event of disagreement, the agent shall be designated by a court of law at the request of the co-owner who acts first.

Each share shall give the right to one vote at Meetings of Shareholders. The By-laws impose no limit on voting rights.

The voting right shall belong to the beneficial owner at ordinary Meetings of Shareholders and to the owner of title at Meetings of Shareholders. However, shareholders may agree among themselves to any other distribution for exercising the voting right at Meetings of Shareholders, provided that the beneficial owner not be deprived of the right to vote on decisions concerning the profits; in this case, they must bring their agreement to the Company's attention by registered letter with notice of receipt sent to the head office. The Company shall be required to respect that agreement for any Meeting of Shareholders held at least five days after receipt of the notice of that agreement.

Even deprived of the voting right, the owner of title of the shares shall always have the right to participate in meetings of shareholders.

Each share shall give the right to a stake in the company's assets, the liquidation surplus and the profits, in proportion to the percentage of the capital that it represents.

Possession of a share shall automatically entail adherence to these By- laws and the resolutions duly adopted by the Meeting of Shareholders.

Whenever it is necessary to own several shares in order to exercise any right, the owners of isolated shares or a number of shares less than the required number may exercise those rights only on the condition that they personally see to the pooling and, possibly, the purchase or sale of the necessary number of shares.

21.2.5 Modification of the rights attached to shares

Modification of the rights attached to shares is subject to legal requirements, as the Company's By-laws do not contain any specific provisions in this respect.

21.2.6 Meetings of Shareholders (Article 22 of the Company's By-laws)

The collective decision of the shareholders shall be made in Meetings of Shareholders under the conditions defined by law. Any Meeting of Shareholders duly convened shall represent all shareholders of the Company.

The resolutions of the Meetings of Shareholders shall be binding on all shareholders, even those who are absent, dissenting or incapable.

Meetings of Shareholders shall be called and convened under the conditions set by the law and the regulations.

Meetings shall take place at the head office or at any other location stated in the notice of meeting.

The right to participate, personally or by agent, in Meetings of Shareholders shall be subject either to the shareholder's registration, five days before the date of the Meeting of Shareholders, in the accounts of registered securities kept by the Company, or the filing, within the same time limit, at the locations indicated in the notice of meeting, of a certificate from an accredited account-keeper intermediary stating that the bearer shares in the account are unavailable until the date of the Meeting of Shareholders.

The Board of Directors may shorten or eliminate the time period indicated in the preceding section.

If not attending the Meeting of Shareholders in person, a shareholder may choose among one of the following three formulas: give a proxy to another shareholder or to his spouse, or vote by mail, or send a proxy to the Company without indicating any agent under the conditions provided by law and regulations.

An intermediary who has satisfied the applicable statutory provisions may, under a general power of attorney for management of securities, convey for a Meeting of Shareholders the vote or the proxy of an owner of shares who does not have his domicile in French territory.

The Company shall have the right to ask the intermediary indicated in the preceding paragraph to furnish a list of the non-resident owners of the shares to which those voting rights are attached and the number of shares held by each of them.

Under the conditions set by law and regulations, shareholders may send their proxy form and voting form concerning any Meeting of Shareholders either in paper form or, by decision of the Board of Directors indicated in the notice of meeting, by remote transmission.

In the event of remote voting, only the forms received by the Company up until 3:00 p.m., Paris time, on the day before the Meeting of Shareholders is held shall be counted.

The Board of Directors may shorten or eliminate the time period indicated in the preceding section.

Legal representatives of legally incompetent shareholders and individuals representing legal-entity shareholders shall participate to the Meeting of Shareholders, whether or not they are shareholders personally.

Meetings of Shareholders shall be chaired by the Chairman of the Board of Directors or, in his absence, by a director specially delegated for that purpose by the Board. Otherwise, the Meeting of Shareholders itself shall elect its Chairman.

The duties of scrutineers shall be performed by the two members of the Meeting of Shareholders present and accepting those duties who have the largest number of votes. A secretary shall be designated who may be chosen from outside the shareholders.

An attendance sheet shall be kept under the conditions provided by law and regulations.

Minutes shall be kept and copies or extracts of the resolutions shall be issued and certified pursuant to law and regulations.

Ordinary and Extraordinary Meetings of Shareholders shall meet on first call and, if applicable, on second call under the quorum conditions provided by law.

Resolutions of Meetings of Shareholders shall be adopted under the majority conditions provided by law.

Shareholders who participate in the Meeting by video conference or by telecommunications media that enable their identification under the conditions set by regulations applicable at the time of its use shall also be considered present for calculating the quorum and majority.

Ordinary and Extraordinary Meetings of Shareholders shall exercise their respective powers under the conditions provided by law.

21.2.7 Crossing of statutory thresholds (Article 11 of the Company's By-laws)

The shares shall be freely transferable, subject to statutory and regulatory provisions.

The conveyance of shares, regardless of their form, shall occur by transfer from account to account under the conditions and according to the terms provided by law.

In addition to the legal obligations to report the crossing of thresholds or declaration of intent, any individual or legal entity, acting alone or in concert, that comes to possess, in any way, pursuant to Articles L. 233-7 *et seq.* of the Commercial Code, directly or indirectly, a number of shares representing a stake equal to 1% of the capital and/or voting rights of the Company, must inform the Company of the total number of shares and voting rights that it possesses, and the number of securities that it owns that ultimately give access to the capital and the voting rights that are attached thereto, by registered letter with return receipt requested sent to the head office, or by any equivalent means for shareholders or bearers of securities domiciled outside France, within 5 stock-exchange business days after that threshold is crossed. That information shall be renewed for the holding of each additional stake of 1% of the capital or voting rights without limitation.

That reporting obligation shall apply under the same conditions as those stipulated above whenever the percentage of the capital stock and/or voting rights possessed becomes less than a multiple of 1% of the capital or voting rights.

If not duly reported under the conditions stipulated above, the shares that exceed the percentage that should have been reported shall, upon request, indicated in the minutes of the Meeting of Shareholders, from one or more shareholders holding a percentage of the capital or the voting rights of the Company at least equal to 1%, be deprived of the voting right for any Meeting of Shareholders that is held until the expiry of a period of two years following the date of rectification of the notice.

21.2.8 Changes in the share capital (Article 8 of the Company's By-laws)

The capital stock may be increased, reduced or amortised under the conditions set by law.

22 MATERIAL CONTRACTS

>> 22.1 Contracts relating to satellites

Various satellite procurement contracts have been entered into by the Group over the last financial years.

During the financial year 2006-2007, the Group ordered three satellites:

- W2A was ordered from Thales Alenia Space in September 2006;
- HOT BIRD™ 10 was ordered from EADS Atrium in October 2006;
- W7 was ordered from Thales Alenia Space in December 2006.

In addition, the Group ordered two further satellites during the previous financial year:

- HOT BIRD™ 9, ordered from EADS Astrium;
- W2M, ordered from EADS Astrium – ISRO.

Main provisions of the satellite procurement and launch contracts

The Group is entitled to closely monitor all the tasks carried out as part of these manufacturing contracts, including the design, assembly and testing phases as well as construction. For this purpose, certain engineers of the Group are assigned to the production site. This supervision allows the Group to make sure that its high quality standards and its technical specifications are complied with at all stages of the satellite's construction. In addition, by virtue of these procurement contracts, the constructors offer certain in-orbit support services.

The payment mechanism specified in the Group's procurement contracts with its suppliers breaks down into four parts: (i) progress payments related to the various technical reviews, (ii) payment of a lump-sum for the launch campaign (iii) in-orbit incentive payments, and (iv) reimbursements or penalty payments for late delivery or non-compliance with the technical specifications.

The contracts also contain clauses allowing the Group to terminate them with or without giving reasons. If a contract is cancelled and a reason is given, the Group is entitled to full reimbursement of any payment it may have made to the constructor. If the launch is cancelled without giving a reason, the Group will be required to pay significant cancellation indemnities that increase with time, based on the work completed by the constructor.

In-orbit incentive payments

The Group's satellite procurement contracts also contain a provision for in-orbit incentive payments whereby the manufacturer is paid a fraction of the procurement cost throughout the period of the satellite's operation on the basis of satellite's compliance with the technical and contractual specifications.

In the most recent contracts, the Group has agreed to pay the price for the satellite in full, including the amount allocated for incentive payments and the acceptance review at the time the satellite is brought into operation. However, the Group is entitled to reimbursement of part of the sums paid if the satellite does not meet the technical specifications, or in the event of malfunction.

The contracts also contain penalty clauses to apply in cases of late delivery. During the financial year ended June 30, 2007, the Group received 11.4 million euros in compensation for the late delivery of the HOT BIRD™ 3 satellite, and during the financial year ended June 30, 2006 it received 5.9 million euros for the late delivery of the ATLANTIC BIRD™ 1 satellite.

In cases where delivery is more than six months late, the Group can cancel the satellite procurement contracts or reason of non-fulfilment of contractual obligations by the supplier.

Launch service contracts

The Group has assigned the launch services for its satellites under construction to Arianespace and Sea Launch. The Group also has a launch contract with International Launch Services, Inc. (ILS). The fact of having three launch service suppliers offers the Group additional flexibility and security to ensure that its satellites under construction will be launched within the scheduled time limits.

Under a launch services contract between the Group and Arianespace, the Group is entitled to a new free launch if the launch fails. Following the failure of the HOT BIRD™ 7 launch in December 2003, and in accordance with the contract with Arianespace, the Group was offered a new launch, which will be used for future satellites. The cost of this launch for the Group will be limited to the cost of the additional satellite mass, the arrangement of insurance policies and costs incurred in positioning the satellite on-station.

Under the terms of these launch services contracts, the Group can delay or cancel a launch with or without giving reasons. In the event of a cancellation supported by a reason, the Group is entitled to full reimbursement of any sum it may have paid to the launch services provider. If the Group cancels the launch without giving a reason, it is required to pay the cancellation indemnities, which could be substantial.

>> 22.2 Allotment agreements with third parties

The Group has signed allotment agreements with third parties (RSCC and ALS). These are described under "Capacity leased on satellites belonging to third parties" in this reference document.

>> 22.3 Financing agreements

The Group has entered into a number of financing agreements it considers significant (in particular the Refinancing Loan). These financing agreements are described in Section 10.3 "Changes in indebtedness and the Group's financing structure".

23 DOCUMENTS AVAILABLE TO THE PUBLIC

All the legal documents concerning the Company, the Company's By-laws, the minutes of the General Meetings, Company and consolidated financial statements, the auditors' reports and all other Company documents are available in hard copy at the Company's head office.

All the information made public by the Group under Article 221-1 of the General Regulations of the *Autorité des marchés financiers* can be accessed on the Company's web-site at the following address: http://www.eutelsat.com, and a copy of the information can be obtained at the Company's head office, 70, rue Balard – 75015 Paris

>> Person responsible for the information

Gilles Janvier
Investor relations
70, rue Balard
75015 Paris

>> Indicative timetable for communication of financial information

The dates communicated below are provided for information only and may be modified at any time by the Company:

- November 9, 2007: general meeting of Shareholders;
- February 2008: Publication of revenues for the 2nd quarter and half-year results;
- May 2008: Publication of revenues for the 3rd quarter;
- July 2008: Publication of the results for the financial year ended June 30, 2008.

>> Annual information document

In accordance with Article 222-7 of the general regulations of the Autorité des marchés financiers, an annual information document is provided below listing all the information published or made public by the Company in compliance with its legislative and statutory obligations in matters of financial instruments and financial instruments markets.

Publication date	Title of press release
October 23, 2007	Eutelsat Communications reports revenue for the first quarter 2007-2008 and announces mid-term growth objectives
October 15, 2007	Eutelsat Communications increases its stake in its unlisted subsidiary Eutelsat S.A.
September 17, 2007	Eutelsat Communications appoints Catherine Guillouard as Chief Financial Officer and member of the Group Executive Committee
September 10, 2007	Tooway™ consumer satellite broadband service continues roll-out across Europe
September 10, 2007	Eutelsat initiates an operation to acquire shares of its unlisted subsidiary Eutelsat S.A.
September 7, 2007	Premium Arabic channels from orbit join Eutelsat'S KabelKiosk Digital cable platform
September 6, 2007	T-Systems selects Eutelsat'S EUROBIRD™ 9 satellite for broadcasting and data services
August 31, 2007	Eutelsat and Viasat ready to launch Tooway™ consumer satellite broadband service in Germany
August 30, 2007	Multichoice Africa takes new capacity on Eutelsat SESAT 1 satellite to expand DSTV pay-TV platform
July 26, 2007	Pier Francesco Guarguaglini, Chairman and CEO of Finmeccanica, joins the Eutelsat Communications Board of Directors
July 26, 2007	Eutelsat Communications records strong growth in announcing its results for 2006-2007
June 28, 2007	Eutelsat W3A Satellite selected by Gateway Broadcast Services for new African Pay-TV Platform
June 20, 2007	Digiturk platform boosts capacity on Eutelsat'S W3A satellite for new pay-TV services
June 18, 2007	Télécoms Sans Frontières welcomes Eutelsat Communications as new partner
June 7, 2007	Eutelsat Communications statement – SATMEX
May 21, 2007	Eutelsat Communications statement – Executive Committee
May 15, 2007	Eutelsat opens new neighbourhood at 9° East with EUROBIRD™ 9 satellite (formerly HOT BIRD™ 2)
May 10, 2007	Eutelsat Communications announces its revenues for the third quarter of 2006-2007
May 7, 2007	National Broadcasting Company, owner of Russia's tricolor TV platform, launches 12 pay-TV channels on Eutelsat W4 satellite
April 27, 2007	NTV Plus, Russia's premier pay-TV platform launches its hdtv offer via Eutelsat's W4 satellite
April 2, 2007	France 24 launches in Arabic across Europe and Mediterranean Basin through Eutelsat's HOT BIRD™ neighbourhood
March 26, 2007	RBC-TV, Russia's business channel, INKS contract with Eutelsat for free-to-air Broadcasting on HOT BIRD™ 6 Satellite
March 15, 2007	Eutelsat EUROBIRD™ 4 satellite initiates new commercial mission at 4° East
March 14, 2007	Eutelsat declaration on transfer of broadcast clients to HOT BIRD™ 8 satellite from HOT BIRD™ 2
March 13, 2007	Turner Broadcasting System (TBS) selects Eutelsat capacity and services for European cable reach
February 19, 2007	VIASAT and Eutelsat to develop consumer broadband by satellite services for EUROPE
February 15, 2007	Eutelsat Communications reports first half 2006-2007 results in line with full year guidance
February 12, 2007	The Eutelsat Communications share is now part of the Deferred Settlement Service (SRD)
January 9, 2007	Eutelsat HOT BIRD™ video neighbourhood consolidates audience into 121 million homes and breaks barrier of 1,000 channels
January 23, 2007	Eutelsat statement regarding the replacement of four members of its Board of Directors
January 4, 2007	Skylogic, Eutelsat's broadband affiliate, teams with VIASAT for satellite-based in-flight communications to business jets
December 21, 2006	Eutelsat selects Alcatel Alenia Space for W7 satellite to boost 36° East neighbourhood
December 7, 2006	Auditors' fees – Financial year ended 30 june 2006
December 7, 2006	Statement by Eutelsat Communications
December 5, 2006	Statement by Eutelsat Communications
November 20, 2006	Statement by Eutelsat Communications
November 10, 2006	Eutelsat Communications – Ordinary and extraordinary General Meeting of November 10, 2006
November 8, 2006	Eutelsat Communications publishes its revenues for the first quarter of 2006-2007
November 7, 2006	Channels from CANAL+ Group join Eutelsat'S HOT BIRD™ neighbourhood for distribution to tps subscribers
October 30, 2006	Eutelsat Confirms to Alcatel Alenia Space the S band mission on the W2A satellite
October 30, 2006	SES and Eutelsat announce joint investment to serve markets for mobile broadcasting and other communications services in Europe
October 19, 2006	Eutelsat awards contract to deliver HOT BIRD™ 10 broadcast satellite to Astrium
October 12, 2006	ITI Neovision launches "n", Poland's new-generation pay-TV platform, through Eutelsat's HOT BIRD™ neighbourhood
October 9, 2006	Full service restored on Eutelsat's W3A satellite

Publication date	Title of press release
October 6, 2006	Eutelsat status report on HOT BIRD™ 3 satellite (EUROBIRD™ 10)
October 3, 2006	Eutelsat's HOT BIRD™ 8 satellite goes live
October 2, 2006	Eutelsat to boost in-orbit resource at 10° East with HOT BIRD™ 3 satellite, rebranded EUROBIRD™ 10
September 28, 2006	HOT BIRD™ TV Awards 2006 winners announced
September 8, 2006	Siemens and Eutelsat in new three year deal to provide satellite capacity to the BBC
September 5, 2006	Eutelsat places order with sea launch for launch services for two satellites
September 4, 2006	Eutelsat Communications delivers strong results in 2005-2006 and raises profitability guidance for 2006-2007
September 1, 2006	Eutelsat selects Alcatel Alenia Space for the delivery of W2A satellite
August 31, 2006	France's international news channel, France 24, selects three Eutelsat satellites for broadcasting
August 28, 2006	Sony Pictures Television international's axn channel begins broadcasting new action channels to Central Europe through Eutelsat W2 SATELLITE
August 5, 2006	Eutelsat's HOT BIRD™ 8 broadcast satellite speeds into orbit
July 20, 2006	Eutelsat Communications announces full year and fourth quarter 2005-2006 revenues
July 19, 2006	Luxe.TV signs an agreement with eutelsat to broadcast in high-definition mode and free-to-air
July 6, 2006	Eutelsat's HOT BIRD™ 8 satellite arrives at baikonur cosmodrome for August proton launch
July 3, 2006	Eutelsat opens new video neighbourhood at 7° West with entry into service of ATLANTIC BIRD™ 4

	THRESHOLDS CROSSINGS
September 11, 2006	Notification by Franklin Resources, acting in its own name and in the name of and on behalf of its subsidiaries, declaring that it holds 6,317,161 shares representing 3.2% of the capital
October 10, 2006	Notification by Helvetica, acting in the name of and on behalf of Qatar investment authority, declaring that it holds 2,345,190 shares representing 1.08% of the capital
October 24, 2006	Notification by Helvetica, acting in the name of and on behalf of qatar investment authority, declaring that it holds 4,356,876 shares representing 2.01% of the capital
November 27, 2006	Notification by Babcock & Brown Capital, acting in the name of and on behalf of Babcock & Brown Capital france pty, declaring that it holds 2,167,865 shares representing 1.01% of the capital
December 8, 2006	Notification by Nebozzo S.àr.l. that it has dropped below the threshold of 15% of the capital and that it holds 31,124,090 shares
December 11, 2006	Notification by Lehman Bros international declaring that it holds 4,900,584 shares representing 2.27% of the capital
January 23, 2007	Notification by Abertis Telecom Sau declaring that it holds 69,022,989 shares representing 31.96% of the capital
January 23, 2007	Notification by GSCP 2000 Eurovision declaring that it has dropped below the thresholds of 5% and 1% subsequent to the off-market transfer of 14,345,456 shares to abertis telecom sau
January 24, 2007	Notification by Nebozzo S.àr.l. to the Autorité des Marchés Financiers declaring that it has dropped below the 10% legal threshold and the 1% statutory threshold subsequent to the off-market transfer of 31,124,090 shares
January 24, 2007	Notification by cb Luxembourg III that it has dropped below the 10% legal threshold and the 5% statutory threshold subsequent to the off-market transfer of 23,553,443 shares to Abertis Telecom Sau
February 19, 2007	Notification by Lehman Brothers International declaring that it has dropped below the 1% statutory threshold and that it holds 471,004 shares (0.22% of the capital)
February 20, 2007	Notification by BlueBirds Participations S.àr.l. and Redbirds Participations S.àr.l. declaring together that they have dropped below the 5% legal threshold and the 1% statutory threshold subsequent to the off-market transfer of 54,951,502 shares
February 20, 2007	Notification by the Caisse des Dépôts et Consignations, acting in its own name and in the name of and on behalf of cdc infrastructures, declaring that it has crossed the legal threshold of 25% of the capital subsequent to the off-market transfer of 54,951,502 shares
April 2, 2007	Notification by FranklinR, acting in its own name and in the name of and on behalf of its subsidiaries, declaring that it holds 11,886,187 shares representing 5.48% of the capital
April 10, 2007	Notification by Franklin Resources, acting in its own name and in the name of and on behalf of its subsidiaries, declaring that it holds 13,025,965 shares representing 6.01% of the capital
April 24, 2007	Notification by Franklin Resources, acting in its own name and in the name of and on behalf of its subsidiaries, declaring that it holds 17,438,450 shares representing 8.05% of the capital
April 24, 2007	Notification by Magnetar Capital LLC, declaring that it holds 2,196,081 shares representing 1.01% of the capital
May 23, 2007	Notification by Belgacom that it has dropped below the 1% statutory threshold subsequent to the market transfer of 4,680,118 shares on 23 march 2007
May 24, 2007	Notification by Franklin Resources, acting in its own name and in the name of and on behalf ofits subsidiaries, declaring that it holds 20,072,339 shares representing 9.26% of the capital
June 12, 2007	Notification by Franklin Resources, acting in its own name and in the name of and on behalf of its subsidiaries, declaring that it holds 21,699,519 shares representing 10.02% of the capital

Publication date	Title of press release
	DOCUMENTS PUBLISHED IN THE BALO BULLETIN OF COMPULSORY LEGAL NOTICES *(BULLETIN DES ANNONCES LÉGALES OBLIGATOIRES)*
August 7, 2006	Revenues and quarterly figures
October 2, 2006	Meeting notice (both extraordinary and ordinary general meeting of 10 november 2006)
October 20, 2006	Meeting notice (both extraordinary and ordinary general meeting of 10 november 2006)
November 10, 2006	Annual Financial Statements
November 22, 2006	Voting rights
November 29, 2006	Revenues and quarterly figures
December 15, 2006	Annual financial statements
February 16, 2007	Revenues and quarterly figures
March 14, 2007	Interim accounts
April 25, 2007	Interim accounts
May 14, 2007	Revenues and quarterly figures
August 6, 2007	Revenues and quarterly figures
October 5, 2007	Meeting Notice (both Extraordinary and Ordinary General Meeting of 9 November 2007)
October 22, 2007	Meeting Notice (both Extraordinary and Ordinary General Meeting of 9 November 2007)
	DECLARATIONS OF SECURITIES OPERATIONS BY MANAGERS
February 26, 2007	Claude Ehlinger
February 26, 2007	Person connected to Giuliano Berretta
February 26, 2007	Giuliano Berretta
March 1, 2007	Claude Ehlinger
March 5, 2007	Claude Ehlinger
March 14, 2007	Person connected to Jean-Paul Brillaud
March 14, 2007	Jean-Paul Brillaud
March 30, 2007	Claude Ehlinger
April 4, 2007	Claude Ehlinger
April 5, 2007	Person connected to Jean-Paul Brillaud
April 5, 2007	Jean-Paul Brillaud
May 21, 2007	Person connected to Giuliano Berretta
May 21, 2007	Giuliano Berretta
June 5, 2007	Person connected to Jean-Paul Brillaud
June 5, 2007	Jean-Paul Brillaud
June 13, 2007	Jean-Paul Brillaud
June 26, 2007	Giuliano Berretta
August 20, 2007	Claude Ehlinger
	DOCUMENTS FILED WITH THE COURT CLERK'S OFFICE
November 10, 2006	By-laws updated
November 10, 2006	Minutes of Ordinary and Extraordinary General Meeting concerning the appointment of a director and the modification to the age limit
December 19, 2006	By-laws updated
December 19, 2006	Extract from the minutes concerning the change of director, the capital increase and the modifications to the By-laws
January 23, 2007	Extract from the minutes concerning the change of director
February 14, 2007	By-laws updated
March 26, 2007	Minutes of the Board of Directors concerning the resignation of directors
May 10, 2007	Extract from the minutes concerning the resignation and co-opting of directors
July 25,, 2007	By-laws updated
July 25, 2007	Extract from the minutes concerning the change of director, the capital increase and the modifications to the By-laws
August 13, 2007	Edict concerning the appointment of an expert appraiser

The press releases can be consulted on the Company's web-site (www.eutelsat.fr).

The documents published in the *Bulletin des Annonces Légales Obligatoires* (BALO) can be consulted on the web-site www.journal-officiel.gouv.fr.

The documents filed with the Court Clerk's Office can be consulted on the web-site www.infogreffe.fr.

24 INFORMATION ON HOLDINGS

Information concerning the companies in which the Company holds part of the share capital likely to have a significant impact on the evaluation of its assets, financial position or results, is given in Section 7.2 "Subsidiaries and equity interests" of this reference document and in Note 27 to the Company's consolidated financial statements for the year ended June 30, 2007.

GLOSSARY

Analog
Format of a broadcast signal where a continuously varying physical quantity precisely describes the variation of the information it represents.

Bandwidth
Band of frequencies used for an RF transmission (e.g. 36 MHz).

Beam
Term used to describe the radiation pattern of a satellite antenna. The intersection of a satellite beam with the surface of the Earth is called the footprint (of the beam).

Broadcast Satellite Service (BSS)
Communications service in which signals transmitted or retransmitted by satellite are intended for direct reception by the general public. Use of the corresponding frequencies is governed by international regulations, with the aim of allowing all countries to offer services of this kind. In Europe, the downlink frequency range for the BSS is 11.7 to 12.5 GHz.

Capacity
Quantity of information transmitted. By analogy, there is often reference to spectrum width and to the associated power needed to transmit this quantity of information.

C band
Frequency range assigned to satellite communications systems, approximately 4 GHz for the downlink and 6 GHz for the uplink. The associated transmit power is relatively low in comparison with Ku band, for example. Large antennas are therefore required for C band operation.

Digital
Format for recording, processing, transmitting and broadcasting data via a binary signal (and not by a continuously varying signal).

Direct broadcasting
Direct reception of satellite signals by the user, via DTH or community reception facilities (satellite dish) (synonym: direct broadcasting).

Downlink
Path travelled by the signal in the direction Space-Earth.

DSL
Digital Subscriber Line. Technologies that make it possible to use the copper lines connecting the customers of the switched telephone network for purposes of broadband transmission in packet mode (digital).

DVB
Digital Video Broadcasting. A set of European standards for the broadcasting and reception of digital TV signals by satellite (DVB-S), cable (DVB-C) or terrestrial means (DVB-T), developed within the framework of the Digital Video Broadcasting project and formalised by the European Telecommunications Standards Institute (ETSI). These European standards have been adopted by many countries worldwide.

Earth segment
Earth stations operated in a given satellite system or network (synonym: ground segment).

Earth station
Installation required in order to receive a signal from a satellite and (or) transmit a signal to a satellite. The facility consists essentially of an antenna and communications equipment on the ground. (synonym: ground station).

EDP
Eutelsat Digital Platform. Platforms set up to allow the multiplexing costs on the ground to be shared.

Fixed Satellite Service (FSS)
Communications service between earth stations located at fixed points, such points being determined when one or more satellites are used. However, this expression often designates the “unplanned” frequency bands, which that are not subject to the international regulations governing the use of BSS frequencies. In Europe, the downlink FSS frequencies are 10.7-11.7 GHz and 12.5-12.75 GHz.

Frequency
Number of vibrations produced by unit of time during a given period. Frequency relates to the rate of variation per second of the carrier wave or modulating signal. Satellite transmissions are generally in GHz (see C band, Ka band and Ku band).

Internet backbone
The communications networks on which the Internet is based.

IP
Internet Protocol

Ka band
Frequency range assigned to satellite communications systems, approximately 20 GHz for the downlink and 30 GHz for the uplink. These frequencies have the shortest wavelength of the three principal frequency bands used by geostationary satellites. Small antennas can be used, but Ka band requires the use of beams that are tightly concentrated over fairly small geographical areas.

Ku band

Frequency range assigned to satellite communications systems, approximately 14 GHz for the uplink and 11 GHz for the downlink. Used for radio and TV, this band is the most widespread in Europe as a result of the small size of the antennas needed for reception.

MPEG

Moving Pictures Experts Group – Working Group charged by the ISO with the task of developing international standards for the compression, decompression, processing and encoding of video, audio and any combination thereof, such as to ensure a wide range of applications. Name also given to the compression and digital broadcasting standard for TV, resulting from the deliberations of this group of experts.

Operating period

Period during which a satellite is able to function. The operating period of a satellite in orbit depends in particular on the quantity of fuel it carries for station-keeping.

Passband

Range of frequencies permitted for an RF transmission (see bandwidth).

Payload

Set of satellite equipment used for reception, frequency conversion, processing, and retransmission of the communications signals after they have been amplified, but excluding add-on equipment such as the platform (physical structure and subsystems such as electrical and thermal control, attitude control, etc.).

Radio frequency

Electromagnetic frequency generally higher than 20 kHz, used to transmit information.

Redundancy

Architecture based on the use of several identical components, each able to replace any of the others in the event of failure.

RF relay

Professional terrestrial RF link generally used between the studios of a radio or TV station and the antennas transmitting the programmes to customers' homes.

S Band

Frequency range assigned to satellite communications systems, approximately 2 GHz for the uplink. Frequency adjacent to the UMTS frequencies.

Signal

Variation of a physical value of any kind carrying information.

Simulcasting

Simultaneous transmission of a programme or service using two transmission standards or media. This technique developed by Eutelsat under the name of Simulcast makes it possible to transmit a carrier wave in analog mode and a digital TV signal on a single satellite transponder which could normally only transmit the carrier wave of the analog signal.

Skyplex

System allowing several digital services to be multiplexed on board the satellite rather than on the ground and retransmitted by a single carrier wave compliant with the DVB standard. TV channels can thus be transmitted independently, from different geographical locations, and received on DTH equipment meeting the DVB standard. Skyplex systems require the use of specific equipment on board the satellite for reception and multiplexing of the digital services.

Space segment

Satellites in a satellite communications system belonging to an operator.

Steerable beam

Satellite antenna beam that can be pointed towards a given geographical area by sending a ground signal.

Telemetry

Encoded communication sent by the satellite to the earth station to transmit the results of measurements related to the satellite's operation and configuration.

Transponder

Name given to the retransmitter on-board the satellites, whose function is to retransmit the signals received from the earth uplink station to a specific part of the globe.

Uplink

Path travelled by the signal in the direction Earth-Space.

VSAT Terminal

Microterminal connected to a fixed antenna and allowing satellite reception or transmission.

Summary

Page

ANNEX 1

>> REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF EUTELSAT COMMUNICATIONS

PURSUANT TO ARTICLE L. 225-37
OF THE FRENCH COMMERCIAL CODE

Dear Shareholders,

In accordance with Article L. 225-68 of the French Commercial Code, this report provides information on the preparation and organisation of the work of the Board of Directors of Eutelsat Communications during the financial year ended June 30, 2007 and on the internal control procedures set up by the Eutelsat Group.

For the purposes of our report, please note that the term “Company” refers to Eutelsat Communications and the term “Group” or “Eutelsat Group” refers to Eutelsat Communications including all its subsidiaries and equity interests.

>> 1. Introduction

The financial year ended June 30, 2007 was a turning point for our Company, due mainly to a profound change in its shareholder structure and in the composition of its Board of Directors. The period also saw consolidation of the Company’s role in steering the financial and strategic development of the Eutelsat Group, which is the third largest operator of Fixed Satellite Services, notably by means of a simplification of the Group’s organisational structure and an alignment of the rules of governance between the Company and its principal operating subsidiary Eutelsat S.A.

You are reminded that following the Company’s IPO in December 2005, no shareholder of the Company, directly or indirectly, by itself or with others, exercised control within the meaning of Article L. 233.3 of the French Commercial Code.

This situation has not been altered by the changes in the composition of the Company’s share capital over the year. Consequently, at June 30, 2007, no shareholder of our Company, directly or indirectly, by itself or with others, exercised control within the meaning of Articles L. 233.3 *et seq.* of the French Commercial Code.

>> 2. Governance of the company

2.1 Uniqueness of the functions of Chairman and CEO

Under Article 148 of the decree of March 23, 1967, the Board of Directors decided at its meeting of August 31, 2005 to combine the functions of Chairman of the Board and CEO. Mr Giuliano Berretta, Chairman of the Board of Directors, is accordingly responsible for the overall management of the Company.

2.2 Election of independent directors

In accordance with the practices of sound governance and the commitments entered into by the Company at the time of its IPO in December 2005, the Board of Directors undertook a procedure for the selection of three independent directors, i.e. directors having no conflict of interests and no business relations with the Eutelsat Group that would be such as to affect the director’s judgement.

Resolutions were voted by the Ordinary General Meeting of Shareholders on November 10, 2006, and two independent directors were elected for a six-year term of office to expire at the end of the General Meeting called upon to rule on the accounts of the Company for the year ending June 30, 2012.

The directors elected were Lord John Birt, former Director General of the BBC, and Mr Frank Dangeard, Chairman and Managing Director of the Thomson Group. Following the latter’s resignation as of February 28, 2007, the Board of Directors meeting on July 25, 2007 decided to co-opt Mr Guarguaglini, Chairman of the Finmeccanica Group, for the remaining duration of Mr Dangeard’s term of office.

The process of identifying and selecting the third independent director continues.

The Board of Directors will be submitting the co-option of Mr Guarguaglini and the election of a third independent director for the approval of the Company's next Ordinary General Meeting of Shareholders.

When this process is complete, therefore, three of the 11 members (at least a quarter) of the Board of Directors will be independent directors.

The Board considers that its composition, which sees the presence of independent directors alongside directors exercising management functions within the Group or representing major shareholders, is an element of sound governance.

2.3 Changes in the composition of the Board of Directors

Following the sale by certain reference shareholders of their shares in the Company's capital to Abertis Telecom[11] and CDC-Infrastructures[12] respectively on January 23, 2007 and February 14, 2007, the composition of the Board of Directors was profoundly changed.

The table below shows the changes in the composition of the Board of Directors over the year:

Name	Date of appointment	Date of resignation	Name	Date of co-option	End of term of office
Patrick Sayer	31/08/2005	06/04/2007	Jean-luc Archambault	10/05/2007	OGM accounts June 30, 2011
Gilbert Saada	31/08/2005	06/04/2007	Bertrand Mabille	10/05/2007	OGM accounts June 30, 2011
BlueBirds II Participations	31/08/2005	14/02/2007	CDC Infrastructures represented by Jean Bensaïd	14/02/2007	OGM accounts June 30, 2011
CB Luxembourg 3	31/08/2005	23/01/2007	Carlos Sagasta-Reussi	23/01/2007	OGM accounts June 30, 2011
GS 2000 Eurovision Holding	31/08/2005	23/01/2007	Gimeno Tobias-Martinez	23/01/2007	OGM accounts June 30, 2011
Geoffrey Fink	28/06/2006	23/01/2007	Andrea Luminari	23/01/2007	OGM accounts June 30, 2011
William Collatos	31/08/2005	23/01/2007	Carlos Espinos-Gomez	23/01/2007	OGM accounts June 30, 2011
Lord John Birt	10/11/2006	NA	NA	NA	OGM accounts June 30, 2012
Frank Dangeard	10/11/2006	28/02/2007	Pier Francesco Guarguaglini	25/07/2007	OGM accounts June 30, 2012
Giuliano Berretta	31/08/2005	NA	NA	NA	OGM accounts June 30, 2011

The changes in the composition of the Board of Directors during the year, as set out above, will be submitted for ratification by the Ordinary General Meeting of Shareholders called upon to examine the accounts for the year ended June 30, 2007.

2.4 Mission of the Board of Directors

Under Article L. 225.35 of the French Commercial Code, the Board of Directors is notably responsible for orienting the Company's business activities and ensuring this framework is properly implemented. Subject to the powers expressly reserved for General Meetings of Shareholders, the Board of Directors can examine any question that affects the sound operation of the Company.

It should also be noted that in addition to the powers provided by law and in application of the Board's internal rules, a number of strategic decisions and undertakings require the prior approval of the Board of Directors.

(11) Abertis Telecom is a fully-owned subsidiary of the Abertis Group.

(12) CDC-Infrastructures is a fully-owned subsidiary of the Caisse des Dépôts et Consignations. Abertis Telecom is a fully-owned subsidiary of the Abertis Group.

These decisions can be grouped under the following headings:

- **operations affecting the By-laws:** Any operation that results in an increase in the Company's capital or a modification of the Company's By-laws is submitted for prior approval by the Board of Directors;
- **strategic operations:** The Group's five-year Strategic Plan, as well as any acquisition of shares in another company or any operations or mergers with a substantial effect on the Company's structure or strategy, is submitted for prior approval by the Board of Directors. This also applies to any investment in the capital of another company of more than 50 million euros or of more than 25 million euros if the relevant investment operation is not included in the Strategic Plan;
- **investments and financial undertakings:** The Group's consolidated annual budget is subject to prior approval by the Board of Directors at the beginning of each financial year. All capital expenditure in excess of 50 million euros (or in excess of 25 million euros if not included in the annual budget) is subject to prior approval by the Board of Directors. Any loan or financing contract that results in increasing the Group's indebtedness by more than 50 million euros that is not included in the annual budget is subject to prior approval by the Board of Directors. Lastly, any decision to dispose of, loan, lease or transfer assets of the Group (excluding commercial operations) or any decision to disinvest any amount in excess of 50 million euros that is not included the annual budget is subject to prior approval by the Board of Directors;
- **management of the Group:** The Board of Directors is in charge of defining the requirements for independence and selection of the independent directors, and its prior approval is needed before any recruitment or dismissal of a manager working for the Group whose remuneration is one of the six largest;
- **other matters:** Any projected take-over or merger of the Company, any offer to buy any other company for which payment is to be wholly or partly in Company shares, any draft reference documents or offer documents for investors must be submitted for approval by the Board of Directors.

2.5 Organisation of the work of the Board of Directors

During the year, the Board of Directors decided to set up a specialised working group and an *ad hoc* working group with the task of providing the Board with advice in their respective areas of competence:

- **selection and Remuneration Committee:** This Committee is notably in charge of studying and providing recommendations to the Board as appropriate on (i) the remuneration of the Chairman and CEO and of the Deputy CEO, (ii) the introduction of stock-option plans or plans for the purchase or grant of shares within the Group, (iii) the allocation of fees to members of the Board, (iv) the selection of the independent directors.

  The Committee is currently chaired by Mr Tobias-Martinez. Messrs Bensaid, Espinos-Gomez and Lord John Birt are also members. The Secretary to the Committee is Mr Izy Béhar, Director of Human Resources at Eutelsat S.A.

  This Committee met 6 times in the course of the financial year, notably to examine the introduction of a Plan for the Allocation of Free Shares to all the Group's employees and the Group's key managers.

  On the basis of a recommendation by the Committee, the Board of Directors meeting of May 10, 2007 allocated free shares to all the Group's employees and key managers. In accordance with Article L. 225-197 of the French Commercial Code, allotment of these free shares will become absolute provided the beneficiaries are still with the Group in two years time (i.e. on May 10, 2009) and will only be available after a further period of two years has expired, i.e. as of May 11, 2011;
- **strategy and Investment Working Group:** This Working Group was set up in April 2007. It meets on an *ad hoc* basis and has the task of submitting recommendations to the Board as appropriate on any external growth operations envisaged and projected investments under the Strategic Plan or annual budget.

  The members of the working group are Jean Bensaïd and Carlos Espinos-Gomez. They are assisted by the other directors, as required.

  This working group submitted recommendations to the Board of Directors, notably on the submission of an offer in relation to the sales process of the Mexican operator SATMEX (process suspended by the sellers in June 2007) but also on the Strategic Plan and annual budget prepared by the Company's Management.

2.6 Board meetings and information communicated to the Board of Directors

The Board of Directors meets as often as the interests of the Company or the Group require.

The Board of Directors met 16 times during the financial year, mainly due to the substantial workload involved in examining the expressions of interest in acquiring shares received in October and November 2006 and in the preparation and review phases of the Group's five-year Strategic Plan.

Unless it is an emergency, invitations to attend meetings of the Board of Directors are sent out to Board members at least 5 days before the meeting concerned.

In accordance with the relevant provisions of the internal rules of the Board of Directors, documents for the Board meeting are sent to its members at least 5 days before the meeting of the Board takes place. For an emergency meeting of the Board, documents are sent out in a shorter timeframe.

2.7 The main issues examined by the Board of Directors

The Board's regular work cycle concerns mainly the second six-months of the financial year, largely due to preparation of the annual budget and five-year Strategic Plan and to the legal provisions governing the preparation of the accounts.

Additionally, under Article L. 232.2 of the French Commercial Code, the Board of Directors adopts the management planning documents for the Company in October and April of each year, at the latest.

2.7.1 Strategic Plan and annual budget

In the second half of each financial year, the Board of Directors examines the Group's draft five-year Strategic Plan. The Strategic Plan is designed to establish the Group's strategic objectives and determine not only the tools needed to achieve those objectives but also the financial and business activity forecasts for the Group. The Strategic Plan for the period 2007-2008 to 2011-2012 was approved on July 25, 2007.

Similarly, the Group's consolidated annual budget, which examines the financial and budgetary objectives for the coming year and which is included as part of the Strategic Plan, is reviewed by the Board in the last quarter of the current year. The annual budget for 2007-2008 was approved by the Board on June 28, 2007.

2.7.2 Review of the interim half-year accounts and consolidated accounts

With the information provided on follow-up of the Group's business activities, and in application of the relevant legal provisions, the Board of Directors adopts the interim half-year accounts and full-year accounts. The half-year accounts are adopted in the 3rd quarter (January to March) of each financial year and the annual accounts and consolidated accounts for the full year are adopted in the 1st quarter of the following financial year (July – September).

It should be noted that under the "Transparency" Directive, adoption and publication of the half-year accounts takes place in February each year.

2.7.3 Investment decisions

Under the internal rules, the Board of Directors has to decide on any capital expenditure in excess of the predetermined ceilings (see Paragraph 2.5 above).

Using detailed documentation prepared by the Group's management, any decisions to commit to capital expenditure – and particularly investments relating to the satellite fleet or to external growth - are first reviewed in detail by the "Strategy and Investment" *ad hoc* working group and then by the Board of Directors, which determines whether the investment is advisable and whether the proposed capital expenditure decision is in line with the Group's strategic objectives. It should be observed that proposed capital expenditure is integrated as part of the Group's consolidated annual budget examined by the Board of Directors in the normal course of its business.

During the year, the Board of Directors examined the terms and conditions of an acquisition offer with the local Mexican partners of 100% of the capital of the Mexican operator SATMEX in May 2007 (process suspended by the sellers in June 2007).

2.7.4 Monitoring the Group's activities

Management submits a quarterly report to the Board of Directors, setting out the Group's results and financial indicators (revenues by application, simplified income statement, situation regarding indebtedness, treasury and costs, etc.) to enable the Board of Directors to have a proper understanding of how the business has evolved, particularly at a technical or commercial level, and of budget follow-up.

2.8 Other issues examined by the Board of Directors

Under its By-laws and its internal rules, the Board of Directors is informed whenever statutory thresholds are crossed. It is also informed of projected operations related to subjects within its area of competence such as, for example, projected acquisition offers or projected exchanges of shares related to other companies.

2.8.1 Expressions of interest received during the year

In accordance with these provisions, the Board of Directors, having received expressions of interest in a possible acquisition of all or part of the Company's capital in November 2006, decided to set up a process based on consultancy to be provided by an external law firm and an investment bank.

This process was aimed at ensuring that the expressions of interest received by the Company were serious and at guaranteeing equality of treatment between all the parties that had indicated what the Board considered to be a serious expression of interest, in order to grant them access to information about the Group. The process was made public on November 25, 2006.

It should be noted that the process was abandoned on December 10, 2006. Some shareholders who had been approached independently of the process set up by the Board agreed to sell their respective shares in the Company to Abertis Telecom and to the *Caisse des Dépôts et Consignations.*

The transactions conducted by Abertis Telecom were closed on January 23, 2007 and the transaction conducted by the *Caisse des Dépôts et Consignations* was closed on February 14, 2007.

2.8.2 Declarations that certain thresholds have been exceeded

Under the By-laws, the Board of Directors is informed whenever public shareholders send notice that a threshold has been crossed.

This information is also brought to the attention of Eutelsat IGO in application of the Letter-Agreement of September 2005.

2.9 Conflicts of interest and related party agreements

As of June 30, 2007 and apart from the employment contract between Mr Berretta and Eutelsat S.A., there is no employment contract or service contract between the other directors of the Company and any of its subsidiaries, providing for the grant of benefits of whatsoever nature.

Lastly, we would inform you that on June 28, 2007, the Board of Directors authorised the conclusion of a tax consolidation agreement with Eutelsat S.A., SatBirds 2 S.A.S. and WhiteBirds S.A.S. under Article L. 225-38 of the French Commercial Code on related party agreements.

For further information, please refer to Section 9 of the Company's management report.

2.10 Other information concerning the members of the Board of Directors

2.10.1 Functions held by Board members as of June 30, 2007 in other companies incorporated under French law

Functions held by Board members in other companies incorporated under French law are listed below as of June 30, 2007:

Name	Function	Other functions or offices exercised in French companies
G. Berretta	Chairman of the Board and CEO	Chairman of the Board and CEO of Eutelsat S.A.
J. Bensaïd	Permanent representative of CDC Infrastructures, Board member	Chairman of MAP SUB CEO of CDC Holding Finance Board member of Eutelsat S.A. Board member of CDC Holding Finance, CDC Infrastructures, EGIS, GALAXY Permanent representative of CDC on the Management Board of *Société d'Epargne Forestière “Forêts Durables SC”* and of Tower Participations Permanent representative of CDC on the Board of Directors of Seche, TDF *(TéléDiffusion de France)* and SANEF *(Société des Autoroutes du Nord et de l'Est de la France)*
J. Tobias-Martinez	Board member	Board member of Eutelsat S.A.
C. Sagasta	Board member	Board member of Eutelsat S.A.
C. Espinos	Board member	Board member of Eutelsat S.A.
A. Luminari	Board member	Board member of Eutelsat S.A.
B. Mabille	Board member	Board member of Eutelsat S.A.
J-L. Archambault	Board member	Board member of Eutelsat S.A. Chairman of Lyseos S.A;S.
C. Roisse	Censeur (Observer)	Censeur on the Board of Directors of Eutelsat S.A.

2.10.2 Grant of stock options or free shares to members of the Board of Directors or Company representatives

The Board of Directors meeting of May 10, 2007 decided to establish a plan for the allocation of free shares to all employees and key managers of the Eutelsat Group. The Board also decided, based on a recommendation by the Selection and Remuneration Committee, to grant to Mr Giuliano Berretta, Chairman and CEO, and to Mr Jean-Paul Brillaud, Deputy CEO, 30 000 and 10 000 free shares respectively.

In accordance with Article L. 225-197 of the French Commercial Code, allotment of these free shares will become absolute provided the beneficiaries are still with the Group in two years time (i.e. on May 10, 2009) and will only be available after a further period of two years has expired, i.e. as of May 11, 2011.

No other condition was attached by the Board to the grant of the free shares so allotted.

No stock options were granted by the Board during the financial year ended June 30, 2007.

2.11 Simplification of the rules of governance of Eutelsat S.A.

In order to facilitate the Company's role in steering the financial and strategic development of Eutelsat S.A., principal operating subsidiary of Eutelsat Communications, the operating rules of the Board of Directors were considerably simplified. All limitations foreseen and authorisations required before Eutelsat S.A.'s Management was able to act were therefore abolished.

Coupled with the fact that Mr Berretta and Mr Brillaud perform the same functions within the Company and Eutelsat S.A. respectively, abolishing these limitations and authorisations made it possible to simplify the Group's decision-making process significantly.

>> 3. Management of the Eutelsat Group

On December 22, 2005, the Board of Directors decided to appoint Mr Jean-Paul Brillaud as Deputy CEO, following a proposal by Mr Berretta.

As Deputy CEO, Mr Brillaud has the same powers of representation and management as Mr Berretta. Mr Brillaud is also Deputy CEO of Eutelsat S.A.

The Board of Directors also decided on December 22, 2005 to appoint an Executive Committee for the Group consisting of Messrs Berretta and Brillaud, the CFO of Eutelsat S.A. (Mr Claude Ehlinger) and the Eutelsat S.A. Legal Counsel (Mr Philippe Mc Allister).

Mr Philippe Mc Allister also acts as Secretary to the Board of Directors of Eutelsat Communications and Eutelsat S.A. and is Chairman of the Eutelsat Communications Finance S.A.S., SatBirds 2 S.A.S. and WhiteBirds France S.A.S. companies.

The role of the Group Executive Committee is to provide the CEO with the necessary assistance needed to pursue the Group's objectives.

The Group considers that the almost identical nature of (i) the Board members of Eutelsat Communications and of Eutelsat S.A. in that all members of the Board of the Company are also members of the Board of Eutelsat S.A., (ii) the mandates and functions exercised by Messrs Berretta and Brillaud, as well as the streamlining of the Group's Management, are evidence of the coherence of the decisions taken by the managing bodies of the subsidiaries and the proper execution of the decisions of the Board of Directors of Eutelsat Communications within the Group and particularly within Eutelsat S.A., the Group's principal operating subsidiary.

>> 4. Internal control procedures

The internal control procedures set up for the Group are primarily designed to overcome, insofar as is possible, the intrinsic risks of the Group in relation to its professional activities or business environment.

The Group's main business is the operation and commercialisation of a geostationary satellite system positioned at an altitude of more than 36,000 kilometres for broadcasting and communications purposes. As of June 30, 2007, capacity is commercialised on 24 satellites positioned between 15° West and 70.5° East.

It is important to distinguish, firstly, between internal control procedures designed to ensure the security of the Group's operating activities, i.e. procedures related to the management of satellite risks (see Section 4.1) and other Group risks (see Section 4.2) and, secondly, internal control procedures related to the preparation of accounting and financial information (under regulations currently in force) concerning the business activity of the Company and its subsidiaries (see Section 4.3).

The Company's role is to provide financial and strategic direction for the Eutelsat Group. The operating activities of the Group, and notably the satellite-related activities, are carried out by Eutelsat S.A. The operating procedures described in Section 4.1 below are the procedures set in place at Eutelsat S.A. and its subsidiaries.

4.1 Procedures related to the management of satellite risks

4.1.1 Procedures for the protection and integrity of the satellite fleet

The purpose of these procedures is to ensure continuity for the telecommunications service provided to our customers and final-users.

Administration and control of the satellite system is the responsibility of the Technical Department, which is in charge of controlling the satellites, and also of the "Operations" Department, which is in charge of controlling the quality of the signals the satellites send and receive.

These activities are carried out from Eutelsat S.A.'s two control centres, which have back-up facilities at Rambouillet to guard against any operational unavailability or interruption affecting the centres. Exercises are regularly carried out involving evacuation of the principal control centres and recovery by the back-up facilities.

The control centres ensure that the satellites are protected and that operational continuity of the signal is maintained in order to meet the requirements of the Group's customers. Relevant recommendations and technical procedures for the various satellites are properly observed.

Operational procedures for the control centres, especially the control centre responsible for the satellite fleet, exist in written form and cover the manoeuvres and configuration changes needed in a nominal situation as well as a situation where there is a technical incident or crisis situation. These procedures are periodically reviewed and tested and activated to ensure inter alia that the controllers are kept continuously up-to-date.

An incident of any nature that affects a satellite or one of the signals transported (e.g. a technical failure or interruption of the signal) is dealt with internally by the Technical and Operations Departments under escalation procedures. These procedures provide for internal expertise to be available immediately as well as the expertise of the satellite manufacturer where necessary. All incidents affecting either a satellite or the control system are properly logged and followed up under the authority of the person responsible for ensuring quality of service with the aim of identifying the causes of the incident and proposing and implementing the necessary corrective measures.

Any material incident liable to affect the quality or continuity of the telecommunications service is:

1. communicated to the Group's Management;
2. reviewed internally by Eutelsat S.A.'s technical experts; and
3. where appropriate, reviewed by a panel of independent experts, depending on the nature of the incidents that have occurred.

4.1.2 Follow-up of the security project and the certification process for Eutelsat's satellites

Compliance with the ISO 17799 standard "Code of Practice for Information Security Management"

During 2004-2005, a security audit was carried out on the satellite control facilities in compliance with ISO 17799 ("Code of Practice for Information Technology Management"). The audit took into account major changes in architecture due to expansion of the fleet and the technological changes (communication protocols, operating systems, etc.). The level of security was judged "good" by the Cyber Networks firm, which drew up a series of recommendations, however, to eliminate vulnerabilities identified in the course of their audit.

In 2007, an audit was undertaken by Veritas Certification France similar to the one carried out in 2004-2005. The main objectives of this audit were:

1. to verify that the recommendations expressed in the course of the previous audit have been properly implemented;
2. to confirm that non-implementation of certain recommendations arising from the audit are backed by valid reasons (some recommendations are dependent on the organisation of the Company's information-system security). They are currently being analysed in conjunction with the Information Systems Security Manager recruited in January 2007;
3. to provide suggestions, where appropriate, as arising during performance of the mission, and in particular the adaptations necessary to ensure compliance with the ISO 27001 standard "Information Security Management System".

The findings of the audit are expected during the summer of 2007.

ISO 9001 certification

Certification of satellite control activities under ISO 9001 as obtained in 2005 is valid until June 2008. Certification covers: The control and operation of the satellites, the satellite launch and orbiting operations, the satellite control system on the ground (definition, development, procurement, deployment, operation and maintenance).

An audit conducted in 2006 at the initiative of Eutelsat S.A. confirmed that ISO 9001 is being correctly applied.

4.1.3 Respective contributions of the Eutelsat S.A. Departments involved directly or indirectly in managing the satellites

Over and above technical reviews and procedures under the responsibility of the Technical Department or the Operations Department, other departments are also involved, as follows:

- **the Commercial Department:** This Department is in charge of commercialising capacity on the satellites of the Eutelsat fleet and handling customer relations.

  It deals with all technical requests from the Company's customers (commercial and technical) and works with the Operations Department and with Coordination, Missions & Programmes to validate the requests, as well as the technical solutions that the customer can be offered in response to its needs, having due regard to satellite performance levels;

- **the Finance Department:** In conjunction with the Technical Department, this Department is responsible for managing the risk related to the Group's activities. This is done by taking out in-orbit or launch insurance contracts or, should there be a definitive partial loss of a satellite's capacity or a permanent reduction in its expected operational lifetime, by performing tests on the value of the relevant satellites on a case-by-case basis.

4.2 Procedures related to the management of the Group's other operating risks

4.2.1 Follow-up of the projected introduction of a continuity plan for the Company's activities

At the start of 2006, Eutelsat S.A. launched the implementation of a continuity plan for its activities in order to reduce the strategic, economic and financial risks in the event of prolonged non-availability of its registered office located rue Balard in Paris.

Under the responsibility of the Information Systems Department, this project seeks to define the conditions for continuity of commercial, financial & administrative, legal, corporate communications, information systems management and human resources activities.

Activities directly linked to management of the satellite fleet (in particular satellite and communications control centre activities) are not currently included at as they are already covered by specific security procedures (see Section 4.1. of this report).

In the first half-year period, the first phase of this project led to the identification of critical activities, a choice of crisis scenarios and the selection of technical and organisational solutions.

The next phase, which was begun in June 2006, consisted in defining operational principles and drawing up the detailed procedures of the plan for the recovery of critical activities, formalising the emergency plan and the crisis management plan for setting the required organisation in place, and implementing the chosen IT solutions (redundant infrastructures between the site at Balard and the teleport in Rambouillet.

In June 2007, this phase was complete as regards the Company's most critical activities (i.e. activities whose operation is essential for Eutelsat S.A.'s survival during the first week of a major crisis at the Balard site, namely: the allocation and sale of satellite resources (cross-departmental process that groups together the activities of several departments, including transponder capacity management engineering, contracts management, customer support), management of partners and of commercial projects, and cash-flow management.

The necessary plans for the recovery of critical activities in terms of continuity of the Company's activities beyond the first week of the crisis remain to be finalised during the coming financial year. In particular, it is envisaged that the continuity plans for Eutelsat's activities will be tested periodically through simulation exercises, once all the plans for the recovery of activities have been finalised.

4.2.2 Procedures related to security at the Balard and Rambouillet sites

An audit report on security of the facilities at the Balard and Rambouillet sites was provided in October 2005. The report highlighted no major risk liable to have a significant impact on the level of security required for the Balard and Rambouillet sites.

The written procedures governing control of access, security staff and video-surveillance have, however, been strengthened following submission of the report, in order to satisfy the recommendations that could be implemented quickly in order to guard more effectively against already identified risks. During the financial year 2006-2007, the project for the introduction of a system of controlling access and providing uniform video-surveillance between the two sites was introduced. This system provides for each site to be capable of replacing the other (permanent back-up). The necessary studies have been conducted and the technical work needed is planned for late summer 2007.

Management pays regular attention to risk control concerning the security of the sites and adequate measures are taken immediately these become necessary.

4.2.3 Addressing the operating risks related to the security of the information systems

The desire to address the operating risks related to the security of the Company's information systems can be seen in the post created in January 2007 for an Information Systems Security Manager. This cross-department function considers all the information systems of Eutelsat S. A.: Operation of the management information and terrestrial networks necessary for corporate activities, satellite control.

The objectives associated with this function at Eutelsat are as follows:

1. map the risks related to the security of the information systems and assess their impact on the operation of the Company;
2. introduce a policy and standards adapted to the security requirements of the Company;
3. draw up an action plan and lead a cross-department security committee responsible for monitoring its implementation;
4. evaluate the protective measures in place (organisational and technical);
5. introduce and take on the role of IT and freedoms correspondent for the CNIL (*Commission Nationale de l'Informatique et des Libertés*) in order to limit certain administrative formalities and ensure the law on IT and freedoms is properly applied.

4.3 Internal control procedures related to the handling of accounting and financial information

As well as establishing internal control procedures for its principal business activity, the Group has significantly developed control procedures for the handling of accounting and financial information, both for its operating subsidiaries and for its subsidiaries that deal with the management of its indirect holdings.

The principal accounting and financial information is generated by commercial and investment activities, operating costs and financial investments. Liaison between the various parts of the Group allows a higher level of control over this information.

Monthly reporting procedures under the supervision of the Deputy CEO are in place. Reporting takes into account information on the Group's activities as provided by the operational departments of Eutelsat S.A. (Commercial Department, Multimedia Department, etc.) after due reconciliation with the necessary bookkeeping vouchers and legal documentation.

Because the Company does not have the appropriate staff, it has entered into a service agreement with Eutelsat S.A. whereby Eutelsat S.A. provides administrative support (legal, financial, etc).

This being the case, all services provided by Eutelsat S.A. comply with the control and implementation procedures defined by Eutelsat S.A.

4.3.1 Control of the acts of the subsidiaries managing the Group's equity interests

Eutelsat S.A. and its subsidiaries and equity interests are held by the Company through a number of subsidiaries for the management of equity interests.

The subsidiaries used to manage the Company's equity interests have no operational role. Some of these subsidiaries had the role of carrying the financing received at the time Eutelsat S.A. and its subsidiaries were acquired by Eutelsat Communications, at the time when the IPO of Eutelsat Communications took place and at the time of the refinancing operation in June 2006.

Control of the undertakings and acts of these subsidiaries is essentially based on the provisions applying to them under the legal system and under the By-laws.

These subsidiaries are simplified joint stock companies under French law. The sole Chairman of these subsidiaries is Mr Mc Allister, Eutelsat S.A.'s Legal Counsel. There is no limit under the By-laws on the powers of the sole Chairman with the exception of those subjects which are reserved by law to the sole shareholder, namely in fine the Management of Eutelsat Communications. Any decision or any projected modification of the By-laws, an increase in capital, a merger and/or transformation are therefore matters for the Management of Eutelsat Communications.

4.3.2 Procedure for preparation of the consolidated financial statements

At each monthly close, the financial data of each Eutelsat subsidiary is reviewed by the consolidation and reporting manager to verify that the accounting policy and methods currently in force for the Group are being correctly applied.

In addition, each time the accounts are closed (full-year and half-year), the Board of Directors meets to examine and approve the financial statements in the presence of the Eutelsat Communications auditors.

As part of their audit at each close, the Eutelsat Communications auditors make sure that the accounting policy and procedures applied by the Company are relevant and that the accounts prepared by the Board of Directors present fairly and faithfully the financial position and business activity of the Company and the Eutelsat Group.

To further Management responsibility and the control of financial data for all companies in the Group, the Company decided to introduce a new consolidation and reporting system. Given the increased activity of the Group and the growing number of companies it now represents, this new application, which enters production on July 1, 2007, will support the organisational changes that have taken place over the last few years by ensuring a single point of provenance for the information used for the legal consolidation and the reporting process, and its conservation in a communal database. Validation of the legal data by the various managers in the companies comprising the Group will be recorded and kept in the application.

4.3.3 Management of responsibility and authorisation levels within the Group

In 2005, authorisation and responsibility matrices were validated and distributed to the operating subsidiaries and to the subsidiaries responsible for representing and promoting the business activities of Eutelsat S.A.

The matrices foresee the necessary types of responsibility and authorisation levels upon the creation of the subsidiary and subsequently during its day-to-day life. Where appropriate, a distinction is made between threshold levels for certain functions.

These matrices (both) cover all legal, litigation-related, budget-related, financial and accounting aspects, as well as commitments to suppliers, customers and employees.

Eutelsat S.A. Management ensures that the managers of the subsidiaries respect the provisions that apply to the matrices.

4.3.4 Managing powers of attorney

In principle, all contracts and documents embodying a commitment for the Company are submitted for signature by the CEO and Chairman of the Board or by the Deputy CEO.

However, in special cases and for certain specific operations, powers of attorney have been granted by the CEO and Chairman of the Board to certain persons within the Company.

These delegations of authority or of signature are prepared by the Legal Counsel, who ensures that they are properly followed up.

The CEO and Chairman of the Board and also the Deputy CEO are authorised to sign all expenditure commitments with no limit on the amount involved or on the nature of the expense, provided legal requirements and requirements under the Company's internal rules are properly respected.

4.3.5 Procedure for management and follow-up of the contracts signed by the Company with its suppliers and sources of financing

Preparation, negotiation and follow-up of the supplier contracts and financing contracts is the task of Eutelsat S.A. under the service agreement between the Company and Eutelsat S.A.

Before being signed, contracts with suppliers are examined under a procedure that calls for endorsement by the relevant Directors, followed by formal approval by the CEO and Chairman or by the Deputy CEO.

Financing contracts are approved by the Board of Directors in accordance with the Board of Directors' internal rules.

4.3.6 Procedure for management and follow-up of contracts with customers

The Group's contracts with customers are concluded by Eutelsat S. A. or its subsidiaries on the basis of standard models prepared by the Legal Department and Commercial Department of Eutelsat S. A.

Any change to this standard format is examined in advance by Eutelsat S.A.'s Department for Legal Affairs before they are signed by those with authority to do so.

The Commercial Director of Eutelsat S.A. has authority to sign sales agreements for up to 150,000 euros per year. Where sales agreements are for amounts between 150,000 and 250,000 euros per year, the signature of the Director of Legal Affairs is also required. Above 250,000 euros per year, only the CEO and Chairman of the Board (or the Deputy CEO) is authorised to sign.

The Director of the Multimedia Department is authorised to sign Multimedia services sales contracts for less than 1,000,000 euros. Above this figure, such contracts have to be signed by the CEO and Chairman of the Board (or the Deputy CEO).

The processes leading up to the signature of capacity allotment agreements are complex, and end in the billing of customers.

During each financial year, the selling process, which the Management of the Group deems to be one of the key processes, is the subject of an in-depth audit. The objectives of these recurring annual audits, which are carried out internally, are to evaluate the suitability of the internal procedures in place. On the basis of the findings of these audits, appropriate modifications are made to the internal procedures to reinforce the reliability of the processes contributing to the recognition of revenues.

Capacity allotment agreements are the subject of monthly and quarterly reports prepared jointly by the Commercial and Financial Departments.

4.3.7 Purchasing procedures

Procedures have been established to guarantee that all commitments to order goods or services are preceded by a duly authorised purchase request.

The authorisation procedure that must precede all purchases is as follows:

1. validation by Management of a budget envelope per project/activity as part of an annual budget approved by the Board of Directors;
2. followed by validation by the Director of the department responsible for the purchase request.

Invoices received are compared with the appropriate items delivered and/or the appropriate services provided subsequent to submission of the relevant contract or order form.

Payment of the invoices is subject to the agreement of the various services concerned in the purchasing process, in compliance with the principles of internal control relating to the rules for separation of each function involved.

All payments are based on the principle that there will be two signatures. If certain predetermined amounts are exceeded, the signature of the CEO and Chairman of the Board or of the Deputy CEO is also required.

It should be noted that as far as contracts for the procurement of satellites and launchers are concerned, such programmes are approved beforehand by the Board of Directors as part of its review of the Group's activities and capital-expenditure decisions. Contracts related to such programmes are governed by a specific procedure (technical, legal and financial) before being signed by the CEO and Chairman of the Board or by the Deputy CEO of Eutelsat S.A.

4.3.8 Management of the principal financial risks of the Group

The Group has introduced a centralised system of cash management for its operating subsidiary Eutelsat S.A. Under service agreements between Eutelsat S.A. and the various entities within the Group (including the Company), the Treasury function at Eutelsat S.A. manages foreign-currency exchange risk and interest-rate risk on behalf of all entities in the Group.

To face such risks the Group employs a certain number of derivatives, the objective of which is to limit, where appropriate, the fluctuation of revenues and cash-flows due to variations in interest rates and foreign-exchange values. The Group's policy is to use derivatives to manage such exposure. The Group does not engage in financial transactions whose associated risk cannot be quantified at their outset, i.e. the Group never sells assets it does not possess or does not know it will subsequently possess.

a) Foreign-exchange risk

The Group's functional currency is the euro and the Group is therefore principally exposed to fluctuations in the value of the U.S. dollar. As a means of preserving the value of assets, commitments and forecast transactions, the Group consequently enters into contracts whose value fluctuates in line with changes in the euro/dollar exchange rate. In particular, the Group hedges certain future U.S. dollar revenues by means of financial instruments such as options, forward currency transactions and foreign-currency deposits. These instruments are traded over-the-counter with first-rate banking counterparts. Some contracts with suppliers (for satellites or launch services) are denominated in U.S. dollars. During the year ended June 30, 2007, the Group only purchased foreign-exchange options (Call euros/Put U.S. dollars).

b) Interest-rate risk

The Group's exposure to interest-rate risk is managed by apportioning its borrowings between fixed and variable interest rates. To hedge its debt, the Group set up interest-rate hedges during the year both for the Company and for Eutelsat S.A.

ANNEX 2

>> REPORT OF THE AUDITORS

ESTABLISHED PURSUANT TO ARTICLE L. 225-235 OF THE COMMERCIAL CODE, CONCERNING THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF EUTELSAT COMMUNICATIONS ON THE INTERNAL CONTROL PROCEDURES PUT IN PLACE FOR THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

Dear Shareholders,

In our capacity as auditors for Eutelsat Communications and pursuant to Article L. 225-235 of the French Commercial Code, we hereby report to you on the report provided by the Chairman of the Board of your Company in accordance with Article L. 225-37 of the French Commercial Code for the financial year ended June 30, 2007.

It is the Chairman's duty to state in his report the conditions for preparing and organising the work of the Board of Directors and the internal control procedures put in place for the Company.

It is our duty to provide you with our observations regarding the information contained in the Chairman's report on the internal control procedures for the preparation and processing of accounting and financial information.

We conducted our work in accordance with professional standards and procedures applicable in France. This requires making a diligent assessment of the sincerity of the information provided in the Chairman's report on the internal control procedures for the preparation and processing of accounting and financial information. This consisted, in particular, of:

- informing ourselves of the objectives and general organisation of the internal control and the internal control procedures for the preparation and processing of the accounting and financial information presented in the Chairman's report;
- informing ourselves of the activities underpinning the information provided in the report.

Based on our work, we have no observation to make about the information provided on the Company's internal control procedures for the preparation and processing of accounting and financial information contained in the Chairman's report pursuant to Article L. 225-37 of the French Commercial Code.

Done at Courbevoie and Paris-La Défense, July 26, 2007

The Auditors

ANNEX 3

>> SPECIAL REPORTS OF THE AUDITORS

>> Special report of the auditors on the related party agreements and commitments

Financial year ended June 30, 2007

Ladies and Gentlemen,

In our capacity as auditors for your Company, we hereby report to you on the related party agreements and commitments.

1 Agreements and commitments authorised during the financial year

Pursuant to Article L. 225-40 (or L. 225-88 SA with a Management Board) of the French Commercial Code, the agreements and commitments previously authorised by the Board of Directors (or Supervisory Board) have been brought to our attention.

We are not required to research the potential existence of other agreements and commitments but rather to communicate to you, based on the information supplied to us, the characteristics and essential terms and conditions of those agreements and commitments of which we have been informed, without having to decide on their usefulness and validity. According to the terms of Article R. 225-31 of the French Commercial Code, it is your duty to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

We conducted our work in accordance with professional standards applicable in France. These standards require that we perform the necessary procedures to verify that the information provided to us is consistent with the basic documentation from which it has been extracted.

1. With Eutelsat S.A., WhiteBirds France S.A.S., SatBirds 2 S.A.S. and Eutelsat TV S.A.S.

Director concerned

Mr Giuliano BERRETTA.

Nature and purpose

At its meeting of June 28, 2007, the Board of Directors authorised a tax consolidation agreement with Eutelsat S.A., WhiteBirds France S.A.S., SatBirds 2 S.A.S. and Eutelsat TV S.A.S..

Terms and conditions

As this agreement enters into force as of July 1, 2007, it was not in force during the financial year ended June 30, 2007.

2. With the Chairman and CEO

Director concerned

Mr Giuliano BERRETTA.

Nature and purpose

The Board of Directors meeting of May 10, 2007 decided to grant 30,000 free shares to Mr Berretta according to the conditions governing duration specified in Article L. 225-197.1 of the French Commercial Code.

Terms and conditions

The shares will definitively vest after an acquisition period of two years, with a requirement to be still working for the Group during such period. Beneficiaries must keep the shares for an additional period of two years after the date of acquisition.

This allotment of free shares has had no impact on the financial statements for the year ended June 30, 2007.

2 Agreements approved during previous financial years with continuing effect during the year

In addition, pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the performance of the following agreements and commitments approved during previous financial years continued during the financial year ended June 30, 2007:

1. With Eutelsat Finance S.A.S. and Eutelsat Communications Finance S.A.S.

Director concerned

Eutelsat Communications S.A..

Nature and purpose

At its meeting of June 28, 2006, the Board of Directors authorised a tax consolidation agreement with Eutelsat Finance S.A.S. and Eutelsat Communications Finance S.A.S., both 100% owned by Eutelsat Communications S.A..

Terms and conditions

As of June 30, 2007, Eutelsat Communications is carrying forward a tax deficit of 19.4 million euros generated during the financial year. Tax owed by Eutelsat Communications Finance in the amount of 79 thousand euros was noted.

2. With the Chairman and CEO

Director concerned

Mr Giuliano BERRETTA.

Nature and purpose

Following the appointment of Mr Berretta as Chairman and CEO, the Board of Directors decided to grant him:

- an Article 39 retirement package equal to 8% of his fixed remuneration at the end of his career in his capacity as corporate representative of Eutelsat Communications; and
- compensation if his corporate appointment is terminated other than by his own decision.

Terms and conditions

The Article 39 retirement package is outsourced to an insurance company. The contribution entered as an expense for the Company for this purpose was 42,272 euros as of June 30, 2007.

The compensation your Company would owe as a result of the termination of the corporate appointment of the Chairman and CEO other than by his own decision is 1,000,000 euros.

Done at Courbevoie and Paris-La Défense, July 26, 2007

The Auditors

Ernst & Young Audit	**Mazard & Guérard**
Jean-Yves Jegourel	**Isabelle Massa**

>> Special report of the auditors on related party agreements

Financial year ended June 30, 2006

Ladies and Gentlemen,

In our capacity as auditors for your Company, we hereby report to you on the related party agreements.

Pursuant to Article L. 225-40 of the French Commercial Code, the agreements previously authorised by the Board of Directors have been brought to our attention.

We are not required to research the potential existence of other agreements but rather to communicate to you, based on the information supplied to us, the characteristics and essential terms and conditions of those agreements and commitments of which we have been informed, without having to decide on their usefulness and validity. According to the terms of Article 92 of the Decree of March 23, 1967, it is your duty to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

We conducted our work in accordance with professional standards applicable in France. These standards require that we perform the necessary procedures to verify that the information provided to us is consistent with the basic documentation from which it has been extracted.

1. With Eutelsat Finance and Eutelsat Communications Finance

Director concerned

Eutelsat Communications.

Nature and purpose

At its meeting of June 28, 2006, the Board of Directors authorised a tax consolidation agreement with Eutelsat Finance and Eutelsat Communications Finance, both 100% owned by Eutelsat Communications.

Terms and conditions

As this agreement enters into force as of July 1, 2006, it was not applicable during the financial year ended June 30, 2006.

2. With the Chairman and CEO

Director concerned

Mr Giuliano Berretta.

Nature and purpose

Following the appointment of Mr Berretta as Chairman and CEO, the Board of Directors decided to grant him:

- an Article 39 retirement package equal to 8% of his fixed remuneration at the end of his career in his capacity as corporate representative of Eutelsat Communications; and
- compensation if his corporate appointment is terminated other than by his own decision.

Terms and conditions

The Article 39 retirement package is outsourced to an insurance company. The amount entered as an expense for the Company for this purpose was 24,658 euros as of June 30, 2006.

The compensation your Company would owe as a result of an involuntary termination of the corporate appointment of the Chairman and CEO is 1,000,000 euros.

Done at Paris and Paris-La Défense, October 12, 2006

The Auditors

Ernst & Young Audit
Jean-Yves Jegourel

Mazard & Guérard
Isabelle Massa

SatBirds S.A.S. (having become Eutelsat Communications)

>> Special reports of the auditors on related party agreements

Three-month period ended June 30, 2005

Ladies, Gentlemen and Shareholders,

In our capacity as auditors for your Company, we hereby report to you on the related party agreements.

The agreements referred to in Article L. 227-10 of the French Commercial Code that were entered into during the financial year have been brought to our attention.

We are not required to research the potential existence of other agreements but rather to communicate to you, based on the information supplied to us, the characteristics and essential terms and conditions of those agreements and commitments of which we have been informed, without having to decide on their usefulness and validity. It is your duty to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

We conducted our work in accordance with professional standards applicable in France. These standards require that we perform the necessary procedures to verify that the information provided to us is consistent with the basic documentation from which it has been extracted.

1. With Applegate & Collatos, Inc.

Nature and purpose

The purpose of this service agreement relates, in particular, to the:

- general organisation of the Leveraged Recapitalisation operations (the “operations”) and coordination of all parties to the operations, as well as their various consultancy services;
- general assistance on strategic issues;
- general assistance in preparing the documentation necessary for the operations and in presenting the operations to third parties;
- coordination with Eutelsat S.A. Management;
- assistance in the negotiations necessary to realise the operations;
- assistance in drawing up and negotiating the financing agreements for the operations;
- assistance in evaluating the assets brought into the Company or its subsidiaries or acquired by the latter in the context of these operations;
- performance of the transactions involved in the operations.

Terms and conditions

Applegate & Collatos, Inc. is billing your Company 549,835 euros (excl. VAT) for services provided up to April 4, 2005 and 49,221 euros for the services provided between April 4, and June 30, 2005.

2. With TPG Genpar III and TPG Genpar IV

Nature and purpose

The purpose of this service agreement relates, in particular, to the:

- general organisation of the Leveraged Recapitalisation operations (the “operations”) and coordination of all parties to the operations, as well as their various consultancy services;
- general assistance on strategic issues;
- general assistance in preparing the documentation necessary for the operations and in presenting the operations to third parties;
- coordination with Eutelsat S.A. Management;
- assistance in the negotiations necessary to realise the operations;
- assistance in drawing up and negotiating the financing agreements for the operations;
- assistance in evaluating the assets brought into the Company or its subsidiaries or acquired by the latter in the context of these operations;
- performance of the transactions involved in the operations.

Terms and conditions

TPG Genpar III and TPG Genpar IV are billing your Company 549,835 euros (excl. VAT) for services provided up to April 4, 2005 and 49,221 euros for services provided between April 4, and June 30, 2005.

3. With Eurazeo

Nature and purpose

The purpose of this service agreement relates, in particular, to the:

- general organisation of the Leveraged Recapitalisation operations (the “operations”) and coordination of all parties to the operations, as well as their various consultancy services;
- general assistance on strategic issues;
- general assistance in preparing the documentation necessary for the operations and in presenting the operations to third parties;
- coordination with Eutelsat S.A. Management;
- assistance in the negotiations necessary to realise the operations;
- assistance in drawing up and negotiating the financing agreements for the operations;
- assistance in evaluating the assets brought into the Company or its subsidiaries or acquired by the latter in the context of these operations;
- performance of the transactions involved in the operations.

Terms and conditions

Eurazeo is billing your Company 1,812,353 euros (excl. VAT) for services provided up to April 4, 2005 and 162,243 euros for services provided between April 4, and June 30, 2005.

4. With GS Capital Partners 2000 L.P. (which was replaced by Goldman Sachs International)

Nature and purpose

The purpose of this service agreement relates, in particular, to the:

- general organisation of the Leveraged Recapitalisation operations (the “operations”) and coordination of all parties to the operations, as well as their various consultancy services;
- general assistance on strategic issues;
- general assistance in preparing the documentation necessary for the operations and in presenting the operations to third parties;
- coordination with Eutelsat S.A. Management;
- assistance in the negotiations necessary to realise the operations;
- assistance in drawing up and negotiating the financing agreements for the operations;
- assistance in evaluating the assets brought into the Company or its subsidiaries or acquired by the latter in the context of these operations;
- performance of the transactions involved in the operations.

Terms and conditions

GS Capital Partners 2000 L.P is billing your Company 683,136 euros (excl. VAT) for services provided up to April 4, 2005 and 20,870 euros for services provided between April 4, and June 30, 2005.

Done at Paris and Paris-La Défense, August 2, 2005

The Auditors

Ernst & Young Audit	Mazard & Guérard
Jean-Yves Jegourel	Isabelle Massa

ANNEX 4

>> TEXT OF THE RESOLUTIONS
PRESENTED BY THE BOARD OF DIRECTORS
TO THE GENERAL MEETING OF SHAREHOLDERS
OF NOVEMBER 9, 2007

>> First resolution – Approval of the annual accounts for the financial year ended June 30, 2007

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report for the financial year closed at June 30, 2007 and the Auditors' reports concerning the performance of their mission during the course of the said financial year, **approves** the annual accounts for the financial year ended June 30, 2007, which showed a loss of 20,080,614.66 euros, as presented to the Meeting, and the operations recorded in the said accounts and outlined in the above-mentioned reports, and approves the global amount of the non-deductible expenses and charges referred to in Article 39-4 of the French Tax Code, which amounted to 696,000.00 euros.

>> Second resolution – Approval of the consolidated accounts for the financial year ended June 30, 2007

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the group annual report drawn up by the Board of Directors and the Auditors' report concerning the consolidated accounts for the financial year ended June 30, 2007, **approves** the consolidated accounts for the financial year closed at June 30, 2007 as presented to it and the operations recorded in the said accounts and outlined in the above-mentioned reports.

>> Third resolution – Allocation of the results for the financial year ended June 30, 2007

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report and the Auditors' report concerning the annual accounts, and after taking due note that the loss recorded in the accounts for the financial year ended June 30, 2007 came to the sum of 20,080,614.66 euros, **decides** to allocate the said loss to the "Share premium" account, which is thus reduced from 776,134,878.47 euros to 756,054,263.81 euros.

>> Fourth resolution – Distribution of a gross sum of 0.58 euros per share, taken from the "Share premium" account

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report and the Auditors' report concerning the annual accounts, **decides** to distribute a gross sum of 0.58 euro per share, i.e. an estimated total sum of 126,092,627.56 euros based on the number of shares issued as of June 30, 2007, taken from the "Share premium" account which currently stands at 756,054,263.81 euros.

The General Meeting notes that the payment of this distribution will be made on November 14, 2007.

The General Meeting confers full powers on the Board of Directors for the purpose of determining the global amount of the distribution in the light of the number of shares that will be held by the Company at the date of the paying out of the sum to be distributed, it being stipulated that the shares held by the Company at the date on which the payment in question is made will not entitle the Company to receive a corresponding share of the payment distributed; the Board of Directors must accordingly determine the amount of the distribution, which will be taken from the "Share premium" account, in the light of this fact.

The General Meeting, having taken due cognisance of the Board of Directors' report, notes that the distribution will necessitate the Board of Directors' implementing the measures provided for in Article L. 228-99 of the French Commercial Code to preserve the rights of the bearers of securities giving access to the capital.

In accordance with the law, it is pointed out in this context that the sum of 116,473,999.68 euros, i.e. 0.54 euros per share, was distributed for the financial year ended June 30, 2006, and that no dividend was distributed during the course of the accounts for the financial year ended June 30, 2005, the Company's first accounting period, the company having been registered with the Commercial and Corporate Registry on February 25, 2005.

It is recalled that the sums distributed for the financial year ended June 30, 2006, having been taken from the share premium account, did not constitute distributed income but the refunding of contributions, and were in consequence not eligible for the 40% deduction provided for in Article 158-3 of the French Tax Code.

>> Fifth resolution – Approval of the agreements regulated by Article L. 225-38 of the French Commercial Code

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Auditors' special report concerning the agreements provided for in Article L. 225-38 of the French Commercial Code, takes due note of the conclusions of the said report and **approves** the agreements mentioned in it.

>> Sixth resolution – Discharge of the Directors with respect to the performance of their mandate during the financial year just ended

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, in consequence of having approved the annual accounts and consolidated accounts for the financial year ended June 30, 2007, **grants discharge** to the board members for their administration of the Company during the course of the said year.

>> Seventh resolution – Ratification of the cooptation of Mr Tobías Martínez Gimeno as Director

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report, **ratifies** the hitherto provisional appointment of Mr Tobías Martínez Gimeno to a seat on the Board in replacement of GSCP 2000 Eurovision Holding S.àr.l (represented by Mr Hughes Lepic) which has left the Board, for the outstanding remainder of the latter's term of office, namely until the end of the ordinary annual general meeting held to approve the accounts for the financial year ended June 30, 2011.

>> Eighth resolution – Ratification of the cooptation of Mr Carlos Sagasta Reussi as Director

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report, **ratifies** the hitherto provisional appointment of Mr Carlos Sagasta Reussi to a seat on the Board in replacement of CB Luxembourg III S.àr.l. (represented by Mr Benoît Valentin) which has left the Board, for the outstanding remainder of the latter's term of office, namely until the end of the ordinary annual general meeting held to approve the accounts for the financial year ended June 30, 2011.

>> Ninth resolution – Ratification of the cooptation of Mr Carlos Espinós Gómez as Director

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report, **ratifies** the hitherto provisional appointment of Mr Carlos Espinós Gómez to a seat on the Board to replace Mr Bill Collatos, who has left the Board, for the outstanding remainder of the latter's term of office, namely until the end of the ordinary annual general meeting held to approve the accounts for the financial year ended June 30, 2011.

>> Tenth resolution – Ratification of the cooptation of Mr Andrea Luminari as Director

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report, **ratifies** the hitherto provisional appointment of Mr Andrea Luminari to a seat on the Board to replace Mr Geoffrey Fink, who has left the Board, for the outstanding remainder of the latter's term of office, namely until the end of the ordinary annual general meeting held to approve the accounts for the financial year ended June 30, 2011.

>> Eleventh resolution – Ratification of the cooptation of the CDC Infrastructures S.A. Company as Director

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report, **ratifies** the hitherto provisional appointment of CDC Infrastructures S.A. to a seat on the Board to replace BluebBirds II Participations (represented by Mr Luis Marini Portugal) which has left the Board, for the outstanding remainder of the latter's term of office, namely until the end of the ordinary annual general meeting held to approve the accounts for the financial year ended June 30, 2011.

>> Twelfth resolution – Ratification of the cooptation of Mr Jean-Luc Archambault as Director

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report, **ratifies** the hitherto provisional appointment of Mr Jean-Luc Archambault to a seat on the Board to replace Mr Patrick Sayer who has left the Board, for the outstanding remainder of the latter's term of office, namely until the end of the ordinary annual general meeting held to approve the accounts for the financial year ended June 30, 2011.

>> Thirteenth resolution – Ratification of the cooptation of Mr Bertrand Mabille as Director

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report, **ratifies** the hitherto provisional appointment of Mr Bertrand Mabille to a seat on the Board to replace Mr Gilbert Saada who has left the Board, for the outstanding remainder of the latter's term of office, namely until the end of the ordinary annual general meeting held to approve the accounts for the financial year ended June 30, 2011.

>> Fourteenth resolution – Ratification of the cooptation of Mr Pier Francesco Guarguaglini as Director

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report, **ratifies** the hitherto provisional appointment of Mr Pier Francesco Guarguaglini to a seat on the Board to replace Mr Frank Dangeard who has left the Board, for the outstanding remainder of the latter's term of office, namely until the end of the ordinary annual general meeting held to approve the accounts for the financial year ended June 30, 2012.

>> Fifteenth resolution – Authorisation granted to the Board of Directors to purchase shares of the Company

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report, duly exercising the option provided for in Article L. 225-209 and the following articles of the French Commercial Code, hereby cancels, with immediate effect, vis-à-vis the unused portion of same, the authorisation to purchase Company shares granted to the Board of Directors under the terms of the twelfth resolution passed by the Shareholders' General Meeting held on November 10, 2006.

Authorises the Board of Directors, with the possibility of sub-delegation, in accordance with the legal and regulatory terms and conditions, to purchase Company shares, with a view to:

1. stimulating the secondary market or the liquidity of the share via a provider of investment services with which it has signed a liquidity contract compliant with a charter of ethics approved by the AMF (the French *Autorité des marchés financiers);*
2. to remit the shares at the time of the exercising of rights attached to securities that give access by any means, either immediately or at term, to the Company's share capital, and to perform any hedging operations by virtue of the Company's obligations associated with the said securities, in accordance with the conditions stipulated by the market authorities, and at the times judged appropriate by the Board of Directors;
3. retaining shares with a view to subsequently remitting them as a means of payment or exchange in the context of any operations relative to external growth, in compliance with market practices approved by the AMF, in the context, for example of mergers, demergers or contributions;
4. allocating or granting shares to employees, former employees or managers of the Company or companies in its group, in accordance with the conditions and procedures provided for by the law, such as in the context of the allocation of free shares provided for in Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code, or in the context of sharing in the fruits of the company's expansion in the context of a stock options scheme or via a company savings scheme;
5. cancelling them and thus reducing the share capital, subject to the adoption of the twenty-eighth resolution submitted to this General Meeting;
6. implementing any market practice that has been approved either by the law or by the AMF.

These shares may be acquired, sold or transferred by any means, in accordance with the conditions and limits, especially those with respect to volumes and prices, stipulated by the regulations applicable at the date of the operations under consideration, conducted either on the stock market or privately, including the purchase or sale of blocks of shares, by means of derivative financial instruments or warrants or securities giving access to the share capital or by introducing strategies involving the sale or purchase of call options or put options under the conditions stipulated by the market authorities, at times thought appropriate by the Board of Directors.

The part of the buy-back programme that can be implemented by negotiations involving blocks of shares is not restricted.

Purchases of Company shares will involve a specific number of shares as follows:

> the number of shares that the Company buys during the course of the buy-back programme may not at any time whatsoever exceed 10% of the shares making up the Company's share capital, this percentage applying to the share capital adjusted in the light of any operations that affect it after this General Meeting; and

> the number of shares that the Company holds directly or indirectly at any time whatsoever may not exceed 10% of the shares making up the share capital.

Decides that:

> the maximum sum destined for the share purchase programme shall be 400 million euros;

> in the context of this programme, the maximum purchase price is set at 30 euros per share, excluding acquisition costs.

The Board of Directors may however adjust the above-mentioned purchase price in the event of the incorporation of premiums, reserves or profits giving rise either to an increase in the nominal value of the shares, or to the creation and allocation of free shares, and also in the event of dividing the nominal value of the share or regrouping shares to take into account the impact of these operations on the nominal value of the share.

Decides that this authorisation is granted for a period that will expire at the end of the General Meeting held to approve the accounts for the financial year ended June 30, 2008. it may also be employed during the period of any takeover bid and/or exchange, within the limits permitted by the regulations applicable.

Specifies that the number of shares acquired by the Company with a view to keeping them and subsequently using them for the purposes of payment or exchange in the context of a merger, demerger or contribution may not exceed 5% of its capital.

Decides that the Board of Directors will have full powers for the purpose of implementing this authorisation, with a view to:

> placing orders on the stock exchange or placing off-market orders;

> allocating or re-allocating the shares acquired to the various objectives pursued, in compliance with the legal and regulatory provisions applicable;

> entering into any agreements concerning, among other things, keeping registers recording purchases and sales of shares;

> drawing up any documents, making any declarations and fulfilling any formalities vis-à-vis the AMF or any other relevant body; and

> complying with any formalities, and in general, doing everything necessary.

Also **grants** full powers to the Board of Directors, should the law or the AMF extend or add to the authorised objectives for share buy-back programmes, for the purpose of preparing and disseminating, if relevant, any requisite document that includes these modified objectives.

>> Sixteenth resolution – Delegation of competence to the Board of Directors to issue ordinary shares of the Company and securities giving a right to ordinary shares in the Company or in one of its subsidiaries, while maintaining the preferential subscription right of shareholders

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report and the Auditors' special report and noting that the share capital is fully paid up, in accordance with Articles L. 225-129 to L. 225-129-6, and L. 228-91, L. 228-92 and L. 228-93 of the French Commercial Code:

Cancels, with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the third resolution passed by the Shareholders' General Meeting held on October 6, 2005.

Delegates to the Board of Directors, with the possibility of sub-delegating it, in accordance with the legal and regulatory terms and conditions, its competence to decide to make one or several issues, at a time or times decided by the Board of Directors, and in the proportions decided by the latter, either in France or abroad, with the maintaining of the shareholders' preferential subscription rights, of shares and any other securities giving access by any means, either immediately and/or at term, to existing ordinary shares or shares subsequently issued by the Company or by another company in which the Company directly or indirectly holds more than half the capital (a **"Subsidiary"**), which may be subscribed for either in cash or by offsetting claims against the company. The shares to be issued will entitle the holder to the same rights as those attached to previous shares, subject to the date as from which the right to income will start.

In the context of this delegation, issues of preference shares and securities giving access to preference shares are expressly excluded.

Decides that the nominal value of the capital increases susceptible of being carried out immediately and/or at term by virtue of this delegation of competence may not exceed a global ceiling of 120 million euros, the nominal value of increases susceptible of resulting from this resolution and resolutions seventeen to nineteen and twenty-one to twenty-three, will be included when assessing this global nominal ceiling of 120 million euros, it being understood that the said ceiling does not take into account any adjustments that might be effected in accordance with the applicable legal and regulatory provisions, or any contractual provisions that provide for other cases of adjustment in order to preserve the rights of the holders of securities giving access to the share capital.

Decides that securities giving access to shares in the Company or one of its Subsidiaries issued in the context of the delegation set forth above may consist of debt securities or be associated with the issuing of such securities or alternatively enable debt securities to be issued as intermediate securities. They may take the form of subordinated or unsubordinated securities, for a fixed or open-ended term, and may be issued in euros or a foreign currency, or in any monetary unit established by reference to several currencies.

The nominal value of debt securities issued in this context may not exceed 2 billion euros or the equivalent in another currency or currencies at the date of the decision to issue them. This maximum sum includes all debt securities the issue of which is provided for under this resolution and under the seventeenth and twenty-first resolutions submitted to this General Meeting; it is independent of the maximum amount of the issue of securities giving a right to the allocation of debt securities issued on the grounds of the twenty-fourth resolution submitted to this General Meeting and the amount of any debt securities the issuing of which is decided on or authorised by the Board of Directors in accordance with Article L. 228-40 of the French Commercial Code.

Decides to authorise the Board of Directors to take all due measures to protect the rights of the holders of securities giving access to the share capital already existing at the day of the capital increase.

Decides that the shareholders may, under the conditions stipulated by the law, exercise as of right their preferential subscription right. In addition, the Board of Directors will have the option to grant the shareholders the possibility of subscribing for excess securities (i.e. securities that have not been subscribed for), proportionally to the subscription rights that they hold and, at all events, within the limits of those that they wish to acquire.

If the subscriptions exercised both as of right and on the score of the right to apply for excess shares, if any, have not absorbed all the securities issued, the Board of Directors may, in the order decided by it, use one and/or other of the options listed below, namely:

- limit the issue to the amount for which subscriptions have been received, on condition that the said subscriptions correspond to at least three-quarters of the issue decided on;
- freely allocate all or part of the securities not subscribed for as of right or on the score of the right to subscribe to excess securities, if applicable;
- offer all or part of the securities that have not been subscribed for to the public.

Notes that this delegation means that the shareholders, to the benefit of the holders of the securities giving access to the share capital that have been issued on the score of this resolution, will automatically renounce their preferential rights to subscribe to the shares to which the said securities entitle the holder.

Decides that the sum coming to or due to come to the Company for each of the shares issued in the context of this delegation will be at least equal to the nominal value of the share at the date on which the securities in question were issued.

Decides that the Board of Directors will have full powers to implement this delegation for the purpose of, among other things, deciding the amounts, dates and procedures for the issues and the form and characteristics of the securities to be created; setting the terms and conditions and prices for the issues, deciding the procedures for accessing the share capital of either the Company or one of its Subsidiaries, deciding the amounts to be issued in euros, a foreign currency or units of account set by reference to several currencies, as the case may be, in compliance with the regulations in force, determining the date as from which the right to receive income from the securities will begin, with or without retroactive effect and, if relevant, the conditions for the buy-back of the said securities; if appropriate suspending the exercising of rights to the allocation of shares attached to existing securities for a period which may not exceed three months, setting the procedures whereby the rights of the holders of securities giving access to the share capital will be preserved, in compliance with the legal and regulatory provisions and, if necessary, the contractual stipulations providing for other cases of adjustment; proceeding if necessary to any make any debits from the share premium(s), including debits relative to expenses incurred on the score of issuing shares or securities, and in general taking all necessary measures and entering into any agreements for the purpose of successfully carrying out and recording any capital increases resulting from any issues effected by implementing this delegation, and modifying the By-laws accordingly.

In the event of issuing debt securities giving access either immediately or at term to a portion of the share capital of the Company or one of its Subsidiaries, the Board of Directors will have full powers to decide whether they will or will not be subordinated securities, set the corresponding fixed and/or variable interest rate, with or without capitalisation, decide the currency in which they will be issued, their duration, the fixed or variable reimbursement price, with or without premium, the amortisation procedures in the light of market conditions, and the conditions on which these securities will entitle the holders to Company shares or shares in one of its Subsidiaries, it being possible moreover for the securities to be the subject of a buy-back on the stock exchange, or an offer to buy or exchange them made by the Company.

The delegation of powers granted to the Board of Directors by means of this resolution will be valid for a period of 26 months as from the date of this General Meeting.

>> Seventeenth resolution – Delegation of competence to the Board of Directors to issue ordinary shares of the Company and securities giving a right to ordinary shares in the Company or in one of its subsidiaries, while suppressing the preferential subscription right of shareholders

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, after taking due note of the Board of Directors' report and the Auditors' special report, and noting that the share capital is fully paid up, in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-135 and L. 225-136, and L. 228-91, L. 228-92 and L. 228-93 of the French Commercial Code:

Cancels, with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the fourth resolution passed by the General Meeting held on October 6, 2005.

Delegates to the Board of Directors its competence, with the possibility of sub-delegating it, in accordance with the legal and regulatory terms and conditions, to decide to issue, without the possibility for shareholders of exercising preferential subscription rights, by means of a public offering, on one or more occasions, at a time or times decided by the Board of Directors, and in the proportions decided by the latter, both in France and abroad, shares and any other securities giving access by any means, either immediately and/or at term, to ordinary shares existing or to be issued by the Company or by another company in which the Company directly or indirectly holds more than half the capital (a **"Subsidiary"**), which may be subscribed for either in cash or by offsetting claims against the company. The shares to be issued will entitle the holder to the same rights as those attached to existing shares, subject to their possession date.

Decides that in the context of this delegation, issues of preference shares and securities giving access to preference shares are expressly excluded.

Decides that the nominal value of the capital increases susceptible of being carried out immediately or at term by virtue of this delegation of competence may not exceed a total nominal value of 120 million euros, it being stipulated that the amount of any increase carried out according to this resolution will be included in the nominal global ceiling of 120 million euros provided for in the sixteenth resolution and stipulated that these limits do not take into account any adjustments susceptible of being effected in accordance with the applicable legal and regulatory provisions, or any contractual provisions that provide for other cases of adjustment in order to preserve the rights of the holders of securities giving access to the share capital.

Decides that securities giving access to shares in the Company or one of its Subsidiaries issued in the context of the delegation set forth above may consist of debt securities or be associated with the issuing of such securities or alternatively enable debt securities to be issued as intermediate securities. They may take the form of subordinated or unsubordinated securities, for a fixed or open-ended term, and may be issued in euros or a foreign currency, or in any monetary unit established by reference to several currencies.

The nominal value of debt securities issued in this context may not exceed 2 billion euros or the equivalent in another currency or other currencies at the date of the decision to issue them. This maximum sum includes all debt securities the issue of which is provided for under this resolution and under the sixteenth and twenty-first resolutions submitted to this General Meeting; it is independent of the maximum amount of the issue of securities giving a right to the allocation of debt securities issued on the grounds of the twenty-fourth resolution submitted to this General Meeting and the amount of debt securities the issuing of which is decided on or authorised by the Board of Directors in accordance with Article L. 228-40 of the French Commercial Code.

In the context of this delegation the General Meeting decides to cancel the shareholders' preferential right to subscribe to the securities to be issued by means of a public offering. The Board of Directors may however grant the shareholders a priority period as of right and/or in respect of any excess securities vis-à-vis all or part of the issue for a period and in accordance with terms and conditions set by the Board in accordance with the provisions of paragraph 2 of Article L. 225-135 of the French Commercial Code. This priority period will not give rise to the creation of any negotiable rights.

If the subscriptions, including, if any, those of the shareholders, have not absorbed all the issue, the Board of Directors may limit the amount of the operation under the conditions provided for by the law.

Notes that this delegation means that the shareholders, to the benefit of the holders of securities giving access to the share capital that have been issued on the score of this resolution, will automatically renounce their preferential rights to subscribe to the shares to which the said securities entitle the holder.

Decides that:

> the issue price of the shares will be at least equal to the average weighted price during the last three trading days prior to the setting of the issue price, possibly less a maximum 5% reduction of this amount following correction, if appropriate, to take into account the difference at the date as from which the new shares will entitle the holder to receive income from them.

However, within the limits of 10% of the share capital per annum, the Board of Directors will be authorised to set the issue price. This issue price cannot be less than, as chosen by the Board of Directors, a price at least equal to (a) the average price weighted by the trade volume of the share during the trading day prior to the setting of the issue price or (b) the average price weighted by the trade volume of the share during the trading day on which the issue price was set, in both cases possibly reduced by 10% maximum;

> the issue price of the securities giving access to the Company's share capital or the capital of one of its Subsidiaries will be such that the sum received immediately by the Company or the Subsidiary plus, if relevant, the sum susceptible of being received at a later date by the Company or the Subsidiary, if any, for each share issued in consequence of the securities issue, will be at least equal to the minimum issue price defined in the previous paragraph, after correction of this sum, if necessary, to take into account the difference at the date as from which the right to income will start.

Decides that the Board of Directors will have full powers to implement this delegation for the purpose of, among other things, deciding the amounts, dates and procedures for the issues and the form and characteristics of the securities to be created; setting the terms and conditions and prices for the issues, deciding the procedures for accessing the share capital of the Company or one of its Subsidiaries, deciding the amounts to be issued in euros, a foreign currency or units of account set by reference to several currencies, as the case may be, in compliance with the regulations in force, determining the date as from which the right to receive income from the securities will begin, with or without retroactive effect and, if relevant, the conditions for the buy-back of the said securities, setting the exchange parity, with or without an equalisation payment; if appropriate suspending the exercising of rights to the allocation of shares attached to existing securities for a period which may not exceed three months, setting the procedures whereby the rights of the holders of securities giving access to the share capital will be preserved, in compliance with the legal and regulatory provisions and, if necessary, the contractual stipulations providing for other cases of adjustment, proceeding if necessary to make any charging to the share premium(s), including costs relative to expenses incurred on the score of issuing shares or securities, and in general taking all necessary measures and entering into any agreements for the purpose of successfully carrying out and recording any capital increases resulting from any issues effected by implementing this delegation, and modifying the By-laws accordingly.

In the event of issuing debt securities giving access either immediately or at term to a portion of the share capital of the Company or one of its Subsidiaries, the Board of Directors will have full powers to decide whether they will or will not be subordinated securities, set the corresponding fixed and/or variable interest rate, with or without capitalisation, decide the currency in which they will be issued, their duration, the fixed or variable reimbursement price, with or without premium, the amortisation procedures in the light of market conditions, and the conditions on which these securities will entitle the holders to Company shares or shares in one of its Subsidiaries, it being possible moreover for the securities to be the subject of a buy-back on the stock exchange, or an offer to buy or exchange them made by the Company.

The delegation of powers granted the Board of Directors by this resolution will be valid for a period of 26 months as from the date of this General Meeting.

>> Eighteenth resolution – Authorisation for the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without preferential subscription rights

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, after taking due note of the Board of Directors' report and the Auditors' special report concerning the accounts, and noting that the share capital is fully paid up, in accordance with the provisions of Article L. 225-135-1 of the French Commercial Code:

Cancels, with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the fifth resolution passed by the Shareholders' General Meeting held on October 6, 2005.

Authorises the Board of Directors, with the possibility of sub-delegation, in accordance with the legal and regulatory terms and conditions, to increase the number of shares to be issued for each issue with or without preferential subscription rights decided by virtue of the sixteenth and seventeenth resolutions submitted to this General Meeting for its approval, within thirty days of the closure of the subscription period, within the limits of 15% of the initial issue and at the same price as that retained for the initial issue.

Decides that the maximum nominal value of capital increases susceptible of being carried out by virtue of this delegation will count towards the global nominal ceiling for capital increases set at 120 million euros under the terms of the sixteenth resolution passed by this General Meeting.

The authorisation granted the Board of Directors by means of this resolution will be valid for a period of 26 months as from the date of this General Meeting.

>> Nineteenth resolution – Delegation of competence to the Board of Directors to increase the capital stock by incorporation of reserves, profits, premiums or other amounts whose capitalisation would be permitted

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, after taking due note of the Board of Directors' report, and ruling in accordance with the provisions of Articles L. 225-129 to L. 225-129-6 and L. 225-130 of the French Commercial Code:

Cancels, with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the sixth resolution passed by the Shareholders' General Meeting held on October 6, 2005.

Delegates to the Board of Directors, with the possibility of sub-delegating it, in accordance with the legal and regulatory terms and conditions, its competence to increase the share capital, on one or more occasions, at a time or times decided by the Board, and in the proportions decided by the latter, by incorporating reserves, profits, premiums, or other sums in respect of which capitalisation is permitted, or in conjunction with a cash capital increase carried out according to the sixteenth resolution, either in the form of allocations of free shares or by increasing the nominal value of existing shares, or by combining the two operations.

Decides that the nominal value of the capital increases susceptible of being carried out by virtue of this delegation may not exceed 100 million euros, not taking into account any adjustments susceptible of being made in accordance with the legal and regulatory provisions applicable or with any contractual provisions that provide for other cases of adjustment in order to preserve the rights of the holders of securities giving access to the share capital, it being stipulated that this sum will count towards the nominal global ceiling of 120 million euros set by the sixteenth resolution of this General Meeting.

Decides that the Board of Directors will have full powers to implement this delegation, for the purpose of, in particular:

> determining all the terms and conditions in respect of the operations authorised, and more especially deciding the amount and the nature of the reserves and premiums to be incorporated into the capital, deciding the number of new shares to be issued in euros, or the amount by which the nominal value of the existing shares making up the share capital will be increased, deciding the date, which may be retroactive, as from which the new shares will entitle the holders to receive income from them or the date at which the increase in the nominal value will become effective, and proceeding, if appropriate, to debit any sums to the issue premium(s), including debits relative to expenses incurred on the score of share issues;

- deciding that rights forming odd lots will be neither negotiable nor transferable and that the corresponding equity securities will be sold, the sums received from their sale being allocated to the holders of the rights not later than 30 days after the date on which the full number of the shares allocated were registered to their account;
- taking all due measures to protect the rights of the holders of securities giving access to the existing share capital as at the day of the capital increase;
- taking all appropriate measures and entering into any agreements for the purpose of successfully carrying out the operation(s) envisaged and, in general, doing everything necessary, performing all the necessary actions and formalities for the purpose of rendering any capital increase(s) that may be carried out by virtue of this delegation definitive, and modifying the By-laws accordingly.

The delegation of powers granted the Board of Directors by this resolution will be valid for a period of 26 months as from the date of this General Meeting.

>> Twentieth resolution – Delegation to issue share warrants for their free grant to shareholders if the Company is targeted by a tender offer

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, after taking due note of the Board of Directors' report and the Auditors' special report.

Cancels, with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the fourteenth resolution passed by the Shareholders' General Meeting held on November 10, 2006.

Delegates to the Board of Directors, with the possibility of sub-delegating it, in accordance with the legal and regulatory terms and conditions, its competence, with the possibility of suspending or renouncing it, should the Company be the subject of a public offering, and during the period of the said public offering, in accordance with the provisions of Articles L. 233-32 (II) and L. 233-33 of the French Commercial Code, for the purpose of:

1. issuing a maximum number of share purchase warrants equal to the number of shares making up the share capital at the time when the warrants were issued. These share purchase warrants will be issued free of charge to all shareholders having that capacity before the expiry of the period of the public offering. The maximum nominal amount of the capital increases that could result from exercising all the warrants susceptible of being issued by virtue of this delegation is 217,401,082 euros. This limit will be increased by the sum corresponding to the nominal value of the securities necessary to effect the adjustments susceptible of being effected in compliance with the legal and regulatory provisions applicable, or any contractual provisions that provide for other cases of adjustment, in order to preserve the rights of the holders of the above-mentioned share purchase warrants. It is furthermore stipulated that the implementation of the authorisation granted on the score of this resolution will not count towards the global nominal ceiling of 120 million euros provided for in the sixteenth resolution;
2. setting the conditions vis-à-vis the exercising of the warrants in question, which shall be relative to the terms of the public offering or those of any concurrent offering, and the other characteristics of the said share purchase warrants. Within the limits defined above, the Board of Directors will have full powers for the purpose of:

- deciding the terms and conditions of issue(s) of share purchase warrants,
- deciding the number of warrants to be issued,
- deciding that rights to allocations of odd lots will be neither negotiable nor transferable and that the corresponding securities will be sold,
- deciding if necessary the procedures for the exercising of the rights attached to share purchase warrants, including:
  - setting their exercise price or deciding the procedures for determining this price,
  - deciding the terms and conditions relative to the capital increase(s) necessary to enable the holders of the warrants to exercise the rights attached to the said warrants,
  - deciding the date, which may be retroactive, as from which the shares subscribed to by exercising the rights attached to the warrants will start to entitle the holder to income, and deciding all the other conditions and procedures for the realisation of the issue(s) effected to enable the holders of share purchase warrants to exercise the rights attached to them,
  - providing for the possibility of suspending the exercise of the rights attached to the warrants for a maximum period of three months,
  - deciding the methods whereby the rights of the holders of share purchase warrants will be preserved, in compliance with the corresponding legal, regulatory or contractual provisions,
  - in general, entering into any agreements for the purpose of successfully carrying out the operation(s) envisaged, taking any appropriate measures and fulfilling all the appropriate formalities relative to the issuing and allocation of the warrants issued by virtue of this delegation or the listing of same and corresponding financial services, exercising the rights attached to them, formally noting the realisation of each capital increase, and modifying the By-laws accordingly.

These share purchase warrants will become ipso jure null and void should the public offering and any concurrent offering fail, become null and void or be withdrawn. It is stipulated that any share purchase warrants that become null and void under the law will not be taken into account when calculating the maximum number of warrants that may be issued as set forth above.

The authorisation granted the Board of Directors by means of this resolution will be valid for a period of eighteen months as from the date of this General Meeting.

>> Twenty-first resolution – Delegation of competence to the Board of Directors to issue ordinary shares and securities giving a right to ordinary shares in the Company in the event of a tender offer for exchange initiated by the Company

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, after taking due note of the Board of Directors' report and the Auditors' special report, and ruling in accordance with the provisions of Articles L. 225-129-2, L. 225-148 and L. 228-92 of the French Commercial Code.

Cancels, with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the fourth resolution passed by the General Meeting held on October 6, 2005.

Delegates to the Board of Directors, with the possibility of sub-delegating it, in accordance with the legal and regulatory terms and conditions, its competence to decide, on the basis of the preceding seventeenth resolution and in accordance with the terms and conditions stipulated in the said resolution, to issue ordinary Company shares or securities which by any that come to means give access, immediately and/or at term, to existing ordinary shares or ordinary shares to be issued by the Company, in return for securities contributed in the context of an offer to exchange securities initiated in France or abroad by the Company, in accordance with local regulations, involving securities in another company allowed to trade on one of the regulated markets referred to in the above-mentioned Article L. 225-148.

Decides, insofar as this is necessary, to cancel, to the benefit of the holders of these securities, the shareholders' preferential right to subscribe to these ordinary shares and securities.

Notes that this delegation means that the shareholders will automatically renounce their preferential rights to subscribe to the ordinary shares to which securities issued on the basis of this delegation will entitle the holders.

The ceiling for the nominal value of the capital increase, immediate or at term, resulting from any issues effected by virtue of this delegation is set at 120 million euros, this sum counting towards the ceiling set by the seventeenth resolution it being understood that the said ceiling does not take into account any adjustments that might be effected in accordance with the applicable legal and regulatory provisions, or any contractual provisions that provide for other cases of adjustment in order to preserve the rights of the holders of securities giving access to the share capital.

Decides that the Board of Directors will have full powers for the purpose of implementing the public offerings provided for under this resolution and, in particular:

- setting the exchange parity and, if appropriate, the amount of the equalisation payment to be made in cash;
- noting the number of securities contributed to the exchange;
- deciding the dates for, and the terms and conditions applicable to issues, including the price and the date as from which the new ordinary shares will entitle the holder to receive income from them and the dates as from which any securities giving access immediately and/or at term to ordinary Company shares will entitle the holder to receive income from the said shares, under the same conditions and within the same limits as those set forth in the seventeenth resolution;
- to enter in the balance sheet under liabilities, in a "Share premium" account in which the rights of all the shareholders will be recorded, the difference between the issue price of the new ordinary shares and their nominal value;
- proceeding, if appropriate, to debit to the said "Share premium" account all expenses and dues occasioned by the operation hereby authorised;
- in general, taking any appropriate measures and entering into any agreements for the purpose of successfully carrying out the authorised operation, formally noting any capital increase(s), and modifying the By-laws accordingly.

The authorisation granted to the Board of Directors by means of this resolution will be valid for a period of 26 months as from the date of this General Meeting.

>> Twenty-second resolution – Delegation of competence to the Board of Directors to increase the capital stock through the issue of ordinary shares of the Company and securities giving a right to ordinary shares of the Company as payment for contributions in kind not exceeding 10% of the share capital of the Company

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, after taking due note of the Board of Directors' report and ruling in accordance with the provisions of Article L. 225-147 of the French Commercial Code:

Cancels, with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the seventh resolution passed by the General Meeting held on October 6, 2005.

Delegates to the Board of Directors, with the possibility of sub-delegating it, in accordance with the legal and regulatory terms and conditions, its competence to decide, on the basis of the Contributions Auditor's report referred to in paragraphs 1 and 2 of Article L. 225-147 of the French Commercial Code, to issue ordinary Company shares or securities giving access by any means, immediately and/or at term, to existing shares or shares to be issued by the Company with a view to remunerating contributions in kind made to the Company and consisting of equity securities or other securities giving access to share capital, when the provisions of Article L. 225-148 of the French Commercial Code are not applicable.

The ceiling for the nominal value of the capital increase, immediate or at term, resulting from all the issues realised by virtue of this delegation is set at 10% of the Company's share capital (as existing at the date of this General Meeting) it being stipulated that the maximum nominal value of this capital increase cannot exceed the ceiling set in the seventeenth resolution, towards which it will count, and that it does not take into account any adjustments that might be effected in accordance with the applicable legal and regulatory provisions, or any contractual provisions that provide for other cases of adjustment in order to preserve the rights of the holders of securities giving access to the share capital.

Decides, insofar as this is necessary, to cancel to the benefit of the holders of equity securities or other securities that are the subject of contributions in kind, the shareholders' preferential rights to subscribe to ordinary shares and securities issued in this context.

Notes that this delegation means that shareholders will automatically renounce their preferential rights to subscribe to the ordinary shares to which securities issued on the basis of the said delegation will entitle the holder.

Decides that the Board of Directors will have full powers for the purpose of implementing this delegation, in particular for the purpose of ruling on the report drawn up by the Contributions Auditor(s), deciding the procedures and terms and conditions for the operations thus authorised, in particular assessing the value of the contributions and granting, if appropriate, any special benefits, deciding the number of securities to be issued in return for the contributions and deciding the date as from which the right to income from the said securities will start and, if appropriate, debiting sums to the share premiums, including expenses incurred in relation to realising the issues in question; formally noting that a capital increase has been carried out and modifying the By-laws accordingly and, in general, taking all due measures, entering into any agreements, accomplishing all the necessary formalities to enable trading in the shares issued and complying with all the necessary formalities with respect to the publication of notices.

The delegation of powers granted to the Board of Directors by this resolution will be valid for a period of 26 months as from the date of this General Meeting.

>> Twenty-third resolution – Delegation of competence to the Board of Directors to issue ordinary shares following the issue by subsidiaries of the Company of securities giving right to ordinary shares of the Company

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, hereby **cancels,** with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the fourth resolution passed by the Shareholders' General Meeting held on October 6, 2005, after taking due note of the Board of Directors report and the Auditors' special report and the fact that the share capital is fully paid up, ruling in accordance with Articles L. 225-129-2 and L. 228-93 of the French Commercial Code, with a view to the potential issuing on one or more occasions, in France and/or on foreign markets, by one or more companies in which the Company directly or indirectly holds more than half the share capital (a **"Subsidiary"**), with the Company's consent, of any securities giving access by any means, immediately and/or at term, to ordinary Company shares, **delegates** to the Board of Directors with the possibility of sub-delegation, in accordance with the legal and regulatory terms and conditions, competence to decide on an issue of ordinary shares in the Company to which securities issued, as described above, by Subsidiaries, may entitle the holders of the said securities.

This decision means that shareholders in the Company automatically renounce, to the benefit of the holders of securities that may be issued by Subsidiaries, their preferential rights to subscribe to any ordinary shares to which securities issued by a Subsidiary as described above will entitle the holder.

Notes that the Company's shareholders will not have preferential rights to subscribe to the above-mentioned securities issued by the Subsidiaries.

The ceiling for the nominal value of the total increase in the Company's share capital resulting from all issues realised by virtue of this delegation is set at 120 million euros, this amount counting towards the ceiling set in the seventeenth resolution, it being stipulated that this ceiling is set without taking into account any adjustments that might be effected in accordance with the applicable legal and regulatory provisions, or any contractual provisions that provide for other cases of adjustment in order to preserve the rights of the holders of securities giving access to the share capital.

At all events, the sum paid at the time of the issue or paid to the Company at a later date must, for each ordinary share issued in consequence of the issuing of these securities, be at least equal to the minimum amount provided for in the seventeenth resolution, after correction of this amount, if appropriate, to take into account the difference at the date as from which the right to income will start.

The Board of Directors will have full powers to implement this resolution, in conjunction with the boards of Directors, supervisory boards or other management bodies of the Subsidiaries issuing securities, and decide the amounts to be issued, decide the procedures for issues and the category of securities to be issued, set the date, even retroactive, as from which the right to income will start, and in general take all necessary measures and enter into any agreements for the purpose of successfully carrying out the issues provided for, in the context of the French laws and regulations applicable and any foreign laws and regulations applicable. The Board of Directors will have full powers to make any modifications to the By-laws rendered necessary by the exercising of this delegation, in accordance with the terms of the Board of Directors' report submitted to this General Meeting.

The delegation of powers granted the Board of Directors by this resolution will be valid for a period of 26 months as from the date of this General Meeting.

>> Twenty-fourth resolution – Delegation of competence to the Board of Directors to issue securities giving right to debt securities

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, after taking due note of the Board of Directors' report and the Auditors' special report, and ruling in accordance with Articles L. 225-129-2 and L. 228-92 of the French Commercial Code:

Cancels, with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the third and fourth resolutions passed by the Shareholders' General Meeting held on October 6, 2005.

Delegates to the Board of Directors, with the possibility of sub-delegating it, in accordance with the legal and regulatory terms and conditions, its competence to decide to issue, on one or more occasions, in France or abroad, any securities entitling the holders to be allocated, immediately or at term, debt securities such as bonds or similar securities, securities subordinated for a fixed or open-ended term, or any other securities conferring in the same issue, a lien on the Company.

The nominal value of all the above-mentioned securities to be issued may not exceed 2 billion euros, or the equivalent of this amount in another currency or other currencies or in any monetary unit established by reference to several currencies, it being stipulated that this maximum nominal value will apply overall to all debt securities to which the securities will give the right to an allocation immediately or at term.

The Board of Directors will have full powers for the purpose of:

1. performing the said issues within the above-mentioned limits, deciding the date, nature, amounts and currency for the issue;
2. deciding the characteristics of the securities to be issued and the debt securities which the holders thereof will be entitled to have allocated to them, more especially their nominal value and the date as from which the right to income will start, their issue price, and the premium, if any, their fixed and/or variable interest rate, and the payment date or, in the case of variable-rate securities, the procedures for determining their interest rate, or the terms and conditions vis-à-vis capitalisation of the interest;
3. deciding, in the light of the market conditions, the procedures for the amortisation and/or early reimbursement of the debt securities which the holders thereof will be entitled to have allocated to them with a fixed or variable premium, if so decided, or even the procedures whereby the Company will effect a buy-back;
4. deciding, if appropriate, to grant guarantees or sureties relative to the securities to be issued, and the debt securities which the holders thereof will be entitled to have allocated to them, and deciding the nature and characteristics of such guarantees or sureties;
5. and, in general, deciding all the procedures for each issue, signing any agreements, including agreements with banks or other bodies, taking all due measures, fulfilling the requisite formalities, and generally doing everything necessary.

The delegation of powers granted the Board of Directors by this resolution will be valid for a period of 26 months as from the date of this General Meeting.

>> Twenty-fifth resolution – Authorisation for the Board of Directors to increase the capital stock in favour of the members of a savings plan

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, after taking due note of the Board of Directors' report and the Auditors' special report, in the context of the provisions of the Article L. 443-1 and the following articles of the French Labour Code and the provisions of Article L. 225-138-1 of the French Commercial Code, and in accordance with the provisions of Article L. 225-129-6 of the said Code:

Cancels, with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the eighth resolution passed by the Shareholders' General Meeting held on October 6, 2005.

Delegates to the Board of Directors full powers, with the possibility of sub-delegating them, in accordance with the legal and regulatory terms and conditions, for the purpose of increasing, on one or more occasions, at a time or times decided by the Board of Directors, and in the proportions decided by the latter, the Company's share capital by issuing shares and any other securities giving access, immediately or at term, to the Company's share capital, such shares being reserved to subscribers to a Company savings scheme, or the savings schemes of French or foreign companies linked to it in accordance with the terms and conditions set forth in Article L. 225-180 of the French Commercial Code and Article L. 444-3 of the French Labour Code, or by the free allocation of ordinary shares or securities giving access to existing ordinary Company shares or ordinary shares subsequently issued by the Company by, for example, the incorporation of reserves, profits or premiums into the share capital, within the legal and regulatory limits.

Decides that capital increases susceptible of being carried out by virtue of this resolution may not exceed a nominal value of 2 million euros, this ceiling being autonomous and distinct from the ceilings stipulated in the other resolutions, and set without taking into account any adjustments that might be effected in accordance with the applicable legal and regulatory provisions or any contractual provisions that provide for other cases of adjustment in order to preserve the rights of the holders of securities giving access to the share capital.

If fewer securities were subscribed for than the number of securities that were available for issue, the capital increase will only be effected up to the amount represented by the securities subscribed for.

Decides, in application of Article L. 443-5 of the French Labour Code, to set the discount at 20% and 30% respectively in relation to the average price quoted for the Company share on the Eurolist market operated by Euronext Paris during the twenty trading days prior to the date on which it was decided to set the opening day for subscriptions, depending on whether the securities subscribed for, directly or indirectly, correspond to holdings which will be unavailable for a period of less than ten years or for a period equal to or greater than ten years. However, the General Meeting expressly authorises the Board of Directors to reduce the above-mentioned discount, if it thinks fit; for example it may limit the discount granted to 15% of the price quoted for the Company share on the day on which the opening date for subscriptions was decided, within the legal and regulatory limits, in order to take into account, *inter alia,* the legal, fisacl, financial and social regimes applicable locally.

Decides in application of Article L. 443-5 of the French Labour Code that the Board of Directors may provide for a free allocation of existing shares or shares to be issued or other securities giving access to the Company's share capital, on the score of a contribution or on the score of a discount, if applicable, provided that their monetary equivalent, assessed on the basis of the subscription price, does not exceed the limits set in Articles L. 443-5 and L. 443-7 of the French Labour Code.

Decides to cancel the shareholders' preferential right to subscribe to the new shares to be issued or other securities giving access to the share capital or the securities to which the securities issued on the grounds of this resolution would entitle the holders, in favour of subscribers to a company savings scheme.

Decides that the characteristics of the other securities giving access to the Company's share capital will be decided by the Board of Directors in accordance with the legal and regulatory provisions applicable.

Decides that the Board of Directors will have full powers to implement this resolution and in particular determine the scope of, and procedures and terms and conditions for the operations in question and decide the dates and procedures for share issues and allocations of free shares or other securities realised by virtue of this authorisation, set the opening and closing dates for issues, the dates as from which the right to corresponding income will start, the procedures for the paying up of the shares and other securities giving access to the Company's share capital; agree to the timeframes for the paying-up of the shares and other securities giving access to the Company's share capital, if any, decide that issues may take place directly to the benefit of the beneficiaries or via the intermediary of collective bodies; draw up, under the customary legal conditions, the list of companies or groups whose employees and former employees may subscribe to the ordinary shares or securities issued and, if appropriate, receive ordinary shares or securities allocated free of charge; decide the length-of-service conditions that must be met by the beneficiaries of each free allocation of ordinary shares or securities provided for in this resolution; decide the nature of any securities allocated free of charge, and the terms and conditions of any such allocation; note the realisation of the capital increases corresponding to the value of the shares actually subscribed to; decide, if relevant, the amount of the sums to be incorporated into the share capital within the limit stipulated above, and decide the equity capital accounts from which they will be taken, accomplish either directly or via an agent any operations and formalities associated with the said capital increases and modify the By-laws in the light of the said increases, and in general do everything necessary and if it thinks fit, as to which it will be the sole judge, debit any expenses occasioned by such capital increases to the amount of the premiums corresponding to the said increases, and take from this sum the sums necessary to bring the legal reserve up to one-tenth of the new capital after each increase, and request that the securities thus created be listed on any stock market that it holds to be appropriate.

The delegation of powers granted the Board of Directors by this resolution will be valid for a period of 26 months as from the date of this General Meeting.

>> Twenty-sixth resolution – Authorisation granted to the Board of Directors for the free grant of shares of the Company

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, after taking due note of the Board of Directors' report and the Auditors' special report, in the context of the provisions of Article L. 225-197-1 and the following articles of the French Commercial Code:

Cancels, with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the tenth resolution passed by the Shareholders' General Meeting held on October 6, 2005.

Authorises the Board of Directors, with the possibility of sub-delegation, in accordance with the legal and regulatory terms and conditions, to allocate free of charge existing Company shares or shares subsequently issued by the Company in accordance with the terms and conditions set forth below.

These allocations may be made, on one or more occasions, to the benefit of members of the Company's salaried staff or officers (as defined by Article L. 225-197-1 II Section 1 of the French Commercial Code), or certain categories of them, of the Company or companies or economic interest groups linked to the Company in accordance with the terms and conditions set forth in Article L. 225-197-2 of the French Commercial Code.

The total number of free shares allocated by virtue of this authorisation may not exceed 4% of the Company's share capital at the date when the Board of Directors takes the decision to allocate them, it being clarified that this ceiling is common to this resolution and to the twenty-seventh resolution.

The allocation to the beneficiaries of free shares will become definitive:

i) either, with respect to all or some of the shares allocated, at the end of a minimum vesting period of four years;

ii) or, at the end of a minimum vesting period of two years.

These shares will be accompanied by an obligation to retain them for a minimum period of two years which will begin to run as from their definitive allocation. However, this obligation to keep the shares may be reduced or cancelled by the Board of Directors as regards the shares for which the vesting period has been set for a period of at least four years.

The definitive allocation of the shares and the possibility of transferring them without restriction would however be granted to any beneficiary affected by one of the cases of invalidity provided for in Article L. 225-197-1 of the French Commercial Code.

This authorisation means that the shareholders will expressly renounce, to the benefit of the beneficiaries of allocations of free shares, their preferential rights to subscribe to any shares to be issued and allocated free of charge as provided for by this resolution.

Any corresponding capital increases will be definitively completed by the sole fact of the definitive allocation of shares to the beneficiaries.

Existing shares which may be allocated pursuant to this resolution should be held by the Company, either as prescribed by Article L. 225-208 of the French Commercial Code or, as the case may be, within the scope of the purchase of Company shares authorised by the fifteenth resolution submitted to this General Meeting pursuant to Article L. 225-209 of the French Commercial Code or from any other share purchase programme already authorised or to be authorised.

The General Meeting grants the Board of Directors, within the limits determined above, full powers to implement this resolution and in particular:

1. determine the identity of the beneficiaries of allocations of free shares and the number of shares to be allocated to each of them;
2. decide the dates and the procedures for the allocation of these shares, including the period at the end of which these allocations will become definitive and, if appropriate, the period for which each beneficiary will be required to retain the shares in question;
3. decide the terms and conditions and, if appropriate, the allocation criteria in accordance with which the shares will be allocated;
4. note the dates for definitive allocation and the dates as from which the shares may be freely transferred in the light of the legal restrictions;
5. provide for the possibility of proceeding, during the investing period, to make any necessary adjustments to the number of shares allocated free of charge in the light of any operations affecting the Company's share capital, in such a way as to preserve the beneficiaries' rights, it being stipulated that any shares allocated in application of these adjustments will be held to have been allocated on the same day as the shares initially allocated;
6. in the event of a free allocation of new shares, if appropriate debit to the reserves, profits or share premiums, as decided by it, the sums necessary to pay up the shares in question, note the realisation of any corresponding capital increases, modify the By-laws accordingly, and generally do everything necessary;
7. more generally, enter into any agreement, establish all documents, undertake all formalities and all declarations before any body, and do all that is necessary.

The Board of Directors will inform the Shareholders' Ordinary General Meeting, every year, in accordance with the legal provisions, of any operations carried out by virtue of this delegation of powers.

The delegation of powers granted the Board of Directors by this resolution will be valid for a period of 38 months as from the date of this General Meeting.

>> Twenty-seventh resolution – Authorisation for the Board of Directors to grant companies share subscription and/or purchase warrants

The General Meeting, subject to the legal and regulatory provisions in force, and more especially statute no. 86-912 of August 6, 1986 and statute no. 93-923 of June 19, 1993, voting under the quorum and majority conditions required for extraordinary general meetings, after taking due note of the Board of Directors' report and the Auditors' special report:

Cancels, with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the ninth resolution passed by the Shareholders' General Meeting held on October 6, 2005.

Authorises the Board of Directors, in conformity with Article L. 225-177 and the following articles of the French Commercial Code, with the possibility of sub-delegating this authorisation in accordance with the legal and regulatory provisions, to grant subscription options or stock options in respect of the Company shares, on one or more occasions, on the terms and conditions set forth below:

- the beneficiaries must be Company employees or Company representatives (within the meaning of Article L. 225-185 paragraph 4 of the French Commercial Code) or the employees company representatives of companies or groups related to it within the meaning of Article L. 225-180 of the French Commercial Code. Options may be granted by the Board of Directors to all or some of these persons;
- each option will entitle the holder to subscribe for or acquire one new or existing ordinary share;
- the total number of options that may be granted on the score of this resolution cannot entitle the holders to subscribe for or acquire a number of ordinary shares representing, at the allocation date, more than 4% of the Company's share capital at the date of this General Meeting, it being stipulated that the maximum nominal ceiling resulting from this resolution shall be allocated to the ceiling of 4% of the Company's share capital mentioned in the twenty-sixth resolution and is set without taking into adjustments made in order to preserve, in accordance with the law, the rights of the holders of subscription options;
- the shares that can be obtained by exercising the stock options granted on the score of this resolution shall be bought by the Company, either in the context of Article L. 225-208 of the French Commercial Code, or alternatively in the context of the share buy-back programme authorised by the fifteenth resolution submitted to this General Meeting on the score of Article L. 225-209 of the French Commercial Code, or in the context of any other share buy-back programme applicable either previously or at a later date;
- the exercise price for the subscription options or stock options in respect of ordinary shares may not be less than 95% of the average price for the Eutelsat Communication share quoted on the Eurolist market operated by Euronext during the twenty trading days prior to the day on which the options were granted, and in the case of the stock options the exercise price may not be less than 95% of the average purchase price of the shares held by the Company on the score of Articles L. 225-208 and L. 225-209 of the French Commercial Code. No subscription or stock option may be granted less than twenty trading days after the shares have been detached from a coupon entitling the holder to a dividend or a capital increase, or during a period corresponding to six trading days before and after the date on which the consolidated accounts, or failing this the annual accounts, were made public;
- the options allocated must be exercised within ten years as from the date on which they were allotted by the Board of Directors.

The General Meeting takes due note to that effect and **decides** that insofar as may be necessary this authorisation means that the shareholders will expressly renounce, to the benefit of the beneficiaries of the subscription options provided for above, their preferential rights to subscribe to the shares that will be issued over time as these options are exercised.

The General Meeting gives full powers to the Board of Directors, which may, if it so wishes, be assisted by a committee whose members will be appointed by the Board for the purpose of, within the limits set forth below:

- deciding, in accordance with the legal conditions and limits, the dates on which the options will be granted;
- drawing up the list of the beneficiaries of options, deciding the number of options to be allocated to each of them and deciding the procedures for the allocation and exercising of the options;
- deciding the terms and conditions for the exercising of the options and among other things, limiting, restricting or prohibiting (a) the exercising of the options or (b) the sale, during certain periods or as from the time of certain events, of shares obtained by exercising the options, it being possible for such decisions to (i) apply to all or some of the options and/or (ii) apply to all or some of the beneficiaries;
- ruling, where officers or Directors are concerned, in accordance with the last two sentences of paragraph 4 of Article L. 225-185 of the French Commercial Code;
- deciding the terms and conditions on which the prices and/or the number of shares to be subscribed for or purchased will be adjusted in the cases provided for by the law; in this hypothesis, in accordance with the regulatory provisions, the Board of Directors will take the measures necessary to protect the interests of the beneficiaries of the options granted by taking into account the impact of any operation that has taken place, and it may decide, if necessary, to temporarily suspend the right to exercise the options if a financial operation carried out gives rise to an adjustment in accordance with Article L. 225-181 paragraph 2 of the French Commercial Code, or in the event of any other financial operation in the context of which it considers it appropriate to suspend this right;
- more generally, the Board of Directors is authorised to enter into any agreements, draw up any documents, formally note any capital increases further to the exercising of options, modifying the By-laws in consequence, accomplish any necessary formalities, make any corresponding declarations to the relevant bodies, and do anything else that may be necessary.

The Board of Directors will inform the Shareholders' Ordinary General Meeting, every year, of any operations carried out in the context of this resolution.

The delegation of powers granted the Board of Directors by this resolution will be valid for a period of thirty-eight months as from the date of this General Meeting.

>> Twenty-eighth resolution – Reduction in the share capital by cancelling bought back shares

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, after taking due note of the Board of Directors' report and the Auditors' special report, and ruling in accordance with the provisions of Article L. 225-209 of the French Commercial Code:

Cancels, with immediate effect, vis-à-vis the unused portion of same, the delegation granted under the terms of the thirteenth resolution passed by the Shareholders' General Meeting held on November 10, 2006.

Authorises the Board of Directors, with the possibility of sub-delegation, in accordance with the legal and regulatory provisions, to reduce the share capital by cancelling all or some of the Company shares that it has come to hold in the context of share buy-back programmes authorised by the General Meeting, on one or more occasions, within the limits of 10% of the Company's share capital per twenty-four month period.

Decides that the difference between the purchase price for ordinary shares and their nominal value may be deducted from the "Share premium" account or any reserve fund with available funds, including the statutory reserve fund, in the latter case within the limits of 10% of the capital reduction carried out.

Gives full powers to the Board of Directors for the purpose of effecting the deductions described above, modifying the Company's By-laws and fulfilling any formalities that it judges necessary.

This authorisation is granted for a period of 18 months as from the date of this General Meeting.

>> Twenty-ninth resolution – Amendment to Article 22 of the Company's By-laws to comply with Decree No. 67-236 of March 23, 1967 as amended by Decree No. 2006-1566 of December 11, 2006

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, after taking due note of the Board of Directors' report:

Decides to bring the Company's By-laws into compliance with decree no. 2006-1566 of December 11, 2006, which has modified decree no. 67-236 of March 23, 1967 concerning commercial companies and participation in general meetings and, in consequence, delete the fifth and sixth paragraphs of Article 22 of the By-laws entitled "Shareholders Meetings", which are worded as follows:

"The right to take part either in person or via a representative in Meetings is subject to the condition that the name of the shareholder concerned has been entered five days before the date of the meeting in the registered security accounts kept by the Company or that within the same period a certificate issued by an intermediary empowered to keep accounts has been lodged, at the place indicated in the notice of meeting, attesting to the unavailability up until the date of the meeting, of bearer shares listed in the said accounts.

The Board of Directors may shorten or abolish the timeframe mentioned in the previous paragraph."

And replace it by a paragraph worded as follows:

"All shareholders are entitled to take part in Meetings and vote on resolutions either in person or via a representative, regardless of the number of shares that they hold, merely on presenting proof of their identity and the number of shares held by them, in accordance with the procedures stipulated by the legal and regulatory provisions in force."

>> Thirtieth resolution – Formalities

The General Meeting gives full powers to the bearer of an original copy, a copy or an abstract of the minutes of this General Meeting to accomplish all the necessary formalities.

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