Eutelsat Communications Group

***Société anonyme* with a capital of 217 401 082 euros**
Registered office: 70 rue Balard, 75015 Paris
481 043 040 R.C.S. Paris

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2007

Eutelsat Communications
CONSOLIDATED BALANCE SHEET
(in thousands of euros)

ASSETS	Note	30 June 2006	30 June 2007
Non-current assets			
Goodwill	4	750 714	758 179
Intangible assets	4	875 237	829 791
Satellites and other property and equipment, net	5	1 749 597	1 705 635
Prepayments for assets under construction	5	310 116	461 477
Investments in associates	6	117 461	124 599
Financial assets	7	2 955	3 061
Deferred tax assets	19	18 738	1 380
TOTAL NON-CURRENT ASSETS		**3 824 818**	**3 884 122**
Current assets			
Inventories	8	2 257	2 092
Accounts receivable	9	213 716	220 976
Other current assets	10	19 889	28 373
Current tax receivable	18	1 957	8 585
Financial instruments	23	62 613	135 883
Cash and cash equivalents	11	264 055	45 479
TOTAL CURRENT ASSETS		**564 487**	**441 388**
TOTAL ASSETS		**4 389 305**	**4 325 510**

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2006	30 June 2007
Shareholders' equity			
Common stock	12	215 692	217 401
Additional paid-in capital		907 485	776 136
Reserves and retained earnings		16 179	242 522
Minority interests		70 924	75 454
TOTAL SHAREHOLDERS' EQUITY		**1 210 280**	**1 311 513**
Non-current liabilities			
Non-current bank debt	13	2 445 850	2 308 978
Other non-current liabilities	14	76 048	60 466
Other non-current payables and deferred revenues	17	58 483	45 507
Non-current provisions	19	50 333	38 385
Deferred tax liabilities	18	302 985	304 932
TOTAL NON-CURRENT LIABILITIES		**2 933 699**	**2 758 268**
Current liabilities			
Current bank debt	13	29 757	23 185
Other current liabilities	14	19 498	23 273
Accounts payable		42 376	44 048
Fixed assets payable		41 650	61 062
Taxes payable		20 305	
Other current payables and deferred revenues	17	80 140	94 521
Current provisions	16	11 600	9 640
TOTAL CURRENT LIABILITIES		**245 326**	**255 729**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4 389 305**	**4 325 510**

The Notes are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
(in thousands of euros, except per share data)

	Note	Twelve-month period ended 30 June 2006	Twelve-month period ended 30 June 2007
Revenues	20	791 070	829 086
Revenues from operations		**791 070**	**829 086**
Operating costs		(72 664)	(62 526)
Selling, general and administrative expenses		(101 886)	(113 938)
Depreciation and amortisation	4,5	(285 805)	(300 849)
Other operating revenues	24.2	-	37 501
Other operating costs	5	(27 006)	(26 745)
Operating income		**303 709**	**362 529**
Financial income		49 665	16 710
Financial expenses		(229 235)	(124 870)
Financial result	21	**(179 570)**	**(108 160)**
Income from equity investments	6	5 819	7 866
Net income before tax		**129 958**	**262 235**
Income tax expense	18	(89 724)	(92 215)
Net income (loss)		**40 234**	**170 020**
Group share of net income (loss)		30 420	159 377
Minority interests' share of net income		9 814	10 643
Earnings per share attributable to Eutelsat Communications' shareholders	22		
Basic earnings per share in €		0.137	0.732
Diluted earnings per share in €		0.122	0.718

The Notes are an integral part of the consolidated financial statements.

Eutelsat Communications
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands of euros)

	Note	Twelve-month period ended 30 June 2006	Twelve-month period ended 30 June 2007
Cash flow from operating activities			
Net income (loss)		40 234	170 020
Income from equity investments	6	(5 819)	(7 866)
(Gain) / loss on disposal of assets		(18)	224
Other non-operating items		302 121	187 364
Depreciation, amortisation and provisions		307 825	316 549
Deferred taxes	18.1	(10 747)	(4 411)
Accounts receivable		(16 246)	(12 896)
Other current assets		3 760	(6 525)
Accounts payable		3 355	2 738
Other payables and deferred revenues		(28 658)	11 349
Taxes paid		(94 659)	(128 872)
NET CASH INFLOW FROM OPERATING ACTIVITIES		**501 148**	**527 674**
Cash flows from investing activities			
Acquisitions of satellites and other property and equipment	5	(230 858)	(350 065)
Proceeds from sale of assets		250	57
Acquisition of minority interests		(66 988)	(19 914)
Changes in other long-term assets		(1 397)	(109)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(298 993)**	**(370 031)**
Cash flows from financing activities			
Changes in capital		838 516	2 673
Distributions		(12 195)	(124 338)
Additional long-term and short-term debt		1 900 522	1 886
Repayment of long-term and short-term debt		(2 449 997)	(167 280)
Repayment in respect of performance incentives and long-term leases		(66 826)	(15 622)
Interest and other fees paid		(189 127)	(92 971)
Interest received		2 546	10 358
Other cash flows		4 849	1 384
NET CASH FLOWS FROM FINANCING ACTIVITIES		**28 288**	**(383 910)**
Impact of exchange rate on cash and cash equivalents		(19)	(5)
Increase (decrease) in cash and cash equivalents		**230 424**	**(226 272)**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**32 606**	**263 030**
CASH AND CASH EQUIVALENTS, END OF PERIOD		**263 030**	**36 758**

Cash reconciliation			
Cash and cash equivalents	11	264 055	45 474
Overdraft included under debt (1)		(1 025)	(8 716)
Cash and cash equivalents per cash flow statement	**14.2**	**263 030**	**36 758**

(1) Overdrafts are included in determining “Cash and cash equivalents per the cash-flow statement” as they are repayable on demand and form an integral part of the Group’s cash-flow management.

The Notes are an integral part of the consolidated financial statements.

Eutelsat Communications
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(i**n thousands of euros, except share data)**

(in thousands of euros)	Common stock Number	Common stock Amount	Additional paid-in capital	Reserves and retained earnings	Minority interests	Total
30 June 2005	**278 732 598**	**278 733**	**-**	**(25 489)**	**125 158**	**378 402**
Translation adjustment				150	8	158
Changes in fair value of cash-flow hedges				50 507	2 164	52 671
Tax impact				(16 050)	(747)	(16 797)
Income and expenses recognised directly under equity				**34 607**	**1 425**	**36 032**
Net income of the period				30 420	9 814	40 234
Total income and expenses recognised for the period				**65 027**	**11 239**	**76 266**
Issue of capital	(63 040 006)	(63 041)	907 485	79		844 523
Treasury stock				(28)		(28)
Change in scope of consolidation					(36 394)	(36 394)
Distributions					(11 895)	(11 895)
Benefits for employees upon exercising options, and free shares granted				954	49	1 003
ABSA commitments				(19 534)	(58)	(19 592)
Liquidity offer				(4 830)	(17 175)	(22 005)
30 June 2006	**215 692 592**	**215 692**	**907 485**	**16 179**	**70 924**	**1 210 280**
Translation adjustment				(865)	(31)	(896)
Changes in fair value of cash-flow hedges				68 182	697	68 879
Tax impact				(23 475)	(240)	(23 715)
Changes in financial instruments – investments in associates				217	11	228
Tax impact of investments in associates				(76)	(4)	(80)
Income and expenses recognised directly under equity				**43 983**	**433**	**44 416**
Net income of the period				159 377	10 643	170 020
Total income and expenses recognised for the period				**203 360**	**11 076**	**214 436**
Change in capital	1 708 490	1 709	(14 874)	16 453		3 288
Treasury stock				(26)		(26)
Change in scope of consolidation					(1 460)	(1 460)
Distributions			(116 476)		(7 717)	(124 193)
Benefits for employees upon exercising options, and free shares granted				922	(4)	918
ABSA commitments				3 202		3 202
Liquidity offer				2 433	2 635	5 068
30 June 2007	**217 401 082**	**217 401**	**776 135**	**242 523**	**75 454**	**1 311 513**

The Notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: GENERAL OVERVIEW

1.1 – Incorporation

SatBirds was incorporated on 25 February 2005 as a simplified joint stock company (*société par actions simplifiée).* It has been registered in the Register of Commerce and Companies (*Registre du Commerce et des Sociétés*) and its listing will expire on 25 February 2104.

On 4 April 2005, the main direct and indirect shareholders of Eutelsat S.A. contributed and sold their Eutelsat S.A. shares to SatBirds S.A.S., hereinafter referred to as "the Group".

On 31 August 2005, SatBirds changed its corporate name to Eutelsat Communications S.A. Simultaneously, the Company changed its legal form and became a French *société anonyme*.

1.2 – Business

The Eutelsat Communications Group is a private telecommunications satellite operator involved in the design, establishment, operation and maintenance of satellite telecommunications systems covering a large geographical area (extended Europe – including North Africa, Russia and the Middle East – the east of North America, Latin America, sub-Saharan Africa and Asia).

The Group derives from the transfer to Eutelsat S.A. on 2 July 2001 of all of the operating activities, assets, liabilities and commitments of the EUTELSAT Intergovernmental Organisation (IGO). Since then the assignment of frequencies for the use of the frequency spectrum resources used by Eutelsat S.A. in regard to the operation of these satellites continue to be under the joint responsibility of the member countries of the IGO, and of the IGO.

As of 30 June 2007, via Eutelsat S.A., the Group owns and operates 19 satellites in geostationary orbit to provide capacity (its assignment and availability) to major international telecommunications operators and international broadcasting companies, for television and radio broadcasting services, both analogue and digital, for business telecommunications services, multimedia applications and messaging and positioning services. The satellites are operated through five earth stations, located in Belgium (Redu), France (Rambouillet), Italy (Fucino), Portugal (Sintra) and Russia (Dubna).
In addition, the Group uses capacity on certain transponders on five satellites owned by related and unrelated parties.

Five additional satellites (HOT BIRD^{TM}9, W2M and HOT BIRD^{TM}10, W2A and W7) are currently under construction. The first is expected to be launched in 2007/2008, the next three in 2008/2009 and the last in 2009/2010.

1.3 – Approval of the financial statements

The consolidated financial statements at 30 June 2007 were prepared under the responsibility of the Board of Directors (BD), which approved them at its meeting of 25 July 2007.

They will be submitted to the Ordinary General Meeting of Shareholders that will take place on 9 November 2007. This Meeting has the right to modify the financial statements presented to it.

NOTE 2: BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

2.1 – Compliance with IFRS

In accordance with regulation 1602-2002 of the European Union regarding the application of international accounting standards, the Company elected, as from its creation, to issue its consolidated financial statements under the combined framework commonly referred to as IFRS.

The financial statements at 30 June 2007 have therefore been prepared in accordance with IFRS as adopted by the European Union and effective as of that date. They have been prepared on a historical cost basis, except for certain items for which the standards require measurement at fair value.

The IFRS framework includes International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

2.2 – Published standards and interpretations

The following standards and interpretations, whose application is compulsory for financial periods commencing as of 1 July 2006, were taken into account and reviewed by the Group. They are without impact on previous financial periods or on the consolidated financial statements at 30 June 2007.

- IFRIC 4 “Determining Whether an Arrangement Contains a Lease”;
- IFRIC 6 “Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment”;
- the amendment to IAS 39 on “Cash-Flow Hedges for an Intra-Group Transaction”;
- the amendment to IAS 21 “Effects of Changes in Foreign Exchange Rates” relating to net investments in subsidiaries;
- the amendment to IAS 39 “Financial Instruments”: Recognition and Measurement” and IFRS 4 “Insurance Contracts – Financial Guarantee Contracts”;
- the amendment to IAS 19 “Employee Benefits”, which allows immediate recognition within equity of actuarial gains and losses recognised during the period. At this stage, the Group has continued to recognise actuarial gains and losses according to the corridor method;

- IFRIC 7 “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies”;
- IFRIC 8 “Scope of IFRS 2”;
- IFRIC 9 “Reassessment of Embedded Derivatives”.

Additionally, the Group is not concerned by IFRS 6 “Exploration for and Evaluation of Mineral Resources”, the amendments to IFRS 1 “First-Time Adoption” and IFRS 6 “Exploration for and Evaluation of Mineral Resources” relating to the presentation of comparative information, nor by the IFRIC 5 interpretation “Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”.
The Group has not applied any standards or interpretations in advance and, in particular, has not applied any of the following standards which have already been published but whose application is only compulsory for financial periods commencing after 31 December 2006:

- IFRS 7 “Financial Instruments: – Disclosures”, whose date for first-time application is 1 January 2007;
- Amendments to IAS 1 “Presentation of Financial Statements”, disclosures concerning capital, for which application is compulsory as of 1 January 2007;
- IFRS 8 “Operating Segments”, for which application is compulsory for financial periods commencing after 31 December 2008; this text has not yet 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 1 July 2007;
- IFRIC 11 “Group and Treasury Share Transactions”, for which application is compulsory as of 1 March 2007;
- Amendment to IAS 23 “Borrowing Costs”, for which application is compulsory as of 1 January 2009; this text has not yet been approved by the European Union.

The Group is currently analysing the practical impact of these new texts and the effects of applying them in the financial statements.

Finally, the Group is not concerned by Interpretation IFRIC 12 “Service Concession Arrangements”, for which application is compulsory as at 1 January 2008 subject to approval by the European Union.

2.3 – Accounting procedures applied by the Group in the absence of specific accounting standards.

Where no standard or interpretation was applicable to the situations described below, and pending clarifications by the IASB or the IFRIC on these matters, the Group's Management used its judgment to define and apply the accounting procedures that were the most appropriate. These accounting procedures or options based on the judgment of the Group related to additional acquisitions of shares in entities it already controlled (see Note 3.3 – *Acquisition of minority interests*), firm or conditional commitments to purchase minority interests (see Note 3.10.7 - *Firm or conditional commitments to purchase minority interests*).

2.4 – Presentation of the income statement

Operating costs are mainly composed of staff costs and other costs for satellite control and operation, as well as insurance premiums for satellite in-orbit lives.

Selling, general and administrative expenses consist mainly of administrative and commercial staff costs, all marketing and publicity expenses and related general expenses.

2.5 - Use of estimates

The preparation of consolidated financial statements requires Management to make estimates and assumptions that may affect the amounts of assets, liabilities, income and expenses appearing in these financial statements and their accompanying Notes.

Eutelsat Communications constantly updates its estimates using past experience as well as other relevant factors related to the economic environment. Based upon any changes in these assumptions or other factors, amounts that will be shown in future financial statements may differ from present estimates.

These estimates and assumptions relate in particular to:

- recognition of revenues
- impairment of accounts receivable
- provisions for risks and for employee benefits
- the income tax expense and recognition of deferred tax assets
- Determination of goodwill and any impairment thereof
- Fair value measurement of financial instruments

2.6 - Periods presented and comparatives

The financial year of Eutelsat Communications is twelve months ending 30 June.

The functional currency, and the currency used in the presentation of the financial statements, is the euro.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

3.1 – Consolidation method

The companies controlled directly or indirectly by Eutelsat Communications, even if the Company does not directly own any of the equity of these companies, are consolidated using the full consolidation method. Control, which is the power to direct the financial and operational policies, is presumed to exist where the Group holds directly or indirectly more than 50% of voting rights. The determination of control takes into account the existence of potential voting rights, provided that these are immediately exercisable or convertible.

Associate entities over which the Group exerts significant influence (generally between 20% and 50% of voting rights), are accounted for using the equity method. Significant influence is defined as the power to participate in the financial and operational policies of the investee without having joint or sole control over them. The goodwill relating to these entities is included in the carrying values of the investments.

Companies are consolidated as of the date when control or significant influence is transferred to the Group. The Group's share in the earnings of these companies subsequent to acquisition is recorded in its income statement. Similarly, the changes in their reserves following the acquisition which are not related to operations which had an impact on the income statement are recorded in the consolidated reserves up to the limit of the Group's share. Companies cease to be consolidated as of the date when the Group transfers control or significant influence.

Intra-Group balances and transactions are eliminated on consolidation.

3.2 – Accounting treatment for business combinations

In accordance with IFRS 3, business combinations are recognised using the purchase accounting method. Under this method, the identifiable assets, liabilities and contingent liabilities of the acquired entity which meet the criteria defined under IFRS are recognised at their fair values at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are measured at fair value less costs to sell.

Only the acquiree's identifiable liabilities satisfying the recognition criteria specified by IFRS are recognised following a business combination. Restructuring costs are only recognised as liabilities of the acquired entity if it has a present obligation to restructure at the date of acquisition.

Provisional fair values assigned at the date of acquisition to identifiable assets and liabilities may require adjustment as additional evidence becomes available to assist with the estimation (expert assessments still in progress at the acquisition date or additional analyses). When such adjustments are made prior to the end of a twelve-month period commencing on the date of acquisition, goodwill or negative goodwill is adjusted to the amount that would have been determined if the adjusted fair values had been available at the date of acquisition. When the carrying amounts are adjusted following the end of the twelve-month period, income or expense is recognised rather than an adjustment to goodwill or negative goodwill, except where these adjustments correspond to corrections of errors.

Minority interests are recognised on the basis of the fair value of the net assets acquired.

3.3 – Acquisition of minority interests

No accounting treatment for the acquisition of additional minority interests is currently specified under IFRS, and the IASB is currently examining possible methods for the treatment of this type of transaction. These are expected to be among the proposed amendments to IFRS 3 "*Business combinations*". Therefore, in the absence of specific guidelines, the Group is applying the following method: in the event of an acquisition of additional interests in a subsidiary, the difference between the purchase price and the carrying amount of acquired minority interests as indicated in the consolidated financial statements of the Group prior to the acquisition is recognised as goodwill.

3.4 – Foreign currency transactions

Transactions in foreign currencies
Transactions denominated in foreign currencies are translated into the functional currency at the rate prevailing on the date of the transactions.
Monetary assets and liabilities (including payables and receivables) in foreign currency are translated into the functional currency at the end of the period, using the balance sheet rate. The resulting gains and losses are recorded in the income statement during the period.

Conversely, foreign exchange gains and losses arising from the translation of capitalisable advances made to foreign subsidiaries and forming part of the net investment in the consolidated subsidiary are recognised directly as "Cumulative translation adjustment" within shareholders' equity.

The principal foreign currency used is the U.S. dollar. The closing exchange rate used is 1.35 U.S. dollars per euro and the average exchange rate used for the period is 1.30 U.S. dollars per euro.

Translation of foreign subsidiaries' financial statements
Each subsidiary outside the euro zone maintains its accounting records in the currency that is most representative of its economic environment. Their financial statements are translated into euros using the closing-rate method. All assets and liabilities are translated into euros using the exchange rate prevailing at the balance sheet date. Revenues and expenses are translated using a weighted-average exchange rate for the period. The resulting translation difference is included under a separate component of shareholders' equity under "Translation adjustments".

3.5 – Intangible assets

Intangible assets purchased separately or acquired in the context of a business combination

Intangible assets purchased separately are recorded at their historical cost, those purchased in a business combination are recorded at fair value at the acquisition date as part of the process of allocation of the acquisition cost of the entity. The fair value is determined by reference to the generally accepted methods, such as those based on revenues or market value.

Intangible assets consist of the Eutelsat brand and the Customer Contracts and Relationship assets. The Eutelsat brand is not amortised but systematically tested for impairment on a yearly basis.

“Customer Contracts and Relationship” assets are amortised on a straight-line basis over 20 years.

This useful life was estimated on the basis of the average length of the contractual relationships existing at the date of acquisition of Eutelsat and taking account of anticipated contract renewal rates (see Note 3.8 – *Impairment of long-life assets*).

Research and development costs
Development costs are recorded as intangible assets if the capitalisation criteria defined under IAS 38, “Intangible assets” are met. Otherwise, they are expensed in the period in which they are incurred. Research costs are expensed as incurred.

For the periods ended 30 June 2006 and 2007, no development costs were capitalised by the Group.

Research expenses were mainly incurred for multimedia activities. They are recorded in the income statement under “Selling, general and administrative expenses”.

3.6 – Goodwill

Goodwill is valued at the date of the business combination at cost, representing the difference between the cost of the business combination, including directly attributable costs, and the fair value of the Group’s share of the acquired identifiable assets and assumed liabilities.

Goodwill arising on the acquisition of a subsidiary is separately identified in the consolidated balance sheet, under “Goodwill”. Goodwill arising on the acquisition of an associated company is included within the book value of the investment within the line item “Investments in associates.”

After initial recognition at cost, goodwill is measured at cost less any cumulative impairment losses.

Goodwill is tested for impairment at least annually or whenever events or circumstances indicate that the carrying amount may be impaired. Such events or circumstances include significant, adverse developments which call into question the recoverable amount of the initial investment.

3.7 – Satellites and other property and equipment

Satellites and other property and equipment ("Tangible fixed assets" are recognised at their acquisition cost, which includes all costs directly attributable to making the asset ready for use, less accumulated depreciation and any impairment. When a tangible fixed asset has a significant cost component compared to the total cost of the asset as a whole, with a useful life that differs from the other components, it is recognised and depreciated separately.

Borrowing costs related to the financing of tangible fixed assets are capitalised with respect to the portion incurred during the period of construction. In the absence of a loan specifically related to the asset in course of construction, the capitalised interest is calculated on the basis of a capitalisation rate, which is equal to the weighted average of the borrowing costs of the Company during the period.

Satellites – Satellite costs include all expenses incurred in bringing individual satellites into operational use, and comprise manufacturing, launch and attributable launch insurance costs, capitalised interest, performance incentives, and costs directly associated with the monitoring and support of the satellite programme (studies, staff and consultancy costs).

Satellite performance incentives – The Group has certain contracts with its satellite manufacturers that require the Group to make certain performance incentive payments upon the initial entry into operational service of the satellites and with respect to future years of successful satellite operation in orbit. These elements are part of the cost of the satellite and are recognised as an asset offsetting a liability equal to the NPV of the expected payments. Any subsequent modification in the amount of such an incentive payment with respect to one or more periods is recognised as an adjustment of the cost of the satellite. The new value of the satellite is amortised on a prospective basis over the remaining useful life.

Ground equipment – Ground equipment comprises the monitoring and control equipment at various European locations, and equipment at the Group's headquarters, including technical installations, office furniture and computer equipment.

Depreciation – Depreciation is calculated on a straight-line basis over the estimated useful lives of assets, which are determined on the basis of the expected use of the assets. Depreciation takes account of the residual value of each asset or group of assets, starting from the date each asset enters into operational use.

The useful lives of the principal categories of fixed assets are as follows:

Satellites	10 – 17 years
Traffic monitoring equipment	5 – 10 years
Computer equipment	2 – 5 years
Leasehold improvements	3 – 9 years

The Group performs an annual review of the remaining useful lives of its in-orbit satellites on the basis of both their forecast utilisation and the technical assessment of their useful lives. When a significant change occurs, depreciation is charged for the years to come by taking into account the asset's new remaining useful life.

Assets under construction – Assets under construction primarily consist of percentage completion payments for construction of future satellites, and advances paid in respect of launch vehicles and related insurance costs. Studies, staff and consultancy costs, capitalised interest and other costs incurred directly in connection with the acquisition of satellites have also been capitalised.

Assets under finance leases - Agreements for the Group to use capacity on all or part of a satellite's transponders are recognised in accordance with IAS 17 "Leases." Under this standard, leases which transfer substantially all risks and rewards incidental to ownership to the Group are recognised as finance leases and accounted for by recognising the asset, and the corresponding obligation as a liability, in the balance sheet. Assets are depreciated over the shorter of their useful lives and the corresponding lease terms.

3.8 – Impairment of long-life assets

Goodwill and other intangible assets with an indefinite useful life, such as the Eutelsat brand, are tested for impairment annually, irrespective of whether there is any evidence indicating that an asset may be impaired, or when an event occurs indicating a potential decline in its value.

For tangible fixed assets and intangible assets with finite useful lives, such as the "Customer Contracts & Relationships" asset, an impairment test is performed when there is an indication that their recoverable amounts may be lower than their carrying amount.

An impairment test consists of assessing the recoverable amount of an asset, which is the higher of its fair value net of selling costs and its value in use. If it is not practicable to estimate the recoverable amount of a particular asset, the Group determines the recoverable amount of the cash generating unit (CGU) with which it is associated. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The Group estimates value in use on the basis of the estimated future pre-tax cash flows to be generated by an asset or CGU during its useful life and are based upon the medium-term plan approved by Management. Beyond a maximum five-year period, cash flows may be estimated on the basis of stable rates of growth or decline.

Future cash flows are discounted using the long-term pre-tax interest rates that, in the opinion of the Group, best reflect the time value of money and the specific risks associated with the related assets or CGUs.

The fair value net of selling costs is equal to the amount which could be received from the sale of the asset (or of one CGU) in the course of an arm's length transaction between interested, knowledgeable and willing parties, less the costs relating to the deal.

Impairment losses and reversals of impairment losses are recognised respectively within the income statement captions "Other operating costs" and "Other operating income". An impairment of goodwill cannot be reversed.

As of 30 June 2006 and 2007, the following CGUs have been identified for the purpose of impairment tests:

- each of the satellites, i.e. 24 as of 30 June 2007
- the investment in the Hispasat group
- each of the four assets related to “client contracts and relationships”

Goodwill and the Eutelsat brand are tested for impairment at the Eutelsat level.

3.9 – Inventories

Inventories are measured at the lower of acquisition cost and net realisable value. The calculation is at cost. The cost is calculated on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling costs.

3.10 – Financial instruments

Financial assets in respect of which changes in fair value are recorded in the income statement, including trading financial assets and derivative instruments, are initially recorded at fair value. Other financial assets and liabilities are recorded at their cost, which corresponds to their fair value plus costs directly attributable to the transaction.

In accordance with IAS 39 “*Financial Instruments*: *Recognition and Measurement*" and IAS 32 “*Financial Instruments*: *Disclosure and Presentation*”, the Group has adopted the following classification for financial assets and liabilities, which is based upon the objectives determined by Management at the time of their purchase. The designation and classification of investment securities are determined at initial recognition.

3.10.1 – Financial assets

Financial assets are classified, reported and measured as follows:

Financial assets measured at fair value through the income statement
Financial assets measured at fair value through the income statement include assets held for trading purposes and financial instruments designated as being measured at fair value through the income statement at initial recognition. This category includes financial assets acquired for the purpose of selling in the short term (generally within a period of less than 12 months) and derivative instruments except if they are designated as hedging instruments.

These financial assets are recognised at fair value. Realised or unrealised gains and losses arising from changes in the fair value of these assets are recorded as financial income or expense.

Assets held to maturity
Assets held to maturity are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has the positive intent and ability to hold to maturity.

Assets held to maturity are measured at amortised cost using the effective interest method.

Assets available for sale
Available-for-sale financial assets are financial assets, other than derivatives, which have been designated as available for sale by Management, or which have not been classified under the “Financial assets measured at fair value through the income statement” or “Assets held to maturity” categories. Available-for-sale financial assets include investments other than investments in companies accounted for under the equity method of accounting, which management intends to hold for an indefinite period of time. These investments are classified as financial assets under “Non-current financial assets.”

They are subsequently revalued at their fair value, with the gains and losses resulting from changes in fair value being recognised under shareholders’ equity. When they are sold or when an impairment loss is recognised, the cumulative gains and losses previously included under shareholders’ equity are recognised in the financial result.

Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at their acquisition cost.

Loans and receivables
Loans and receivables are mainly composed of employee loans, guarantee deposits and accounts receivable, which generally have a maturity of less than 12 months.

Accounts receivable are measured initially at their nominal value, on account of the immaterial impact of discounting. Accounts receivable are subsequently recognised at cost less provisions for bad debts booked as a result of the irrecoverable nature of the amounts in question.

Other loans and receivables are measured at amortised cost using the effective interest method.

3.10.2 – Financial liabilities

Financial liabilities comprise bank borrowings and other debt instruments. They are initially measured at the fair value of the consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Any differences between initial capital amounts (net of transaction costs) and repayable amounts are recorded as financial expense over the duration of the loans, using the effective interest method.

3.10.3 – Derivative instruments

Derivative instruments that are not designated as hedging instruments are recognised at fair value, and any subsequent changes in fair value are recorded in the financial result.

Where a derivative instrument can be qualified as a hedging instrument, it is valued and recorded in accordance with the hedge accounting rules in IAS 39 "*Financial Instruments*": *Recognition and Measurement*". (see Note 3.10.5 – *Hedging transactions*)

3.10.4 – Impairment

At each balance sheet date, the Group applies impairment tests to all financial assets in order to determine if there is an indication of impairment. Examples of impairment indicators include the following: breach of contract involving default in payment terms, significant financial difficulty of the lender or borrower, a likelihood of bankruptcy or a significant decline, other than temporary, in stock market capitalisation. Impairment is recognised in the income statement where there is objective evidence that the asset is impaired.

Impairment losses are recorded as financial expenses.

Impairment of investments in equity securities that do not have a quoted market price in an active market and that are valued at cost, and of investments in equity instruments classified as available-for-sale financial assets, cannot be reversed.

Specific cases of provisions for impairment of accounts receivable

The Group's customers mainly comprise international telecommunications operators, broadcasters and other users of commercial satellite communications. Management regularly monitors its exposure to credit risk and recognises provisions for probable losses based upon expected collections. These are recorded in "Selling, general and administrative expenses".

3.10.5 – Hedging transactions

Hedging transactions are carried out using derivatives. Changes in the fair value of the derivative instrument are used to offset the exposure of the hedged item to changes in fair value.

Derivative instruments are designated as hedging instruments and recorded according to hedge accounting rules when the following conditions are met by the Group: (a) at the inception of the hedge, there is a formal designation and documentation of the hedging relationship and of Management's risk management objective and strategy for undertaking the hedge; (b) Management expects the hedge to be highly effective in offsetting risk; (c) for hedges of forecast transactions, the forecast transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported income; (d) the effectiveness of the hedge should be capable of reliable measurement; and (e) the effectiveness of the hedge is assessed on an ongoing basis and determined to be highly effective throughout the period for which the hedge was designated.

These criteria are applied where the Group uses derivative instruments designated as cash flow hedging instruments.

Cash-flow hedging

Cash flow hedging involves a hedge of the exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable anticipated future transaction that may affect reported income.

The change in the fair value of a hedging instrument relating to the effective portion of a hedge is recognised in shareholders' equity. The change in fair value relating to the ineffective portion of a hedge is recognised in the income statement under "Other operating income" or under "Other operating costs" in the case of cash flow hedges of operational exposures and under "Financial result" in the case of cash flow hedges of investment and financing exposures.

The cumulative changes in the fair value of a hedging instrument previously recognised in shareholders' equity are reclassified into the income statement when the hedged item affects profit or loss. Reclassified gains and losses are recorded under "Other operating income" or "Other operating costs" in the case of cash flow hedges of operational exposures and under "Financial Result" in the case of cash flow hedges of investment and financing exposures.

Where the anticipated transaction leads to the recognition of a non-financial asset or liability, the cumulative changes in the fair value of the hedging instrument previously recognised in shareholders' equity are incorporated into the initial measurement of the asset or liability concerned.

3.10.6 – Fair value of financial instruments

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

The fair value of financial assets and liabilities traded on active markets (this is the case of certain equity interests, certain marketable securities and certain derivative instruments) is determined on the basis of the listed price or at the market value at the balance sheet date.
The fair value of other financial assets or liabilities not quoted on an active market is determined by the Group using appropriate valuation methods and hypotheses reflecting market conditions at the balance sheet date.

3.10.7 - Firm or conditional commitments to purchase minority interests

Under International Accounting Standards IAS 27 – "*Consolidated and Separate Financial Statements*" and IAS 32 "*Financial Instruments*": *Disclosure and Presentation*", the Group recognises the fair value of firm or conditional commitments to purchase minority interests as financial debt, offset by a reduction of minority interests. When the value of the commitment exceeds the amount of the minority interests, the Group, in the absence of any clear accounting treatment under IFRS on this point, recognises the amount of the excess as goodwill, applying the same reasoning as set out above regarding the acquisition of minority interests.

Any change in the fair value of the obligation subsequent to its initial recognition is considered as an adjustment of the amount initially recognised as goodwill.

3.11 – Cash and cash equivalents

Cash and cash equivalents consist mainly of cash on hand and at bank, and highly liquid investments or deposit warrants with original maturities of three months or less.

3.12 – Shareholders' equity

Treasury stock
Treasury stock is recognised by reducing shareholders' equity on the basis of the acquisition cost. When the shares are sold, any gains and losses are recognised directly in consolidated reserves net of tax and are not included under income for the year.

Costs for capital increases
External costs directly related to increases in capital, reduction of capital and share buy-backs are allocated to additional paid-in capital, net of taxes when an income tax saving is generated.

3.13 – Revenue recognition

The Group's operating revenues are mainly attributable to the leasing of satellite transponders on the basis of terms and conditions set out in the lease contracts.

These contracts are mainly over periods ranging from one year to the end of life of the satellite. Contracts usually provide for the right to free-of-charge time in cases of interruptions caused by under-performing transponders. However, the Group is not liable for damage or loss suffered by a customer when the Group was not able, despite its efforts, to restore the allotted capacity in the case of a service interruption or a degradation of the technical parameters of a transponder. The Group is liable only for damages resulting from the violation of its obligation under a customer lease agreement. This liability is usually limited to a specified amount. Pursuant to certain contractual termination rights, the agreement can usually be terminated after two years with a one-year notice period and, depending on the type of lease, payment of the difference between the contractual price and the price that would have been paid for a lease with a duration similar to the expired period, plus interest for late payment, or by paying a percentage of the annual price applied to the residual period of the lease. The revenues initially recognised are then adjusted to reflect the economic outcome of the contract.

Revenues are recognised over the contractual period during which services are rendered, provided that a contract exists and the price is fixed or determinable, and provided that, as of the date it is reported in the accounts, it is probable that the trade receivable will be recovered.

Deferred revenues include unearned balances of amounts for a period of no more than one year received in advance from customers. Such amounts are recorded as revenue on a straight-line basis over the corresponding duration of the relevant leases or of the services provided.

3.14 – Deferred taxes

Deferred taxes are the result of temporary differences arising between the tax base of an asset or liability and its carrying amount. Deferred taxes in respect of all temporary differences without exception are recognised for each fiscal entity, using the balance sheet liability method.

Deferred tax liabilities are thus recognised for all taxable temporary differences except:

- where the deferred tax liability arises from goodwill for which amortisation is not deductible for tax purposes or from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit, or the tax loss; and

- where the deferred tax liability arises from undistributed profits from investments in subsidiaries, associated companies or joint ventures for which the Group is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. However, a deferred tax asset is not recognised if it arises from a deductible temporary difference generated by the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes are not discounted and are recorded under non-current assets and liabilities.

3.15 – Earnings per share

Earnings per share are calculated by dividing the net income for the period attributable to ordinary shareholders of the entity by the weighted average number of common shares outstanding during the period.

Diluted earnings per share are calculated using the share repurchase method, based on the assumptions (i) that all potentially dilutive instruments are converted (i.e. assuming the exercise of all outstanding options and the conversion of any financial instruments giving access to the Company's capital, after taking into account the theoretical impact of these transactions on net income) and (ii) that the expected proceeds from these instruments are received when ordinary shares are issued at the average market rate for ordinary shares during the period.

3.16 – Post-employment benefits

The Group's retirement schemes and other post-employment benefits consist of defined contribution plans and defined benefit plans.

Defined benefit plans are plans for which the Group, or any of its entities, has contractually agreed to provide a specific amount or level of benefits following retirement. The cost of this defined benefit obligation, including lump sum retirement indemnities and other post-employment benefits is entered as a liability on the basis of an actuarial valuation of the obligations to employees at year-end, using the projected unit credit method. This method accrues the employee's pension benefit by periods of service according to the formula for entitlement to benefits under the plan.

The present value of expected future payments is determined on the basis of demographic and financial assumptions such as mortality, staff turnover, salary growth, and age at retirement. The rate used to discount estimated cash flows is determined by reference to long term market yields on high quality corporate bonds.

A complete assessment of the present value of the obligation is conducted each year and reviewed at intervening periods to identify any significant changes.

When actuarial gains and losses arising as a result of changes in actuarial assumptions exceed by more than 10% the greater of the following amounts, the relevant net gains or losses are amortised over the expected average remaining working lives of the employees benefiting from these plans.

- the present value of the defined benefit obligation at the balance sheet date;
- the fair value of plan assets at that date.

The pension cost for the period, consisting of service cost, is recognised within operating income. The net expense (income) corresponding to the interest expense on unwinding of the discount less the expected return on plan assets is fully recognised within financial result.

The management of the defined contribution plans is performed by an independent entity to which the Group has the obligation to make regular contributions. All payments made by the Group with respect to these plans are recognised in operating costs as incurred.

3.17 – Financial guarantee granted to a pension fund

Following the purchase of Eutelsat S.A. in April 2005, the Group granted a financial guarantee to the pension fund related to obligations that were assigned to a trust prior to the contribution transactions which led to the creation of Eutelsat S.A. This defined-benefit pension scheme was closed and the vested pension rights frozen prior to the transfer. The risk resulting from this financial guarantee has been analysed, assessed and reported in the same way as defined benefit plan obligations described in Note 3.19 - *Provisions*, despite the fact that the Group has not assumed the legal commitments entered into by the Intergovernmental Organisation ("IGO") in respect of the pension fund.

3.18 – Stock options

Benefits granted to employees in the form of stock options are measured at the date of grant of the options and constitute additional compensation awarded to employees. These costs are recognised under personnel expenses, offset by increases in equity, over the vesting period of the rights corresponding to the benefits granted.

Similarly, in accordance with IFRS 2 "*Share-based Payment*", benefits granted to employees in the context of public share offerings and other transactions affecting the share capital are measured at the date of grant. They constitute additional compensation, which is recognised as and when the corresponding rights are acquired by the employees.

In accordance with IFRS 2 "*Share-based Payment*", only stock options granted after 7 November 2002 that had not yet vested at 1 January 2005 have been measured and recognised.

3.19 – Provisions

A provision is recognised when, at the balance sheet date, (i) the Group has a present legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) a reliable estimate of the amount involved can be made.

The amount recognised as a provision represents the Group's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Where the effect of the time value of money is material, the amount of the provision recognised corresponds to the discounted value of expected cash flows expected to be necessary to settle the obligation. This discounted value is calculated using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Increases in provisions due to the passage of time and the unwinding of the discount are recognised as financial expenses in the income statement.

NOTE 4: GOODWILL AND OTHER INTANGIBLES

"Goodwill and Other Intangibles" breaks down as follows:

Changes in gross assets

(in thousands of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
30 June 2005	**728 672**	**889 000**	**40 800**	**-**	**1 658 472**
Effect of change in the scope of consolidation	22 042	-	-	-	22 042
Separate acquisitions	-	-	-	1 000	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
30 June 2006	**750 714**	**889 000**	**40 800**	**1 000**	**1 681 514**
Effect of change in the scope of consolidation	7 465	-	-	-	7 465
Separate acquisitions	-	-	-	4	4
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
30 June 2007	**758 179**	**889 000**	**40 800**	**1 004**	**1 688 983**

At 30 June 2006, "Goodwill" includes the goodwill related to the purchase of minority interests for € 66 646 thousand (including € 2 622 thousand in pre-tax acquisition expenses).

Since 30 June 2006, the Group has acquired from Eutelsat S.A. employees, under liquidity offers made during the financial year or under its option to purchase Eutelsat S.A. shares resulting from the exercise of "Managers II" plan options by Eutelsat S.A. key personnel and *mandataires sociaux* who subscribed to ABSA 1s or ABSA 2s (see Note 12 *Share-based payment*), a proportion of their Eutelsat S.A. shares representing overall 0.44% of that company's capital. These acquisitions resulted in the recognition of additional goodwill totalling € 7 465 thousand. The additional acquisition cost is € 19 914 thousand, including ancillary expenses.

Changes in accumulated amortisation and impairment

(in thousands of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
Accumulated amortisation at					

30 June 2005	**-**	**(11 112)**	**-**	**-**	**(11 112)**
Net value at 30 June 2005	**728 672**	**877 888**	**40 800**	**-**	**1 647 360**
Amortisation expense	-	(44 451)	-	-	(44 451)
Reversals	-	-	-	-	-
Impairment	-	-	-	-	-
Accumulated amortisation at 30 June 2006	**-**	**(55 563)**	**-**	**-**	**(55 563)**
Net value at 30 June 2006	**750 714**	**833 437**	**40 800**	**1 000**	**1 625 951**
Amortisation expense	-	(44 450)	-	(1 000)	(45 451)
Reversals	-	-	-	-	-
Impairment	-	-	-	-	-
Accumulated amortisation at 30 June 2007	**-**	**(100 013)**	**-**	**(1 000)**	**(101 014)**
Net value at 30 June 2007	**758 179**	**788 987**	**40 800**	**4**	**1 587 970**

At 30 June 2007, the goodwill was subjected to an annual impairment test, which did not call into question the amount shown on the balance sheet. The recoverable amount was determined from estimated projected cash flows based on the latest five-year business plan approved by Eutelsat Management. The terminal value was calculated by assuming 2% growth after the fifth year and an EBITDA multiple. The discount rate applied was 7.0%.

Sensitivity to a 1% change in the discount rate was assumed, which represents approximately 15% of the recoverable amount. This did not call into question the amount recognised on the balance sheet.

At 30 June 2007, “Customer Contracts and Relationships” were tested for impairment. This test did not call into question the net value shown on the balance sheet. The methodology used is identical to the one used to identify this asset. The discount rate employed is 7.0%.

NOTE 5: SATELLITES AND OTHER PROPERTY AND EQUIPMENT

"Satellites and other property and equipment" breaks down as follows (including assets acquired under finance leases):

Changes in gross assets

(in thousands of euros)	Satellites [1]	Other property and equipment	Satellites under construction	Total
Gross value at 30 June 2005	**1 826 155**	**69 771**	**236 341**	**2 132 267**
Change in gross value	(7 574)	-	-	(7 574)
Effect of change in the scope of consolidation	-	-	-	-
Separate acquisitions	2 103	24 446	236 987	263 536
Disposals	-	(818)	-	(818)
Transfers	163 212	-	(163 212)	-
Gross value at 30 June 2006	**1 983 896**	**93 399**	**310 116**	**2 387 411**
Effect of change in the scope of consolidation	-	-	-	-
Separate acquisitions	9 250	30 895	350 703	390 848
Disposals	(2 848)	(1 384)	-	(4 232)
Transfers	199 342	-	(199 342)	-
Gross value at 30 June 2007	**2 189 640**	**122 910**	**461 477**	**2 774 027**

Changes in accumulated depreciation and impairment

(in thousands of euros)	Satellites [1]	Other property and equipment	Satellites under construction	Total
Accumulated depreciation at 30 June 2005	**(57 270)**	**(4 655)**	**-**	**(61 925)**
Net value at 30 June 2005	**1 768 885**	**65 116**	**236 341**	**2 070 342**
Depreciation expense	(219 211)	(22 070)	-	(241 281)
Reversals	-	411	-	411
Impairment	(24 903)	-	-	(24 903)
Accumulated depreciation at 30June 2006	**(301 384)**	**(26 314)**	**-**	**(327 698)**
Net value at 30 June 2006	**1 682 512**	**67 085**	**310 116**	**2 059 713**
Depreciation expense	(233 274)	(22 125)	-	(255 399)
Reversals	-	1 182	-	1 182
Impairment	(25 000)	-	-	(25 000)
Accumulated depreciation at 30June 2007	**(559 658)**	**(47 257)**	**-**	**(606 915)**
Net value at 30 June 2007	**1 629 982**	**75 653**	**461 477**	**2 167 112**

[1] Including satellites and other property and equipment subject to finance leases

(in thousands of euros)	
Gross value	92 311
Net value at 30 June 2007	**64 348**

In particular, this item refers to four satellites for which capacity is leased, with the relevant agreements being considered as finance leases and thus being recognised as assets.

- in an amount of € 59 959 thousand, for the agreement signed with the related party in March 2004 covering 12 transponders of the SESAT 2 satellite for a term equal to the satellite's useful remaining life.
- in an amount of € 15 068 thousand, for the agreement signed in June 1999 covering 4 transponders of the Telstar 12 satellite for a term equal to the satellite's useful remaining life.
- in an amount of € 9 046 thousand, for the agreement signed with the related party in May 2001 covering 5 transponders on the EXPRESS A3 satellite for a period up until the first half of the 2007/2008 financial year. The entire amount of contractual lease payments was settled in advance for this contract.
- in an amount of € 7 000 thousand, for the agreement signed in April 2007 covering 11 transponders of the Telecom 2C satellite for a term equal to the satellite's useful remaining life.

In February 2007, the HOT BIRD™ 1 satellite, fully written off, was deorbited after 12 years of service.

Satellite-related acquisitions and transfers as of 30 June 2006 and 2007 respectively correspond to the entry into operational service of the HOT BIRD™7A satellite, which was successfully launched on 11 March 2006, and of the HOT BIRD™8 satellite, which was successfully launched on 4 August 2006.

At 30 June 2005, the net book value of the W1 satellite was € 114.8 million, including in-orbit incentive payments.

On 10 August 2005, the W1 satellite was affected by a technical incident leading to a service interruption that lasted several hours. On 11 August, service was restored for the majority of customers under acceptable operational conditions. The failure resulted in the loss of half of the satellite's available power and an estimated 50% reduction of its residual operational life.

Subsequent to this incident, the Group carried out an assessment of the damage sustained and, before taking account of the launch insurance payments, remeasured the present value of the future cash flows generated by W1. On this basis, the Group recognised an impairment of W1's value amounting to € 30.4 million. This figure was adjusted downwards to € 24.9 million during the second half of the 2005/2006 financial year to take account of the reimbursement of in-orbit incentive payments.

In the night of 3 to 4 October 2006, the Group identified a malfunction on its HOT BIRD™3 satellite, renamed EUROBIRD™4. This malfunction resulted in substantial deterioration to a solar panel, with a loss of power and a reduction in the useful life of the satellite. As the satellite had already been released from its mission at 13°E, following entry into operational service of the HOT BIRD™8 satellite, this incident had no effect on satellite operations.

Subsequent to this incident, the Group carried out an assessment of the damage sustained and remeasured the present value of the future cash flows to be generated by this satellite. On this basis, the Group recognised impairment of € 25.0 million under "Other operating costs". As of 30 June 2007, when the annual financial statements were closed, the Group is not aware of any factor that might call this new measurement of the satellite's value into question.

At 30 June 2005 (see Note 3.8 *(Impairment of long-life assets*), the Group applied its usual procedures and reviewed the remaining useful lives of its satellites in orbit. This review confirmed a significant extension in the useful lives of three of the Group's satellites. Consequently, and in accordance with IAS 8, the depreciation schedule for these satellites was modified on a prospective basis and the annual depreciation charge reduced by € 9.1 million for the period ended 30 June 2006.

As of 30 June 2006 and 2007 respectively, three and five satellites are in the course of construction.

NOTE 6: INVESTMENTS IN ASSOCIATES

As of 30 June 2007, the Group owns, through its subsidiary Eutelsat Services und Beteiligungen GmbH, 27.69% of the Hispasat group, the private unlisted Spanish satellite operator. This equity provides certain rights related to the stability of the shareholder structure.

Change in the carrying value of the equity investment in the balance sheet

(in millions of euros)	**30 June 2006**	**30 June 2007**
Value of the equity investment at beginning of period	111 425	117 461
Share of income	5 819	7 866
Income and expenses recognised directly under equity	**217**	(728)
Value of the equity investment at end of period	**117 461**	**124 599**

Financial information related to the equity investment

The following amounts represent the Group's share with respect to the assets, liabilities and income of the Hispasat group.

(in millions of euros)	30 June 2006	30 June 2007
Intangible assets (1)	27.7	27.7
Service contract (2)	1.9	1.7
Investment in Hisdesat	5.0	5.0
Sub-total	**34.6**	**34.4**

(1) These relate to rights to the use of frequencies at the 30°West orbital position, together with long-term contractual relationships with the customers. The useful life of this intangible asset is considered indefinite, given the high probability of renewal of the administrative authorisations for the use of frequencies (which are given for a period of 75 years) and the specific nature of the customer contracts. An impairment test is performed by the Company each year.

(2) The useful lives of the other identified intangible assets have been estimated at 15 years.

The following table presents the annual accounts of the Hispasat group.

(in thousands of euros)	31 December 2005	31 December 2006
Other non-current assets	567 661	518 432
Current assets	44 482	66 502
Non-current liabilities	191 019	198 582
Current liabilities	129 602	71 128
Total net assets	**291 522**	**315 224**
Operating revenues	99 692	120 466
Net income (loss)	8 320	24 076

At 30 June 2006 and 2007, "Income from equity investments" in the consolidated income statement corresponds to the Group's share of income from Hispasat as of 30 June 2006 and 2007, after amortisation for the period of the identified intangible assets.

Review of the value of the investment in the Hispasat group

At 30 June 2006 and 2007, a review of the recoverable amount did not result in any adjustment of the amount in the balance sheet. This was based on an EBITDA multiple corresponding to the middle of the range for multiples for similar listed companies and to the average multiple used in recent transactions. It was applied to the consolidated 2007 and 2008 budget of the Hispasat group, which reflects a standard year of operation for the AMAZONAS satellite. In terms of sensitivity analysis, a change of 1% in the EBITDA multiple has an impact of approximately 17% and 13% respectively on the recoverable amount, with no impact on the net book value of the investment.

NOTE 7: NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are mainly made up of:

(in thousands of euros)	30 June 2006	30 June 2007
Available for sale financial assets(1)	400	436
Long-term loans and advances	2 555	2 625
Total	**2 955**	**3 061**

(1) Non-listed investments valued at cost less impairment

- **Available for sale financial assets**

Available for sale non-consolidated investments are mainly made up of an investment in Sitcom representing an 11.56% ownership interest. This investment was acquired by Eutelsat Services und Beteiligungen GmbH and had a net value of € 370 thousand as of 31 March 2005. No impairment has been recorded on these investments as of 30 June 2006 and 2007.

- **Long-term loans and advances**

Long-term loans and advances are mainly composed of employee loans in a net amount of €0.2 million at 30 June 2006 and € 0.1 million at 30 June 2007. The balance represents rental guarantee deposits for Eutelsat S.A.'s Paris premises of € 0.4 million, and the "cash account" for the liquidity agreement relating to treasury stock, which has been set up by Eutelsat Communications since the 2005/2006 financial period.

NOTE 8: INVENTORIES

Net inventories amount to € 2 257 thousand at 30 June 2006 and € 2,092 thousand at 30 June 2007. They mainly comprise receiving antennas and modems.

NOTE 9: ACCOUNTS RECEIVABLE

Accounts receivable are mainly composed of receivables from international telecommunications operators, broadcasters and other users of commercial satellite communications.

As of 30 June 2006, the net value of these receivables was € 213 716 thousand. The allowance for bad debts was € 1 919 thousand.

As of 30 June 2007, the net book value of these receivables was € 220 976 thousand. The allowance for bad debts was € 7 564 thousand.

Accounts receivable at30 June 2006 and 2007 are for short-term amounts and did not bear interest.

NOTE 10: OTHER CURRENT ASSETS

Other current assets were as follows:

(in thousands of euros)	30 June 2006	30 June 2007
Prepaid expenses	11 730	10 415
Foreign VAT receivable	150	337
Other receivables	8 009	17 621
Total	**19 889**	**28 373**

10.1 – Prepaid expenses

At 30 June 2006, prepaid expenses mainly comprised € 5.0 million of prepaid satellite insurance and € 1.6 million of satellite operating expenses.

At 30 June 2007, prepaid expenses mainly comprised € 3.4 million of prepaid satellite insurance and € 1.1 million of satellite operating expenses.

10.2 – Other receivables

At 30 June 2006 and 2007, “Other receivables” mainly included VAT receivables and a receivable of € 7.0 million from a partner engaged in the joint construction of a satellite.

NOTE 11: CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows:

(in thousands of euros)	30 June 2006	30 June 2007
Cash	10 242	19 836
Accrued interest	-	6
Cash equivalents	253 813	25 637
Total	**264 055**	**45 479**

NOTE 12: SHAREHOLDERS’ EQUITY

12.1 – Shareholders’ equity

As of 30 June 2007, the share capital of Eutelsat Communications comprised 217 401 082 ordinary shares with a par value of € 1 per share. In terms of treasury stock, Eutelsat Communications S.A. holds 7 912 shares amounting to € 141 604 under a liquidity agreement.

Changes in the share capital and additional paid-in capital of the Company since 30 June 2006 are presented hereafter:

Definitive date of each operation	Operations	Number of shares issued/ cancelled	Nominal capital increase/reduction (in thousands of euros)	Additional paid-in capital (in thousands of euros)	Nominal share capital after operation (in thousands of euros)	Cumulative number of shares	Nominal value of shares (in euros
30/06/06		-	-	907 486	215 693	215 692 592	1
10/11/06	Allocation of retained earnings (GM of 10/11/06)			(16 454)	215 693	215 692 592	1
10/11/06	Taken from Share premium (GM of 10/11/2006)			(116 476)	215 693	215 692 592	1
July to June	Issue of capital (issue of BSA 1s)	548 362	548	507	216 241	216 240 954	1
July to June	Issue of capital (issue of BSA 2s)	1 160 128	1 160	1 072	217 401	217 401 082	1
30/06/07	CLOSING POSITION	1 708 490	1 708	776 135	217 401	217 401 082	1

The 2005/2006 financial period saw a number of operations affecting the share capital:

- On the occasion of its IPO on 2 December 2005, the Group undertook a capital increase to repay the Group's debt. The subscription price was € 12.00 per share, thereby raising a gross amount of € 860 million comprising € 71.7 million in capital and € 788.3 million of additional paid-in capital. The costs of the operation were charged to additional paid-in capital. They amount to € 27.1 million, which comprises € 17.6 million of compensation to the financial arrangers and € 9.5 million in legal and administrative costs.

- In the course of this operation, there was a capital increase reserved for present and former employee-members of the Eutelsat S.A. corporate savings plan. The subscription price was set at € 9.60 per share, applying a 20% reduction on the price offered to the general public, and the maximum number of shares was fixed at one million. The subscription period was from 2 December 2005 to 9 December 2005 and resulted in the issue of 196 099 new shares on 19 December 2005.

- There was also an allocation of free shares to the Group's employees amounting to 341 shares per beneficiary. The number of beneficiaries was fixed at 439, which corresponds to the number of employees who were not shareholders in the Company as of 29 November 2005. The qualifying period for definitive acquisition of the shares was fixed at 2 years from that date, with a requirement that the employee should still be working for the Group. Beneficiaries are required to keep their shares for a further period of 2 years after the effective date of acquisition.

The charge to shareholders' equity at 30 June 2006 resulting from these last two decisions is € 1 003 thousand, which is composed of € 480 thousand for the 20% reduction and € 523 thousand for the free share allocation (in this latter case, as a result of the condition that the employee should still be working for the Group at the date of acquisition of the shares, the total charge of € 1.8 million is amortised over 2 years). At 30 June 2007, the charge for the year for the free share allocation is € 817 thousand.

There were two types of operation affecting the share capital during the 2006/2007 period:

- Exercise of BSA 1s and BSA 2s between October 2006 and June 2007 with the creation of 1 708 490 shares.
- There was an allocation of free shares to the Group's employees by decision of the Board of Directors on 10 May 2007. This offer concerned 181 825 new shares. The qualifying period for definitive acquisition of the shares was fixed at 2 years, with a requirement that the employee should still be working for the Group. Beneficiaries are required to keep their shares for a further period of 2 years after the effective date of acquisition. The total expense of € 3.3 million is consequently spread over two years. The expense recognised for the period ended 30 June 2007, with a double entry to shareholders' equity, is € 228 thousand.

In addition, on 10 November 2006, the Ordinary and Extraordinary General Meeting of Shareholders, noting that the loss recognised in the annual accounts for the financial year ended 30 June 2006 was € 3 235 691.75, decided to allocate the amount concerned to retained earnings, which consequently changed from a total of minus € 13 217 999.15 to minus € 16 453 690.90, and to allocate the whole of negative retained earnings to "Additional Paid-In Capital", which was thereby reduced from € 907 485 896.38 to € 891 032 205.48.

The shareholders also decided to distribute a gross amount of € 0.54 per share, i.e. a total amount of € 116 476 294.68 taken from "Additional Paid-In Capital", which thus reduces as of that date from € 891 032 205.48 to € 774 555 910.80

12.2 – Impact of the acquisition of Eutelsat S.A. on shareholders' equity

The Group issued 3 004 737 new shares as consideration for the acquisitions at 6 October 2005 and 27 April 2006 in relation to secondary sale and contribution operations. The par value of the shares was € 1 after consolidation (see Note 12.1 – *Shareholders' equity*).

12.3 –Share-based payment

Issue of ABSAs to managers

On 2 August 2005, the Group issued 835 200 ABSA 1s and 882 380 ABSA 2s to the key managers of Eutelsat S.A., as follows:

- ABSA 1: unit price of € 1.378
- ABSA 2: unit price of € 1.54
- 2.7 BSA per ABSA
- Each BSA conferring the right to subscribe for 1 Company share.

These instruments were fully paid-up in cash with the difference between the unit subscription price for the ABSAs and the nominal value being recognised as additional paid-in capital.

The BSAs were detached from the shares when the ABSAs were issued.

Due to the consolidation of shares decided by the General Meeting of 31 August 2005, the conditions of the BSAs were changed:

- two BSAs are needed to subscribe for 1 Company share.
- the unit subscription price is € 2.

Following the decision of the Ordinary and Extraordinary General Meeting of Shareholders on 10 November 2006 to make a distribution by taking the required amount from "Additional Paid-In Capital", and in accordance with the legal provisions protecting stock-warrant beneficiaries, the Board of Directors decided on 10 November 2006 to make a further adjustment both to the conversion rate and to the exercise price per share:

- two BSAs are needed to subscribe for 1.03951 Company shares.
- the unit subscription price is € 1.9240.

The following table describes movements in respect of the BSAs:

<u>Situation at 30 June 2006</u>

Type	**BSAs issued**	**BSAs exercised**	**Shares issued**	**Subscription price per share in €**	**Expiry date**
BSA 1	2 255 040	1 200 000	600 000	2	31/03/2008
BSA 2	2 382 426	-	-	2	02/08/2015
Total	**4 637 466**	**1 200 000**	**600 000**		

<u>Situation at 30 June 2007 after the distribution of 10 November 2006</u>

Type	**BSAs issued**	**BSAs exercised**	**Shares issued**	**Subscription price per share in €**	**Expiry date**
BSA 1	2 255 040	2 255 039	1 148 362	1.9240	31/03/2008
BSA 2	2 382 426	2 232 412	1 160 128	1.9240	02/08/2015
Total	**4 637 466**	**4 487 451**	**2 308 490**		

The operation is related to the signature of a formal commitment to buy and a formal commitment to sell with each of the managers and *mandataires sociaux* in question, relating to the Eutelsat S.A. shares that result from or are liable to result from the exercise of stock options granted by Eutelsat S.A. under the different "Managers" stock-option plans. Almost

18.3 million Eutelsat S.A. shares are concerned. The formal commitments to buy and sell have the following characteristics:

Commitment to sell:

- Given by each of the managers and (*mandataires sociaux)* to Eutelsat Communications
- Exercise price per share at 30 June 2007: € 2.70
- Exercise period: for 3 months after the end of the period of fiscal unavailability for each tranche of shares concerned

Commitment to buy:

- Given by Eutelsat Communications
- Exercise price determined on the basis of a Eutelsat S.A. valuation of 8.5 times the Group's consolidated EBITDA, after deducting the net debt of the Eutelsat S.A. sub-Group (or adding the net financial position)
- Exercise period: for each tranche of shares concerned, for 1 month after the end of the period for exercising the corresponding commitment to sell

In accordance with IFRS 2 *"Share-Based Payment"*, the Company's obligation with respect to liquidity has been recognised as a forward repayment of a shareholders' equity instrument. The obligation was measured at the date of the operation and recognised as debt, offset by an equivalent reduction in shareholders' equity. The debt was measured at present value as of 30 June 2007 on the basis of the timetable for purchasing the securities. The effect of unwinding the discount on the debt is recognised in financial expenses.

At 30 June 2006, the amount deducted from shareholders' equity is € 19 592 thousand. The figure for the debt is € 21 245 thousand, with € 1 653 thousand as a financial expense.

As a result of the unwinding of discount and the exercise of BSAs during the period, the amount deducted from shareholders' equity was increased by € 3 201 thousand at 30 June 2007, debt was reduced by € 1 412 thousand and € 1 789 thousand was recognised as a financial expense.

Liquidity offer for employees of the Group who are shareholders in Eutelsat S.A.

At its meeting on 28 June 2006, the Board of Directors decided to introduce a liquidity mechanism for employees of the Group who are shareholders in Eutelsat S.A. in the form of an offer to purchase their Eutelsat S.A. shares for cash. This offer to buy shares does not include shares allocated under the ABSA operation described above.

The liquidity mechanism is implemented twice each year for periods of 15 to 20 days as set by the Board of Directors and will expire in 2010. The price is determined with reference to the Eutelsat Communications' share price and takes account of all net bank debt of the companies in the Group that are not included in the Eutelsat S.A. sub-Group.

In similar fashion to the operation described above, the obligation with respect to liquidity has been treated as a change to the initial plans and recognised as a forward repayment of a shareholders' equity instrument. The obligation was measured as of 30 June 2006 and recognised as debt, offset by an equivalent reduction in shareholders' equity for an amount of

€ 22 005 thousand. The debt was measured at present value at 30 June 2006 on the basis of purchasing all the shares as of 2010.

At 30 June 2007, taking account of share buybacks, options exercised and the effect of unwinding of discount over the period, the obligation was remeasured. The amount deducted from shareholders' equity was reduced by € 5 068 thousand, debt was increased by € 2 125 thousand and € 7 193 thousand was recognised as a financial expense. The obligation was measured at present value at 30 June 2007 on the basis of purchasing all the remaining shares in 2010.

It should be noted in this respect that an offer to buy Eutelsat S.A. shares began on 13 November 2006 and ended on 24 November 2006, resulting in the purchase of 798 871 Eutelsat S.A. shares for an amount of € 3 626 thousand and the second offer to buy shares began on 12 March 2007 and ended on 23 March 2007 resulting in the purchase of 838 156 Eutelsat S.A. shares for an amount of € 4 258 thousand (see Note 4 *Goodwill and Other Intangibles).*

Description of Eutelsat S.A. stock-option plans

The information contained in this Note only concerns the Eutelsat S.A. sub-Group and the governing bodies of that sub-Group.

In accordance with IFRS 2 "*Share-based Payment*", only stock options granted after 7 November 2002 that had not yet vested at 1 January 2005 have been measured and recognised.

a) Summary of movements in respect of stock-option plans

	Shares reserved for future grants	Stock options outstanding	Weighted average exercise price (in €) after distribution
Balance at 1 July 2006	-	19 353 620	1.35
Authorised	-	-	-
Granted	-	-	-
Exercised	-	(3 718 004)	1.31
Cancelled	-	(11 323)	1.00
Balance at 30 June 2007	**-**	**15 624 293**	**1.36**

b) Changes in stock-option plans

Plans 30/0606	Granted	Exercised	Cancelled	Balance	Exercise price (in €)
Partners	4 389 963	(3 925 218)	(216 204)	248 541	1.00
Managers I	2 665 914	(2 612 083)	-	53 831	1.48
Managers II					
- 13/12/02	4 198 098	(1 075 221)	-	3 122 877	1.33
- 24/02/03	75 171	(4 927)	-	70 244	1.33
Managers III					
- 17/12/03	10 782 174	(438 087)	-	10 344 087	1.26
- 08/04/04	1 476 130	(115 171)	(64 767)	1 296 192	1.26
- 28/06/04	437 374	-	-	437 374	1.48
Managers IV	4 028 215	(247 741)	-	3 780 474	1.64
Total	**28 053 039**	**(8 418 448)**	**(280 971)**	**19 353 620**	

Plans 30/06/07	Granted	Exercised	Cancelled	Balance	Exercise price (in €)
Partners	4 389 963	(4 052 493)	(227 526)	109 944	1.00
Managers I	2 665 914	(2 612 083)	-	53 831	1.48
Managers II			-		
- 13/12/02	4 198 094	(4 135 342)	-	62 752	1.33
- 24/02/03	75 175	(75 175)	-		1.33
Managers III			-		
- 17/12/03	10 782 178	(876 174)	-	9 906 004	1.26
- 08/04/04	1 476 126	(137 444)	(64 767)	1 273 915	1.26
- 28/06/04	437 374	-	-	437 374	1.48
Managers IV	4 028 215	(247 741)	(1)	3 780 473	1.64
Total	**28 053 039**	**(12 136 452)**	**(292 294)**	**15 624 293**	

Assumptions used to determine the fair value of the stock-option plans

The weighted average remaining contractual life of options outstanding is 4.71 years: 2.01 years for “Partners” plan options; 2.32 years for “Managers” plan options; 3.46 years for “Managers II” plan options; 4.52 years for “Managers III” plan options and 5.41 years for “Managers IV” plan options.

Eutelsat S.A. uses the Black & Scholes method for measuring the fair value of options, based on the following data:

- calculated volatility of 26.30%
- a risk-free rate of 2.98%
- a cancellation rate estimated at 37.5% over 3 years
- a weighted average unit cost of € 1.68 per option

Valuations are performed when options are issued and are not subsequently modified.

During the periods ended 30 June 2006 and 2007 respectively, 4 443 334 options and 3 718 004 options were exercised. These capital increases generated a reduction in Eutelsat Communications' percentage holding in Eutelsat S.A. of 0.43% and 0.35% respectively, and a loss on dilution of € 2 094 thousand and 1 745 thousand respectively, recognised under "Other operating costs".

NOTE 13: BANK DEBT

13.1 – Non-current portion

At 30 June 2006 and 2007, all debt was denominated in euros.

- *Changes since 30 June 2006:*

During the first six-month period; Eutelsat S.A. made the final payment on the € 150 million fixed-rate amortisable loan at 4.80% taken out on 24 December 2001. This has therefore now been reimbursed in full.

At 30 June 2007, the Group had access to the following credit facilities:

- A syndicated credit facility for € 1 915 million entered into by Eutelsat Communications on 8 June 2006 for a period of seven years and consisting of two parts:

    - Tranche A: a long-term interest-only loan for € 1 615 million, bearing interest at EURIBOR plus a margin of between 0.75% and 1.625% depending on the Leverage Ratio (defined below).

    - Tranche B: a revolving credit facility for € 300 million; Amounts are drawn for a maximum period of 6 months and bear interest at EURIBOR plus a margin of between 0.75% and 1.625% depending on the Leverage Ratio (defined below). A fee for non-use representing 30% to 35% of the margin mentioned above may be payable.

The agreement of 8 June 2006 includes neither a guarantee by Eutelsat Communications' subsidiaries nor the pledging of assets to the lenders.

This credit agreement includes restrictive clauses (subject to the usual exceptions contained in loan agreements) limiting the capacity of Group companies, in particular to:

- grant security interests or guarantees;
- enter into agreements resulting in additional liabilities;
- grant loans and carry out certain types of investments;
- enter into merger, acquisition, asset disposal, or lease transactions (with the exception of those carried out within the Group and expressly provided for in the loan agreement);
- modify the nature of the business of the Company or its subsidiaries.

The agreement allows each lender to request early repayment of all sums due if there is a change of control of the Company and of Eutelsat S.A. or in the event of concerted action. The Company must hold, directly or indirectly, 95% of the capital and voting rights of Eutelsat S.A. for the entire duration of the loan. The agreement entails an obligation to maintain launch-plus-one-year insurance policies for any satellite located at 13°East and, for any satellite located at another orbital position, a commitment not to have more than one satellite not covered by a launch insurance policy.

The credit facilities are linked to the following financial covenants, calculated on the basis of the Group's consolidated financial statements presented in accordance with IFRS.

- Leverage Ratio: consolidated net debt/consolidated EBITDA less than or equal to 5.5 for the half-year and full-year periods defined in the agreement, with the first being 30 June 2006; this ratio is then gradually reduced to 5.25 at 31 December 2008, to 5 at 31 December 2009, to 4.75 at 31 December 2010 and then to 4.5 at 31 December 2011.

- Interest Cover Ratio: Consolidated EBITDA/interest payable (due and paid) greater than or equal to 2.75 (if Leverage Ratio greater than 3.5).

In addition, interest rate hedging is required for a minimum period of three years to limit exposure to interest rate risk for no less than 50% of the amounts drawn under the interest-only Term Loan facility.

On 19 June 2006, Eutelsat Communications therefore acquired from its SatBirds Finance subsidiary the interest rate hedge put in place for the previous loan.

Eutelsat Communications has also set in place a new instrument for the period 2010 – 2013 (see Note 23 – *Financial Instruments*):

- a 7-year syndicated credit facility entered into in November 2004 by its subsidiary Eutelsat S.A. for an amount of € 1 300 million and comprising:
    - a € 650 million interest-only loan
    - a revolving credit facility for € 650 million (€ 60 million used as of 30 June 2007).

The amounts drawn on this credit facility bear interest at EURIBOR (or LIBOR for amounts drawn in U.S. dollars) plus a margin of between 0.25% and 0.75%, depending on Eutelsat S.A.'s long-term debt rating assigned by Standard & Poor's. A fee for non-use representing 30% to 45% of the margin mentioned above may be payable.

Under the terms of this credit facility, Eutelsat S.A. is required to maintain a total net debt to annualised EBITDA (as these terms are defined contractually) ratio less than or equal to 3.75 to 1 and this ratio is tested at 30 June and 31 December each year.

- *Financial information at 30 June 2006 and 2007:*

The non-current portion of the Group's bank debt at 30 June 2006 and 2007 breaks down as follows:

(in thousands of euros)	**30 June 2006**		**30 June 2007**	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Eutelsat Communications credit facility (Variable rate)	1 615 000	1 615 000	1 615 000	1 615 000
Eutelsat S.A. revolving credit facility (Variable rate)	200 000	200 000	60 000	60 000
Eutelsat S.A. interest-only loan (Variable rate)	650 000	650 000	650 000	650 000
Fixed rate loan (Wins Ltd.)	-	-	379	379
Sub-total of debt (non-current portion)	**2 465 000**	**2 465 000**	**2 325 379**	**2 325 379**
Issue costs		(19 150)		(16 401)
Total		**2 445 850**		**2 308 978**

Issue costs incurred on putting in place the € 1 915 million syndicated credit facility (refinancing of the SatBirds Finance Senior credit facilities) were amortised over the duration of the loan. Costs remaining to be amortised at 30 June 2006 and 2007 were charged to the carrying amount of the loans. At 30 June 2006 and 2007, they represent a balance of € 19 150 thousand and € 16 401 thousand respectively.

At 30 June 2007, the Group had access to the following main credit facilities:

(in thousands of euros)	**Amount granted**	**Amount used**	**Maturity**
Interest-only loan	1 615 000	1 615 000	8 June 2013
Revolving credit facility	300 000	-	8 June 2013
Interest-only loan	650 000	650 000	24 November 2011
Revolving credit facility	650 000	60 000	24 November 2011
Fixed rate loan	900	633	3 April 2011
Variable rate loan	500	500	31 December 2007
Total	**3 216 400**	**2 326 133**	

The weighted average interest rate on drawdowns on these revolving credit facilities is 4.3% for the period ended 30 June 2007.

The effective interest rate on the interest-only loans of € 1 615 million and € 650 million is 5.1% and 4.5% respectively at 30 June 2007.

At 30 June 2007, the non-current debt maturity analysis is as follows:

(in thousands of euros)	30 June 2007	Maturity within one year	Maturity between 1 and 5 years	Maturity after more than 5 years
Eutelsat Communications interest-only loan	1 615 000	-	-	1 615 000
Eutelsat S.A. interest-only loan	650 000	-	650 000	-
Eutelsat S.A. revolving credit facility	60 000	60 000	-	-
Wins Ltd. fixed rate loan	633	254	379	-
Wins Ltd. variable rate loan	500	500	-	-
Total	**2 326 133**	**60 754**	**650 379**	**1 615 000**

13.2 – Current portion

Current bank debt includes accrued interest not yet due at 30 June 2007 on the debt described in Note 13.1. Current bank debt consists of the following:

(in thousands of euros)	30 June 2006	30 June 2007
Bank overdrafts	1 024	8 716
Accrued interest not yet due	2 206	13 715
Portion of the loans due within one year (excluding the revolving credit facility)	26 527	754
Total	**29 757**	**23 185**

An increase of ten basis points (+0.1%) in the EURIBOR interest rate would have an impact of € 2 326 thousand on an annualised basis on the consolidated income statement at 30 June 2007. At 30 June 2006, the impact on an annualised basis was € 2 465 thousand.

NOTE 14: OTHER LIABILITIES

14.1 – Non-current portion

Other liabilities principally comprise performance incentives.

(in thousands of euros)	30 June 2006		30 June 2007	
	Fair value	Carrying amount	Fair value	Carrying amount
Performance incentives	79 482	76 048	63 829	60 466

Long-term interest related to performance incentives amounted to € 16 517 thousand and € 15 205 thousand at 30 June 2006 and 2007 respectively.

14.2- Current portion

Current liabilities are as follows at 30 June 2006 and 2007:

(in thousands of euros)	30 June 2006	30 June 2007
Performance incentives [1]	19 498	17 273
Finance leases [2]	-	6 000
Total	**19 498**	**23 273**

([1]) Including interest related to “Performance incentives” of € 7 089 thousand at 30 June 2006 and € 6 145 thousand at 30 June 2007.

[2] At 30 June 2007, interest related to the finance lease for the T2C satellite is not material.

NOTE 15: OPERATING AND FINANCE LEASES

15.1 – Operating leases

Eutelsat S.A. pays rent for use of its registered office located in Paris. The lease was renewed on 21 June 2005 for a period of 9 years. Rent expense amounted to € 3 321 thousand and € 3 796 thousand for the periods ended 30 June 2006 and 2007 respectively. Future lease payments are shown in the following table:

(in thousands of euros)	Total	Less than 1 year	From 1 to 5 years	More than 5 years
Future payments for operating leases	**25 284**	3 612	14 448	7 224

15.2 – Finance leases

The Group operates five satellites under finance leases. None of the finance leases contains a purchase option at the expiry of the lease term.

The last finance lease contract expires in 2016.

At 30 June 2007, four of the five finance leases were pre-paid and the fifth lease will be paid during the year to come.

Financial expenses for satellites operated under finance leases amounted to € 1 570 thousand at 30 June 2006 and at 30 June 2007 they are zero.

NOTE 16: CURRENT PROVISIONS

The change in current provisions is as follows:

(in thousands of euros)	**Provisions**
30 June 2005	**7 138**
Increase in provisions	6 065
Reversal of provisions not required	(617)
Provisions used	(986)
30 June 2006	**11 600**
Increase in provisions	2 105
Reversal of provisions not required	(2 381)
Provisions used	(1 684)
30 June 2007	**9 640**

The short-term provisions recorded at period end correspond to business and employee litigation.

NOTE 17: OTHER PAYABLES AND DEFERRED REVENUES

17.1 – Non-current portion

Details of the non-current portion of other payables and deferred revenues as of 30 June 2006 and 2007 are as follows:

(in thousands of euros)	**30 June 2006**	**30 June 2007**
Deferred revenues	10 043	8 018
Guarantees and advances	5 519	8 741
Liabilities for social contributions[1]	41 597	27 453
Other liabilities	1 323	1 295
Total	**58 483**	**45 507**

[1] including debt related to the ABSA commitment (respectively € 19 592 thousand and € 3 323 thousand at 30 June 2006 and 2007) and the liquidity offer (respectively € 22 005 thousand and € 24 130 thousand at 30 June 2006 and 2007) – See Note 12.3 – *Share-based payment*.

17.2 – Current portion

Other current payables and deferred revenues were as follows at 30 June 2006 and 2007:

(in thousands of euros)	30 June 2006	30 June 2007
Deferred revenues	31 108	31 906
Guarantees and advances	11 362	9 966
Tax liabilities	16 224	16 561
Liabilities for social contributions[1]	19 560	35 064
Other liabilities	1 886	1 024
Total	**80 140**	**94 521**

[1] Including the liability related to the ABSA commitments of € 16 531 thousand at 30 June 2007 (see Note 12.3 – *Share-based payment*).

NOTE 18: CURRENT AND DEFERRED TAX

Eutelsat Communications is the head company in the tax consolidation group including Eutelsat Communications Finance since 1 July 2006.

Under the agreement of 28 June 2006, the scope of the tax consolidation for the group headed by SatBirds 2 was enlarged to include Eutelsat S.A.

From 1 July 2007, the scope of the tax consolidation group headed by Eutelsat Communications will be enlarged to include the following subsidiaries: WhiteBirds France SAS, SatBirds 2 SAS, Eutelsat S.A. and Eutelsat TV SAS.

Eutelsat S.A.'s income tax for the year ended 30 June 2006 has been estimated by applying the transitional arrangements for the five-year period defined by the French fiscal authorities, applicable as from the transfer of activities, which provide for the application of the enacted tax rates to a taxable basis of 90% in the fifth year (financial year ended 30 June 2006). This percentage reduces by ten points each year and expires in the sixth year.

Income tax for the year ended 30 June 2007 has been estimated by applying the enacted tax rates.

18.1 – Income statement tax balances

"Income tax expense" comprises current and deferred tax expenses of consolidated entities.

The Group's income tax expense is as follows:

(in thousands of euros)	Twelve-month period ended 30 June 2006	Twelve-month period ended 30 June 2007
Current tax expense	(100 467)	(96 626)
Deferred tax expense (income)	10 743	4 411
Total income tax expense	**(89 724)**	**(92 215)**

The theoretical income tax expense, based on application to the pre-tax result (excluding the share of net income from equity investments) of the standard French corporate income tax rate, can be reconciled to the actual expense as follows:

(in thousands of euros)	**30 June 2006**	**30 June 2007**
Income before tax and income from equity investments	124 271	254 368
Standard French corporate income-tax rate	*34.43%*	*34.43%*
Theoretical income-tax expense	(42 787)	(87 580)
Impact of transitional arrangements	11 065	0
Permanent differences and other items	(58 003)	(4 635)
Corporate income tax expense in the income statement	**89 724**	**(92 215)**
Actual corporate income tax rate	*72 %*	36*%*

At 30 June 2006, the tax rate was 72% as a result of not recognising a deferred tax asset related to the interest expense generated by the loan contracted to acquire the Eutelsat S.A. shares. Deferred tax assets generated by these financial expenses amounted to € 62 679 thousand, of which only € 4 815 thousand could be capitalised due to their recoverability.

At 30 June 2007, the tax expense was 36%. The discrepancy between the rates of tax is mainly explained by the fact that the tax dispute related to the sale of the Hispasat shares by Eutelsat S.A. to the German subsidiary has now ended (see Note 18.3 – *Tax risks*).

18.2 – Balance-sheet tax balances

Deferred tax assets and liabilities correspond to the aggregate net financial positions of the consolidated entities. Changes in the deferred tax balances between 30 June 2006 and 30 June 2007 were as follows:

(in thousands of euros)	30 June 2006	Net income for the period	Recognised in equity	30 june 2007
Deferred tax assets				
Capitalisation of losses carried forward	17 969	(816)	-	17 153
Bad debt provisions	16 206	1 876	-	18 082
Provisions for impairment of assets	15 228	1 681	-	16 909
Financial guarantee granted to the pension fund	7 765	(62)	-	7 703
Capitalised salaries and performance incentives	6 602	(365)	-	6 237
Accrued liabilities	3 531	(732)	-	2 799
Provisions for risks and charges	3 291	210	-	3 501
Pension provision	1 917	(4)	-	1 913
	72 509	***1 788***	***-***	***74 297***
Deferred tax liabilities				
Intangible assets	(301 000)	15 304	-	(285 696)
Financial instruments	(26 921)	(12 809)	-	(39 730)
Exceptional depreciation	(20 629)	1 285	(23 716)	(43 060)
Capitalised interest	(6 213)	721	-	(5 492)
Finance leases	(957)	(618)	-	(1 575)
Other	(1 036)	(1 260)	-	(2 296)
	(356 756)	***2 623***	***(23 716)***	***(377 849)***
Total	***(284 247)***	***4 411***	***(23 716)***	***(303 552)***
Reflected as follow in financial statements				
Deferred tax assets	18 738			1 380
Deferred tax liabilities	(302 985)			(304 932)
Total	***(284 247)***			***(303 552)***

Net deferred tax liabilities break down as follows:

(in thousands of euros)	Deferred tax assets	Deferred tax liabilities
Due within one year	-	(8 375)
Due after one year	1 380	(296 558)
Total	**1 380**	**(304 932)**

Deferred tax liabilities relate mainly to the taxable temporary difference generated by the accounting treatment at fair value of Customer contracts and relationships and of the Eutelsat brand, valued at € 929 800 thousand, giving rise on the occasion of the business combination to a deferred tax liability of € 320 130 thousand. The amortisation of customer contracts over 20 years, amounting to € 44 452 thousand, generated deferred tax income of € 15 304 thousand.

As of 30 June 2007, unrecognised deferred tax assets were € 4.3 million. These are mainly Eutelsat Communications S.A. tax losses sustained prior to the creation of the tax consolidation group amounting to € 3.5 million.

18.3 – Tax risks

On 12 December 2003, Eutelsat S.A. transferred its shares in the Spanish company, Hispasat S.A., to its German subsidiary, Eutelsat Services & Beteiligungen GmbH. As a result of this transfer, Eutelsat S.A. recognised a capital loss of € 140.4 million (this capital loss had already been provided for in the financial statements for the period ended 30 June 2003), which generated a reduction in the tax expense of € 34.8 million for the financial year ended 30 June 2004. The transfer price was based on the valuation of an independent expert, which reflected corporate valuation methods habitually employed.

Eutelsat S.A. underwent an accounting audit by the French fiscal authorities in respect of the financial years ended 30 June 2002, 2003 and 2004. Following this audit, the fiscal authorities notified Eutelsat S.A., in a letter dated 19 December 2005, of their intention to reassess Eutelsat S.A.'s taxable income for the year ended 30 June 2004, rejecting any deductibility for tax purposes of the short-term capital loss arising from transfer of the Hispasat shares to the German subsidiary, and questioning the valuation assigned to the shares.

Following exchanges and discussions with the French fiscal authorities, the latter agreed to reduce its proposed rectification from € 147.7 million (the amount originally notified) to a tax basis of € 24.0 million. Eutelsat S.A. accepted this new proposal, which resulted in additional payment of tax and interest of € 6.3 million. This amount has been recognised as an expense at 30 June 2007. This definitively closes the tax audit.

NOTE 19: NON-CURRENT PROVISIONS

(See Note 17 – *Non-current provisions)*

(in thousands of euros)	**30 June 2006**	**30 June 2007**
Financial guarantee granted to a pension fund	35 934	31 294
Retirement indemnities and other post-employment benefits	6 554	6 880
Other	7 845	211
Total non-current provisions	**50 333**	**38 385**

19.1. – Financial guarantee granted to a pension fund

Eutelsat S.A., as a result of the transfer by the IGO of its operational business as of 2 July 2001, granted its financial guarantee to the Trust managing the pension fund established by the IGO. Before this date, the pension fund was closed and the accrued rights frozen.

This guarantee can be called under certain conditions to compensate for future under-funding of the plan. During the year ended 30 June 2005, as a result of the significant decline in long-term interest rates, the guarantee was called upon in an amount of € 22.3 million. This amount was valued on the basis of the Trust's projections of future market developments. At 30 June 2005, no payments had yet been made.

In November 2005, an agreement was reached with the Trust to spread payment of the amount called as follows: € 4.46 million when the agreement is signed, and a further € 4.46 million at 30 June 2006, 2007, 2008 and 2009. It was agreed that the Trust would carry out a new valuation at 30 June 2007 and that, depending on the results of that valuation, subsequent contributions could be revised downwards or upwards. At 30 June 2006, € 8.92 million had thus been paid, and at 30 June 2007, € 4.46 million was paid.

The actuarial valuation performed at 30 June 2006 and 2007 used the following assumptions:

	30 June 2006	**30 June 2007**
Discount rate	4.75%	4.75%
Expected rate of return on assets	4.00%	4.00%
Inflation rate	2.00%	2.00%

As of 30 June 2006 and 2007, the position is as follows:

Reconciliation of assets and liabilities recognised in the balance sheet:

(in thousands of euros)	**30 June 2006**	**30 June 2007**
Present value of defined benefit obligations wholly or partly funded	140 889	152 792
Fair value of plan assets	(135 378)	(138 358)
Net financing	**5 511**	**14 434**
Actuarial and other gains/(losses) amortised over 12 years	30 423	16 860
Net (ASSET)/LIABILITY recognised in the balance sheet	**35 934**	**31 294**

The fair value of plan assets includes no amounts relating to any financial instruments issued by Eutelsat S.A. nor any property occupied by, or other assets used by, Eutelsat S.A.

<u>Movements during the year in the liability recognised in the balance sheet</u>:	*(in thousands of euros)*
Provision at 30 June 2005	**43 129**
Net expense recognised in the income statement	1 725
Contributions paid	(8 920)
Provision at 30 June 2006	**35 934**
Net gains recognised in the income statement	(180)
Contributions paid	(4 460)
Provision at 30 June 2007	**31 294**

<u>Net expense recognised in the income statement</u>: *(in thousands of euros)*	**Twelve-month period ended 30 June 2006**	**Twelve-month period ended 30 June 2007**
Service cost of the period	-	-
Finance cost	6 694	6 615
Expected return on plan assets	(4 969)	(5 439)
Actuarial (gains)/losses	-	(1 356)
Net expense (net gains) recognised in the income statement	**1 725**	**(180)**

The absence of service costs is explained by the fact that rights were frozen and that the IGO pension fund was closed prior to the transfer of business on 2 July 2001.

The actual return on the plan's assets was € 3.9 million and € 2.0 million at 30 June 2006 and 2007 respectively.

19.2 – Post-employment benefits

a) Retirement indemnities

French law requires payment of a lump sum retirement indemnity, where appropriate. This indemnity is paid to employees based upon years of service and compensation at retirement. Benefits only vest when an employee retires from Eutelsat. This scheme is not financed.

The actuarial valuations performed at 30 June 2006 and 2007 were based on the following assumptions:

	30 June 2006	**30 June 2007**
Discount rate	4.75%	4.75%
Inflation rate	2.00%	2.00%

As of 30 June 2006 and 2007, the position is as follows (in thousands of euros):

<u>Reconciliation of assets and liabilities recognised in the balance sheet</u>:	**30 June 2006**	**30 June 2007**
Present value of obligations not financed	3 425	3 876
Past-service cost amortised over 23 years	1 354	1 290
Actuarial (gains)/losses	674	610
Liability recognised in the balance sheet	**5 453**	**5 776**

<u>Movements over the year in net liability recognised in the balance sheet</u>:	***(in thousands of euros)***
Liability at 30 June 2005	**5 130**
Net expense recognised in the income statement	376
Benefits paid	(53)
Liability at 30 June 2006	**5 453**
Net expense recognised in the income statement	323
Benefits paid	-
Liability at 30 June 2007	**5 776**

<u>Net expense recognised in the income statement</u>: *(in thousands of euros)*	**Twelve-month period ended 30 June 2006**	**Twelve-month period ended 30 June 2007**
Service cost of the period	293	243
Financing cost	148	160
Past-service cost	(65)	(65)
Actuarial (gains)/losses	-	(15)
Net expense recognised in the income statement	**376**	**323**

b) Supplementary schemes

The Group also has a defined-contribution “*sur-complémentaire*” funded pension fund for its employees (excluding *mandataires sociaux* employed by the Group), financed by contributions of 6% of gross annual salary, limited to eight times the Social Security threshold. The Group has no other commitments in relation to these contributions. The employer’s contributions paid for this purpose were € 1 196 thousand and € 1 202 thousand at 30 June 2006 and 2007 respectively.

The *mandataires sociaux* of Eutelsat Communications S.A. and Eutelsat S.A. have a supplementary defined-benefits plan, which is financed by quarterly contributions to the fund managers. The present value of the obligations at 30 June 2006 and 2007 amounts to € 987 thousand and € 757 thousand respectively, and the carrying value of the assets was € 582 thousand and € 720 thousand. At 30 June 2007, the Group recognises a liability of € 37 thousand.

c) Mandatory schemes

In accordance with French law, the Group meets its obligations to finance pensions for employees in France by paying contributions based on salaries to the relevant entities that manage mandatory pension schemes. The Group has no other commitments in relation to these contributions. The employer’s contributions paid for this purpose were € 5 020 thousand and € 5 027 thousand at 30 June 2006 and 2007 respectively.

NOTE 20: SEGMENT INFORMATION

The Group operates in a single industry segment, providing satellite-based video, business and broadband networks, and mobile services mainly to major international telecommunication operators and broadcasters, corporate network integrators and companies for their own needs. With the exception of the Eutelsat satellites in orbit, most of the Group's assets are located in France.

The Group's revenues by geographical zone, based on invoice addresses, for the twelve-month periods ended 30 June 2006 and 2007 are as follows:

(in thousands of euros and as a percentage)	**Twelve-month period ended 30 June**		**Twelve-month period ended 30 June**	
	2006		**2007**	
Region	**Amount**	**%**	**Amount**	**%**
France	110 204	13.9	109 548	13.2
Italy	126 552	16.0	133 211	16.1
United Kingdom	129 056	16.3	116 278	14.0
Europe (other)	262 688	33.2	286 244	34.5
Americas	69 029	8.7	74 326	9.0
Middle East	51 970	6.6	61 090	7.4
Other (*)	41 569	5.3	48 389	5.8
Total	**791 068**	**100.0**	**829 086**	**100.0**

(*) including € 17.4 million as indemnities for late delivery and service interruption for the period ended 30 June 2006, and € 11.4 million as indemnities for late delivery for the period ended 30 June 2007.

NOTE 21: FINANCIAL RESULT

The financial result is made up as follows:

(in thousands of euros)	**Twelve-month period ended 30 June 2006**	**Twelve-month period ended 30 June 2007**
Interest expense (banks)	(133 626)	(104 034)
Other interest expense(3)	(4 873)	(1 508)
Loan set-up fees(1)	(68 605)	(2 993)
Early repayment fees(1)	(14 165)	-
Commitment fees and other similar charges	(3 588)	(11 395)
Changes in financial instruments(2)	-	(127)
Provisions for risks and charges	(2 004)	(219)
Foreign-exchange losses	(2 374)	(4 594)
Financial expenses	**(229 235)**	**(124 870)**
Changes in financial instruments(2)	40 775	2 208
Interest income	6 005	9 651
Provision on financial assets	-	-
Foreign-exchange gains	2 885	4 851
Financial income	**49 665**	**16 710**
Financial result	**(179 570)**	**(108 160)**

(1) Issue costs for the loans contracted in April 2005 to purchase Eutelsat S.A. shares were recognised in full as an expense at the time of early repayment and refinancing of these loans, which took place during the financial period ended 30 June 2006. Early repayments incurred penalties over the same duration.

(2) Changes in financial instruments represent net income of € 2 081 thousand and are presented in Note 23 – *Financial instruments*.

(3) Other interest expense includes capitalised interest, which reduces the overall figure under this heading. This interest amounted to € 4 528 thousand at 30 June 2006 and € 3 071 thousand at 30 June 2007.

The capitalisation rates used to determine the amount of interest expense eligible for capitalisation were 4.2% for the period ended 30 June 2006 and 4.3% for the period ended 30 June 2007 respectively. "Other interest expense" also includes interest related to satellite performance incentives (€ 5.9 million and € 3.7 million for the periods ended 30 June 2006 and 30 June 2007 respectively) and to the finance lease contract (€ 1.6 million for the period ended 30 June 2006, zero for the period ended 30 June 2007).

NOTE 22: EARNINGS PER SHARE

The following two tables show the reconciliation between net income and net earnings attributable to shareholders (basic and diluted) used to compute earnings per share (basic and diluted):

	30 June 2006	30 June 2007
Net income	40 234	170 085
Income from subsidiaries attributable to minority interests, before taking into account the dilutive instruments in the subsidiaries	(11 934)	(11 977)
Net earnings used to compute basic earnings per share	**28 300**	**158 108**

	30 June 2006	30 June 2007
Net income (loss)	40 234	170 085
Income from subsidiaries attributable to minority interests, after taking into account the dilutive instruments in the subsidiaries	(14 734)	(14 798)
Net earnings used to compute diluted earnings per share	**25 500**	**155 287**

Reconciliation between the number of shares used to compute basic and diluted earnings per share is provided below, as of 30 June 2006 and 2007:

	30 June 2006	30 June 2007
Restated weighted average number of shares outstanding used to compute basic earnings per share	206 926 817	216 117 530
Incremental number of additional shares that would result from the exercise of outstanding stock options (1)	1 443 656	67 953
Restated weighted average number of shares used to compute diluted earnings per share (1)	**208 370 473**	**216 185 483**

At 30 June 2006 and 2007, Eutelsat Communications and its subsidiary Eutelsat S.A. had issued dilutive instruments (see Note 12.3 – *Share-based payment)* The number of incremental shares which could be issued upon the exercise of outstanding stock options is computed using the average market price during the related period.

As its subsidiary Eutelsat S.A. is not listed, Management estimated the average market price based on the latest evaluations performed and the latest transactions between shareholders.

NOTE 23: FINANCIAL INSTRUMENTS

The Group has exposure to market risks, particularly with regard to foreign exchange and interest rates. Such risks are actively managed by Management, and for this purpose the Group employs a certain number of derivatives, the objective of which is to limit, where appropriate, the fluctuation of revenues and cash-flows due to changes in interest rates and foreign-exchange rates. The Group's policy is to use derivatives to manage such exposure. The Group does not engage in financial transactions whose associated risk cannot be quantified at their outset, i.e. the Group never sells assets it does not possess or does not know it will subsequently possess.

23.1 – Foreign exchange risk

The Group's functional currency is the euro and the Group is therefore principally exposed to fluctuations in the value of the U.S. dollar. The Group consequently, as a means of preserving the value of assets, commitments and forecast transactions, enters into contracts whose value fluctuates in line with changes in the euro/dollar exchange rate. In particular, the Group hedges certain future U.S. dollar revenues by means of financial instruments such as options, forward currency transactions and foreign currency deposits. These instruments are traded over-the-counter with first-rate banking counterparts.

Purchase commitments relate to construction contracts for satellites and to launch contracts. They generally cover a three-year period with a pre-established schedule of payments. Commitments to sell relate to contracts denominated in US dollars.

During the periods ended 30 June 2006 and 2007, the Group only purchased foreign exchange options (euro calls / Put US dollars).

23.2 – Interest rate risk

The Group's exposure to interest-rate risk is managed by hedging its variable rate debt.

Further to the refinancing process during the 2005/2006 financial year of the debt related to the acquisition of Eutelsat S.A., the Group set up the following interest rate hedges:

- a tunnel (purchase of a cap and sale of a floor) over three years until 29 April 2008 for a notional amount of € 1 700 million to hedge the long-term Eutelsat Communications interest-only loan (principal repayable at maturity). The notional amount of this tunnel was reduced on 12 April 2007 from € 1 700 million to € 1 615 million so that it would be the same as the exact amount borrowed. This partial sale generated a termination indemnity of € 1.3 million.

- a forward pay fixed/receive variable swap for a notional amount of € 850 million and the purchase of a forward cap for a notional amount of € 850 million, to serve as a hedge of Eutelsat Communications' long-term interest-only loan repayable at maturity, covering two years (Years 4 and 5). The Group also undertook a partial sale, using these financial instruments to reduce the notional amount from € 1 700 million to € 1 615 million (i.e. reducing each one from € 850 million to € 807.5 million) and generating a termination indemnity of € 0.9 million.

At end-September 2006, a new forward interest-rate hedge (Years 6 and 7) was put in place:

- A pay fixed/receive variable interest rate swap for a notional amount of € 1 615 million to hedge the long-term interest-only Eutelsat Communications loan repayable on maturity.

Following signature of the syndicated credit facility at the level of the Eutelsat S.A. sub-Group for a notional amount of € 1 300 million in November 2004, the following derivatives related to this credit facility were immediately set in place: i.e.

- A pay fixed/receive variable interest rate swap covering the long-term € 650 million portion of the 7-year interest-only loan until its maturity; and
- A 5-year tunnel (purchase of a cap and sale of a floor) for a notional amount of € 450 million related to the € 650 million revolving credit facility.

On 12 March 2007, the tunnel was terminated, with a termination indemnity of € 0.7 million, and new operations related to the revolving credit facility of € 650 million were put in place:

- A pay fixed/receive variable swap for a notional amount of € 250 million over 4 years until the maturity date of the revolving credit facility;
- Purchase of a cap in return for payment of a premium (€ 2 million) for a notional amount of € 200 million over 4 years until the maturity date of the revolving credit facility;

23.3 – Financial counterpart risk

Counterpart risk includes issuer risk, execution risk in connection with derivatives or monetary instruments, and credit risk related to liquidity and long-term investments. The Group minimises its exposure to issuer risk and its exposure to credit risk by acquiring only financial products with first-rate financial institutions or banks. Exposure to these risks is closely monitored and maintained within predetermined limits. The Group does not foresee any loss that would result from a failure by its counterparts to respect their commitments under the agreements concluded. The risks to which the Group is exposed are confined neither to the financial sector nor to a particular country.

23.4 – Key figures as of 30 June 2007

The following tables analyse the contractual or notional amounts and fair value of the Group's derivatives as of 30 June 2006 and 2007 by type of contract.

(in thousands of euros)	**Contractual or notional amounts**	**Fair value 30 June 2006**	**Change in fair value during the period**	***Impact on income***	***Impact on equity***
Foreign exchange options (Eutelsat S.A.)	104 000	4 792	595	*595*	-
Total foreign exchange derivatives		***4 792***	***595***	***595***	***-***
Swap (Eutelsat S.A.)	650 000	17 001	43 023	-	*43 023*
Forward swap (Eutelsat Communications)	850 000	12 224	16 511	*13 587*	*2 924*
Purchased cap (Eutelsat Communications)	850 000	6 964	3 935	*3 505*	*430*
Tunnel (Eutelsat Communications)	1 700 000	19 661	25 370	*19 076*	*6 294*
Tunnel (Eutelsat S.A.)	450 000	1 971	4 012	*4 012*	-
Total interest rate derivatives		***57 821***	***92 851***	***40 180***	***52 671***
Total derivatives		**62 613**	**93 446**	***40 775***	***52 671***

(in thousands of euros)	**Contractual or notional amounts**	**Fair value 30 June 2007**	**Change in fair value during the period**	***Impact on income***	***Impact on equity***
Foreign exchange options (Eutelsat S.A.)	140 741	2 844	(5 160)	*(5 160)*	-
Total foreign exchange derivatives		***2 844***	***(5 160)***	***(5 160)***	***-***
Swap (Eutelsat S.A.)	650 000	31 654	14 654	-	*14 654*
Forward swap (Eutelsat Communications)*	807 500	21 427	9 876	*673*	*9 203*
Forward swap (Eutelsat Communications)	1 615 000	36 263	36 263	-	*36 263*
Purchased cap (Eutelsat Communications)*	807 500	11 632	4 920	*(4 574)*	*9 494*
Tunnel (Eutelsat Communications)	1 615 000	21 425	3 039	*3 774*	*(735)*
Swap (Eutelsat S.A.)	250 000	5 467	5 467	*5 467*	-
Cap (Eutelsat S.A.)*	200 000	5 172	3 172	*3 172*	-
Tunnel (Eutelsat S.A.)*	450 000	Disposal	(1 271)	*(1 271)*	-
Total interest rate derivatives		***133 040***	***76 120***	***7 241***	***68 879***
Total derivatives		**135 884**	**70 960**	***2 081***	***68 879***
Investments in associates					***228***
Total					***69 107***

* Including indemnities received and premium paid (see Note 23.2 - *Interest rate risk)*

At 30 June 2006 and 2007, the changes in fair value recognised within financial result in respect of financial instruments amounted to income of € 40 775 thousand and € 2 081 thousand respectively.

Breakdown of financial instruments qualifying as hedges as of 30 June 2006 and 2007:

(in thousands of euros)	**Contractual or notional amounts**	**Fair value 30 June 2006**	**Change in fair value during the period**	***Impact on income (ineffective portion)***	***Impact on equity (effective portion)***
Forward swap (Eutelsat Communications)	850 000	12 224	16 511	*13 587*	*2 924*
Swap (Eutelsat S.A.)	650 000	17 001	43 023	-	*43 023*
Purchased cap (Eutelsat Communications)	850 000	6 964	3 935	*3 505*	*430*
Tunnel (Eutelsat Communications)	1 700 000	19 661	25 370	*19 076*	*6 294*
Total		**55 850**	**88 839**	***36 168***	***52 671***

(in thousands of euros)	**Contractual or notional amounts**	**Fair value 30 June 2007**	**Change in fair value during the period**	***Impact on income (ineffective portion)***	***Impact on equity (effective portion)***
Forward swap (Eutelsat Communications)	807 500	21 427	9 876	*673*	*9 203*
Forward swap (Eutelsat Communications)	1 615 000	36 263	36 263	-	*36 263*
Swap (Eutelsat S.A.)	650 000	31 654	14 654	-	*14 654*
Purchased cap (Eutelsat Communications)	807 500	11 632	4 920	*(4 574)*	*9 494*
Tunnel (Eutelsat Communications)	1 615 000	21 425	3 039	*3 774*	*(735)*
Total		**122 401**	**68 752**	***(127)***	***68 879***
Investments in associates					***228***
Total					***69 107***

At 19 June 2006, following the refinancing operations (see Note 13 - *Bank debt*), the SatBirds Finance tunnel and swap hedging relationship was discontinued. The hedges thus became totally ineffective, as the financial liability had been extinguished in terms of IAS 39 "*Financial Instrumen*ts": *Recognition and Measurement*". Consequently, changes in fair value within equity were recognised in the income statement. The hedges were transferred to Eutelsat Communications. A new hedging relationship was then set in place in accordance with the nature of the new financial liability (see Note 13 – Bank debt).

NOTE 24: OTHER COMMITMENTS AND CONTINGENCIES

As of 30 June 2007, Management considers that, to the best of its knowledge, no commitments exist that may have an impact on the Group's present or future financial position with the exception of the following items:

24.1 - Purchase commitments

The Group has commitments with suppliers for the acquisition of assets and provision of services related to monitoring and control of its satellites.

The Group may seek to benefit from penalty payments related to incidents affecting the functioning of its operational satellites.

Future minimum payments, as of 30 June 2006 and 2007, are scheduled to be paid as follows:

(in millions of euros)	**30 June 2006**	**30 June 2007**
2007	28	
2008	14	34
2009	12	15
2010	11	10
2011 and thereafter(*)	10	7
2012 and thereafter		5
Total	**75**	**71**

(*) for the period reported in respect of the financial year ended 30 June 2006

The above total includes € 3.0 million for purchase commitments entered into with related parties (see Note 25 - *Related parties*).

At 30 June 2007, future payments under satellite construction contracts amounted to € 268 million, and future payments under launch agreements amount to € 151 million.

24.2 – In-orbit insurance

The Group's in-orbit insurance programme expired on 26 November 2006 and was replaced by a new 12-month programme defined by the Group with a view to minimising the impact on its balance sheet and its income of losing one or more satellites. Under this programme, 16 of the satellites belonging to the Group (excluding the W1, ATLANTIC BIRD™1 and EUROBIRD™4 ex HOT BIRD™3 satellites) are covered by insurance subject to certain limitations applying in the sole cases of total constructive loss or total loss resulting from technical problems already identified. The HOT BIRD™8 satellite is included and is covered by the policy when its launch + 1 year insurance cover comes to an end.

The insurance policy taken out against damage under this programme covers cumulative partial or total constructive losses of the 16 satellites insured, up to a ceiling of € 165 million per satellite and a total annual amount of € 390 million. The Group's satellites covered under this policy are insured for their net book value.

This insurance programme provides the same risk retention as before (limited in all circumstances to a cumulative annual amount of € 80 million).

During the last financial period, the Group submitted a claim for compensation as a result of the technical incident that affected the W1 satellite on 10 August 2005. It involved three insurance policies and the claim was settled during the year ended 30 June 2007 with payment of a total amount of € 37.3 million recognised under “Other operating income”.

24.3 – Launch insurance

The HOT BIRD™8 satellite is covered by L+1 (launch + 1 year) insurance taken out at the end of December 2005 and is automatically included in the in-orbit insurance cover as of 4 August 2007.

24.4 – Litigation

The Group is involved in litigation in the normal course of its business. Expenses that can arise from litigation, estimated probable by the Company and its advisers, have been the subject of provisions considered to be sufficient to cover the expected costs of such litigation.

NOTE 25: RELATED-PARTY TRANSACTIONS

Amounts included in current assets and current liabilities in the balance sheet, due and owed to related parties (mainly direct and indirect shareholders of the Group) as of 30 June 2006 and 2007 are as follows:

(in thousands of euros)	**Twelve-month period ended 30 June 2006**	**Twelve-month period ended 30 June 2007**
Gross receivables (including unbilled revenues)	11 197	9 133
Liabilities (including accrued invoices)	643	223

Transactions with related parties included in the income statements for the periods ended 30 June 2006 and 2007 are as follows:

(in thousands of euros)	**Twelve-month period ended 30 June 2006**	**Twelve-month period ended 30 June 2007**
Revenues	48 365	46 581
Operating costs, Selling, general and administrative expenses	1 696	926
Financial result	0	

For the year ended 30 June 2007, no related party accounts individually for 10% or more of revenues.

In addition, the Group entered into transactions with certain shareholders for services related to the provision of services relating to the monitoring and control of its satellites.

Transactions with related parties included in the acquisition cost of the Eutelsat S.A. shares amounted to € 2 316 thousand at 30 June 2006.

In addition, the Group and a related party have signed an agreement whereby, if certain conditions are fulfilled by 15 September 2007, the Group could receive an amount of € 25 million in return for renouncing certain rights within an equity interest.

Compensation paid to the members of the administrative and management bodies

(in thousands of euros)	**Twelve-month period ended 30 June 2006**	**Twelve-month period ended 30 June 2007**
Short-term benefits (excluding employer's charges)	2 546	2 312
Short-term benefits: Employer's charges	921	644
Post-employment benefits	8% of annual salary at end of career	8% of annual salary at end of career
Other long-term benefits (indemnity payment in the event of involuntary termination of appointment)	1 000	1 000

Share-based payment:

a) The Group issued 835 200 ABSA 1s and 187 710 ABSA 2s on 2 August 2005 to the members of the administrative and management bodies of the Group, which had the following characteristics:

- ABSA 1: unit price of € 1.378
- ABSA 2: unit price of € 1.54
- 2.7 BSA per ABSA
- Each BSA conferring the right to subscribe for 1 Eutelsat Communications share.

These instruments were fully paid-up in cash with the difference between the unit subscription price for the ABSAs and the nominal value being recognised as additional paid-in capital.

The BSAs were detached from the shares when the ABSAs were issued.

Due to the consolidation of shares decided by the General Meeting of 31 August 2005, the conditions of the BSAs were changed:

- two BSAs are needed to subscribe for 1 Eutelsat Communications share.
- the unit subscription price is € 2.

Following the decision of the Ordinary and Extraordinary General Meeting of Shareholders on 10 November 2006 to make a distribution by taking the required amount from “additional paid-in capital”, and in accordance with the legal provisions protecting stock-warrant beneficiaries, the Board of Directors decided on 10 November 2006 to make a further adjustment both to the conversion rate and to the exercise price per share:

- two BSAs are needed to subscribe for 1.03951 Eutelsat Communications shares.
- the unit subscription price is € 1.9240.

The following table shows how the BSAs held by the members of the administrative and management bodies of the Group have evolved:

Type	**BSAs issued**	**BSAs exercised**	**Shares issued**	**Subscription price per share in €**	**Expiry date**
BSA 1	2 255 040	2 255 039	1 148 362	1.9240	31/03/2008
BSA 2	506 817	506 817	263 420	1.9240	02/08/2015
Total	**2 761 857**	**2 761 856**	**1 411 782**		

b) The Board of Directors, acting under delegations of authority granted by the Ordinary and Extraordinary General Meeting of 6 October 2005, made a free allotment of 40 000 new shares in Eutelsat Communications on 10 May 2007 to the members of the Group’s administrative and management bodies.

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.

NOTE 26: STAFF COSTS

Staff costs (including mandatory employee profit-sharing) are as follows:

(in thousands of euros)	**Twelve-month period ended 30 June 2006**	**Twelve-month period ended 30 June 2007**
Operating costs	23 791	23 677
Selling, general and administrative expenses	39 002	39 841
Total	**62 793**	**63 518**

The average number of employees is as follows:

	Twelve-month period ended 30 June 2006	**Twelve-month period ended 30 June 2007**
Operations	179	184
Selling, general and administrative	306	328
Total	**485**	**512**

As of 30 June 2007, the Group has 529 employees, compared with 493 as of 30 June 2006.

Compensation paid to the *mandataires sociaux* of Eutelsat Communications employed by the Group is € 2.3 million for the financial year ended 30 June 2007. No payment in respect of attendance at meetings was paid to Board members for the year ended as of the same date.

The Group has a corporate savings plan (*plan d'épargne d'entreprise* or *PEE*) reserved for Eutelsat S.A. employees with more than three months of service, funded by voluntary contributions by the employees.

Via its subsidiary Eutelsat S.A., the Group has an employee incentive scheme (*accord* d'*intéressement*), which was set up for a three-year period. The incentive scheme is based on objectives renewable each year.

NOTE 27: COMPANIES INCLUDED IN THE CONSOLIDATION

The list of companies included in the consolidation is as follows:

Company	Country	Consolidation method	% voting rights as of 30 June 2007	% interest as of 30 June 2007
Eutelsat Communications Finance S.A.S.	France	Full consolidation	100.00%	100.00%
SatBirds 2 S.A.S.	France	Full consolidation	100.00%	100.00%
WhiteBirds France S.A.S.	France	Full consolidation	100.00%	100.00%
Eutelsat S.A.	France	Full consolidation	95.24%	95.24%
Eutelsat S.A. sub-Group				
- Eutelsat TV S.A.S.	France	Full consolidation	100.00%	95.24%
- Eutelsat do Brasil S.A. (1)	Brazil	Full consolidation	100.00%	95.24%
- Eutelsat Italia	Italy	Full consolidation	100.00%	95.24%
- Skylogic Italia s.p.a.	Italy	Full consolidation	100.00%	95.24%
- Eutelsat Services und Beteiligungen GmbH (1)	Germany	Full consolidation	100.00%	95.24%
- Visavision GmbH (1)	Germany	Full consolidation	100.00%	95.24%
- Eutelsat Inc. (1)	United States	Full consolidation	100.00%	95.24%
- Eutelsat America Corp.(1)	United States	Full consolidation	100.00%	95.24%
- Eutelsat UK Limited	United Kingdom	Full consolidation	100.00%	95.24%
- Eutelsat Polska s.p.z.o.o.	Poland	Full consolidation	100.00%	95.24%
- Skylogic Polska s.p.z.o.o.	Poland	Full consolidation	100.00%	95.24%
- Skylogic Mediterraneo	Italy	Full consolidation	100.00%	95.24%
- Skylogic Eurasia	Turkey	Full consolidation	100.00%	95.24%
- Wins Ltd (1)	Malta	Full consolidation	50.00%	47.62%
- Hispasat (1)	Spain	Equity method	27.69%	26.37%

(1) : Companies whose financial year-end is 31 December.
NB: The other companies' financial year ends on 30 June.

The consolidation of these subsidiaries under the full-consolidation method was performed using financials as of 30 June 2007.

- On 18 July 2006, SatBirds Capital Participations was absorbed under a merger-absorption arrangement by SatBirds Finance.
- On 31 August 2006, SatBirds Capital was dissolved.
- On 10 October 2006, with retroactive effect as of 1 July 2006, Eutelsat Finance was dissolved without liquidation into Eutelsat Communications.
- On 31 May 2007, SatBirds Finance was absorbed under a merger-absorption arrangement by Eutelsat Communications Finance.

NOTE 28: EVENTS AFTER THE BALANCE SHEET DATE

None