06

MANAGEMENT REPORT ON THE CONSOLIDATED ACCOUNTS AS AT 30 JUNE 2007

07

eutelsat COMMUNICATIONS

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Joint stock company with a Board of Directors
and a share capital of 217,401,082 euros
Registered office: 70 rue Balard, 75015 Paris
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>> MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2007

IMPORTANT NOTICE :

TRANSLATION FOR INFORMATION ONLY

Please note that only the FRENCH language version of this MANAGEMENT REPORT ON FY 06-07, available upon request to the Company or on the Website, has been established by the Board of Directors dated July 25, 2007. No representation is made regarding the accuracy, completeness of any information or numbers included in this translation.

Dear Shareholder(s)

We submit to you a management report on the activity of Eutelsat Communications (the Company) and the Eutelsat Group(1) for the financial year ended June 30, 2007.

We are also presenting to you the annual and consolidated financial statements for the financial year ended June 30, 2007. The consolidated statements show the intra-Group relations with our subsidiaries and affiliated companies.

This report was adopted by the Board of Directors at its meeting on July 25, 2007.

(1) Eutelsat Group or the Group means Eutelsat Communications and all the companies controlled directly or indirectly by Eutelsat Communications.

1 INTRODUCTION

With a market share of 30% in Extended Europe and 14% globally[2], the Group is European co-leader for Fixed Satellite Services (FSS). It operates a fleet of 24 satellites in geostationary orbit (or GEO) at 20 orbital positions and principally supplies capacity for Video Applications, Professional Data Networks and Value Added Services.

Through its fleet of satellites located from 15° West to 70.5° East, the Group covers the entire European continent, the Middle East and North Africa ("Extended Europe") and Sub-Saharan Africa, and a large section of the Asian and American continents, potentially giving the Group access to 90% of the world's population.

Users of the Group's capacity include leading European and international media and telecommunications companies, including:

- private and public broadcasters, including the European Broadcasting Union (EBU), RAI, France Télévisions, Deutsche Welle, BBC, Mediaset, TVN, TF1, RTL, France 24, ARD, ZDF, NHK, Discovery Channel, CCTV, Eurosport and Euronews;
- major digital pay-TV operators, such as SKY Italia, the Canal+ group, BSkyB, ABSat, ART, Orbit, MultiChoice Africa, NOVA, Gateway, Cyfra+, Polsat, 'n', Digiturk, NTV+ and Tricolor;
- multinationals such as Renault, Shell, Total, General Motors, Volkswagen, Euronext, Reuters, Schlumberger and the Associated Press;
- corporate network service providers and network operators such as Hughes Network Systems, Algérie Télécom, Orascom, AT&T, Siemens Business Services, Atrexx and Bentley Walker;
- operators of satellite services in the Middle East, such as Nilesat and Noorsat.

The Group offers its services to broadcasters and network operators, both directly or through distributors. The distributors include the leading European suppliers of telecommunications services, such as France Telecom/GlobeCast, Telespazio, British Telecom, Deutsche Telekom/T-Systems, RSCC in Russia and Belgacom.

2 *Source: Euroconsult 2007 – percentage calculated on the basis of infrastructure revenues, excluding sales of on-ground services.*

>> 1.1 Key points in the financial year

During the financial year, the Group successfully continued executing its development strategy, which aims to position the Group in the most profitable segments of the FSS sector.

The Group's strategy aims to maximise revenue per transponder, particularly by focusing satellite resources on Video Applications and Value Added Services in the countries of the European Union and in the emerging markets of Sub-Saharan Africa, North Africa and the Middle East, and in Russia and Central Asia (hereafter called the Second Continent).

To achieve this, the Group pursued the following activities during the financial year:

> **Renewal of its flagship HOT BIRD™ satellite neighbourhood at 13° E** for video broadcasting in Europe, renewing its satellite resources with the launch of HOT BIRD™8 in August 2006 and the commissioning of HOT BIRD™10. After entry into operational service in 2008-2009 of HOT BIRD™9 (ordered last financial year) and HOT BIRD™10, the Group will be able to offer its customers total security for the capacity they use at the HOT BIRD™ position.

As of June 30, 2007, with close to 1,100 television channels broadcast to more than 121 million cable and satellite homes, of which nearly 48 million are equipped for Direct-to-Home (DTH) reception, the HOT BIRD™ position reconfirmed in the course of the financial year its place as the leading orbital position in terms of audience and number of channels;

> **Development of major video neighbourhoods, with:**

- the opening of new orbital positions dedicated to Video Applications at 7° W (ATLANTIC BIRD™4) to address the North African and Middle East markets, and at 9° E with EUROBIRD™9, which will allow homes with dual feeds to also receive channels broadcast from the HOT BIRD™ position at 13° E, and will allow our customers to access capacity in addition to HOT BIRD™ capacity to support growth in Europe, particularly for High Definition Television and broadcasting to linguistic communities,
- the continued development of channel offers in the Russian-speaking markets, with the expansion of the NTV+ and Tricolor platforms at 36° E, in the Sub-Saharan African market with MultiChoice Africa at 36° E and the launch of the Gateway platform at 7°E, in the Turkish-speaking markets with Digiturk at 7° E and in Central Europe with the W2 satellite at 16° E,
- the increase in the number of homes receiving the French national channels in analogue in areas with no terrestrial reception, with 2.04 million homes equipped for direct reception by satellite.

Illustrating the Group's commercial success, as of June 30, 2007, the Group's major video neighbourhoods were broadcasting 1,113 television channels, an increase of 47% compared to June 30, 2006;

> **The development of Value-Added Services, in particular, the D-STAR service** for broadband access in zones with poor or no cover by the terrestrial networks, and the launch of broadband access services for mobile users, particularly on business aircraft, cruise liners, and more recently, tests of Internet access by the SNCF (the French national railway) using the Group's resources on its Eastern region high-speed train (TGV);

> **An opportunistic approach to Multi-usage leases** to meet requirements of governments, and which demonstrates the particularly versatile and flexible character of our satellite infrastructure. Upon the expiry of contracts with the operator Arabsat, capacity previously used for this application was allocated to customers of Video Applications;

> **An active policy of technical innovation with the order placed for a payload in S Band** on the W2A satellite, a payload that will be operated jointly with SES Astra to offer bidirectional services, and, for the first time in Europe, to offer direct reception by mobile terminals of television and radio services broadcast by satellite;

> **An investment programme of 350.06 million euros** for the year ended June 30, 2007 with, in particular, orders for the HOT BIRD™10, W2A and W7 satellites and the on-going construction of the HOT BIRD™9 and W2M satellites, which will allow the Group to renew and increase its in-orbit resources starting from the financial year 2008-2009.

This strategy has produced a continued increase in our revenues (+4.8% at June 30, 2007) and has allowed the Group to increase the proportion of Video Applications in its business. Video Applications now represent more than 72%[3] of our revenues, against 68% for the previous financial year.

Together with the optimisation of in-orbit resources during the year, our commercial activity resulted in a continuous increase in the number of transponders leased by customers during the financial year. At June 30, 2007, customers were utilising 404 transponders in stable orbit against 373 transponders at June 30, 2006.

With an EBITDA margin at June 30, 2007 of 78.7%, the Group has also confirmed its place as world leader in profitability among leading FSS operators.

The excellence of the Group's operational performance is reflected, on the financial level, by an improvement in all intermediate operational indicators. This improvement, combined with a significant reduction in

3 Excluding non-recurring one-off revenues.

financial expenses following substantial simplification of debt structure and significant reduction in effective rate of tax, allows the Group to record an improvement of nearly 130 million euros in consolidated net income, which was 170 million euros.

Lastly, this period has been marked by a substantial modification of our shareholder structure. Certain historical shareholders in Eutelsat Communications sold their holdings in January and February 2007, respectively to Abertis Telecom and to the *Caisse des Dépôts et Consignations*, which, at June 30, 2007, respectively held 31.74% and 25.94% of the capital of our Company. This modification in our shareholder structure also led to a substantial modification in the composition of our Board of Directors.

>> 1.2 Extract from the consolidated income statement of Eutelsat Communications

IFRS *(in thousands of euros)*	**12-month period ended June 30, 2006**	**12-month period ended June 30, 2007**
Revenues	**791,070**	**829,086**
Operating expenses	(174,550)	(176,464)
Amortisation and depreciation	(285,805)	(300,849)
Operating income	**303,709**	**362,529**
Financial income	(179,570)	(108,160)
Net income before taxes	129,958	262,235
Consolidated net income	**40,234**	**170,020**
Net income, Group share	30,420	159,377

Please note that the Company's 12-month financial year ended June 30. We also remind you that the year ended June 30, 2006 was the first full 12-month financial year for the Company.

2 OVERVIEW OF THE GROUP'S MARKETS

>> 2.1 The Fixed Satellite Services (FSS) industry

According to Euroconsult, the FSS sector generated global infrastructrure revenues of 8.2 billion US dollars at December 31, 2006, including 3.2 billion US dollars in Extended Europe.

The Group is the third-largest operator worldwide and is, with SES Astra, the leading European operator in the Fixed Satellite Services sector.

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

Geostationary 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 by television services, for example. They are also suitable for connecting a number of sites over wide geographical regions (for private business networks, point of sale activities), ensuring extended coverage for GSM networks and Internet access in geographical regions that have little or no service from terrestrial networks (for example at sea or in shadow zones), or establishing or restoring communication networks for emergency situations (civil safety, humanitarian operations).

Once a satellite is in service at a given orbital position, FSS operators lease transmission capacity (i.e. transponders) to customers: operators of broadcasting platforms, TV channels, telecommunications service operators and Internet service providers. The transponders are the onboard equipment on the satellites that receive, amplify and retransmit the signals received.

The FSS sector uses several types of frequency bands (C-band, Ku-band, Ka-band), but the Group's fleet consists primarily of transponders operating in Ku-band, which is particularly suitable for services such as direct broadcasting because of the ability to use small receive antennas.

The FSS sector has a number of specific characteristics, including:

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

>> 2.2 Supply and demand trends for satellite capacity

2.2.1 Trend in terms of demand

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

> increase in the number of television channels;

> deregulation of certain geographical markets;

> technological innovations, which reduce access costs for satellite services;

> 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 such as the Olympic Games and the Football World Cup or news events, can periodically drive up demand.

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

This increase reflects contrasting situations insofar as in Extended Europe, the zone where the Group is present, demand for satellite capacity should grow at an annual weighted average of more than 5% over the period 2006-2011 against 3.3% in North America and 3.6% in south-east Asia (source Euroconsult 2007).

2.2.2 Trend in terms of supply

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

Based on Euroconsult data, considered only over the medium term, world supply of satellite capacity should grow at a weighted annual average 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 large players in the FSS sector, has resulted today in an 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 balance should continue over the period 2006-2011 insofar as the supply of satellite capacity in Extended Europe should only progress by 3.7% over the period 2006-2011, whereas it should progress by more than 5% in North America.

The improvement of the balance between supply and demand in Extended Europe should allow firmer prices in the markets of Extended Europe. This could be limited by tariff pressure coming from several small or medium-sized satellite operators in Extended Europe, such as Hellasat, Turksat and Telenor.

>> 2.3 Principal trends in the sector

2.3.1 Growth of the video services market

According to industry analyst Northern Sky Research, demand for capacity for video service transmission should continue to rise at a weighted annual average rate of 5% between 2006 and 2012. This growth is expected to be driven primarily by:

> **Growth in number of television channels.** According to Euroconsult, the number of television channels should increase from approximately 6,000 in 2006 to more than 11,000 within 10 years in Extended Europe. This increase is particularly driven by the development of broadcasting in emerging markets in Central and Eastern Europe, North Africa and the Middle East. Moreover, lower costs for accessing satellite capacity stimulate the growth of thematic and community channels.

As an illustration of this trend, the number of channels broadcast by the Group in Extended Europe increased by 23% during the financial year 2006-2007, from 2,121 channels at June 30, 2006 to 2,608 channels at June 30, 2007.

> **Development of High-Definition Television (HDTV).** Transmission of HDTV channels 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 high-definition channel will require capacity 2.5 times greater than the same standard definition channel in MPEG 2. The continuing development of HDTV will also require additional capacity to guarantee simultaneous transmission in both standard and high definition format (simulcast) of television channels for a certain period of time.

In spite of difficulties in the supply of HD reception equipment (decoders) in MPEG-4 format, several pay-TV 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 development context (key sporting events including World Cup Football) with an ncrease in the installation ratio of home equipment, notably HD Ready or Full HD television screens and DVD players("Blue-Ray" or "HD"), but also the development of HD content.

As an illustration of the increase in consumer take-up of home equipment, 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 should be sold before December 31, 2007 (source Institut GfK). The majority of films shot by US studios, and key sporting events, are now filmed in HD format. According to ScreenDigest, more than 8.5 million homes in Europe will 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, NTV+ in Russia, launched their first commercial HDTV channels during the financial year.

As of June 30, 2007, the Group was broadcasting 22 HDTV channels via its fleet, of which 17 are commercial. In its September 2007 study, Euroconsult estimated that nearly 180 HDTV channels would be broadcasting in Western Europe in 2010 and nearly 550 channels in 2015.

The progressive deployment of HDTV should drive demand for satellite capacity and become a major growth vector for video services.

> **Development of Digital Terrestrial Television (DTT).** Initially launched in Western Europe, notably the UK, Spain, Switzerland, Germany, France and Italy, DTT deployment is expanding in Europe. At the end of 2006, more than 44 million households were equipped with DTT decoders (primarily to receive free channels), representing a 54% rise since the end of 2005 (Source: Dataxis). DTT gives satellite operators an opportunity to deliver channels to head-ends of terrestrial networks. Among the operators of DTT terrestrial networks that are customers of the Group are Mediaset and RAI in Italy, Télédiffusion de France in France, SRG-SSR in Switzerland and Arqiva in Great Britain. Moreover, satellites can provide coverage for direct satellite reception for households located beyond the range of the terrestrial transmitters.

> **Introduction of additional services on digital broadcast platforms.** A large number of satellite broadcast platforms offer or intend to offer interactive services (home shopping services, betting, Video on Demand (VOD)). The expansion of interactive services is expected to generate an increase in the demand for satellite capacity.

> **Optimisation of compression rates for TV signals.** In the 1990's, with the development of the DVB standard, video broadcasting began the transition from analogue to digital. On average, DVB allows the broadcast of about ten channels per transponder, compared with one channel in analogue. With continued technological innovations, such as the development of MPEG 4 compression, operators can broadcast up to twice as many channels per transponder. The number of channels is expected to increase significantly with the deployment of the DVB-S2 standard, and with further use of statistical multiplexing which optimises use of bandwidth shared by channels in a transponder, thus reducing the cost of access to satellite capacity.

2.3.2 Growth in data networks and IP services

The FSS industry has benefited from steady growth in demand for capacity for Internet applications.

The demand for satellite capacity for Professional Data Networks 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 following a slight decrease, the Data network application should increase again in the medium term due notably to the emergence of an offer in Ka band. In view of the progressive saturation of Ku-band frequencies and their receive characteristics, the Group believes that the Ka-band is better adapted to offer broadband and data services due to the availability of capacity in this band and to its transmit characteristics in a multi-spot beam architecture highly concentrated over small geographical areas. The Group considers that the Ka-band is particularly well adapted for broadband access in regions beyond the reach of the broadband DSL networks.

The Group is closely monitoring the launch and development of value-added services in Ka band in North America by companies such as Wildblue and Telesat Canada, based on the DOCSIS standard; as well as the use of satellites in Ka band by DirecTV to offer brioadcasting services to deliver HDTV channels to local head-ends on this market.

Satellite Internet access services include notably connection to the Internet backbone (IP Trunking) for Internet Service Providers (ISPs); connection to an Internet local loop (IP access) for businesses and local authorities, allowing users to connect remote sites within a private and secure virtual network, particularly in regions with little or no service from terrestrial solutions (DSL lines or cable); and IP data broadcast services for the provision of multimedia content.

The Group considers that the market for satellite broadband services should be driven by declining prices for user terminals, improvements in the quality of service offerings and the development of mobile solutions (trains, aircraft, ships).

2.3.3 Recent development of services to governments

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 annual 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 strong concentration of demand, since the US government represents nearly 90% of the demand estimated by Northern Sky Research, and also by a certain volatility. It generally concerns contracts of short duration (one year), and alternative capacity on military satellites is developing.

>> 2.4 Competition

The Group faces major competition from international, national and regional satellite operators and from terrestrial network operators (cable, fibre, DSL, microwave broadcasting and VHF/UHF) for multiple transmission services and value added services, particularly broadband access.

2.4.1 Satellite operators

The Group's principal competitors are other major FSS operators, primarily SES and Intelsat. Based on infrastructure revenues at December 31, 2006, the Group is the third largest operator in the world according to Euroconsult and, alongside SES Astra, co-leader in Extended Europe.

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

SES S.A. is the Group's main competitor. SES primarily provides video services in European and North American markets. This company also provides broadband Internet 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 comprised 35 satellites and 1,019 transponders with global coverage.

At December 31, 2006, SES's revenues reached 1,615 M€, an increase of 28.4% compared to December 31, 2005. This large increase reflects the impact of the purchase of SES New Skies, finalised on March 30, 2006, and the 100% takeover of ND SatCom and SES Sirius in 2006. SES's EBITDA margin was 66.9% at December 31, 2006.

In Europe, SES Astra's 14 satellites broadcast more than 1,850 radio and television channels to over 109 million homes. By buying GE Americom in November 2001, SES Astra gained access to the U.S. market. The purchase of New Skies Satellites consolidates SES's presence in the market for Internet services, distribution of video and services to governments, and also gives it transatlantic links as well as connectivity with Asia and Latin America. SES is listed for trading on Eurolist of Euronext Paris and in Luxembourg.

Intelsat is the largest operator in the FSS sector. It was founded in 1964 in the form of an international satellite telecommunications organisation and was privatised in July 2001. In July 2006, Intelsat finalised the purchase of Panamsat. At the end of 2006, Intelsat's fleet was made up of 51 satellites and 1,361 transponders, located over North America, the Atlantic, Pacific and Indian oceans. It covers the whole of the world population and has 1,800 customers. Intelsat's pro-forma revenues were USD 2.1 billion at December 31, 2006, 30% from video services, 55% from data and broadband services and 15% from services to governments and its reported EBITDA amounted to approximately USD 1.1 billion. Its range of services is more limited than other FSS operators. Intelsat is the leader in video services in North America and the leader in DTH services in Latin America and Africa. Intelsat primarily competes with the Group in Africa and the Middle East and, to a lesser extent, in Europe. Intelsat was purchased in June 2007 by BC Partners for more than USD 16 billion.

The Group also competes with a large number of regional and national satellite operators. Some of these operators also provide international connections in addition to communications services for their domestic markets, including Turksat, Hellasat and Telenor. 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 believes 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).

2.4.2 Terrestrial communications

Satellite transmission is to a certain extent in competition with alternative solutions provided over the terrestrial networks.

Fibre 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 considerable investment necessary for the deployment of this type of network, fibre optic networks are currently limited to densely populated urban zones.

DSL networks dedicated mainly to the provision of broadband Internet access and television channels could offer their services in urban and suburban zones under more competitive economic conditions than satellite operators. However, because of the technical limitations of this mode of distribution (volume limitations and distance frrom DSLAMs), this type of network currently offers limited geographical coverage and is not appropriate to the supply of large volumes over point-multipoint links.

Satellite is also, to a lesser extent, in competition with cable and DTT for television broadcasting. The continuing deployment of these types of networks in terms of capacity and coverage could reduce opportunities for satellite operators. However, as demonstrated by the Group's activity during the year, terrestrial operators such as Télédiffusion de France, Mediaset and RAI continue to use satellites to expand their coverage and to supply network head-ends. The Group's satellites support DTT networks in France, Italy, Switzerland and Spain.

As shown by the performance of the Group's value added and video services, satellite transmission has several competitive advantages over terrestrial networks. Satellites allow (i) transmission of point to multipoint signals that is largely independent of terrestrial infrastructure with particularly high transmission speeds (ii) coverage over wide geographical areas at a low marginal cost, in contrast to terrestrial networks.

As an example, the Group considers that the maximum cost per subscriber or television viewer for broadcasting a digital television channel via a satellite of its fleet currently represents less than 1 euro cent per month, on the basis of four million subscribers or viewers.

Terrestrial networks can also complement 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 invested jointly with SES in a payload in S band mainly designed to offer complementary coverage to television currently being delivered to mobiles by terrestrial operators in accordance with 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.

3 DESCRIPTION OF SERVICES OFFERED BY THE GROUP DURING THE YEAR

>> 3.1 A portfolio of services led by Video Applications

The Group considers its portfolio of services, combining visibility and growth, is concentrated on the most profitable segments of the FSS sector.

In terms of applications, Video Applications constitute the Group's main business. The Group is also present in the Data and Value Added Services market and offers Multi-usage leases.

The table below gives a summary of the applications and services offered by the Group:

Video Applications (72.2% of revenues)	**Professional Data Networks and Value-Added Services** (19.4% of revenues)	**Multi-usage** (7.2% of revenues)
• **Broadcasting** • DTH (direct to home) television and radio broadcasting • Distribution of television and radio to cable head-ends and DTT transmitters	• **Professional Data Networks** • VSAT communications/data exchange networks • Internet backbone connectivity for Internet Service Providers (ISPs) • IP access solutions for enterprises and local authorities	• Lease of capacity (other satellite operators) • Lease of capacity (services to governments)
• **Professional Video Networks** • Point to point connections for delivering TV channels to teleports for uplinking to broadcast satellites • Newsgathering and live transmissions to television studios • Full-time links constituting a meshed network for programme exchanges between broadcasters	• **Value Added Services** • IP access solutions (D-STAR/D-SAT/IP Broadcast),including mobile solutions (ships, trains, aircraft) and extending mobile telephony networks (GSM) • Mobile Communications services (EutelTRACS) • Broadband access in Ka band for users beyond the reach of the terrestrial broadband networks	

>> 3.2 Analysis of business activity during the year

3.2.1 Applications showing strong growth

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

(in millions of euros)	Year ending June 30 2006	2007	As % of total[1]	Change *(as a %)*
Video Applications	528.6	590.4	72.2%	+11.7
Data & Value-Added Services	169.1	159.0	19.4%	-6.0
Data	*139.2*	*127.6*	*15.6%*	*-8.4%*
Value Added Services	*29.9*	*31.4*	*3.8%*	*+5.0%*
Multi-usage	69.7	59.1	7.2%	-15.1
Others	6.3	9.2	1.1%	+45.9
Subtotal	**773.7**	**817.7**	**100%**	**+5.7**
One-off revenues[2]	17.4	11.4		-34.5
TOTAL	**791.1**	**829.1**		**+4.8**

(1) Percentage calculated on the basis of revenues, excluding one-off revenues.
(2) One-off revenues are made up of satellite late delivery penalties and service outage penalties.

Revenues for the financial year ending June 30, 2007 include 11.4 million euros corresponding to compensation payments for late delivery of HOT BIRD™7A. At a constant exchange rate, the rate of growth was 5.9%. Excluding one-off items and at a constant exchange rate, the rate of growth compared to the previous financial year was 6.8%.

Strong growth of Video Applications: +11.7%

In 2006-2007, Video Applications showed an increase of 61.8 million euros, to 590.4 million euros, consolidating the Group's leadership in Extended Europe and reflecting strong development in Russia, Central and Eastern Europe, the Middle East and Africa. The main elements were:

> 23% increase in the number of channels broadcast across Eutelsat's fleet:

- in European Union countries served by the HOT BIRD™ (13 degrees East) and EUROBIRD™1 (28.5 degrees East) premium neighbourhoods, channels increased by 13%. The Group's HOT BIRD™ leading video neighbourhood, which was strengthened in October 2006 by the entry into service of HOT BIRD™8, was, at the end of the financial year, broadcasting 1,097 channels to 121 million cable and satellite homes in Extended Europe, of which close to 48 million homes are equipped for Direct-to-Home (DTH) reception,
- benefiting from strong take-up of digital broadcasting markets in Russia, Central and Eastern Europe, the Middle East and Africa, the Group's other major video neighbourhoods showed a 47% increase in channels broadcast. This was particularly supported by momentum of the Group's customers in the Middle East who are served by the 7/8 degrees West and 25.5 degrees East positions, as well as by the expansion of the pay-TV platforms, Total TV in Serbia, TV Romania in Romania, NTV+ and Tricolor in Russia, Digiturk in Turkey, and MultiChoice Africa and Gateway in Africa;

> the opening of the 7 degrees West position, with the entry into service in July 2006 of ATLANTIC BIRD™4 followed by the opening of the 9 degrees East position with the relocation in May 2007 of HOT BIRD™2 (renamed EUROBIRD™9), enabled the activation of contracts signed respectively with the Egyptian operator Nilesat and Portugal's new pay-TV platform TV Tel.

NUMBER OF CHANNELS BROADCAST BY EUTELSAT'S FLEET

As of June 30	2006	2007	Change over 1 year	
			Units	As a %
Premium 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 (Western Europe) and EUROBIRD™1 at 28.5° East (United Kingdom, Ireland).

(2) Orbital positions at 7 degrees West (Middle East, North Africa), 5 degrees West (France), 7 degrees East (Turkey), 9 degrees East (Europe), 16 degrees East (Central Europe and the Balkans), 25.5 degrees East (Middle East), 36 degrees East (Russia, Africa).

As at June 30, 2007, the Group was broadcasting only 13 analogue channels, of which eight on ATLANTIC BIRD™3 to 2.04 million French homes located beyond the reach of the terrestrial networks and equipped for DTH reception.

In addition, as at June 30, 2007, the Group was broadcasting 22 High Definition Television (HDTV) channels, of which 17 are commercial. These channels are broadcast from the HOT BIRD™ neighbourhood to countries in Western Europe and also from major video orbital positions including 36° East for Russia.

Data and Value Added Services: continued progression of Value Added Services (+5.0%) and particularly the D-STAR broadband access service

With the transformation of certain short-term contracts into long-term contracts and the reallocation to Video Applications of capacity made available with the expiry of certain contracts, revenue from Data Services was down by 11.6 million euros, to 127.6 million euros.

Conversely, Value Added Services revenues confirm a steady growth of 5.0% over the fiscal year, to 31.4 million euros. This activity is mainly dedicated to broadband access in areas not served by terrestrial networks. It was particularly sustained by continued deployment of the bidirectional D-STAR service, with 7,424 D-STAR terminals activated as of June 30, 2007, representing an increase of 40%. Sub-Saharan Africa and North Africa accounted for more than half of this growth, with 1,326 additional terminals activated over the period, demonstrating strong demand in these markets.

During the financial year 2006-2007, the Group continued to extend its offer of Value Added Services with the development of new broadband access solutions for mobile markets:

- **Business aviation[4]:** the Group launched a new service based on D-STAR which provides business jet passengers with office-in-the-sky communications during flights in European airspace. The new service has been selected by ARINC, a world leader in aviation communications, which has already deployed the service on over 40 business jets;
- **For rail transport:** Eutelsat has partnered with Alstom, Orange and Cap Gemini to provide the SNCF, the French national railway operator, with a turnkey multimedia portal and Internet access service which is currently in test.

In addition, our subsidiary Skylogic has partnered with ViaSat, the manufacturer of satellite communications equipment, for the joint development and commercialisation of high-quality and affordable satellite broadband access for consumers in European homes not served by the broadband terrestrial networks in Ka band, using Ka Band capacity on the HOT BIRD™6 satellite with implementation of the DOCSIS standard.

Multi-usage leases: Growth in government services

Revenues mainly reflect the reallocation to Video Applications of certain capacity previously leased to the satellite operator Arabsat following the expiry in March/April 2007 of the corresponding contract, and the depreciation of the US dollar against the Euro.

Within this segment, government services revenue grew by 8.2% over the year 2006-2007, reflecting renewal of all contracts which had expired during the period under review, as well as signature of additional contracts following the entry into service of EUROBIRD™4 which offers strong coverage of the Middle East.

Other Income, which brought in 9.2 million euros as of June 30, 2007, is derived mainly from (i) the sale or lease of terminals and equipment for business networks and mobile services, (ii) gains on hedging euro/USD exchange rates and (iii) financing from the European Union and other agencies for certain research programmes.

One-off revenues, which was 11.4 million euros as of June 30, 2007 against 17.4 million euros at June 30, 2006, includes penalty payments for late delivery of the HOT BIRD™7A satellite.

4 See Press Release dated January 4, 2007.

>> 3.3 Other information on our commercial activities during the year

3.3.1 Distribution of revenues by geographical area

The table below shows the distribution of revenues by geographic area. It is based on billing addresses of direct customers for the 12-month periods ended June 30, 2006 and 2007:

(in millions of euros and as a percentage)	12-month period ended June 30, 2006		12-month period ended June 30, 2007	
Region	**Amount**	**%**	**Amount**	**%**
United Kingdom	129.1	16.3	116.3	14.0
Italy	126.5	16.0	133.2	16.1
France	110.2	13.9	109.5	13.2
Other Europe	262.7	33.2	286.2	34.5
Americas	69.0	8.7	74.3	9.0
Middle East	52.0	6.6	61.1	7.4
Other(1)	41.6	5.3	48.4	5.8
TOTAL	**791.1**	**100.0**	**829.1**	**100**

(1) Including €17.4 million euros in compensation for late delivery and service interruptions for the period ended June 30, 2006, and €11.4 million in compensation for late delivery of a satellite during the period ended June 30, 2007.

It should, however, be noted that this table does not show the geographic origin of the end users of our capacity, mainly due to the large presence of client-distributors in our client portfolio.

3.3.2 Commercial and distribution policy

As a consequence of our legacy, a large part of the Group's revenues is generated by capacity allotment agreements with telecom operators such as France Telecom, British Telecom, Telespazio and Deutsche Telekom/T-Systems. Although these operators use a part of the Group's capacity and services for their own needs, they are acting mainly as distributors of the Group's satellite capacity and services (client-distributors) to end 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) represented 44.5% and 40.3% of the Group's consolidated revenues, respectively.

The reduction in relative weight of these large client-distributors in the Group's consolidated revenue reflects customer preference to establish direct contractual links with the Group, particularly for Video Applications. Some end users, particularly pay-TV operators, prefer to sign contracts directly with the Group on renewal of contracts, or for additional needs. 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 direct renewal with the Group of the existing capacity allotment agreements for 16 transponders, as and when their agreements with the client distributors expire.

In addition, through its teleports at Rambouillet and Turin, and using the experience in managing video platforms acquired by our Skylogic subsidiary during the 2006 Winter Olympic Games in Turin, the Group is equipped to offer clients and end users a range of services associated with the supply of satellite capacity, such as multiplexing services on the ground or encryption/decryption of signals.

3.3.3 Customer portfolio

The Group's client base includes client-distributors, who sell satellite capacity to end users, and users who 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 end users individually represented more than 10% of the Group's revenues as of June 30, 2006.

As of June 30, 2007, the Group's top 10 customers, six of which are distributors, represented 56% of the Group's revenues:

Customers	Revenue per Customer *(millions of euros)*	Revenue per Customer *(%)*
France Telecom/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/Spacelink/Arrowhead	41.9	5.06
SKY Italia	22.1	2.67
Noorsat WLL	21.1	2.55
Entreprise P&T Luxembourg	15.6	1.88
Russian Satellite Communications Company	15.2	1.83
Digital Platform Teknoloji Hismetleri AS	14.6	1.76
Total for top 10 customers	**464.6**	**56.0**
Others	364.4	44.0
TOTAL	**829.1**	**100.0**

3.3.4 Backlog

The Group's backlog represents future revenues from signed contracts for the allotment of capacity, including contracts for satellites still in construction. These capacity allotment agreements can be entered into for the entire operating life of a satellite.

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.

As of June 30, 2007, the Group's backlog stood at 3.7 billion euros, 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, most of the backlog being composed of contracts concluded for the lifetime of the satellites.

The share of contracts linked to Video Applications in the backlog as of June 30, 2007 increased slightly compared to June 30, 2006, to 92.2%, giving the Group high visibility on future revenues. Operators of pay-TV platforms have a long-term recurring requirement for capacity. The average remaining duration of the contracts that the backlog represents as of June 30, 2007 (weighted for the amount involved) was 7.3 years (compared to 7.7 years as of June 30, 2006.)

The breakdown of the backlog by year as of June 30, 2007 is as follows:

Year ended June 30	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 largest part of the Group's backlog is made up of contracts that can be terminated by payment of a penalty. The backlog does not take into account any terminations and penalties that may occur. Long-term capacity agreements may generally be terminated after two years, subject to an additional one year's notice and payment of a penalty for early termination. The amount of the early termination penalty is based on the time the lease has already run and on how much time it has left. During the year, no capacity allotment agreement was terminated with payment of a penalty for early termination.

4 CHANGES IN THE SATELLITE FLEET DURING THE YEAR

>> 4.1 The satellite fleet

As of June 30, 2007, the Group was operating a fleet of 24 satellites (including 2 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, North Africa (“Extended Europe”), sub-Saharan Africa and large parts of the Asian and American continents.

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

- a large number of orbital positions concentrated on the European orbital arc, serving geographic 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[5], as of June 30, 2007 (excluding satellites in inclined orbit) and an average age at the HOT BIRD™ position of close to two years;
- high technical flexibility, notably using antennas with steerable beams or several beams offering different coverages so that areas covered can be adapted or reconfigured to meet customer needs, respond to geographic market factors or reoriented if a satellite is repositioned to a new orbital position;
- connectivity between transponders and the potential areas of geographic coverage, enabling the Group to meet changes in customer demand, and
- redundancy of on-board equipment.

The main events that occurred during the financial year concerning the satellite fleet are as follows:

- redeployment of HOT BIRD™4 in July 2006 to 7° West (rebranded ATLANTIC BIRD™4[6]);
- launch in Augsut 2006 and entry into service in October 2006 of HOT BIRD™8 at 13° East;
- in-orbit incident affecting HOT BIRD™3 in October 2006, leading to a loss of available electrical power and a reduction in the satellite’s remaining lifetime;
- redeployment of HOT BIRD™3 to 4° East (rebranded EUROBIRD™4) in March 2007;
- acquisition of capacity on the Telecom 2C[7] satellite at the orbital position 3° East in April 2007;
- redeployment of HOT BIRD™2 to 9° East (rebranded EUROBIRD™9) in May 2007.

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.

The table below represents the Group’s satellite fleet in stable orbit at June 30, 2007. The dates for the end of operational lifetimes in stable orbit, shown in the table are the Group’s estimates.

The Group carries out an annual review of remaining estimated lifetimes of in-orbit satellites (see Note 5 to the 2006-2007 consolidated financial statements for more information). The number of transponders on satellite is the nominal number of transponders. The number of transponders in operation may vary up or down depending on regulatory constraints, the electrical power available for the satellites, as well as technical characteristics of the signals transmitted from the satellites.

5 *Average, weighted by the number of transponders (equivalent of 36 MHz).*

6 *Co-located with Nilesat 101 and Nilesat 102.*

7 *Satellite in inclined orbit belonging to France Telecom.*

Satellite	Orbital position	Frequency band (C, Ku Ka)	Transponders	Launch date	Estimated End of Operating Life in Stable Orbit as of June 30, 2007 *(calendar year)*
HOT BIRD™6	13° E	Ku/Ka	28/4	Aug 2002.	4Q 2017
HOT BIRD™7A(1)	13° E	Ku	38	Mar. 2006	1Q 2024
HOT BIRD™8(2)	13° E	Ku	64	Aug. 2006	2Q 2025
EUROBIRD™1	28.5° E	Ku	24	Mar. 2001	3Q 2018
EUROBIRD™2	25.5° E	Ku	16	Oct. 1998	2Q 2013
EUROBIRD™3	33° E	Ku	20	Sept. 2003	3Q 2014
EUROBIRD™4(3)	4° E	Ku	8	Sept.1997	2Q 2011
EUROBIRD™9	9° E	Ku	20	Nov. 1996	4Q 2009
W1(4)	10° E	Ku	14	Sept. 2000	1Q 2012
W2(5)	16° E	Ku	24	Oct. 1998	1Q 2010
W3A	7° E	Ku/Ka	42/2	Mar. 2004	3Q 2021
W4	36° E	Ku	31	May 2000	2Q 2017
W5	70.5° E	Ku	24	Nov. 2002	1Q 2018
W6(6)	21.5° E	Ku	24	Apr. 1999	3Q 2013
SESAT 1	36° E	Ku	18	Apr. 2000	3Q 2011
ATLANTIC BIRD™1	12.5° W	Ku	19	Aug. 2002	3Q 2017
ATLANTIC BIRD™2	8° W	Ku	26	Sept. 2001	1Q 2018
ATLANTIC BIRD™3	5° W	Ku/C	27/10	July 2002	3Q 2019
ATLANTIC BIRD™4(7)	7° W	Ku	15	Feb. 1998	4Q 2011
Telstar 12 (8)	15° W	Ku	4	Oct. 1999	4Q 2011
Express A3 (9)	11° W	Ku	5	June 2000	3Q 2008
SESAT 2 (10)	53° E	Ku	12	Dec. 2003	1Q 2016

(1) 31 transponders in operation at June 30, 2007.
(2) 43 transponders in operation at June 30, 2007.
(3) Following the incident during the night of 3 to 4 October 2006, the power of this satellite and its estimated remaining lifetime have been reduced. See note 5 to the consolidated financial statements. Due to constraints on frequencies, only 8 transponders (out of 10) can be in operation.
(4) Following the incident that occurred on 10 August 2005, the power of this satellite and its estimated remaining lifetime were reduced. See note 5 to the consolidated financial statements. This satellite is temporarily operating with 18 transponders.
(5) Satellite temporarily operating 27 transponders.
(6) Satellite temporarily operating 29 transponders.
(7) Following the successful launch of HOT BIRD™7A, HOT BIRD™4 was relocated to 7° West on July 1, 2006 under the name ATLANTIC BIRD™4.
(8) Owned by Loral Skynet. Expected end of lease: 4Q 2011.
(9) Owned by Russian Satellite Communications Company (RSCC). Satellite capacity exploitation has been extented to T3 2008 following execution of an amendment in July 2007. End of utilisation expected: 3Q 2008.
(10) Owned by Russian Satellite Communications Company (RSCC). End of utilisation expected: 1Q 2016.

4.1.1 Group-owned satellites

The Group owns 19 geostationary satellites.

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), **HOT BIRD™6, HOT BIRD™7A and HOT BIRD™8** formed one of the largest satellite broadcasting systems in the world, providing full coverage of Europe, the Middle East and parts of Africa and Asia.

The constellation of HOT BIRD™ satellites was partly renewed during the financial year by the activation of **HOT BIRD™8** which serves customers previously on HOT BIRD™2 (subsequently redeployed to 9° East under the name EUROBIRD™9 in May 2007) and HOT BIRD™3 (redeployed to 4° East under the name EUROBIRD™4 in March 2007).

Due to the excellence of the technical launch parameters, the estimated operating lifetime of HOT BIRD™8 is nearly 19 years.

EUROBIRD™ satellites

From its orbital position at 28.5° East, **EUROBIRD™1** provides broadcasting services to over nine million homes located principally in the United Kingdom and Ireland. Like the HOT BIRD™ satellites, the high broadcast power of EUROBIRD™1 is adapted for DTH broadcasting.

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

Launched in September 2003 and positioned at 33° East, **EUROBIRD™3** is the Group's first satellite designed for bidirectional broadband services. This satellite also provides capacity for video services and professional data networks through four high-power beams serving Europe and a large part of Turkey.

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

After nearly 11 years of operation at 13° East (under the name HOT BIRD™2), **EUROBIRD™9** was relocated in May 2007 to 9° East, an orbital position adjacent to the HOT BIRD™ position at 13° East. This proximity allows homes equipped for DTH reception to receive channels from both positions via a dual-feed antenna. EUROBIRD™9 covers 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 broadcasting, professional data networks and Value-Added Services in Europe, Asia and Africa.

The **W1** satellite, launched in September 2000, is located at 10° East. This satellite experienced a technical incident on August 10, 2005, which led to a service interruption of several hours. On August 11, service was reestablished for most customers under acceptable operating conditions. The result of this incident was a loss of half the satellite's available power and an estimated reduction of its remaining operating lifetime.

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-TV platforms in Central Europe and the Balkans.

The **W3A** satellite, launched in March 2004, is located at 7° East. It offers capacity in Ku-band capacity with pan-European and African coverage. W3A combines serves broadcasting, telecommunications and broadband markets in Europe, Africa, the Middle East, Turkey and Africa.

The **W4** satellite, launched in May 2000, is located at 36° East, a growing major video neighbourhood. It covers Russia, the Ukraine and Africa, and serves the NTV+ and Tricolor pay-TV platforms in Russia and Multichoice Africa in Africa.

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

The **W6** satellite, previously W3 launched in April 1999, is located at 21.5° East to develop markets for the Middle East and North Africa.

SESAT™1 satellite

The SESAT™1 satellite enables the Group to offer a large number of telecommunications services, including IP services and specialised data services (EutelTRACS). Located at 36° East (with W4), SESAT™1 covers a wide geographic area extending from Western Europe to Siberia and 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, 2007, using three satellites, ATLANTIC BIRD™1 (12.5° West), ATLANTIC BIRD™2 (8° West) and ATLANTIC BIRD™3 (5° West), ATLANTIC GATE provides capacity for video, IP and data applications for intercontinental links between North and South America, Europe, the Middle East and Africa, as well as regional communications.

ATLANTIC BIRD™1 is designed to provide a wide range of telecommunications services from 12.5° West, including professional data networks, professional video links, broadcasting and Internet backbone connectivity. This satellite covers Europe, the Middle East and a part of the United States and South America.

ATLANTIC BIRD™2 is located at 8° West. It is designed to provide a wide range of telecommunications services, including professional data networks, professional video links, broadcasting and Internet backbone connectivity. ATLANTIC BIRD™2 provides wide coverage of Europe, North and South America. It has a steerable beam covering the Middle East and Central Asia, and allows direct connections from these regions to Europe, North and South America. ATLANTIC BIRD™2 in particular offers a direct connection between the United States and the Middle East (as far as Afghanistan).

ATLANTIC BIRD™3, located at 5° West, was launched in July 2002. It provides coverage in Ku-band for Europe, Africa, the Middle East and the east Coast of North America. It also provides C-band coverage for Africa, Europe and parts of North and South America.

In France it transmits the analogue domestic channels to homes beyond the reach of terrestrial reception facilities. ATLANTIC BIRD™3 has also been used since March 2005 to broadcast digital channels to the head-ends of DTT retransmitters in France. The Group acquired this satellite from France Telecom in July 2002.

Since July 1, 2006, **ATLANTIC BIRD™4** (formerly HOT BIRD™4), which is equipped with 15 transponders and is located at 7° West, has been providing direct broadcast services for the Middle East and North Africa.

4.1.2 Capacity leased on third-party satellites

As well as operating its own satellites, the Group uses satellite capacity on three satellites owned by other operators, which allows it to expand coverage for Europe, parts of North and South America and Africa. These satellites are:

Telstar 12

This satellite, located at 15° West, is owned by Loral Skynet. It covers Europe, North and South America and the Caribbean. Under an agreement signed with Loral Skynet on December 10, 1999, the Group operates and markets 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 North and South America, in exchange for the use by Loral Skynet of the orbital position assigned to Eutelsat S.A.

Express A3

This satellite, located at 11° West, is owned by the Russian Satellite Communications Company (RSCC). Under an agreement signed with RSCC on May 18, 2001, the Group uses five Ku-band transponders on Express A3 until the end of its operational life (scheduled for the third quarter of 2008). This satellite covers Europe and the Mediterranean Basin, and is primarily used for professional video contribution links and professional data networks.

SESAT™2

Thanks to a very flexible configuration of fixed and steerable beams on a satellite 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 in particular professional broadband data networks and broadcasting, using 12 Ku-band transponders. This satellite has 24 transponders, 12 of which are used by the Group and marketed under the name SESAT™2 for the life of the satellite (contractual guarantee of 12 years minimum) under an agreement signed on March 16, 2004. Capacity on the other transponders is marketed 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.

4.1.3 De-orbited satellite

As planned, and following the transfer of services to the 13° East position on HOT BIRD™7A, the HOT BIRD™1 satellite was de-orbited in February 2007 after 12 years of service.

4.1.4 Satellites ordered during the financial year and satellites under construction

The Group ordered three satellites during the financial year.

> **W2A**, ordered in September 2006 from Thales Alenia Space.

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

For the first time in Europe, W2A will carry a payload in band S, which will be operated by a joint venture between Eutelsat S.A. and SES Astra to provide bidirectional services, associated, for example, with the Galileo navigation services, and also offering for the first time in Europe direct reception for mobile terminals of television and radio services over satellite. This S-band payload will serve France, Germany, Italy, Poland, Spain and the United Kingdom and enable the deployment of a hybrid infrastructure combining satellite and terrestrial networks to ensure universal coverage for mobile television services, as well as reception in buildings.

> **HOT BIRD™10**, ordered in October 2006 from EADS Astrium.

Equipped with 64 transponders, this high-power satellite will be positioned at 13° East. It will be used for the direct broadcasting of television channels and will also feed cable networks. Identical to HOT BIRD™8 and HOT BIRD™9, it will allow the premium HOT BIRD™ neighbourhood to operate with three satellites; each of which can be used to replace either of the two others, thereby completing the redundancy programme for customers at this flagship neighbourhood.

> **W7**, ordered in December 2006 from Thales Alenia Space.

Equipped with 70 Ku-band transponders connected to six beams covering Europe, Russia, Africa, the Middle East and Central Asia. Copositioned with W4, its main mission will be the replacement of SESAT™1 and the expansion of the 36° East position.

During the previous financial year, the Group ordered two satellites:

> **HOT BIRD™9**

Like HOT BIRD™8, this satellite is designed to operate with 64 transponders and will be located at the HOT BIRD™ neighbourhood. Launch and successful entry into service of this satellite will enable the redeployment of HOT BIRD™7A as a replacement for EUROBIRD™9 at 9° East, increasing capacity for audiovisual applications at this position from 20 to 38 transponders.

> **W2M**

W2M has been ordered from a consortium of EADS Astrium and the ISRO (Indian Space Agency). It is designed to operate 26 Ku-band transponders, and up to 32 transponders depending on the modes of operation for a nominal operating life of 15-years. W2M's mission is to replace W2 at 16° East.

Like the other W satellites, W2M will have 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 channels broadcasting to Indian Ocean islands.

The table below summarises the satellites under construction or ordered during the financial year. An extra period of one to two months should be allowed for after launch to estimate the date when a satellite becomes operational.

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

>> 4.2 Incidents during the financial year

The theoretical operational life of the Group's satellites in stable orbit is generally between 12 and 15 years. It should however be noted that because of the launch configuration and remaining estimated propellant on board after deployment, the estimated operational lifetimes of the Group's most recently launched satellites (W3A, HOT BIRD™7A and HOT BIRD™8) was greater than 18 years when they became operational.

The Group believes that its satellite fleet is generally in good operating condition and believes, subject to future orbiting performance, that their operational life could be prolonged beyond initial estimates. However, some of the Group's satellites have experienced equipment failures and are currently operating with their redundant equipment.

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

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

On March 14, 2007, as a precautionary measure, services provided by HOT BIRD™2 at 13° East (rebranded 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.

>> 4.3 Evolution of the number of transponders

The Company was operating a total of 505 transponders in stable orbit at June 30, 2007, against 462 transponders at June 30, 2006, namely an increase of 9.3% (+43 transponders). The number of transponders in operation may vary from time to time depending on the power of the satellites, their condition to function correctly, their age, the frequencies available at the orbital positions or the technical characteristics in terms of the strength of the signals transmitted from the satellites in orbit.

The increase in the number of transponders in stable orbit since June 30, 2006 is mainly the result of:

- activation of ATLANTIC BIRD™4 (previously HOT BIRD™4) to 7° West during July 2006, which represents an increase of 15 transponders;
- activation of EUROBIRD™4 (previously HOT BIRD™3) to 4° East during March 2007, which represents an increase of eight transponders[8];
- activation of EUROBIRD™9 (previously HOT BIRD™2) to 9° East during May 2007, which represents an increase of 20 transponders;
- optimisation of operational capacity on certain satellites of the W series;
- positioning of Telecom 2D in inclined orbit at 8° West in February 2007, which represents a reduction of seven transponders.

The utilisation rate, or fill factor, represents the total percentage of allotted satellite capacity in stable orbit expressed as a percentage of the total operational satellite capacity in stable orbit. It stands at 80% as of June 30, 2007.

This high figure is explained by the consolidation of the prime orbital positions (13° East and 28.5° East), for which utilisation rates exceed 95% as of June 30, 2007 and also by the success of the Group’s strategy in developing its 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 over the year.

>> 4.4 Group policy for insuring its satellite fleet

4.4.1 "Launch plus one year" insurance policy

Following the launch during the previous financial year of HOT BIRD™7A and the launch at the beginning of this year of HOT BIRD™8, the Group took out two “Launch Plus One Year” insurance policies for these satellites. These policies cover the net book value of the satellites, as entered in the Group’s books, representing construction costs for the satellites, launch costs, and launch insurance policy costs, as well as the capitalised costs of the satellite procurement programmes. The “Launch Plus One Year” policy for HOT BIRD™7A having expired in April 2006, this satellite was included in the “In-Orbit Lives” insurance policy.

4.4.2 Policy for insuring satellite in-orbit lives

In November 2006, the Group renewed its annual “In-Orbit Lives” insurance for all of its satellites (excluding EUROBIRD™4, ATLANTIC BIRD™1 and W1) according to the previously implemented pattern.

8 *Following the incident in orbit that occurred on October 3, 2006, the capacity of this satellite was reduced from 20 to 10 transponders, 8 of which are in operation (See note 5 to the consolidated financial statements).*

5 ACTIVITIES OF SUBSIDIARIES AND HOLDINGS

The financial year ended June 30, 2007 saw a considerable simplification of the Group's organisational chart, through a simplification in the holding structure of Eutelsat S.A., the Company's main operational subsidiary, but also the development of new Eutelsat S.A. commercial subsidiaries to better meet the needs of customers in the Group in their different markets.

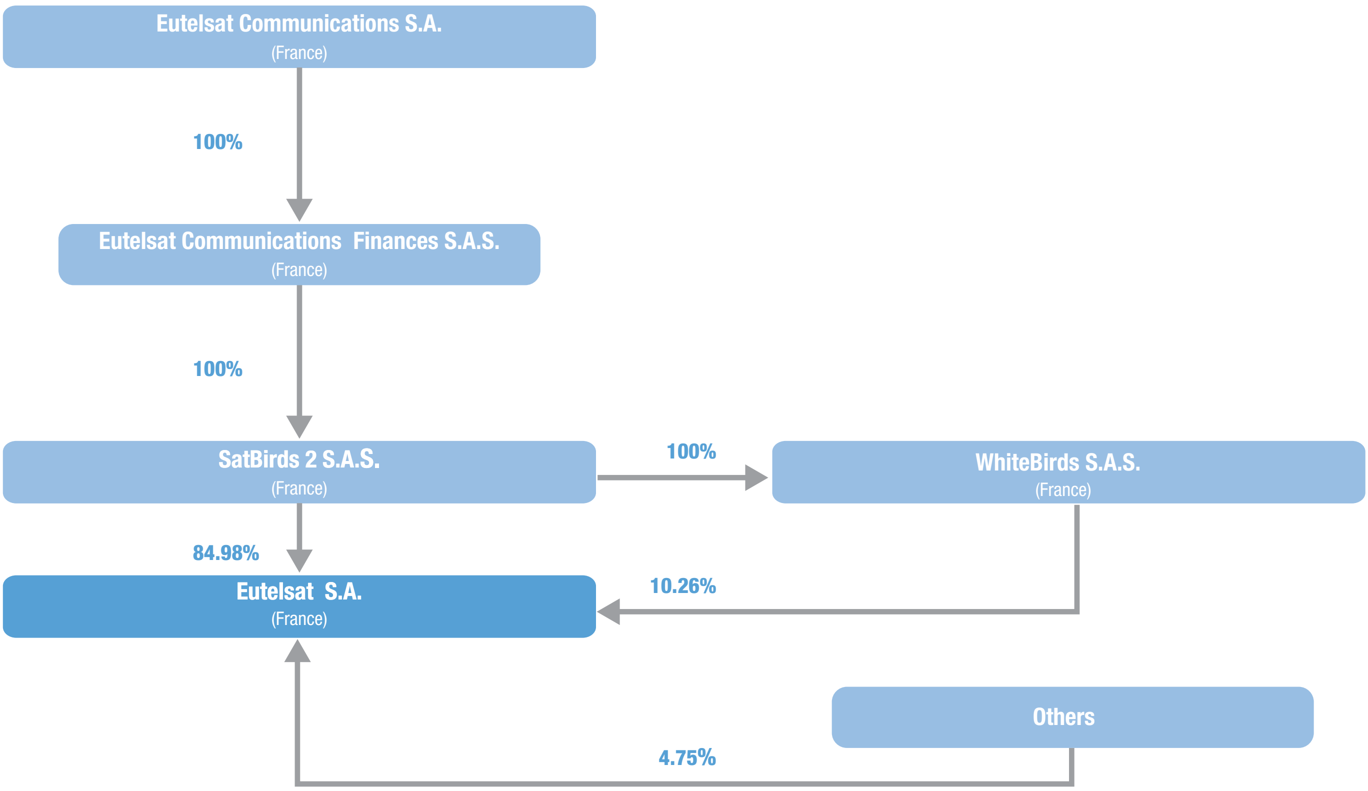
At June 30, 2007, the Company directly or indirectly owns 18 subsidiaries and has equity interests in four other companies.

The organisational charts below represent, on the one hand, the holding system of Eutelsat S.A., the Company's main operational subsidiary (figure n° 1) and, on the other, all subsidiaries and holdings held directly or indirectly by Eutelsat S.A. (figure n° 2) at June 30, 2007.

It should be noted that subsidiaries managing the holding of the Company in Eutelsat S.A. have no operational, commercial or technical role.

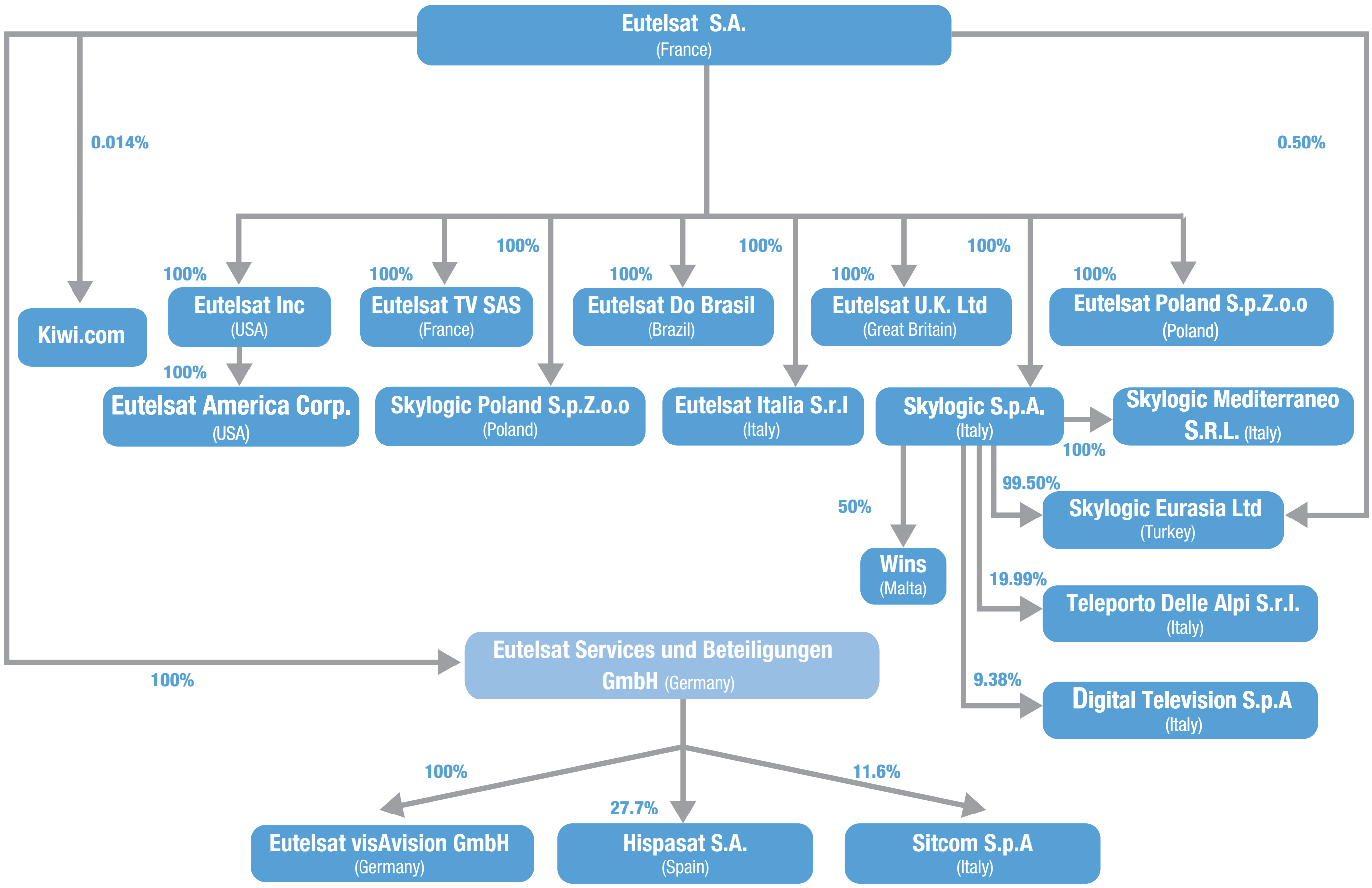
Your attention is drawn to the fact that all revenues and results for these companies as communicated below relate to their annual accounts prepared in accordance with local accounting rules. These figures do not reflect the contribution of the various subsidiaries to the consolidated financials of the Group.

ORGANISATIONAL CHART OF THE GROUP ABOVE EUTELSAT S.A. AS OF JUNE 30, 2007 (FIGURE N° 1)



The reference to "Others" refers to minority shareholders in Eutelsat S.A., namely the historical institutional shareholders of Eutelsat S.A., comprising telecom operators or governments of Central and Eastern Europe or Central Asia, as well as employees of Eutelsat S.A.

ORGANISATIONAL CHART OF THE GROUP BELOW EUTELSAT S.A. AS OF JUNE 30, 2007 (FIGURE N° 2)



>> 5.1 Subsidiaries

We would like to remind you that our main operational subsidiaries are Eutelsat S.A. (France), and Skylogic S.p.A. (Italy).

5.1.1 Subsidiaries and equity interests

In the framework of the process of simplifying the Group's organisational chart, the following operations were carried out during the financial year:

- early dissolution of SatBirds Capital S.àr.l, a Luxembourg subsidiary held 100% by Eutelsat Communications SA on August 31, 2006;
- dissolution without liquidation of Eutelsat Finance S.A.S., 100% subsidiary of Eutelsat Communications S.A. on October 26, 2006 through causing all shares to be held by a single shareholder;
- transformation into "S.A.s" under Luxembourg law of SatBirds Capital SCA and SatBirds Finance S.àr.l on July 13, 2006;

- merger-absorption of SatBirds Capital S.A. (formerly SatBirds Capital SCA) by SatBirds Finance S.A. (formerly SatBirds Finance S.àr.l) on July 18, 2006;
- merger-absorption of SatBirds Finance S.A., a Luxembourg subsidiary by Eutelsat Communications Finance S.A.S. on May 31, 2007;
- increase in capital of WhiteBirds France S.A.S. at June 15, 2007, by 1,500,040 euros, and the issue of 150,004 new shares for Satbirds 2 S.A.S. at the unit price of 1,378.77 euros, and the payment of said capital increase by compensation of a liquid and enforceable credit for a total amount of 206,820,971.71 euros;
- increase in capital of Satbirds 2 S.A.S. at June 15, 2007, by 1,009,124 euros, and the issue of 1,009,124 new shares for Eutelsat Communications Finance S.A.S. at the unit price of 558.53 euros, and payment of the said capital increase by compensation of a liquid and enforceable credit for a total amount of 563,348,637.59 euros.
- increase in capital of Eutelsat Communications Finance S.A.S. on June 15, 2007, by 1,437,560 euros, and the issue of 14,356 new shares at the unit price of 3,918.78 euros for Eutelsat Communications S.A., and payment of the said capital increase by compensation of a liquid and enforceable credit for a total amount of 563,348,637.59 euros.

Also, during the financial year, the companies Eutelsat Communications S.A. and Eutelsat Communications Finance S.A.S. were part of the same tax consolidation group, while the companies Eutelsat S.A., WhiteBirds France S.A.S. and Satbirds 2 S.A.S. were part of a second tax consolidation group.

Following decisions made on June 28, 2007, the companies Satbirds 2 S.A.S., WhiteBirds France S.A.S., Eutelsat S.A. and Eutelsat TV S.A.S. decided to join, as of July 1, 2007, the tax consolidation group established between Eutelsat Communications S.A. and Eutelsat Communications Finance S.A.S.

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

This simplified stock corporation is 100% owned by Eutelsat Communications and was set up in June 2006 with head offices at 70 rue Balard, 75015 Paris, to collect monies received from refinancing from the Revolver and Senior Credit Facilities entered into by SatBirds Finance S.àr.l. All its assets and liabilities were transferred to SatBirds Finance S.àr.l on June 18, 2006.

Eutelsat Communications Finance S.A.S. carried out, on May 31, 2007, the merger by absorption of its Luxembourg subsidiary SatBirds Finance S.A. (formerly SatBirds Finance S.àr.l).

Following a decision by the sole shareholder Eutelsat Communications S.A., a contribution in cash was made for a total sum of 563,348,637.50 euros through a capital increase of 1,437,560 euros, the balance of 561,911,077.59 euros being allotted to additional paid-in capital. This capital increase was carried out by way of compensation with a liquid and enforceable credit. Following this operation, the share capital of Eutelsat Communications Finance S.A. was 5,000,000 euros, comprising 500,000 shares with a nominal value of 10 euros each.

Eutelsat Communications Finance S.A.S.' sole activity is the holding of an indirect holding 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 simplified stock corporation under French law, with head offices at 70 rue Balard 75015 Paris, registered in the Paris Business and Company Registry as number 481 046 175 R.C.S. Paris.

SatBird 2's purpose is acquiring holdings in other companies. Satbirds 2's sole business is holding an indirect interest in Eutelsat S.A. The financial year for Satbirds 2 S.A.S. is a 12 month period from July to June.

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

WhiteBirds S.A.S. (France)

WhiteBirds S.A.S. is a simplified stock corporation under French law, with head offices at 70 rue Balard 75015 Paris, registered in the Paris Business and Company Registry as number 479 530 834 R.C.S. Paris. WhiteBirds France S.A.S.' purpose is acquiring holdings in other companies. WhiteBirds was registered on November 17, 2004 to hold a 10.3% interest in the share capital of Eutelsat S.A.

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

Intra-group loans between Satbirds 2, WhiteBirds France and Eutelsat Communications

Some intra-Group loans were entered into 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.) to finance Eutelsat S.A. share acquisition operations during the previous year.

Following refinancing operations on June 19, 2006, there were no longer any loan agreements between Eutelsat Communications S.A. and Satbirds 2 S.A.S. on the one hand and Satbirds 2 S.A.S. and WhiteBirds France S.A.S. on the other.

Following the capital increases described above, on June 15, 2007, all intra-Group loan agreements were redeemed early by the companies Satbirds 2 S.A.S. and WhiteBirds France S.A.S.

On the date of this report, there were no contractual relations generating significant cash flow outside that generated in the framework of intra-Group service agreements and centralised intra-Group cash-management agreements.

>> 5.2 Eutelsat S.A. (France) and its subsidiaries

As of June 30, 2007, the Company indirectly owns 95.2% of the capital of Eutelsat S.A., the main operating company in the Eutelsat Group, through which it has control of several subsidiaries and sub-subsidiaries of Eutelsat S.A., as well as indirect holdings such as Hispasat.

Eutelsat S.A. is a *société anonyme* incorporated under French law. Its head offices are at 70 rue Balard 75015 Paris. Eutelsat S.A. is the Group's main operating company. As of June 30, 2007, its revenues[9] stood at 809.0 million euros and its net result showed a profit of 239.8 million euros.

5.2.1 Representation and promotion of Eutelsat S.A. business

In the framework of its international growth, Eutelsat S.A. has subsidiaries whose main business is to promote the Company's products and services and to represent Eutelsat S.A.

Eutelsat Inc. (United States): This company is responsible for promoting Eutelsat S.A.'s services and satellite capacity in the United States.

As of June 30, 2007 Eutelsat Inc. had revenues of 1,894 thousand euros and its net results showed a profit of 353 thousand euros.

Eutelsat Inc. also has a 100% holding in one subsidiary:

- Eutelsat America Inc., established November 28, 2006 and responsible for distributing Eutelsat capacity in the North American market. As of June 30, 2007, revenues of 1,889 thousand euros were reported and its net results showed a loss of 364 thousand euros.

Eutelsat do Brasil (Brazil): Eutelsat do Brasil is responsible for promoting and marketing our capacity and services in Latin America. In addition Eutelsat Do Brasil has obtained landing rights from the Brazilian authorities allowing it to offer satellite capacity for the needs of the Brazilian market, thanks to the W1, ATLANTIC BIRD™1 and ATLANTIC BIRD™2 satellites.

As of June 30, 2007 this company reported revenues of 791 thousand euros and its net result showed a profit of 490 thousand euros.

Eutelsat UK Ltd. (United Kingdom): This company is responsible for promoting Eutelsat S.A.'s business in the UK and Ireland.

As of June 30, 2007, this company reported revenues of 559 thousand euros and its net result 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, this company reported revenues of 846 thousand euros and its net result showed a profit of 35 thousand euros.

Skylogic Poland s.p.Z.o.o. (Poland): Created in January 2004, this is a shell company with no activity as of June 30, 2007. Its net result showed a loss of 2,146 euros.

Eutelsat Italia (Italy): Eutelsat Italia is a shell company with no activity as of June 30, 2007. Its net result showed a loss of 25 thousand euros.

9 *Non-consolidated revenues based on the annual financial statements as of June 30, 2007, including billing to subsidiaries, holdings and affiliated companies but excluding revenues from subsidiaries, holdings and affiliated companies of Eutelsat S.A.*

5.2.2 Other subsidiaries

Skylogic (Italy): Skylogic S.p.A. is wholly owned by our subsidiary Eutelsat S.A. (itself owned 95.2% by our Company). Skylogic is responsible for operating the Turin teleport and commercialising value-added services, in particular the satellite Internet access solution D-STAR™.

During the financial year, Skylogic acquired a minority holding of 9.38% in Digital TV S.p.A. via a capital increase for an overall amount of 1,000,000 euros and a holding of 19.99 % in Teleporto delle Alpi S.r.l., a shell company without activity as of June 30, 2007.

As of June 30, 2007 (closing date for the period), the revenues of Skylogic were 20.48 million euros. Its net result after tax showed a profit of 67,405 euros, due to the charge associated with the capacity leased from Eutelsat S.A. for its services, investments and marketing efforts made by this company as part of its development plan to meet the constant increase in demand for its services, particularly in Europe and Africa. As of June 30, 2007, Skylogic had 57 employees.

Wins (Malta): Created in September 2005, this company is held 50% by Skylogic S.p.A., and 50 % by the Maltese operator MALTASAT. This company is responsible for marketing the D-STAR™ service in the Mediterranean Basin to cruise ships and ferries, particularly to provide mobile telephony services (GSM) and broadband access.

As of June 30, 2007, the company had revenues of 0.15 million euros and reported a loss of 950,394 euros, due to the expenditure involved in launching its services.

Skylogic Mediterraneo srl (Italy): 100% held by Skylogic S.p.A., this company was established on 7 July 2006, its purpose being the operation of a teleport to be set up in Sardinia. As of June 30, 2007, no revenues were reported and its net result showed a loss of 173,563 euros.

Skylogic Eurasia Ltd: held 99.5% by Skylogic S.p.A. and 0.5% by Eutelsat S.A., and established on January 26, 2007. This company is responsible for promoting and marketing satellite services in Turkey.

As of June 30, 2007, revenues of 337 euros were reported by this company and its net result showed a loss of 9,421 euros

Eutelsat Services und Beteiligungen GmbH (Germany): Eutelsat S.A. acquired a company in April 2002, which was renamed Eutelsat Services und Beteiligungen GmbH (Eutelsat GmbH) and which is 100% owned. Eutelsat GmbH holds a 27.69% interest in the Spanish operator Hispasat and has a role in promoting and representing Eutelsat S.A. in Germany. As of June 30, 2007, its revenues (as per the annual financial statements) were 1.85 million euros and its net result showed a loss of 55 thousand euros.

VisAvision GmbH (Germany): 100% owned by Eutelsat GmbH and established in April 2004, VisAvision GmbH is responsible for promoting the KabelKiosk service in Germany. This service consists of providing satellite capacity and associated services for a bouquet of channels (including ethnic channels) marketed by regional cable operators to their subscribers. As of June 30, 2007 (as per the annual financial statements), its revenues were 1.27 million euros and its net result showed a loss of 173,784 euros.

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

>> 5.3 Holdings

Hispasat S.A. (Spain)

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

The table below gives a summary of the annual figures for the Hispasat Group as of December 31, 2006 (latest figures published by Hispasat):

(in thousands of euros)	**31 December, 2006**
Assets	584,934
Shareholders' Equity	315,224
Operating Income	117,228
Net Result	24,076

Sitcom S.p.A. (Italy)

As of June 30, 2007, the Group indirectly owned 11.6% of the voting rights in Sitcom S.p.A. Established in 1997, Sitcom S.p.A. is an operator and editor of audiovisual programmes and television channels in Italy. The channels edited by Sitcom are broadcast mainly in Italy via the Sky Italia bouquet.

6 CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2007 – FINANCIAL INFORMATION

>> 6.1 Accounting and Financial Standards – IFRS Standards

Eutelsat Communications has a financial year of 12 months, ending at June 30.

According to European Union Regulation 1602-2002 on the application of International Financial Reporting Standards, the Company decided to use IFRS to draw up its consolidated financial statements from the time it was first incorporated.

The financial statements at June 30, 2007 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).

Mandatory standards and interpretations for the business year from July 1, 2006 to June 30, 2007 have been taken into account and reviewed by the Group, and have not had an impact on either previous financial years or consolidated financial statements at June 30, 2007. It should be noted that the Group is not affected by certain IFRS standards.

Also, 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, 2006:

- IFRS 7 “Financial instruments: Disclosure”, whose date for first-time adoption is 1 January 2007;
- amendments to IAS 1 “Presentation of Financial Statements”, appendices on capital, for which application is compulsory from 1 January 2007;
- IFRS 8 “Operational segments whose application is compulsory for financial periods commencing after December 31, 2008: this text has not been approved by the European Union;
- IFRIC 10 “Interim Financial Reporting 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, of mandatory application as of January 1, 2009: this text has not yet been approved by the European Union.

The Group is currently analysing the practical consequences of these new texts and the impact of their application on the financial statements.

For more detail on the bases used to prepare financial information, see note 2 to the consolidated financial statements.

The consolidated financial statements include full consolidation of the Company’s financial statements and those of any subsidiaries more than 50% owned. The companies over which Eutelsat Communications has a significant influence are evaluated using the equity method.

>> 6.2 Consolidated simplified balance sheet for Eutelsat Communications

(in thousands of euros)	**June 30, 2006**	**June 30, 2007**
ASSETS		
Fixed assets including		
Consolidated goodwill	750,714	758,179
Intangible fixed assets	875,237	829,791
Satellites and other property and equipment, net	1,749,597	1,705,635
Prepayments for assets under construction	310,116	461,477
Investments in associates	117,461	124,599
Total non-current assets	**3,824,818**	**3,884,122**
Current assets including		
Accounts receivable	213,716	220,976
Other current assets	19,889	28,373
Financial instruments	62,613	135,883
Cash and cash equivalents	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 including		
Share capital	215,692	217,401
Additional paid-in capital	907,485	776,136
Total shareholders' equity	**1,210,280**	**1,311,513**
Non-current liabilities		
Long-term bank debt	2,445,850	2,308,978
Other payables	76,048	60,466
Deferred tax liabilities	302,985	304,932
Total non-current liabilities	**2,933,699**	**2,758,268**
Current liabilities including		
Bank debt	29,757	23,185
Short term share of other debts	19,498	23,273
Other payables and deferred revenues	80,140	95,321
Total current liabilities	**245,326**	**255,729**
TOTAL LIABILITIES	**4,389,305**	**4,325,510**

Details of the Eutelsat Communications consolidated balance sheet at June 30, 2006 and June 30, 2007 are shown in the consolidated financial statements.

Operations affecting Eutelsat Communications' capital during the period are described in Section 9.9 below.

>> 6.3 Consolidated Simplified Income statement for Eutelsat Communications

IFRS *(in thousands of euros)*	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Revenues	**791,070**	**829,086**
Operating Costs	(72,664)	(62,526)
Selling, general and administrative expenses	(101,886)	(113,938)
Amortisation and depreciation	(285,805)	(300,849)
Other Operating Income	-	37,501
Other Operating Costs	(27,006)	(26,745)
Operating income	**303,709**	**362,529**
Financial Result	(179,570)	(108,160)
Net Income before Tax	129,958	262,235
Income Tax Expense	(89,724)	(92,215)
Net income (Loss)	**40,234**	**170,020**
Group Share	30,420	159,377
Share applicable to minority interests	9,814	10,643

6.3.1 Operating costs

Operating costs mainly include staff costs and other costs associated with monitoring and operating the satellites, as well as in-orbit insurance premiums for the satellites:

Staff costs. These comprise salaries and the payments by the employer for employees responsible for procuring, operating and maintaining the satellites (including French mandatory profit-sharing by Group employees).

Satellite Operating and Control Expenses. These costs are the cost of operating the earth stations and equipment costs, which include telemetry, monitoring, positioning, managing the payload, maintaining the software and equipment at the satellite control centres, as well as traffic supervision and management. The amount of these costs depends on the number of satellites and families of satellites operated and any satellite repositioning, as well as the number and type of services offered.

These costs also include costs for subcontracting telemetry operations, monitoring and tracking for a number of satellites in orbit. In addition, Eutelsat S.A. has signed service agreements for monitoring the satellite communications systems with eight providers.

Satellite In-Orbit Insurance Premiums. Satellite In-Orbit insurance generally takes effect when the launch insurance policy expires (generally one year after the satellite is launched). When the Group takes out launch insurance for coverage in orbit, the premiums for the periods after the first anniversary of the launch date are treated as in-orbit insurance costs. Almost all the satellites in orbit belonging to the Group are insured for amounts structured in tranches. Depending on the selected risk management policy, and general market conditions for space insurance, the costs for these insurance premiums can vary from one year to the next (see Section 4.4: Group Policy for Insuring its Satellite Fleet).

Operating costs also include a portion of the *taxe professionnelle*, which is split for recording purposes between operating costs and selling, general and administrative expenses (based on the corresponding numbers of employees).

During the year ended June 30, 2007, operating costs went down by 14%, from 72.6 million euros at June 30, 2006 to 62.5 million euros at June 30, 2007. Associated with the stabilisation of expenses due to a strict policy of cost control, a significant decrease of in-orbit life insurance costs followed the renewal of the insurance programme in November 2006.

6.3.2 Selling, general and administrative expenses

Selling, general and administrative expenses comprise:

- commercial and administrative staff costs (including mandatory French profit-sharing);
- marketing costs, such as advertising costs and costs for co-marketing with distributor clients and users;
- general costs for the leasing of premises, and also outside studies and logistics;
- costs related to the development and marketing of new products;
- a portion of the operating taxes (including a share of the professional tax);
- and provisions for trade receivables and other receivables.

During the financial period ended June 30, 2007, selling, general and administrative expenses increased by 11.8%, from 101.9 million euros as of June 30, 2006 to 113.9 million euros as of June 30, 2007. This reflects an increase in the depreciation charge for impairment of accounts receivable compared to last year, in line with the rise in revenues and the higher consultancy fees, due notably to the process of examining expressions of interest by certain parties with a view to their acquiring all or part of the Company's share capital, as well as the examination of investment projects during the year.

6.3.3 Depreciation and amortisation and other operating costs

Details of this item are described in notes 4 and 5 to the consolidated financial statements.

Depreciation and amortisation mainly relates to the depreciation of satellites and terrestrial installations, as well as amortisation of "Customer Contracts and Relationship" assets. The latter represents an amount of 44 million euros per year.

It is the Group's largest expense.

The Group's tangible fixed assets consist mainly of the satellites and the terrestrial facilities. The capitalised costs for the satellites include (i) costs for building and launching the satellites, (ii) launch insurance premiums (which generally include in-orbit coverage up to the first anniversary of the launch date), (iii) the associated capitalised interest expense, (iv) the present value (at the time of launch) of the incentive payments to the manufacturer throughout the satellite's operational life, subject to compliance with the technical and contractual specifications, and (v) costs directly associated with monitoring the procurement programmes (costs for studies, employees' salaries and consultancy fees).

The satellites are depreciated on a straight-line basis over their operating lifetime in stable orbit, generally between 10 and 16 years, except for the latest satellites launched, W3A, HOT BIRD™7A and HOT BIRD™8, whose life span is estimated at greater than 18 years from the time they are brought into operational service.

At least once a year, the Group reviews the remaining operational life of its satellites, based on forecast use and a technical assessment of their operability. When there is a change in the operational life, future depreciation charges are calculated based on the new remaining operational life of the satellite.

The Group's fixed assets also include the 39 transponders, including 18 transponders on satellites in inclined orbit, which are the subject of contracts whereby its subsidiary Eutelsat S.A. can take advantage of all or part of the transponders on satellites belonging to third parties, the risks and benefits associated with ownership being transferred to it.

These contracts are for the SESAT™2, Express A3, Telstar 12, Telecom 2C and Telecom 2D satellites. The capitalised amount is based on the actual value of the leases. The capitalised capacity costs are written off over the lifetime of the contract.

At June 30, 2007, depreciation and amortisation was 300.8 million euros, an increase of 5.3% because of the impact on almost the whole year of depreciating the new HOT BIRD™7A and HOT BIRD™8 satellites, which more than compensated for the reduction in the depreciation charge for EUROBIRD™4, following its exceptional depreciation and the extension of the book life of certain satellites. Depreciation and amortisation also includes 44.5 million euros for amortisation of the intangible asset "Customer Contracts and Relationship" recognised at the time of Eutelsat S.A.'s acquisition by the Company.

"Other Operating Income", at 37.5 million euros, mainly includes insurance compensation for the loss of the W1 satellite, which was settled by the insurers during the financial year (37.3 million euros). "Other Operating Charges", at 26.7 million euros, mainly includes the impairment of the value of the EUROBIRD™4 satellite of 25 million euros at June 30, 2007. At the date the consolidated financial statements for the year ended June 30, 2007 were drawn up, the Group was not aware of any items that might change this valuation.

>> 6.4 Operating income

Operating income corresponds to revenues minus operating costs, selling, general and administrative expenses and allowances for depreciation, amortisation and other operating costs.

At June 30, 2007, operating income was 362.5 million euros, representing 43.7% of revenues compared with 303.7 million euros at June 30, 2006, which represented 38.4% of revenues.

>> 6.5 Financial result

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

The significant improvement in the Group's financial result reflects, on the one hand, the radical modification of the structure of the Group's debt the previous financial year, following debt restructuring operations after the IPO and the refinancing operation in June 2006 and, on the other, the effect on a full financial year of the reduction in the interest expense, linked in particular to the setting up of refinancing for 1,615 million euros on June 19, 2006 (see table below).

(in millions of euros)	Financial Year ended June 30, 2006	Financial Year ended June 30, 2007
Interest expense and other charges	(138.1)	(107.5)
Hedging instruments	10.7	2
Foreign Currency gains/ losses	0.5	0.3
Amortisation of loan issue costs	(8.2)	(3)
Sub-total	**(135.1)**	**(108.2)**
Debt restructuring costs following the IPO, and refinancing cost for the senior credit facility (sub-total)	(44.5)	-
FINANCIAL RESULT	**(179.6)**	**(108.2)**

6.5.1 Liquidity and financial resources of the Group

During the financial year ended June 30, 2007, the Group maintained its level of indebtedness. The Group's liquidity requirements mainly include the following:

- financing the construction and launch of satellites;
- servicing its debt;
- financing its working capital requirements.

The Group's principal financial resources are composed of the cash flows generated by the operating activities of Eutelsat S.A. The Group has additional financial resources in the form of the lines of credit it has been granted.

6.5.2 Changes in the Group's net indebtedness(10)

Group's Net Indebtedness at June 30, 2006

At June 30, 2006, the Group's total net indebtedness was 2,228.5 million euros, which comprised mainly: i) 1,615 million euros in drawndowns made on the Refinancing Loan, (ii) 876.5 million euros for Eutelsat S.A.'s bank debt, and (iii) 263 million euros in cash/cash equivalents and marketable securities (net of credit balances with banks).

At June 30, 2006, almost all the Group's debt bore interest at a variable rate (generally Euribor plus margins)(11).

The Group also had 750 million euros still available under its various lines of credit.

10 The Group's net indebtedness includes all its bank debts as well as the debts associated with satellite finance leases, minus cash in hand and marketable securities (see notes 13 and 14 to the consolidated financial statements).

11 Except for 26.5 million euros bearing interest at a fixed rate. These amounts did not include any hedges against interest-rate risk set in place by the Group.

The table below describes the Group's main credit facilities as of June 30, 2006:

(in millions of euros)	Amount Granted	Amount Used	Maturity
"Refinancing" Bullet Loan	1,615	1,615	8 June 2013
Eutelsat Communications Revolving Credit Facility	300	0	8 June 2013
Eutelsat S.A. Revolving Credit Facility	650	650	24 November 2011
Eutelsat S.A. Bullet Loan	650	200	24 November 2011
Eutelsat S.A. Fixed-rate Bullet Loan	27	27	24 December 2006
TOTAL	**3,242**	**2,492**	

The weighted average interest rate for drawdowns on the revolving lines of credit was 3.2% for the period ended June 30, 2006. Effective interest rates for the "refinancing" loans and the Eutelsat S.A. bullet loan were respectively 4.44% and 3.74% at June 30, 2006.

An increase of ten base points (+0.1%) in the Euribor interest rate had an impact on an annual basis of 2.46 million euros in the consolidated income statement, based on the amounts recognised at June 30, 2006.

Group's Net Indebtedness at June 30, 2007

At June 30, 2007, the Group's total net indebtedness was 2,295.3 million euros, which comprised mainly: (i) 1,615 million euros in drawdowns made on the Refinancing Loan, and (ii) 710 million euros for Eutelsat S. A.'s bank debt, and (iii) 6 million euros in available cash/cash equivalents and marketable securities (net of credit balances with banks).

The Group also had 890 million euros still available under its various lines of credit.

The table below describes the Group's main credit facilities as of June 30, 2007:

(in millions of euros)	Amount granted	Amount used	Maturity
"Refinancing" Bullet Loan	1,615	1,615	8 June 2013
Eutelsat Communications Revolving Credit Facility	300	0	8 June 2013
Eutelsat S.A. Revolving Credit Facility	650	650	24 November 2011
Eutelsat S.A. Bullet Loan	650	60	24 November 2011
TOTAL	**3,215**	**2,325**	

The weighted average interest rate for drawdowns on the revolving lines of credit was 4.3% for the period ended June 30, 2007. Effective interest rates for the "refinancing" loans and the Eutelsat S.A. bullet loan were respectively 5.1% and 4.5% at June 30, 2007.

As of June 30, 2007, almost all the Group's debt bore interest at a variable rate (usually EURIBOR plus margins).

An increase of ten base points (+0.1%) in the Euribor interest rate had an impact on an annual basis of 2.33 million euros in the consolidated income statement, based on the amounts recognised at June 30, 2007.

The evolution of the Group's net indebtedness during the financial year is largely the result of distributing a total amount of 124 million euros to shareholders of Eutelsat S.A. and the Company in November 2006, as well as the financing of satellites under construction or ordered during the financial year.

6.5.3 Description of the financial instruments in place during the financial year ended June 30, 2007

Eutelsat S.A.'s lines of credit

On November 24, 2004, Eutelsat S.A. signed a seven-year syndicated credit agreement for 1.3 billion euros which includes (i) a fixed term bullet loan of 650 million euros, and (ii) a revolving line of credit for 650 million euros intended to refinance existing debt and to finance the Company's needs in general.

The amounts drawn on this line of credit incur interest at the Euribor rate (or Libor) for drawdowns denominated in US dollars), plus a margin of between 0.25% and 0.75%, based on the long-term rating issued by Standard & Poor's for Eutelsat S.A. Eutelsat S.A. has set hedging instruments in place for some of the sums drawn on this line of credit.

Under the terms of this line of credit, Eutelsat S.A. is required to maintain a total net debt to EBITDA ratio (a contractually defined ratio) of at least

3.75 to one, this ratio being tested at June 30 and December 31 each year. (See Note 13 to the Company's consolidated financial statements for more information).

As of June 30, 2007, drawdowns on this facility came to a total of 60 million euros.

The Refinancing loan

To enable early repayment of the credit lines of the SatBirds Finance S.àr.l company, Eutelsat Communications signed a loan agreement with a group of banks on June 8, 2006 to set up a syndicated credit facility of 1,915 million euros for a period of seven years, which is broken down into two parts:

- tranche A: a long-term bullet loan for 1,615 million euros to be repaid at Euribor plus a margin, fixed between 75 and 162.5 base points, depending on the net consolidated debt to consolidated EBITDA ratio;
- tranche B: a revolving line of credit for 300 million euros. Drawdowns are for a maximum period of 6 months and are repaid at Euribor plus a margin of between 75 and 162.5 base points, depending on the net consolidated debt to consolidated EBITDA ratio.

The "Refinancing" loan agreement of June 8, 2006 does not involve any guarantee by Eutelsat Communications subsidiaries or any pledge of assets as collateral for the loan. This loan agreement contains some restrictive clauses, subject to the usual exceptions in loan agreements. (See Note 13 to the attached consolidated financial statements for more information on the restrictive conditions and limitations applying to this loan agreement). The agreement provides for the possibility that each lender party to the agreement to ask for early repayment of all the monies owed if there is a change in control of Eutelsat Communications and Eutelsat S.A., or if there is concerted action.

In addition, Eutelsat Communications has agreed to directly or indirectly retain 95% of the capital and voting rights in Eutelsat S.A. for the duration of the loan.

These lines of credit are accompanied by the following financial covenants, based on the Group's consolidated financial statements presented according to IFRS:

- "Leverage Ratio": consolidated net debt/consolidated EBITDA at or below 5.5 for the half-yearly and yearly periods defined in the agreement, the first being June 30, 2006. This ratio then progressively reduces each year by 0.25X between December 31, 2008 to become 4.5 at December 31, 2011;
- "Interest Cover Ratio": consolidated EBITDA/interest payable (due and payable) at or above 2.75 (if the Leverage Ratio is greater than 3.5).

In addition, hedging for the interest owed is required for a period of at least three years for at least 50% of the drawdown on the Term Loan line of credit. On June 19, 2006, therefore, SatBirds Finance S.àr.l transferred the hedging instruments set in place for the above loan to Eutelsat Communications.

Also, in September 2006, Eutelsat Communications acquired a new hedging instrument to hedge Years 5 to 7 of the loan.

The issue costs for setting up the 1,915 million euro Refinancing loan, which represent almost one year of margin based on a Net Debt/EBITDA leverage ratio between 3.5 and 4, have been spread over the term of the loan.

Costs outstanding at June 30, 2007 were charged to the book value of the loans. As of June 30, 2007, they showed a balance of 16.4 million euros.

Financial instruments

The Group is exposed to market risks, particularly in terms of foreign currency and interest rate risks. To deal with this, the Group uses a number of derivative financial instruments. The objective is to reduce, where deemed appropriate, fluctuations in income and cash flows resulting from changes in interest rates and exchange rates.

The Group's policy is to use derivative financial instruments to manage such risk exposure. The Group does not undertake any financial transaction whose conclusion presents a risk that cannot be quantified, in other words, it would not sell assets it did not possess or did not know it would possess in the future.

Hedging currency exposure

The euro is the Group's benchmark currency, although it is exposed mainly to variations in the dollar exchange rate. Therefore, it has signed various agreements, the value of which varies based on changes in the euro/dollar exchange rate, to preserve the value of its assets, commitments and expected transactions. The Group uses financial instruments such as options agreements and forward exchange contracts and foreign currency deposit agreements to hedge certain future revenues in dollars. These financial instruments are negotiated over-the-counter with first-rate banking counterparts. In addition, some suppliers' contracts (satellites or launch services) are denominated in US Dollars. During the 2006 and 2007 financial years, the Group only used euro call/dollar put foreign currency options.

Hedging interest-rate risk

The Group manages its exposure to changes in interest rates by apportioning its debt between fixed and variable rate facilities. The Group has set in place the following interest rate hedges:

- a tunnel (purchase of a cap and sale of a floor) for three years for a notional amount of 1,700 million euros to hedge the long-term bullet loan of Eutelsat Communications. On April 12, 2007, the notional amount of this tunnel was reduced from 1,700 million euros to 1,615 million euros so as to exactly match the refinancing loan. This partial sale generated a termination difference of 1.3 million euros;
- with deferred start dates, for two additional years (years 4 and 5) a pay fixed/receive variable 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 line of credit. The Group has undertaken a partial sale of its instruments to reduce their total notional amount from 1,700 million euros to 1,615 million euros, generating a termination difference of 0.9 million euros;

- with deferred start dates, for the two last years (Years 6 and 7) of the refinancing loan, a variable pay fixed/receive variable swap was undertaken for 1,615 million euros to hedge the long term Eutelsat Communications bullet loan;
- a pay fixed/ receive variable swap for the long-term portion of the bullet loan of 650 million euros of its subsidiary Eutelsat S.A. which was concluded for 7 years (maturity of the loan);
- a tunnel (purchase of a cap and sale of a floor) for 5 years for a nominal amount of 450 million euros to serve as a partial hedge for the revolving 650 million euro credit line of its subsidiary Eutelsat S.A. This tunnel was terminated in March 2007 and generated a termination difference of 0.7 million euros;
- there were two new transactions to partially hedge Eutelsat S.A.'s revolving 650 million euro credit line:
  - a pay fixed/receive variable swap for a nominal amount of 250 million euros over 4 years, until the maturity date of the revolving credit facility,
  - purchase of a cap for a nominal amount of 200 million euros over 4 years; until the maturity date of the revolving credit facility.

>> 6.6 Consolidated net result

As of June 30, 2007, consolidated net results show a profit of 170 million euros compared with 40.2 million euros as of June 30, 2006.

This significant improvement in the consolidated net result is due to the excellent operating performance of the Group, enabling an improvement in all intermediate management balances, particularly the operating result and the financial result.

7 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007 – FINANCIAL INFORMATION

>> 7.1 Accounting and financial principles

The annual financial statements as of June 30, 2007, were drawn up in compliance with the provisions of the Code of Commerce (Articles L. 123-12 to L. 123-28) and Regulation 99-03 of the Accounting Regulation Committee (CRC). The conventions below were applied in adherence to the principle of prudence, according to the basic rules of (i) continuity of operations (ii) keeping financial years independent of each other, (ii) consistency in accounting methods from one financial year to the next and (iv) in compliance with the general rules for drawing up and presenting the annual financial statements.

>> 7.2 Activities and highlights of the Company during the year

It should be noted that the Company acts as a holding company: its role is to direct the financial and strategic activities of the Eutelsat Group.

The main events during the financial year were (i) the significant change in the Company's shareholder structure due to the transfer by certain shareholders of their shares in the Company to Abertis Telecom and to the *Caisse des Dépôts et Consignations*, and the subsequent modification of the Company's Board of Directors, and (ii) the simplification of intermediate structures between the Company and its main operating subsidiary Eutelsat S.A., as described in Section 5.1.1 of this report.

>> 7.3 Extracts from the Company's balance sheet and income statement at June 30, 2007

Details of the Company's balance sheet and income statement for the financial year ended June 30, 2007 are presented in the annual financial statements in Annex 2 to this report.

7.3.1 Simplified balance sheet at June 30, 2007 – annual financial statements

(in thousands of euros)	**June 30, 2006**	**June 30, 2007**
ASSETS		
Financial assets	2,675,879	2,482,917
Total long-term assets	2,675,879	2,482,917
Total current assets	32,828	100,663
Prepaid expenses and others	27,079	20,938
TOTAL ASSETS	**2,735,786**	**2,604,518**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital (217,401,082 ordinary shares with a par value of 1 euro per share as of June 30, 2007)	215,693	217,401
Additional paid-in capital	907,486	776,135
Legal reserve	79	79
Retained earnings	(13,218)	1
Result for the year	(3,236)	(20,081)
Total shareholders' equity	**1,106,804**	**973,535**
Bank debt	1,617,087	1,625,430
Other bank debt	7,846	-
Total bank debt	1,624,933	1,625,430
Total operating debt	4,049	5,315
TOTAL LIABILITIES	**2,735,786**	**2,604,518**

As of June 30, 2007, financial assets were composed mainly of the following:

- financial holdings, namely 500,000 shares in Eutelsat Communications Finance S.A.S. for 2,481,324,395 euros;
- Company shares being held as of June 30, 2007 under a liquidity agreement with the Société Générale relating to 7,912 shares for a total of 142,811.6 euros on the basis of a closing share price of 18.05 euros.

At Group level, all distributions of additional paid-in capital have been treated in the accounts as repayment of a capital contribution. These have been reported as a reduction in the value of the shares, because when the Group's legal structure was determined, it was envisaged that most of the additional contributions would be recognised as additional paid-in capital to make it easier for liquidity to rise to the head company in the Group. This can be achieved by distributing amounts that are recognised as additional paid-in capital, irrespective of whether or not a distributable profit is recognised in the books of the Group's subsidiaries. These operations are described in detail in note 3 to the annual financial statements in Annex 2.

Changes in shareholders' equity over the year are described in detail in note 7 to the annual financial statements in Annex 2.

The Company's indebtedness is the result of the Company signing a refinancing loan for 1,615 million euros and a revolving loan, on which no drawdowns have been made, for a total of 300 million euros.

For more information about these operations see "Note 8 – Indebtedness" in the annual financial statements in Annex 2 and in Section 6.5 of this report.

7.3.2 Simplified income statement as of June 30, 2007 – annual financial statements

(in thousands of euros)	12-month period ended June 30, 2006	12-month period ended June 30, 2007
Revenues	1,198	1,422
Release of provision and reclassification of costs	19,240	-
TOTAL OPERATING INCOME	**20,438**	**1,422**
Other purchases and external charges	21,385	1,126
Income tax, other taxes and assimilated	3	23
Salaries and other benefits	1,357	1,106
TOTAL OPERATING CHARGES	**23,258**	**16,204**
Operating income	**(2,820)**	**(14,782)**
Financial income	1,702	61,042
Financial expenses	2,130	66,487
Financial result	**(428)**	**(5,444)**
Exceptional result	**12**	**66**
NET INCOME	**(3,236)**	**(20,081)**

Net income of the Company, showing a loss of 20.1 million euros, results in particular from reduced income for the Company in its capacity as a holding company, the absence of the release of provisions and reclassification of costs during the financial year, and the amount of financial expenses for payment of interest on the refinancing loan in June 2006.

8 PROSPECTS FOR THE GROUP

For the 2007-2008 financial year, the Group has a revenue target of between 840 and 850 million euros, representing growth of between 2.5% and 4% in its consolidated revenues, excluding non-recurring one-off revenues.

Also, the Group has raised its EBITDA margin target to more than 77.5% for the 2007-2008 financial year.

These objectives are based notably on the following assumptions: (i) continued growth in satellite demand in European Union countries and emerging markets at satisfactory tariff conditions, (ii) maintenance of the existing operational capacity of the Group's fleet, (iii) absence of any incident affecting a satellite in orbit, (iv) application of a policy of cost control for the Company's operating costs, and their evolution, (v) maintenance of the general conditions of the space insurance and space industry market.

The forward-looking objectives, statements and information summarised above are based in particular on the data, assumptions and estimates cited earlier and considered by Eutelsat Communications to be reasonable on the date of this report.

The reader is cautioned that these forward-looking statements are dependent on circumstances or facts that are 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 the elements taken into consideration to determine these forward-looking objectives, statements and information, could prove to be incorrect or may not materialise, and they may change or be modified due to uncertainties linked in particular to the economic, financial, competitive and regulatory environment.

Additionally, some of these data, assumptions and estimates come from or are based in full or in part on assessments or decisions of the corporate bodies of Eutelsat Communications, which could change or be modified in the future. Furthermore, the materialisation of certain risks described in the chapter "Principal Risks" later on in this document could have an unfavourable impact on the Group's activities and on the achievement of the forward-looking objectives, statements and information cited above.

9 CORPORATE GOVERNANCE

We would like to remind you that following the IPO in December 2005, no shareholder in our Company held control, directly or indirectly, alone or jointly, within the meaning of Article L. 233.3 of the Commercial Code.

The various changes that took place during the financial year to the composition of capital in our Company following changes to our shareholder base have not changed this position. Consequently, at June 30, 2007, no shareholder in our Company held control, directly or indirectly, alone or jointly, within the meaning of Article L. 233.3 of the Commercial Code.

Please be advised that pursuant to the provisions of Article 148 of the decree of March 23, 1967, the Board of Directors decided at its meeting on August 31, 2005, to combine the duties of Chairman of the Board and Chief Executive Officer. As a result, Mr Giuliano Berretta, Chairman of the Board of Directors has assumed responsibility for the Company's general management.

>> 9.1 Election of independent Directors

Pursuant to good corporate governance practices and commitments undertaken at the time of the IPO in December 2005, the Board of Directors has undertaken a selection process for three independent directors, that is to say directors having no conflict of interest or business relationship with the Eutelsat Group such as to alter the director's judgement.

Following resolutions voted by the ordinary AGM on November 10, 2006, two independent directors were elected for a term of office of six years expiring at the end of the AGM ruling on the accounts for the financial year ending June 30, 2012.

These are Lord John Birt, former Director General of the BBC and Mr Frank Dangeard, Chairman and CEO of Thomson Group. It should be noted that, since the resignation of the latter on February 28, 2007, the Board of Directors, on July 25, 2007, decided to co-opt Mr Guarguaglini, Chairman of the Finmeccanica group, for the remaining term of office of Mr Dangeard.

The identification and selection process for the third independent director is continuing.

The Board of Directors will submit for the approval of the next ordinary AGM the co-option of Mr Guarguaglini.

At the end of this process, independent directors will be 3 out of 11, in other words at least one quarter of the members of the Board of Directors.

The Group considers that its composition, which is characterised by the presence of independent directors alongside directors carrying out general management functions within the Group or representing significant shareholders, is a factor of good governance.

>> 9.2 Modifications to the composition of the Board of Directors

Following the transfer by certain key shareholders of their holdings in our Company respectively to Abertis Telecom[12] and CDC-Infrastructure[13], occurring respectively on January 23, 2007 and February 14, 2007, the composition of the Board of Directors was modified significantly.

12 ABERTIS TELECOM is a subsidiary 100% owned by the ABERTIS group.

13 CDC-INFRASTRUCTURES is a subsidiary 100% owned by the Caisse des Dépôts et Consignations.

The table below presents the modifications made to the composition of the Board of Directors during the financial year.

Name	Appointment Date	Resignation Date	Name	Co-option Date	End of term of office
Patrick SAYER	31/08/2005	06/04/2007	Jean-Luc Archambault	10/05/2007	AGM accounts June 30, 2011
Gilbert SAADA	31/08/2005	06/04/2007	Bertrand Mabille	10/05/2007	AGM accounts June 30, 2011
BlueBirds 2 Participations	31/08/2005	14/02/2007	CDC Infrastructures represented by Jean Bensaïd	14/02/2007	AGM accounts June 30, 2011
CB Luxembourg 3	31/08/2005	23/01/2007	Carlos Sagasta-Reussi	23/01/2007	AGM accounts June 30, 2011
GS 2000 Eurovision Holding	31/08/2005	23/01/2007	Tobias Gimeno-Martinez	23/01/2007	AGM accounts June 30, 2011
Geoffrey FINK	28/06/2006	23/01/2007	Andrea Luminari	23/01/2007	AGM accounts June 30, 2011
William COLLATOS	31/08/2005	23/01/2007	Carlos Espinos-Gomez	23/01/2007	AGM accounts June 30, 2011
Lord John BIRT	10/11/2006	NA	NA	NA	AGM accounts June 30 2012
Frank DANGEARD	10/11/2006	28/02/2007	Pier Francesco Guarguaglini	25/07/2007	AGM accounts June 30, 2012
Giuliano BERRETTA	31/08/2005	NA	NA	NA	AGM accounts June 30, 2011

The modifications made during the financial year to the composition of the Board of Directors and set out above will be subject to ratification by the ordinary AGM examining the financial statements for the year ended June 30, 2007.

9.2.1 The mission of the Board of Directors

Pursuant to Article L. 225.35 of the Commercial Code, the Board of Directors is responsible in particular for determining the Company's policies and seeing they are implemented. Subject to the powers expressly reserved for General Meetings of Shareholders, the Board of Directors may deal with any issues related to the correct operation of the Company.

It should be noted that in addition to the powers set forth by law and pursuant to the provisions of the by-laws, a certain number of operational decisions or commitments are subject to the prior approval of the Board of Directors. These decisions can be classified as follows:

- **Operations affecting the Company's by-laws:** any operation that results in an increase of the Company's capital or a modification of the Company's by-laws is subject to the prior approval of the Board of Directors;
- **Strategic operations:** the Company's 5-year Strategic Plan, as well as any acquisition of securities of another company or any operations or mergers substantially affecting the structure of the Company or its strategy are subject to the prior approval of the Board of Directors. Likewise, all investments in the capital of another company of more than 50 million euros (or 25 million euros if the operation is not included in the Strategic Plan) also require such prior approval;
- **Financial investments and commitments:** the Group's Annual Budget is submitted for the prior approval of the Board of Directors at the start of each financial year. Additionally, all capital investments above 50 million euros (or 25 million euros if not included in the Annual Budget) are subject to the prior approval of the Board of Directors. Any borrowing or financing contract that increases the Company's debt by more than 50 million euros and that is not provided for in the Annual Budget must have the prior approval of the Board of Directors. Finally, any decisions concerning the sale, loan, lease or transfer of Group assets (excluding operations of a commercial nature) or any divestment decisions involving an amount greater than 50 million euros not included in the Annual Budget must obtain the prior approval of the Board of Directors;
- **General management of the Company:** the Board of Directors is responsible for defining the criteria for the independence and selection of independent directors, and its prior consent is required for any hiring or dismissal of a Group manager whose compensation package is one of the six highest of the Group;
- **Other subjects:** any purchase or merger plans that may involve the Company, any offer to purchase other Companies paid for in full or in part with shares of the Company, any draft annual reports and prospectuses intended for investors (including draft financial announcements intended for the general public).

9.2.2 Meetings of the Board of Directors

The Board of Directors meets as often as the interests of the Company or Group require.

The Board of Directors met 16 times during the financial year, due, in particular, to the workload connected with the process of examining expressions of interest regarding its being acquired during October and November 2006, and the preparation and examination cycle for the Group's 5-year Strategic Plan.

Except in an emergency, notices of Board meetings are sent to the members of the Board of Directors at least five days before the planned Board meeting concerned.

>> 9.3 Information communicated to the Board of Directors

In accordance with the relevant provisions of the by-laws and the Internal Regulations of the Board of Directors, the Board's documentation is sent to its members no later than five days before meetings are held. If an urgent meeting of the Board of Directors is called, documentation is sent as soon as possible.

The regular work cycle of the Board is in particular focused on the second half of the financial year, due mainly to the definition of the Annual Budget and the 5-year Strategic Plan and the legal provisions related to preparation of the financial statements.

9.3.1 The Strategic Plan and the Annual Budget

During the second half of each financial year, the Board of Directors examines the Group's 5-year Strategic Plan. This sets the Group's strategic objectives and defines the tools necessary to meet these objectives, as well as the Group's business projections. The Strategic Plan for the period from the 2007-2008 financial year to the 2011-2012 financial year was approved on July 25, 2007.

Similarly, the annual consolidated budget of the Group, which sets budgetary and financial objectives for the coming financial year, and which is integrated into the Strategic Plan, is examined during the final quarter of the current financial year by the Board of Directors. The Annual Budget for the 2007-2008 financial year was approved by the Board of Directors on June 28, 2007.

9.3.2 Examination of the consolidated half-year and full-year financial statements

As well as information provided in relation to the monitoring of the activities of the Eutelsat Group, and pursuant to legal requirements, the Board of Directors draws up half-year and full-year financial statements. The half-year accounts are drawn up in the 3rd quarter (January to March) of each financial year. Annual financial statements and consolidated financial statements for a financial year are drawn up in the 1st quarter of the following financial year (July to September).

It should be noted that in accordance with the "transparency" directive, adoption and publication of half-year accounts will take place in February of each financial year.

Also, pursuant to article L. 232.2 of the Commercial Code, the Board of Directors adopts financial planning documents for the Company no later than in October and April of each financial year.

9.3.3 Capital investment decisions

In accordance with the provisions of the Internal Regulations, the Board of Directors approves any capital investment in excess of pre-set thresholds (see paragraph 2.5).

Based on documents prepared by the Group's general management, capital investment decisions, particularly investments related to the satellite fleet or to external growth operations, are analysed by the ad hoc "Strategy and Investment" working group and then by the Board of Directors, which evaluates their advisability by ensuring the investments are suited to the Company's strategic objectives. It should be noted that capital investment projects are also incorporated in the Group's annual consolidated budget examined by the Board of Directors during the normal work cycle.

During the financial year the Board of Directors examined terms and conditions for a purchase offer with local Mexican partners of 100% of the capital of the Mexican operator Satmex in May 2007 (process suspended by the vendors in June 2007).

9.3.4 Tracking the Company's business activities

Management provides the members of the Board of Directors with a quarterly business report that includes the Group's revenues and financial indicators (revenues, simplified income statement, debt, cash position and costs, etc.) so that the Board of Directors is informed about business developments, particularly technical or commercial developments and budget follow-up.

>> 9.4 Other matters referred to the Board of Directors

Pursuant to the provisions of the by-laws and its Internal Regulations, the Board of Directors is informed when any statutory thresholds have been crossed or of planned operations concerning the subjects within its competence, such as purchase offers or the exchange of shares in third party companies.

9.4.1 Signs of interest received during the financial year

Pursuant to these provisions, the Board of Directors, having received indications of interest for the purchase of all or part of the Company's share capital during November 2006 decided to set up a process involving advisers from an external legal firm and a merchant bank.

This process aimed, on the one hand, to check the serious nature of the expressions of interest received by the Company and, on the other, to guarantee equality of treatment between all parties having expressed an interest deemed serious by the Board of Directors in order to give them access to all information concerning the Group. This process was made public on November 25, 2006.

It should be noted that the process was abandoned on December 10, 2006. Certain shareholders approached separately from the process set up by the Board of Directors agreed to transfer their respective shares in the Company to Abertis Telecom and to the *Caisse des Dépôts et Consignations*.

Transactions conducted by Abertis Telecom were closed on January 23, 2007, with transactions conducted by the *Caisse des Dépôts et Consignations* closing on February 14, 2007.

9.4.2 Declarations on thresholds crossed

Pursuant to the by-laws of the Company, the Board of Directors is informed of any thresholds crossed by public shareholders.

This information is also made available to EUTELSAT IGO under the terms of the Letter-Agreement of September 2005.

>> 9.5 Role & composition of the Committees and Working Groups of the Board of Directors

During the financial year, the Board of Directors decided to create a specialised committee and an ad hoc working group responsible for advising it in their respective fields of competence:

Selection and Remuneration Committee: this Committee is in charge of examining and making any recommendations to the Board of Directors about (i) the compensation of the Chairman and CEO and the Deputy CEO, (ii) the introduction of stock-option, stock-purchase or free-share plans within the Group (iii) the allocation of fees for attendance at meetings to the members of the Board of Directors, (iv) the selection of the independent Board members.

Chaired by Mr Tobias-Martinez, the Committee currently comprises Messrs Bensaïd, Espinos-Gomez and Lord John Birt. The Secretary to the Committee is Mr Izy Béhar, Director of Human Resources.

This Committee met six times during the financial year, and examined in particular the setting up of a free share allotment plan to benefit all Group employees and key managers.

On the basis of a recommendation by the Committee, the Board of Directors meeting of May 10, 2007 allotted free shares for all employees and key managers in the Group. Under Article L. 225-197 of the Commercial Code, these free shares will be definitively acquired by the beneficiaries subject to their remaining within the Group for two years (that is to say until May 10, 2009), and will only be available at the end of an additional period of two years, i.e. as of May 11, 2011.

Strategy and Investment Working Group: set up in April 2007, and meeting on an ad hoc basis, this working group is responsible for making all recommendations to the Board of Directors in respect of the external growth operations being envisaged, as well as capital investment projects presented in the Strategic Plan or Annual Budget. The members of the working group are Jean-Paul Brillaud, Deputy CEO, Jean Bensaïd and Carlos Espinos-Gomez. They are assisted as required by other directors.

This working group thus made to the Board of Directors recommendations relating, in particular, to the submission of an offer in the framework of the process for the sale of the Mexican operator Satmex (operation suspended by the vendors in June 2007), as well as the Strategic Plan and the Annual Budget prepared by the Company's management.

>> 9.6 Information concerning the members of the Board of Directors

In accordance with the provisions of Law No. 2003-706 of August 1, 2003, amending Law No. 2001-420 of May 15, 2001, related to the new economic regulations, it is our duty to inform you of the total compensation (including benefits in-kind) paid to the members of the Company's corporate bodies during the financial year ended June 30, 2007 (See the notes to the annual financial statements for more information).

9.6.1 Attendance fees paid to the members of the Board of Directors

Pursuant to the resolution approved by the AGM on November 10, 2006, the total amount of attendance fees that may be paid during the financial year was 700,000 euros.

As of June 30, 2007, the total amount of attendance fees paid to serving directors in the financial year ended June 30, 2007 was 472,285 euros, distributed as follows:

Name of Directors	Fees paid for attendance at Board of Directors meetings	Fees paid for attendance at working group and committee meetings	Gross amount paid by the Company
G. BERRETTA, Chairman of the Board of Directors	50,000	0	50,000
Lord BIRT	31,667	6,000	37,667
CDC Infrastructure rep. by J. BENSAÏD	18,750	8,000	26,750
W. COLLATOS	29,166	0	29,166
F. DANGEARD	15,205	0	15,205
C. ESPINOS GOMEZ	22,083	8,000	30,083
G. FINK	29,166	0	29,166
A. LUMINARI	22,083	0	22,083
T. MARTINEZ GIMENO	22,083	8,000	30,083
G. SAADA	37,500	0	37,500
C. SAGASTA REUSSI	22,083	0	22,083
P. SAYER	37,500	0	37,500
BlueBirds Participations rep. by L. MARINI PORTUGAL	33,333	0	33,333
CB Luxembourg rep. by B. VALENTIN	29,166	0	29,166
GSCP 2000 rep. by H. LEPIC	29,166	0	29,166
B. MABILLE	6,667	0	6,667
J.-L. ARCHAMBAULT	6,667	0	6,667
TOTAL	**442,285**	**30,000**	**472,285**

9.6.2 List of offices held and functions exercised in any French companies by the members of the Board of Directors as of June 30, 2007 (excluding Eutelsat Communications)

As of June 30, 2007, the functions exercised by the directors in other French companies were as follows:

Name	Office	Other functions or responsibilities exercised in French companies
G. BERRETTA	Chairman and CEO	Chairman and CEO of Eutelsat S.A.
J. BENSAÏD	Permanent representative of CDC Infrastructure, Director	President of MAP SUB MD of CDC Holding Finance Director of Eutelsat S.A. Director of CDC Holding Finance, CDC Infrastructures, EGIS, GALAXY Permanent representative of CDC on the supervisory board of the Société d'Épargne Forestière "Forêts Durables SC" and 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	Director	Director of Eutelsat S.A.
C. SAGASTA	Director	Director of Eutelsat S.A.
C. ESPINOS	Director	Director of Eutelsat S.A.
A. LUMINARI	Director	Director of Eutelsat S.A.
B. MABILLE	Director	Director of Eutelsat S.A.
J.-L. ARCHAMBAULT	Director	Director of Eutelsat S.A. Chairman of Lysios S.A.S.
C. ROISSE	Observer (*censeur*)	Observer on the Board of Directors of Eutelsat S.A.

>> 9.7 Information concerning the compensation of corporate officers ("*mandataires sociaux*")

The total compensation (including variable components, profit-sharing, incentives and benefits in-kind) paid during the financial year to corporate officers by the Group comes to 2,312,137.12 euros broken down as follows:

(in euros)	Fixed	Variable
Mr Giuliano BERRETTA Chairman and CEO	550,000	1,109,048.31
Mr Jean-Paul BRILLAUD Deputy CEO	311,720	341,368.31

We would like to inform you that the Group contributes to a defined benefits supplementary pension plan for corporate officers, previous or serving, (Article 39 pension), with payment of the pension being conditional upon their retirement. During the financial year, the Group paid the insurers a total of 105,378.9 euros (of which 63,407.30 euros for Eutelsat S.A. and 42,271.60 euros for Eutelsat Communications).

You are also informed that the variable component of the compensation paid to Messrs Berretta and Brillaud is subject to a multiplication coefficient of 1.5X as a result of the Company's successful IPO on 2 December 2005.

Finally, under certain conditions, Mr Berretta may receive compensation in the amount of one million euros if his corporate appointment ends.

>> 9.8 Other information concerning corporate officers

You are reminded that Messrs Berretta and Brillaud are beneficiaries of stock-options in Eutelsat S.A. and share subscription warrants in Eutelsat Communications. You are asked to refer to Section 9.9.7 of this document for more information.

The Board of Directors meeting of May 10, 2007 decided to set up a free share allotment plan for all employees and key managers in the Eutelsat Group. On this occasion, and based on a recommendation from the Selection and Remuneration Committee, the Board of Directors decided to allot to Mr Giuliano Berretta, Chairman of the Board 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 Commercial Code, these free shares will be definitively acquired by the beneficiaries provided they are still working for the Group after a two-year period (i.e. May 10, 2009), and will only be available at the end of an additional period of two years (i.e. as of May 11, 2011).

No other condition has been laid down by the Board of Directors for the benefit of free shares allotted to corporate officers.

The Board did not offer any stock option or stock purchase plans to corporate officers during the financial year ended June 30, 2007.

>> 9.9 Information concerning the Company's share capital

9.9.1 Information on the composition of the share capital

As of the date of this report, based on information available to the Company and on its share capital at June 30, 2007, its principal shareholders are as follows:

Shareholder	% of Voting rights	% of shares
Abertis Telecom	31.74	31.74
CDC Infrastructures	25.94	25.94
Other shareholders and the public(1)	42.32	42.32
TOTAL	**100**	**100**

(1) Including employees and senior managers (0.8%) and Franklin Resources (9.98%).

There are no different voting rights for the principal shareholders.

9.9.2 Information concerning thresholds crossed or changes in the control of the Company

To our knowledge, no shareholder, acting alone or with others, holds more than 50% of the Company's shares with voting rights and no shareholder, acting alone or with others, controls the Company within the meaning of Articles L. 233 and following of the Commercial Code.

Under Article 12 of our by-laws, we were notified, and the Board of Directors was informed, that the following statutory thresholds were crossed:

> notification on September 11, 2006, by Franklin Resources, acting both in its own name and on behalf of its affiliates, that it held 6,317,161 shares representing 3.2% of our Company's capital;

- notification on October 10, 2006, by Helvetica, acting both in its own name and on behalf of its affiliates, that it held 2,345,190 shares representing 1.08% of our Company's capital;
- notification on October 24, 2006, by Helvetica, acting both in its own name and on behalf of its affiliates, that it held 4,356,876 shares representing 2.01% of our Company's capital;
- notification on November 27, 2006, by Babcock & Brown capital, acting both in its own name and on behalf of Babcock & Brown Capital France Pty, that it held 2,167,865 shares representing 1.01 % of our Company's capital;
- notification by Nebozzo S.àr.l on December 8, 2006 of the crossing of the lower threshold of 15% of the capital of our Company and that it held 31,124,090 shares;
- notification on December 11, 2006, by Lehman Brothers International, that it held 4,900,584 shares representing 2.27 % of our Company's capital;
- notification on January 23, 2007, by Abertis Telecom SAU, that it held 69,022,989 shares representing 31.96% of our Company's capital;
- declaration by Nebozzo S.àr.l on January 24, 2007 to the Financial Markets Authority of the crossing of the lower legal threshold of 10% and the statutory threshold of 1% by the off-market transfer of 31,124,090 shares;
- notification on January 24, 2007 by CB Luxembourg III of the crossing of the lower legal thresholds of 10% and 5% and the statutory threshold of 1% following the off-market transfer of 23,553,443 shares to Abertis Telecom SAU;
- notification on January 23, 2007 by the GSCP 2000 Eurovision Holding company of the crossing of the lower thresholds of 5% and 1% following the off-market transfer of 14,345,456 shares to Abertis Telecom SAU;
- notification on February 19, 2007 by Lehman Brothers International of the crossing of the lower statutory threshold of 1% and that it held 471,004 shares (0.22% of our Company's capital);
- declaration on February 20, 2007 by BlueBirds Participations S.àr.l and RedBirds Participations S.àr.l of the joint crossing of the lower legal threshold of 5% and the statutory threshold of 1% by the off-market transfer of 54,951,502 shares;
- notification on February 20, 2007, by the *Caisse des Dépôts et Consignations*, acting both in its own name and on behalf of CDC Infrastructure, of the crossing of the legal threshold of 25% of capital by the off market acquisition of 54,951,502 shares;
- notification on April 2, 2007, by Franklin Resources, acting both in its own name and on behalf of its affiliates, that it held 11,886,187 shares representing 5.48% of our Company's capital;
- notification on April 10, 2007, by Franklin Resources, acting both in its own name and on behalf of its affiliates, that it held 13,025,965 shares representing 6.01% of our Company's capital;
- notification on April 24, 2007, by Franklin Resources, acting both in its own name and on behalf of its affiliates, that it held 17,438,450 shares representing 8.05% of our Company's capital;
- notification on April 24, 2007, by Magnetar Capital LLC, that it held 2,196,081 shares representing 1.01% of our Company's capital;
- notification on May 23, 2007 by the Belgacom company of the crossing of the lower statutory threshold of 1% following the market transfer of 4,680,118 shares in our Company on March 23, 2007;
- notification on May 24, 2007, by Franklin Resources, acting both in its own name and on behalf of its affiliates, that it held 20,072,339 shares representing 9.26% of our Company's capital;
- notification on June 12, 2007, by Franklin Resources, acting both in its own name and on behalf of its affiliates, that it held 21,699,519 shares representing 10.02% of our Company's capital.

As of the date of this report, we have not been notified of any other crossing of the upper or lower legal or statutory thresholds in the capital of our Company.

9.9.3 Restrictions concerning sales of shares or securities granting rights to the Company's capital

The information provided below in sub-sections 9.6.3.1 and 9.6.3.2 is information known by the Company at June 30, 2007 and is taken from the *Document de base* and our Prospectus approved by the Financial Markets Authority (AMF) on September 7 and November 28, 2005, respectively.

Orderly exit agreement

Following the public offering of the Company, the companies Eurazeo, Nebozzo, Goldman Sachs 2000 and CB Luxembourg, principal shareholders in Eutelsat Communications at the time, signed an orderly transfer agreement. This orderly transfer agreement expired on December 2, 2006, and the signatory shareholders transferred their respective holdings in the capital of the Company on January 23 and February 14, 2007.

Commitment to hold shares by corporate officers and other natural persons who were shareholders in the Company as of November 27, 2005

Natural persons who were shareholders in the Company as of November 27, 2005, agreed at the time of the IPO not to offer, sell, pledge or transfer in any way all or part of their shares in the Company, including those resulting from the direct or indirect exercise of subscription warrants, for a period of 18 months, without the prior consent of the Overall Coordinator and Principal Bookkeeper. This commitment involved 100% of the securities for the first six months, two-thirds of the securities for the second six-month period and one-third of the securities for the last six-month period, subject to certain exceptions.

Holders of subscription warrants were also subject to certain liquidity restrictions. These commitments to keep their shares, and the liquidity restrictions affecting the subscription warrants, expired on June 6, 2007.

Other restrictions on sales of shares or securities granting rights to the capital

At the meeting held on December 22, 2005, the Board of Directors approved a Code of Conduct regarding privileged information applicable to the members of the Board of Directors and to the employees and corporate officers of the Group as well as to related persons according to the regulations of the Financial Markets Authority.

This Code of Conduct fixes the periods during which the persons concerned are prohibited from exercising securities granting rights to the capital or from selling and transferring Company shares for a 3-week period prior to the release of periodical financial information and ending 48 hours after this information is published.

9.9.4 Operations that affected the capital during the financial year

9.9.4.1 Free allotments of shares

At its meeting on May 10, 2007, the Board of Directors decided to allot free shares to all employees and key managers in the Group, for a total amount of 181,825 shares, the number of beneficiaries being set at 469, these being all the employees who were working for the Group as of May 10, 2007. The definitive acquisition period for shares was set at two years (i.e. May 11, 2009) and requires that the beneficiary should still be employed by the Group at that time. The beneficiaries must hold these shares for an additional period of two years following the effective acquisition date.

9.9.4.2 Increase in capital through the execution of share subscription warrants

The main operations affecting our share capital during the financial year were the result of share subscription warrants exercised by corporate officers and certain employees of the Group.

During the financial year, as a result of the execution of share subscription warrants recorded, the Company issued 1,708,490 shares with a nominal value of 1 euro each.

The calendar of operations was as follows:

- October 2006: Execution of BSA 2 by the issue of 4,250 shares;
- December 2006: Execution of BSA 1 by the issue of 266,929 shares;
- February 2007: Execution of BSA 2 by the issue of 498,293 shares;
- March 2007: Execution of BSA 2 by the issue of 182,642 shares;
- April 2007: Execution of BSA 2 by the issue of 103,958 shares;
- May 2007: Execution of BSA 1 by the issue of 281,433 shares;
- May 2007: Execution of BSA 2 by the issue of 343,705 shares;
- June 2007: Execution of BSA 2 by the issue of 27,280 shares.

As of June 30, 2007, therefore, following these capital increases, the Company's share capital increased from 215,692,592 euros to 217,401,082 euros and the number of shares in circulation as of June 30, 2007 increased from 215,692,592 shares to 217,401,082 shares.

You are asked to refer for more information to note 7 to the financial statements in Annex 2 to this report.

9.9.5 Concerning stock options or stock purchase plans

The Company did not offer any stock-option or stock-purchase plans during the financial year ended June 30, 2007.

A total of 3,718,004 stock options were exercised during the financial year in our subsidiary Eutelsat S.A.

During the financial year, Mr Giuliano Berretta, Chairman and CEO, exercised 1,283,846 Managers 2 stock options at an exercise price of €1.33 per option, resulting in the issue of 1,283,846 new shares in our subsidiary Eutelsat S.A.

Additionally, Mr Jean-Paul Brillaud, Deputy CEO, exercised 438,087 Managers 2 stock options at an exercise price of €1.33 per option, resulting in the issue of 438,087 new shares in our subsidiary Eutelsat S.A.

All of the shares held by Messrs Berretta and Brillaud after they exercised these stock options were sold to Satbirds 2 S.A.S. pursuant to commitments to sell (see paragraph 9.9.7)

9.9.6 Concerning the other securities granting rights to capital

On June 30, 2005, the shareholder bodies delegated competence to the Chairman of the Board of Directors in order to proceed with one or more issues of shares with equity warrants ("ABSAs") reserved for managers and corporate officers of the Group, and limited to a nominal maximum immediate or future capital increase of 6,660,000 euros, subject to the prior authorisation of the Board of Directors.

At its meeting on July 15, 2005, the Board of Directors authorised the Chairman to issue 835,200 ABSA 1s (allotted in full to Mr Berretta, Chairman and CEO) and 882,380 ABSA 2s (including 187,710 ABSAs allotted to Mr Brillaud, Deputy CEO) with the following characteristics:

- ABSA 1: unit price of 1.378 euros;
- ABSA 2: unit price of 1.54 euros;
- 2.7 share subscription warrants (the "BSAs") per ABSA;
- 1 BSA giving the right to subscribe to 1 Company share.

This issue was carried out on August 2, 2005, fully paid up in cash, and the difference between the unit subscription price of the ABSAs and the par value of the securities was recorded as an issue premium. The share purchase warrants were detached from the shares as soon as the ABSAs were issued.

The Board of Directors meeting on November 10, 2006 decided to adjust the parity of BSA conversions, so that two BSA give the right to subscribe to 1.03951 shares in the Company for a unit subscription price of 1.9240 euros.

The table below summarises the developments related to BSAs since their creation during the previous financial year:

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
		1,055,039	548,362	1.9240	
BSA 2	2,382,426	8,500	4,250	2	02/08/2015
		2,223,912	1,155,878	1.9240	
TOTAL	**4,637,466**	**4,487,451**	**2,308,490**		

As of June 30, there remained 150,014 BSA 2s yet to be exercised, representing 77,970 new shares to be issued in Eutelsat Communications S.A.

Mr Berretta (and related persons) executed 1,055,039 BSA 1s during the financial year, resulting in the issue of 548,362 shares in the Company.

Mr Brillaud (and related persons) executed 506,817 BSA 2s during the financial year, resulting in the issue of 263,420 shares in the Company.

9.9.7 Concerning the additional acquisition of Eutelsat S.A. shares

Disposal commitments granted by corporate officers and certain managers in the Group

In exchange for the grant of the ABSA 1s and the ABSA 2s, the corporate officers and key managers signed commitments to buy and sell with the Company concerning the Eutelsat S.A. shares resulting or that might result from exercise of the stock options granted by Eutelsat S.A. under the various "Managers" plans (see note 4.2 to the attached consolidated financial statements), i.e. a total of almost 18.3 million Eutelsat S.A. shares, with the following characteristics:

Commitment to sell:

- granted by each of the managers and corporate officers to Eutelsat Communications;
- exercise price per share at June 30, 2007: 2.70 euros;
- exercise period: for three months after the end of the fiscal lock-in period applicable to each of the tranches of shares concerned.

Commitment to buy:

- granted by Eutelsat Communications;
- exercise price determined based on a valuation of Eutelsat S.A. at 8.5 times the Group's consolidated EBITDA, minus the consolidated net debt of Eutelsat S.A. (or increased by net cash and cash equivalents);
- exercise period: for each of the share tranches concerned, one month after the end of the exercise period of the corresponding commitment to sell.

Pursuant to the provisions of the commitments to sell described above, the corporate officers and certain key managers of Eutelsat S.A., who benefited from shares issued as a result of the exercise of "Manager 2" options sold to Satbirds 2 S.A.S. a total of 2,794,516 Eutelsat S.A. shares in February 2007, including 1,283,846 shares sold by related persons of Mr Berretta, Chairman and CEO (for a price of 2.70 euros per share) and 438,087 shares sold by related persons of Mr Brillaud, Deputy CEO (for a price of 2.70 euros per share).

Liquidity offer (November 2006)

Through its subsidiary Satbirds 2 S.A.S., the Company proposed to all the beneficiaries of options granted under the "Partners" and "Managers 1 and 2" plans and to the beneficiaries of the share purchase plans of March and April 2004 to buy back their shares in November 2006 (Liquidity Offer) at the unit price of 4.68 euros per Eutelsat S.A. share (4.43 euros ex dividend).

The liquidity offer closed on November 24, 2006. It should be stressed that this buy-back offer expressly excluded the shares deriving from options exercised as part of the "Manager 2" Plan by certain beneficiaries who had entered into a commitment towards the Company and its subsidiaries to sell their shares on July 15, 2005.

During the liquidity offer, 798,871 shares were transferred by beneficiaries to the Eutelsat Communications subsidiary, Satbirds 2 S.A.S.

Liquidity offer (March 2007)

Through its subsidiary Satbirds 2 S.A.S., the Company proposed to all the beneficiaries of options granted under the "Partners" and "Managers 1 and 2" plans and to the beneficiaries of the share purchase plans of March and April 2004 to buy back their shares in March 2007 (Liquidity Offer) at the unit price of 5.08 euros per Eutelsat S.A. share.

During the liquidity offer, 838,156 shares were transferred by beneficiaries to the Eutelsat Communications subsidiary, Satbirds 2 S.A.S.

Future liquidity offers

You are reminded of the Company's commitment to the employee shareholders of Eutelsat S.A. or beneficiaries of Eutelsat S.A. stock options or share purchase options (excluding the corporate officers and managers who entered into a commitment to sell – see sub-section 9.9.7 above) to set up a liquidity mechanism for their Eutelsat S.A. securities in the event of a Eutelsat Communications IPO. Therefore, the Company's Board of Directors decided to set up a liquidity offer, which took the form of a cash offer to purchase Eutelsat S.A. shares from the employees of the Group holding Eutelsat S.A. shares, or the issue of new Eutelsat Communications shares in return for the contribution of their Eutelsat S.A. shares. As of the date of this report, the number of Eutelsat S.A. shares that could be transferred or contributed was 2,017,084 shares.

This liquidity offer will open after a period of 20 trading days following publication of the Group's annual results and will close on September 15, 2007. The purchase price or parity of exchange price will be determined with reference to the average price of the Eutelsat Communications share during a period of 20 trading days, and by taking into account all the net bank debt of companies in the Group that are not included in the Eutelsat S.A. sub-Group.

10 OTHER INFORMATION PRESENTED

>> 10.1 Research and Development

Research and development activities mainly involve multimedia activities. No development costs were capitalised as of June 30, 2007.

>> 10.2 Table of results for the last five financial periods

As required by Article 148 of Decree No. 67-236 of March 23, 1967, a table showing our Company's results over each of the last five financial periods (see Annex 3) has been attached to this report; the first period shown is the one in which the Company was first set up.

>> 10.3 Non-deductible charges and expenses during the year ended June 30, 2007

Non-deductible charges and expenses for the financial year ended June 30, 2007 were 696,000 euros.

>> 10.4 Agreements referred to in Article L. 225-38 of the Commercial Code

In application of Article L. 225-38, the Board authorised the creation of a tax consolidation agreement with Eutelsat Communications Finance S.A.S., Satbirds 2 S.A.S., WhiteBirds France S.A.S. and Eutelsat S.A.

You are also informed that our subsidiary Eutelsat S.A. entered into an agreement with a related party whereby, if certain conditions are met by September 15, 2007, the Group could receive an amount of 25 million euros in return for relinquishing certain rights within an equity interest.

>> 10.5 Share purchases by the Company

The Company did not directly carry out any purchases of its shares during the year ended June 30, 2007. However, the Company concluded a liquidity contract with the Société Générale, whereby the liquidity agent acquired a total of 7,912 shares in the name of and on behalf of the Company as of June 30, 2007.

>> 10.6 Employee holdings in the Company's share capital

More information is given in note 12 to the annual financial statements and in the special report by the Board of Directors drawn up under Article L. 225-177 and L. 225-197 of the Commercial Code.

You are reminded that on the occasion of the IPO, employees of the Group were able to subscribe at preferential conditions to 196,099 shares in the Company, representing less than 0.01 % of the Company's share capital. During the financial year, 1,708,490 new shares were issued as a result of the exercise of subscription warrants by some of the Group's managers, representing 0.78% of the Company's share capital.

>> 10.7 Dividend policy

Because it was only recently created, the Company did not pay any dividends over the past year. It did distribute an amount of 0.54 euro per share, which was taken from the Additional Paid In Capital account.

>> 10.8 Allocation of the result

At its meeting on July 25, 2007, the Board of Directors decided to allocate the net result for the year, which show a loss of 20,080,614.66 euros to the Additional Paid In Capital account, which will consequently be reduced from 776,134,878.66 euros to 738,702,878.47 euros.

In addition, you are informed that the Board meeting of July 25, 2007 decided to propose to the General Meeting of Shareholders to be held on November 9, 2007 the distribution of 0.58 euro per share, to be taken from the Company's Additional Paid-In Capital account.

>> 10.9 Delegations of authority to the Board of Directors by General Meetings of Shareholders

The table below gives a summary of the delegations of powers granted to the Board by the Company's Extraordinary General Meeting of Shareholders and still in force as of June 30, 2007:

Delegation of authority to the Board of Directors	Nominal Maximum Amount of the Capital Increase *(in euros)*	Duration of the powers delegated
1. Delegation of authority to the Board to increase the capital while maintaining shareholders' preferential subscription rights	120 million	26 months
2. Delegation of authority to the Board to increase the capital, suspending shareholders' preferential subscription rights and making a public offering	120 million(1)	26 months
3. Delegation of authority to the Board to increase the number of shares to be issued in the event of a capital increase under points 1 and 2	15% of the initial issue amount(1)	26 months
4. Delegation of authority to the Board to increase the capital by including reserves, profits, premiums & other capitalisable amounts	100 million(1)	26 months
5. Delegation of authority to the Board to increase the capital to remunerate the contributions in kind given to the Company (Art. 225-147)	10% of the share capital	26 months
6. Capital increase to benefit the members of a savings plan	2 million(1)	26 months
7. Authorisation given to the Board of Directors to buy back shares	10% of the share capital for a maximum amount of 400 million euros 150% of the average share price over 20 trading days	12 months
8. Delegation of authority to the Board to reduce the capital by cancelling shares purchased	10% of the share capital	18 months
9. Delegation of authority to the Board to issue free share subscription warrants	100% of the share capital	18 months
MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION/ALLOCATION		
10. Allocation of Company share subscription or share purchase options	6 million(2)	38 months
11. Free allocation of new or existing Company shares	6 million(2)	38 months

(1) Up to the overall par ceiling specified in point 1, i.e. 120 million euros.
(2) These two amounts are not cumulative. The maximum number of shares under points 10 and 11 is a total of 6 million shares.

Only the authority delegated under points 7 and 10 in the above table were used by the Board during the financial year:

- for the purpose of a liquidity contract for the secondary market;
- for the purpose of allotting free shares to the employees, managers and corporate officers of the Group.

>> 10.10 Environmental information

The Group believes that its business as operator of fixed satellite communications services does not pose any significant risks to the environment. In fact, its business as a satellite operator does not involve any manufacturing process posing a serious threat to the environment, rare or non-renewable resources, natural resources or bio-diversity. The Group's assets are mainly satellites in geostationary orbit 36,000 kilometres from the earth.

In the absence of any regulations or applicable legislation relating to de-orbiting manoeuvres, the Group adheres to the principles discussed at international level by the Inter-Agency Space Debris Coordination Committee and the United Nations Committee on the Peaceful Uses of Outer Space.

For the purposes of its business, the Group also operates earth stations with antennas to transmit and receive radio signals to and from its satellite fleet. All these facilities obey current environmental legislation, especially in terms of the regulations applying to the radiation of radio signals.

>> 10.11 Proposed schedule for the release of financial information

The dates given below are given for guidance purposes only and may be changed at any time by the Company.

- October 23, 2007: Publication of first-quarter revenues;
- November 9, 2007: General Meeting of Shareholders;
- February 2008: Publication of second-quarter revenues and half-year results;
- May 2008: Publication of third-quarter revenues;
- July 2008: Publication of results for the financial year ending June 30, 2008.

>> 10.12 Post balance sheet events

S band: on July 25, 2007, the European Commission authorised the establishment of a joint venture with SES ASTRA for the purpose of operating a payload in S band on the W2A satellite, mainly to carry mobile television and bidirectional services (see Section 4 for further information about W2A).

Ka-Sat: on July 25, 2007, the Board of Directors authorised the Group to acquire a satellite in Ka band. The order should be placed during the current financial year, with launch and entry into operational service of this new infrastructure satellite in 2010-2011.

The new satellite will serve Extended Europe via a highly concentrated system of small multi-spotbeams, allowing the same frequency spectrum to be re-used many times by the various spotbeams and thereby increasing the satellite's overall transmission capacity. The system architecture should allow a substantial reduction in the cost of access for customers wishing to use this capacity, estimated as being by up to a factor of 6X to 8X.

The main target applications for this infrastructure satellite are the supply of capacity for satellite broadband Internet access solutions and the supply of capacity for local or regional television as well as professional telecommunications or television networks.

Combined with a terrestrial infrastructure based on the use of DOCSIS technology for the receive terminals, which is expected to bring down the cost of end-user terminals to below €300, this Ka-band satellite will mean that the Group's customers at the 13°E HOT BIRD™ position will be able to take advantage not just of the TV service offering at that position, but also a broadband Internet access solution available at more competitive tariff conditions and serving homes located at the edge of the broadband terrestrial networks or in areas not covered by the terrestrial networks. Market surveys estimate that the total number of such homes will reach almost 17.5 million by 2010 on the European continent and in Turkey.

TOOWAY™: starting in September 2007, the Group launched TOOWAY™, a new generation service offering consumer access to the Internet by satellite in Ka band for European homes in rural areas or at the edge of the broadband terrestrial networks.

Free-share programme: the Board of Directors dated July 25, 2007 decided to grant a Free-Share Plan for the Group's staff, key managers and corporate officers under Article L. 225-185 amounting to a total of 474,831 Company shares. The shares will be acquired in respect of FY 2007-2008 and FY 2008-2009, provided certain objectives determined by the Board are achieved or exceeded (amount of EBITDA and the share price).

Under this programme, the Board of Directors granted 76,431 and 25,991 free shares respectively to Mr Berretta and Mr Brillaud, which will be acquired progressively depending on certain objectives determined by the Board being achieved.

The Board of Directors dated July 25, 2007 also allocated 400 free shares under this programme to each employee of the Group, subject to the above conditions.

11 PRINCIPAL RISKS FOR THE GROUP

The Group's risks can be divided into three categories:

- risks related to the Group's fleet of satellites and the investments associated with deployment;
- risks related to changes in the satellite telecommunications market;
- financial and other risks.

This Section summarises the principal risks to which the Group may be exposed in the context of its businesses. The risks described are presented as illustrations and are not exhaustive. These risks, or other risks not identified at the date of this report, or considered by the Group to be insignificant at the date of this report, could have a negative impact on the business activities, financial position, results or growth prospects of the Group. Moreover, it should be noted that some of the risks described in this report or certain risks not mentioned here may be triggered or occur because of external factors or cases of force majeure, and such risks are independent of the Group's actions.

>> 11.1 Risks related to the Group's fleet of satellites and the investments associated with deployment

The Group might be unable to adhere to its schedule for the launch or activation of its new satellites.

The Group plans to launch five new satellites (HOT BIRD™9, BIRD™10, W2M, W2A, W7) over the next years. These satellites are intended to continue service provided by certain satellites currently in operation. The HOT BIRD™9 and HOT BIRD™10 satellites will also reinforce inter-satellite redundancy at the HOT BIRD™ position and enable the redeployment of certain satellites to other orbital positions. It is possible that the schedule for the launch of these new satellites may not be kept or that the launches will fail. A significant delay or launch failure for one of these satellites would harm the Group's ability to meet its contractual commitments to ensure continuity of service for its clients and end users and to meet its growth targets. Any significant delay or launch failure for one of these satellites could also have a material unfavourable effect 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 delays may prevent the Group from finding new commercial opportunities and thus weaken its ability to achieve its growth strategy, which could have a significant negative impact on its business, financial position and results.

Satellites operated by the Group could break down or malfunction in orbit.

Satellites are sophisticated devices and are sensitive to the external environmental. Once in orbit, malfunctions may occur for various reasons and lead to a decrease in their remaining operational life and/or a permanent or intermittent reduction in a satellite's transmission capacity, which could have a significant negative impact on the Group's business, financial situation and results.

Some of the Group's satellites have suffered during this financial year or the previous financial year from in-orbit malfunction which has resulted in a significant reduction in their transmission capacity or their estimated remaining lifetime. In addition some satellites have in the past lost some of their equipment and are using their redundant in-orbit equipment.

If a satellite breaks down or malfunctions while in orbit, the Group cannot guarantee that it will be able to ensure continuity of service for its customers by using redundant equipment or the back-up capacity of another satellite, particularly due to the lack of available satellite capacity appropriate for the needs of the customers concerned. If there is a malfunction in orbit, the Group could find it difficult to retain its customers (who may terminate or renegotiate their capacity allotment agreement) and may not be able to sign new contracts allocating capacity on satisfactory terms. Such breakdowns or malfunctions could have a significant negative effect on the Group's business, financial position and results.

The Group has not obtained insurance coverage for all the satellites in orbit that it owns, and these policies may not protect it against all damage suffered by its satellites.

The Group has currently implemented a programme of orbit lifetime insurance covering 16 of the satellites it owns for their net book value. These policies cover partial losses, and/or any total deemed loss of the insured satellites, under certain conditions. Despite partial or full coverage by insurance, a breakdown or loss of one or more of the Group's satellites could have a significant negative impact on the Group's business, financial situation and results

The in-orbit insurance policies taken out by the Group contain standard exclusion clauses, as well as specific exclusion clauses, relating to possible breakdown risks for particular satellites. In case of losses resulting from an incident or involving a piece of equipment excluded from these policies, the damage suffered would not be indemnified. In addition, some partial losses or total deemed losses may not be fully indemnified under the insurance programme in force. Moreover, this insurance programme does not protect against certain types of damage or loss, such as lost opportunities, interruptions in activity, delays in entry into service and lost revenues. Finally, the insurance company may dispute the causes of the breakdowns or malfunction, or the amount of the losses suffered by the Group. The Group cannot guarantee that, in the event of breakdowns or proven malfunction of one of the satellites covered under past insurance programmes, that the insurance will indemnify the Group within a reasonable period or for the amount claimed as reparation by the Group. A lack of indemnification or a late or partial indemnification for the losses suffered could have a significant negative impact on the Group's business, financial position and results.

Technological changes could render the Group's satellite telecommunications system obsolete.

The telecommunications industry is subject to rapid technological changes. If the Group is not able to adapt to these changes quickly and effectively, its satellite telecommunications system could become obsolete. As a result, the Group's competitive position could be weakened, particularly if its competitors are able to adopt these new technologies. If the Group's satellite telecommunications system were to become obsolete, the demand for its services could be reduced, which could have a significant negative impact on the Group's business, financial situation and results.

The Group is dependent on several major suppliers.

The number of manufacturers able to design and build satellites according to the technical specifications and standards of quality required by the Group is small, as is the number of agencies able to launch such satellites. Also, launch service operators have recently indicated their desire to increase prices. The small number of these suppliers may reduce the Group's ability to negotiate and could mean that it obtains less favourable financial terms. This small number of suppliers may make it difficult for the Group to implement its deployment programme according to the desired schedule. In addition, the Group is exposed to the risk that its suppliers will have operational or financial difficulties, that they will file for bankruptcy or be involved in legal proceedings related to intellectual property rights. The limited number of suppliers could thus have a significant negative impact on the Group's business, financial position and results.

>> 11.2 Risks related to changes in the satellite telecommunications market

The Group could be unable to meet requests for the lease of satellite capacity at certain orbital positions.

In certain frequency bands (Ku band and C band) and/or in Extended Europe, available satellite capacity is currently significantly lower than demand. This situation could last, and it is mainly due to the time difference between the long investment and operational cycles for satellites on the one hand, and the effect of the prevailing economic situation with respect to fluctuations in demand.

Given the utilisation rate of its satellite capacity, the Group could be unable to meet requests for additional capacity from existing customers at certain orbital positions. These customers might then lease their additional capacity from other operators and/or decide to terminate their contracts with the Group and to transfer all the capacity they lease from the Group to other satellite operators with capacity available. This could have a significant negative impact on the business, financial position and results of the Group.

Moreover, due to the utilisation rate for its satellite capacity and the limited number of customers and/or end users of satellite capacity, the Group could be unable to meet demand from new customers if there continues to be insufficient capacity available. This could have a significant negative impact on the Group's prospects and on its ability to achieve its objectives in terms of growth.

The Group's business is sensitive to changes in demand by video service users.

The audiovisual industry is a market that is sensitive to changes in advertising budgets and household spending, which are in turn affected by the overall economy. In recent years, television channels, broadcast platform operators and cable operators have had financial difficulties because of a decline in their advertising revenues and a general economic slowdown. Some have filed for bankruptcy or have had to restructure. The Group cannot be certain that the audiovisual industry, which forms a significant percentage of its user base, will not be affected again by a deterioration in the economic context that would drive down demand or generate additional pressures on prices. Such a deterioration could have a significant negative impact on the Group's business, financial position and results.

The consolidation of satellite broadcast platform operators and/or cable operators that has already occurred in Spain, Poland and Italy continues in Europe, in particular the completion of the merger between TPS and Canal+ in France.

The continuation of the trend towards consolidation could also offer broadcast platform operators or cable operators greater negotiating room with satellite operators or their distributors, thus creating additional price pressures. This type of consolidation could then have a substantial negative impact on the Group's business, financial position and results. The implementation of new technical broadcast standards, which has led, and could lead in the future, to an increase in the signal compression rate, has reduced and could further reduce transponder demand for a given number of channels. If this reduction is not offset by an increase in the number of channels transmitted, total demand for transponders could decline, which could have a significant negative impact on the Group's business, financial position and results.

The Group's development depends particularly on prospects for growth in demand for satellite services. This demand may not become a reality, or the Group may be unable to meet it.

The development of the Group depends particularly on the prospects for growth in the demand for video services, which is partially driven by the expected development of direct broadcasting (Direct To Home – DTH) in emerging countries and in high-definition television (HDTV). This demand may not arise. In addition, the Group may not be in a position to make the investments necessary at the right time to meet this demand. In particular, as HDTV uses more satellite capacity than the current satellite broadcast standard, the Group might not be able to invest in additional satellites at the appropriate time or in the proportion that will allow it to meet market demand. If the demand for video services does not increase, or if the Group is unable to meet this demand, this could have a significant negative impact on its business, financial position and results.

The development of value added services (particularly IP access solutions) is another vector in the Group's strategy. This development will depend in part on the continued growth in the demand for broadband Internet services, which is not certain and is hard to predict. Demand for broadband Internet services could decline or stop growing as rapidly as it has in recent years. In addition, even if this demand continued to grow, the Group cannot be certain that this growth will generate increased demand for satellite services due to access costs to satellite capacity. Moreover, the Group may not be able to provide the broadband Internet services to meet market demands, or at competitive rates. If the demand for satellite broadband Internet services does not expand as expected, or if the Group is not in a position to meet this demand satisfactorily, this could have a significant negative impact on its business, financial position and results.

The growth of the Group's businesses also depends on its capacity in the various frequency bands requested by customers. Available capacity is insufficient for certain frequency bands, and this shortage could have a significant negative impact on the Group's ability to satisfy its customers needing capacity in this band.

The Group is exposed to risks resulting from the international nature of its customers and its business.

The Group provides satellite telecommunications services to customers in about 150 countries, and could expand into other countries. As a result, the Group is exposed to geopolitical, economic and other risks related to the international nature of its commercial operations. Tariff, fiscal, regulatory and customs policies governing the services provided by the Group, commercial practices in certain countries, or their political or economic instability, could prevent the Group from implementing its growth strategy and, therefore, have a significant negative impact on its business, financial position and results.

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

The Group records a significant percentage of its revenues in Multi-usage leases, which depend heavily on the international political and economic context.

In recent years, the Group has generated a significant percentage of its revenues (7.3 % of Group revenues for the financial year ended June 30, 2007) in the Multi-usage services segment. This segment includes direct or indirect provision of services to governments, particularly in the United States. Obtaining and/or renewing capacity allotment agreements in this segment depends to a large extent on the international political and economic climate. Therefore, the Group cannot be certain that it will be able to continue to generate revenues from these contracts.

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

The Group is dependent on several major customers.

The Group generates a significant portion of its revenues from a small number of customers who are mostly telecommunications operators. As of June 30, 2007, the Group's ten biggest customers represented 56% of its revenues. Any of the Group's major customers could decide (i) to terminate their contracts, (ii) not to renew them, or (iii) to renew them on conditions, particularly price conditions, that are less favourable for the Group, which could have a significant negative impact on the Group's business, financial situation and results.

In addition, major customers in term of capacity and or revenues, positioned especially in emerging markets could encounter or have already encountered financial difficulties, which could result, for example, in payment delays or unpaid invoices which could lead to the termination of the corresponding leases, without the Group being able to replace the defaulting customers with new customers. This too could have a significant negative impact on the Group's business, financial position and results.

The Group has to face substantial competition from satellite operators and terrestrial network operators.

The Group has to face substantial competition from international, national and regional satellite operators. The Group's principal competitors are the other major international satellite operators, such as SES Global and Intelsat. These rivals offer more satellite capacity or greater geographical coverage than the Group, and may have more substantial financial resources. The Group also competes with regional or national satellite operators, some of which enjoy advantages (tax or regulatory, for example) in their domestic market. Intensified competition among satellite operators could lead to increased pressure on prices, which could have a significant negative impact on the Group's business, financial position and results.

The Group also competes with terrestrial network operators (cable, fibre, DSL, microwave broadcast and VHF/UHF transmission, particularly digital) for many transmission and value added services, particularly for broadband IP access, and also for the transmission of audiovisual programmes (ADSL TV, DTT). The acceleration of this competition could generate increased pressure on prices for telecommunications and satellite broadcast services. In addition, any improvement or expansion in the geographical presence of the terrestrial network operators could lead the Group's customers to choose the telecommunications solutions proposed by these operators and make it more difficult for the Group to retain or expand its customer portfolio. Finally, certain technological innovations that may be developed in the future with alternative solutions to satellite could render satellite technology obsolete. More intense competition with the terrestrial network operators could, therefore, have a significant negative impact on the Group's business, financial position and results.

>> 11.3 Financial and other risks

The Group has a significant level of debt. Any increase in the interest rate could result in an increase in the Group's debt expense.

The amounts due for the current loans bear interest at a variable rate plus a margin. The Group has set up hedging operations to cover the interest rate risk for many of the amounts drawn on these lines of credit for a specific period of time. However, as of this date, the Group does not hedge its entire exposure to interest-rate risk. As a result, an increase in the applicable reference interest rates could have a significant negative impact on the Group's business, financial position and results.

A change in the Group's debt rating could affect the cost and terms of its debt and its capacity to obtain financing.

The Group's debt instruments are rated by the independent ratings agencies Moody's Investor Service and Standard & Poor's. These ratings affect the cost and terms of credit lines for the Group. Future ratings downgrades, if they occurred, would probably affect the Group's ability to obtain financing and the conditions associated with that financing. The Group cannot guarantee that it will be able to take measures enabling it to strengthen or maintain its ratings, nor that the agencies will consider that the measures taken by the Group for this purpose are adequate. Furthermore, factors beyond the Group's control, such as those associated with its business sector as well as the geographical regions in which it operates, may affect its rating by these agencies. As a result, 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.

The Company is a holding company which depends on its subsidiaries for the resources necessary to pay dividends. The distribution capacity of its subsidiaries may be subject to certain constraints.

The Company is a holding company, which does not have operating assets and has only a limited ability to generate revenues. The Company therefore relies on its subsidiaries to have the necessary resources to pay any dividends or for any other form of distribution to its shareholders.

The amounts that can be distributed by Eutelsat S.A. could be substantially affected by its expenses, whether or not these result in disbursals, particularly by any impairment of the assets recorded in its financial statements. In the past, Eutelsat S.A. has recorded significant impairment of its assets, and it may have to do so in the future. The fact that the Company is a holding company and that the distribution capacity of its subsidiaries is subject to certain constraints could, therefore, have a significant negative impact on its financial position, results and distribution capabilities.

The Group could face new demands for financing related to the financial guarantee it gives to the Closed Pension Fund of the IGO.

Before the formation of Eutelsat S.A., the IGO managed a pension fund (the "Closed Pension Fund") for its staff. The rights of the beneficiaries of the Closed Pension Fund were fixed, and the management of this fund and the corresponding assets was assigned to a trust (which was also assigned to manage the corresponding pension commitments). Under the Transfer Agreement signed on July 2, 2001, Eutelsat S.A. assumed the unlimited financial guarantee given by the IGO to cover any insufficiency in the Pension Fund financing. Any insufficient financing in the Closed Pension Fund could create new obligations for the Group under the financial guarantee, which could have a significant negative impact on the Group's business, financial position and results.

The Group is exposed to foreign currency exchange risk

A portion of the Group's business is conducted outside Europe. Most of the Group's customers pay for its services in euros, and the Group presents its financial results in euros. However, some of the Group's customers pay in U.S. dollars, and because developing its business outside Europe is a key part of its strategy, this proportion could increase as the Group expands its business to countries located outside the euro zone. This geographical expansion could increase the exchange risk of the euro against the U.S. dollar for the Group. Fluctuations in the exchange rate could result in a price increase for the Group's capacity and services when they are paid for in currencies other than the euro. These fluctuations could then reduce the demand by customers paying in currencies other than the euro. Even in the absence of fluctuation in demand, fluctuations in exchange rates could have an impact on the Group's revenues because a portion of these revenues is in a currency other than the euro. Also, the Group's customers located in emerging countries could have difficulties in obtaining euros or U.S. dollars (particularly due to exchange controls), which could significantly affect their ability to pay in euros or in U.S. dollars, and thereby expose the Group to additional exchange risks. Finally, the Group's contracts with U.S. suppliers (including contracts signed with launch agencies) are denominated in U.S. dollars. The Group generally negotiates forward contracts or call options in U.S. dollars to hedge its payment obligations when a satellite is delivered or after it is launched. However, the Group also has contracts with suppliers that are payable in U.S. dollars for which it does not hedge the risk.

All the foreign exchange risks described above could have a significant negative impact on the Group's business, financial position and results.

Risk concerning shares.

As of June 30, 2007, the Group held no treasury shares (apart from 7,912 shares held as at June 30, 2007 as part of a liquidity agreement entered into with the Société Générale) nor any equity interests in publicly traded companies and does not therefore incur any significant risks in this regard.

The Group provides satellite telecommunications services in a highly regulated environment.

The satellite telecommunications industry in which the Group operates is highly regulated. Changes in policy or regulations at international level within the framework of the International Telecommunication Union, in the European Union, in France, or in the other countries in which the Group operates, could have a significant negative impact on its business or its development, particularly if such changes increase the cost and regulatory requirements associated with providing the Group's services. Such changes could have a significant negative impact on the Group's business, financial position and results.

In particular, the Group must be able to continue to benefit from the existing frequency assignments at the orbital positions at which it operates or the positions to which it may need to redeploy satellites. It must also be able to obtain new frequency assignments, at the same or at new orbital positions, for the future expansion of its activities. The loss of the existing frequency assignments or a failure to obtain new frequency assignments within a timeframe compatible with the Group's development plan could have a significant negative impact on the Group's business, financial position and results.

Finally, certain States could decide to impose a system of taxes on satellite operators for the reception of satellite transmissions on their territory. Such a development could have a significant negative effect on the Group's business, financial position and results.

ANNEXES

>> A.1 Financial results of the Company for the last five financial periods (Art. 133, 135 and 148 of the decree on commercial companies)

Nature of the information	March 2005 *(two months)*	June 2005 *(three months)*	June 2006 *(twelve months)*	June 2007 *(twelve months)*
I - CAPITAL AT END OF PERIOD				
a) Share capital	37,000	278,732,598	215,692,592	217,401,082
b) Existing number of ordinary shares	37,000	278,732,598	215,692,592	217,401,082
c) Maximum number of future shares to be created:				
- By the exercise of BSA 1 stock warrants			548,362	0
- By the exercise of BSA 2 stock warrants			1,238,097	77,969
II - OPERATIONS AND RESULTS FOR THE PERIOD				
a) Revenues (excluding taxes)	0	0	1,197,900	1,422,474
b) Result before mandatory profit-sharing, taxes & calculated charges (depreciation and provisions)	(700)	(13,217,299)	(3,145,328)	(17,173,689)
c) Income-tax expense	0	0	0	(79,084)
d) Mandatory profit-sharing for the period	0	0	0	0
e) Result after mandatory profit-sharing, taxes & calculated charges (depreciation and provisions)	(700)	(13,217,299)	(3,235,692)	(20,080,615)
f) Distribution				
III - EARNINGS PER SHARE				
a) Earnings after mandatory profit-sharing & taxes but before calculated charges (depreciation and provisions)	(0,02)	(0,05)	(0,01)	(0,08)
b) Earnings after mandatory profit-sharing, taxes & calculated charges (depreciation and provisions)	(0,02)	(0,05)	(0,02)	(0,09)
c) Dividend allocated to each share	0,00	0,00	0,00	0,00
IV - STAFF				
a) Average head-count			1	1
b) Payroll for the period			1,357,333	1,105,997
c) Amount paid as social benefits for the period			421,749	275,070

>> A.2 External 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%**

>> A.3 Report of the Chairman of the Board of Directors of Eutelsat Communications in application of article L. 225-37 of the Commercial Code

Dear Shareholders,

In accordance with Article L. 225-37 of the *Code de Commerce*, 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 30 June 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 30 June 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 *Code de Commerce*.

This situation has not been altered by the changes in the composition of the Company’s share capital over the year. Consequently, at 30 June 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 *Code de Commerce*.

2 Governance of the Company

2.1 Exercise of the functions of Chairman and CEO

Under Article 148 of the decree of 23 March 1967, the Board of Directors decided at its meeting of 31 August 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 10 November 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 accounts of the Company for the year ending 30 June 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 28 February 2007, the Board of Directors meeting on 25 July 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[1] and CDC-Infrastructures[2] respectively on 23 January 2007 and 14 February 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	Term of office
Patrick SAYER	31/08/2005	06/04/2007	Jean-Luc ARCHAMBAULT	10/05/2007	OGM accounts 30 June 2011
Gilbert SAADA	31/08/2005	06/04/2007	Bertrand MABILLE	10/05/2007	OGM accounts 30 June 2011
BlueBirds 2 Participations	31/08/2005	14/02/2007	CDC Infrastructures represented by Jean BENSAÏD	14/02/2007	OGM accounts 30 June 2011
CB Luxembourg 3	31/08/2005	23/01/2007	Carlos SAGASTA-REUSSI	23/01/2007	OGM accounts 30 June 2011
GS 2000 Eurovision Holding	31/08/2005	23/01/2007	Gimeno TOBIAS-MARTINEZ	23/01/2007	OGM accounts 30 June 2011
Geoffrey FINK	28/06/2006	23/01/2007	Andrea LUMINARI	23/01/2007	OGM accounts 30 June 2011
William COLLATOS	31/08/2005	23/01/2007	Carlos ESPINOS-GOMEZ	23/01/2007	OGM accounts 30 June 2011
Lord John BIRT	10/11/2006	NA	NA	NA	OGM accounts 30 June 2012
Frank DANGEARD	10/11/2006	28/02/2007	Pier Francesco GUARGUAGLINI	25/07/2007	OGM accounts 30 June 2012
Giuliano BERRETTA	31/08/2005	NA	NA	NA	OGM accounts 30 June 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 30 June 2007.

2.4 Mission of the Board of Directors

Under Article L. 225.35 of the *Code de Commerce*, 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.

These decisions can be grouped under the following headings:

Operations affecting the bylaws: Any operation that results in an increase in the Company's capital or a modification of the Company's bylaws 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.

(1) ABERTIS TELECOM is a fully-owned subsidiary of the ABERTIS Group.

(2) CDC-INFRASTRUCTURES is a fully-owned subsidiary of the Caisse des Dépôts et Consignations.

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 business 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 10 May 2007 allocated free shares to all the Group's employees and key managers. In accordance with Article L. 225-197 of the *Code de Commerce*, allotment of these free shares will become absolute provided the beneficiaries are still with the Group in two years time (i.e. on 10 May 2009) and will only be available after a further period of two years has expired, i.e. as of 11 May 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 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 5-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 5-Year Strategic Plan and to the legal provisions governing the preparation of the accounts.

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 5-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 25 July 2007.

Similarly, the Group's consolidated Annual Budget, which fixes 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 28 June 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.

Additionally, under Article L. 232.2 of the *Code de Commerce*, the Board of Directors adopts the management planning documents for the Company in October and April of each year, at the latest.

2.7.3 Investment decisions

Under the internal rules, the Board of Directors has to decide on any capital expenditure in excess of the pre-determined 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 bylaws and its internal rules, the Board of Directors is informed whenever statutory thresholds are exceeded. 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 25 November 2006.

It should be noted that the process was abandoned on 10 December 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 23 January 2007 and the transaction conducted by the *Caisse des Dépôts et Consignations* was closed on 14 February 2007.

2.8.2 Declarations that certain thresholds have been exceeded

Under the bylaws, the Board of Directors is informed whenever public shareholders send notice that a threshold has been exceeded.

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 regulated agreements

Apart from the employment contract between Mr Berretta and Eutelsat S.A., there is as of 30 June 2007 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 28 June 2007, the Board of Directors authorised the conclusion of a tax consolidation agreement with the Eutelsat S.A., SatBirds 2 SAS and WhiteBirds SAS companies under Article L. 225-38 of the *Code de Commerce* on regulated 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 30 June 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 30 June 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'Épargne 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 Lysios SAS
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 *mandataires sociaux*

The Board of Directors meeting of 10 May 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 *Code de Commerce*, allotment of these free shares will become absolute provided the beneficiaries are still with the Group in two years time (i.e. on 10 May 2009) and will only be available after a further period of two years has expired, i.e. as of 11 May 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 30 June 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 22 December 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 22 December 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 SAS, SatBirds 2 SAS and WhiteBirds France SAS 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 30 June 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 here is to ensure continuity for the telecommunications service provided to our customers and end-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:

- communicated to the Group's Management;
- reviewed internally by Eutelsat S.A.'s technical experts; and
- 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:

- to verify that the recommendations expressed in the course of the previous audit have been properly implemented;
- 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);
- 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 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 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 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. In 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:

- 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;
- draw up an action plan and lead a cross-department security committee responsible for monitoring its implementation;
- evaluate the protective measures in place (organisational and technical);
- 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 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 equity interests.

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 bylaws.

These subsidiaries are simplified stock corporations 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 bylaws 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 bylaws, 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 1 July 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 in the application and kept.

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 delegations of authority

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, delegations of authority or of signature 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 Department, which ensures that they are 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:

- validation by Management of a budget envelope per project/activity as part of an annual budget approved by the Board of Directors;
- 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 pre-determined 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, and 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. 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 US dollars. During the year ended 30 June 2007, the Group only purchased foreign-exchange options (Call euros / Put US dollars).

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.

>> A.4 Special report of the Board of Directors on operations carried out under articles L. 225-177 and L. 225-197 of the Commercial Code relating to stock-option plans and plans to grant free shares

Ladies, Gentlemen, Shareholders,

In accordance with Article L. 225-184 and L. 225-197-4 of the *Code de Commerce*, we are pleased to report on the operations that took place during the financial year under Article L. 225-177 on stock options and Article L. 225-197 of the *Code de Commerce* on allocations of free shares.

No new stock-option plan was introduced within the Company in the course of the financial year. We would remind you, however, that stock-option plans are currently in force in our subsidiary Company Eutelsat S. A. (more than 95% of which is indirectly owned).

1 Report on the programme for the grant of free shares (L. 225-197)

The Extraordinary General Meeting of 6 October 2005 gave the Board of Directors full powers to grant free shares under Article L. 225-197 to the Company's employees and to employees of the companies controlled by the Company. The free shares were to be granted in one or more instalments and concern up to a maximum of 6 million shares with a nominal value of 1 euro each.

In application of the delegation of authority granted by the General Meeting of Shareholders, the Board of Directors decided on 10 May 2007 to grant 181,825 free shares to all staff in the Eutelsat Group, with a nominal value of 1 euro each. The value of each share at the grant date was fixed at 18.30 euros, this being the price quoted for the Company's shares on the date of the Board meeting. Conditions were as follows.

The purpose of the Board of Directors' decision was to associate the staff of the Group in the development of the Company.

The free shares were granted to all employees and *mandataires sociaux* who held indefinite employment contracts and who had worked within the Eutelsat Communications Group for at least three months and were effectively being paid as such by their employer at the time the decision was taken to grant the shares.

Definitive acquisition of the shares would be after a period of 2 years reckoned from 11 May 2007, provided the employee was still working for the Group at that time. Beneficiaries are required to keep their shares for a period of 2 years after the effective date of acquisition.

Consequently 469 employees of the Group Eutelsat who fulfilled the conditions for eligibility received a letter notifying them that they had been granted a minimum of 155 free shares in the Company. These shares would be definitively acquired by the employees on 11 May 2009. The total amount involved was €3,327,398 (the value quoted for the share on the grant date was €18.30).

Information is provided below about the grants of free shares to the *mandataires sociaux* of the Group:

Name	First name	Number of shares
BERRETTA	Giuliano	30,000
BRILLAUD	Jean-Paul	10,000

Information is also provided about the ten largest grants of free shares to the Group's managers:

Name	First name	Number of shares
Mc ALLISTER	Philippe	5,700
DUTRONC	Jacques	3,000
MILLIES-LACROIX	Olivier	3,000
PATACCHINI	Arduino	3,000
BEHAR	Izy	2,850
O'CONNOR	Vanessa	2,850
SAMUEL	Ronald	2,850
SAUNDERS	Malcolm Barry	2,600
ARCIDIACONO	Antonio	2,000
BARDELLI	Riccardo	2,000
BLANC	Yves	2,000
CATALDO	Francesco	2,000
GEE	Martin	2,000
GONZALEZ NUNEZ	Ignacio	2,000

2 Report on stock options (L. 225-177)

In previous years, our subsidiary company Eutelsat S.A. introduced during previous financial years stock-option or stock-purchase plans for shares in Eutelsat S.A.

For more details on the evolution of these stock-option or stock-purchase plans, please refer to Note 13 – Shareholders' Equity - to the consolidated financial statements for the financial year ended 30 June 2006.

Our Eutelsat S.A. subsidiary did not offer any new stock-option or stock-purchase plans for shares during the financial year. However, the total number of stock options of our Eutelsat S.A. subsidiary exercised during the year ended 30 June 2007 was 3,718,004.

At its meeting of 28 June 2006, the Board of Directors of Eutelsat Communications, the holding company controlling Eutelsat S.A., decided to make a liquidity offer to Eutelsat S.A. shareholders on a six-monthly basis whereby their Eutelsat S.A. shares could be exchanged for cash, with the method for evaluating the unit price for the Eutelsat S. A. shares being calculated according to a formula similar to the one used for the liquidity offer in December 2005.

Two liquidity offers were therefore proposed to shareholders in November 2006 and March 2007 respectively.

> Liquidity offer (November 2006)

Through its subsidiary SatBirds 2 SAS, the Eutelsat Communications Company made a proposal to all beneficiaries of options granted under the Partners and the Managers 1 and 2 Plans, as well as to beneficiaries under the March and April 2004 stock-purchase plans, offering to buy back their shares in November 2006 at a unit price of €4.68 per Eutelsat S.A. share (€4.43 with coupon detached).

The liquidity offer closed on 24 November 2006. It should be noted that this offer expressly excluded shares exercised under the Managers 2 Plan by certain holders of shares who, on 15 July 2005, had given a commitment to sell their shares to Eutelsat Communications and its subsidiaries.

During the offer period, 798,871 such shares were sold by the shareholders to the Eutelsat Communications subsidiary SatBirds 2 SAS.

> Liquidity offer (March 2007)

Through its subsidiary SatBirds 2 SAS, the Eutelsat Communications Company made a proposal to all beneficiaries of options granted under the Partners and the Managers 1 and 2 Plans, as well as to beneficiaries under the March and April 2004 stock-purchase plans, offering to buy back their shares in March 2007 at a unit price of €5.08 per Eutelsat S.A. share.

During the offer period, 838,156 such shares were sold by the shareholders to the Eutelsat Communications subsidiary SatBirds 2 SAS.

In accordance with the commitment given by certain key employees and *mandataires sociaux* of Eutelsat S.A. to sell the shares that they were holding as a result of exercising Managers 2 options, SatBirds 2 SAS bought their shares from them at a unit price of €2.70 in February 2007. SatBirds 2 SAS bought back a total of 2,794,516 shares under this offer.

2.1 Summary table

The following table shows the total number of shares sold by the *mandataires sociaux* and by each of the 10 employees or former employees who sold the most shares under the liquidity offers and selling operation in the course of the financial year.

Name, first name	Total number of shares sold	Selling price *(in euros)*
BERRETTA[(1)] Giuliano[(2)]	1,283,846	2.70
STEINER Volker	460,167	5.08
BRILLAUD[(1)] Jean-Paul[(2)]	438,087	2.70
BRILLAUD[(1)] Jean-Paul	17,524	5.08
DUTRONC Jacques	174,951	2.70
DUTRONC Jacques	11,575	5.08
MILLIES LACROIX Olivier	107,661	2.70
PATACCHINI Arduino	100,933	2.70
SAMUEL Ronald	94,204	2.70
ROISSE Christian	74,017	4.68
ROISSE Christian	13,459	5.08
CATALDO Francesco	80,747	2.70
BEHAR Izy	74,017	2.70
BEHAR Izy	238	5.08

(1) Messrs Berretta and Brillaud are CEO (and Chairman of the Board) and Deputy CEO respectively.
(2) Including related parties of Messrs Berretta and Brillaud.

3 Options exercised during the financial year ended 30 June 2007

You will find below details of stock options exercised during the financial year ended 30 June 2007 under the stock-option plans in force.

3.1 Options exercised by the *mandataires sociaux*

Name, first name	Function	Total number of options exercised	Exercise price *(in euros)*	Plan
BERRETTA Giuliano	Chairman of the Board and CEO	1,283,846	1.33	Managers 2
BRILLAUD Jean-Paul	Deputy CEO	438,087	1.33	Managers 2

3.2 Exercise of the 10 highest numbers of options by employees and former employees who are not *mandataires sociaux*

List of the ten employees and former employees (not *mandataires sociaux*) having exercised the highest number of options	Total number of options exercised	Exercise price *(in euros)*	Plan
Name, first name			
DUTRONC Jacques	174,951	1.33	Managers 2
MILLIES LACROIX Olivier	107,661	1.33	Managers 2
SAMUEL Ronald	94,204	1.33	Managers 2
SAMUEL Ronald	9,480	1.00	Partners
PATACCHINI Arduino	100,933	1.33	Managers 2
KORUR Ali	71,327	1.33	Managers 2
KORUR Ali	22,273	1.26	Managers 3
ROISSE Christian	87,076	1.33	Managers 2
CATALDO Francesco	80,747	1.33	Managers 2
BEHAR Izy	74,017	1.33	Managers 2
ARCIDIACONO Antonio	67,288	1.33	Managers 2
BARDELLI Riccardo	67,288	1.33	Managers 2

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