Eutelsat Communications Group

Société anonyme with a capital of 220,113,982 euros
Registered office: 70, rue Balard 75015 Paris
481 043 040 R.C.S. Paris

CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS AS OF 31 DECEMBER 2010

CONSOLIDATED BALANCE SHEET
(In thousands of euros)

ASSETS	Note	30 June 2010	31 December 2010
Non-current assets			
Goodwill	4	807 752	807 752
Intangible assets	4	709 195	687 534
Satellites and other property and equipment, net	5	1 797 588	1 684 238
Construction in progress	5	732 913	790 866
Investments in associates	6	232 928	184 623
Non-current financial assets		3 049	4 164
Deferred tax assets		52 624	43 751
TOTAL NON-CURRENT ASSETS		**4 336 049**	**4 202 928**
Current assets			
Inventories		1 372	1 388
Accounts receivable		298 816	314 564
Other current assets		13 510	18 339
Current tax receivable		2 867	2 175
Current financial assets	7	4 900	141 573
Cash and cash equivalents	8	59 519	181 313
TOTAL CURRENT ASSETS		**380 984**	**659 352**
TOTAL ASSETS		**4 717 033**	**4 862 280**

LIABILITIES AND SHAREHOLDERS’ EQUITY	Note	30 June 2010	31 December 2010
Shareholders’ equity	9		
Share capital		220 114	220 114
Additional Paid-in capital		497 128	453 214
Reserves and retained earnings		725 951	789 098
Non-controlling interests		69 112	68 800
TOTAL SHAREHOLDERS’ EQUITY		**1 512 305**	**1 531 226**
Non-current liabilities			
Non-current financial debt	10	2 446 102	2 578 092
Other non-current financial liabilities	11	49 164	54 485
Other non-current debt		1 469	361
Non-current provisions		30 156	31 384
Deferred tax liabilities		289 501	297 089
TOTAL NON-CURRENT LIABILITIES		**2 816 392**	**2 961 411**
Current liabilities			
Current financial debt	10.2	32 866	34 104
Other current financial liabilities	11	160 661	120 890
Accounts payable		40 956	49 777
Fixed assets payable		30 424	24 272
Taxes payable		12 618	26 983
Other current payables		97 153	95 278
Current provisions		13 658	18 339
TOTAL CURRENT LIABILITIES		**388 336**	**369 643**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4 717 033**	**4 862 280**

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

	Note	Six-month period ended 31 December 2009	Twelve-month period ended 30 June 2010	Six-month period ended 31 December 2010
Revenues	13	508 040	1 047 224	575 854
Revenues from operations		**508 040**	**1 047 224**	**575 854**
Operating costs		(36 419)	(80 877)	(41 559)
Selling, general and administrative expenses		(60 062)	(138 552)	(71 313)
Depreciation and amortisation		(157 300)	(313 419)	(142 438)
Other operating income	17.2	112	148	235 283
Other operating expenses	5	(482)	(5 973)	(236 150)
Operating income		**253 889**	**508 551**	**319 677**
Financial income		10 041	32 868	7 985
Financial expenses		(50 656)	(133 512)	(61 508)
Financial result	14	**(40 615)**	**(100 644)**	**(53 523)**
Income from associates		7 497	17 843	11 176
Net income before tax		**220 771**	**425 750**	**277 330**
Income tax expense	12	(74 471)	(143 239)	(94 751)
Net income		**146 300**	**282 511**	**182 579**
Group share of net income (loss)		139 466	269 501	174 438
Portion attributable to non-controlling interests		6 834	13 010	8 141
Earnings per share attributable to Eutelsat Communications' shareholders	15			
Basic earnings per share in €		0.634	1.224	0.793
Diluted earnings per share in €		0.634	1.224	0.793

COMPREHENSIVE INCOME STATEMENT
(In thousands of euros)

	Note	Six-month period ended 31 December 2009	Twelve-month period ended 30 June 2010	Six-month period ended 31 December 2010
Net income		**146 300**	**282 511**	**182 579**
Other items of gain or loss on comprehensive income				
Translation adjustment		(24)	3 813	(747)
Tax effect		-	(858)	-
Changes in fair value of cash-flow hedging instruments	9.3, 16.5	(3 859)	(24 663)	38 454
Tax effect		1 329	8 491	(13 200)
Total of other items of gain or loss on comprehensive income		**(2 554)**	**(13 217)**	**24 507**
Total comprehensive income statement		**143 746**	**269 294**	**207 086**
Group share of net income (loss)		136 883	255 760	198 660
Portion attributable to non-controlling interests		6 863	13 534	8 426

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CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands of euros)

	Note	Six-month period ended 31 December 2009	Twelve-month period ended 30 June 2010	Six-month period ended 31 December 2010
Cash flow from operating activities				
Net income		146 300	282 511	182 579
Income from equity investments		(7 497)	(17 844)	(11 176)
Capital (gain) / loss on disposal of assets		12	120	-
Other non-operating items		109 212	238 525	131 511
Depreciation, amortisation and provisions		155 641	321 824	146 665
Deferred taxes		2 834	15 428	6 692
Changes in accounts receivable		(4 241)	(19 274)	(28 249)
Changes in other assets		(2 111)	4 447	(11 171)
Changes in accounts payable		(1 080)	12 430	14 887
Changes in other debt		5 332	8 821	11 810
Taxes paid		(88 041)	(148 702)	(72 565)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**316 361**	**698 286**	**370 983**
Cash flows from investing activities				
Acquisitions of satellites, other property and equipment and intangible assets		(226 141)	(494 362)	(286 815)
Movements on equity investments	6	-	-	60 000
Proceeds from disposal of assets		-	8	-
Insurance indemnities on property and equipment	17.2	-	-	101 620
Changes in other non-current financial assets		(251)	(295)	(1 114)
Dividends received from associates		3 169	3 169	3 378
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(223 223)**	**(491 480)**	**(122 931)**
Cash flows from financing activities				
Changes in capital		-	-	-
Distributions		(156 196)	(156 196)	(177 124)
Movements on treasury shares	9.1	261	263	(13 009)
Increase in debt		50 000	843 472	130 000
Repayment of debt		(73)	(850 184)	(220)
Repayment in respect of performance incentives and long-term leases		(6 924)	(14 329)	(4 729)
Other loan-related expenses		-	(9 554)	(30)
Interest and other fees paid	14	(44 829)	(76 930)	(38 242)
Interest received		1 110	1 498	850
Termination indemnities on derivatives settled		-	(38 015)	(325)
Acquisition of non-controlling interests	9.2	(3 079)	(6 717)	(6 722)
Other changes		107	315	1
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(159 624)**	**(306 377)**	**(109 550)**
Impact of exchange rate fluctuations on cash and cash equivalents		577	(464)	754
Increase (decrease) in cash and cash equivalents		**(65 909)**	**(100 035)**	**139 256**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**141 372**	**141 372**	**41 337**
CASH AND CASH EQUIVALENTS, END OF PERIOD		**75 463**	**41 337**	**180 593**
Cash reconciliation				
Cash		83 696	59 519	181 312
Overdraft included under debt (1)	10.2	(8 233)	(18 182)	(719)
Cash and cash equivalents per cash flow statement		**75 463**	**41 337**	**180 593**

(1) **:** Overdrafts are included in determining "Cash and cash equivalents" in the cash-flow statement as they are repayable on demand and form an integral part of the Group's cash-flow management. They are shown as part of "Current financial debt" within "Current liabilities" on the balance sheet.

Eutelsat Communications

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of euros, except per share data)

	Common stock			Reserves and retained earnings	Non-controlling interests	Total
	Number	Amount	Additional paid-in capital			
30 June 2009	**219 803 965**	**219 804**	**526 047**	**584 913**	**67 070**	**1 397 834**
Net income for the period				**139 466**	**6 834**	**146 300**
Other items of gain or loss on comprehensive income				(2 583)	29	(2 554)
Total comprehensive income statement				**136 883**	**6 863**	**143 746**
Transactions affecting the capital	310 017	310	(310)	-	-	-
Treasury stock				261	-	261
Transactions with non-controlling interests				(2 085)	(796)	(2 881)
Distributions			(28 609)	(116 636)	(10 951)	(156 196)
Benefits for employees upon exercising options and free shares granted				178	-	178
ABSA commitments				(1 055)	1 055	-
Liquidity offer				4 446	(1 579)	2 867
31 December 2009	**220 113 982**	**220 114**	**497 128**	**606 905**	**61 662**	**1 385 809**
30 June 2010	**220 113 982**	**220 114**	**497 128**	**725 951**	**69 112**	**1 512 305**
Net income for the period				**174 438**	**8 141**	**182 579**
Other items of gain or loss on comprehensive income				**24 222**	**285**	**24 507**
Total comprehensive income statement				**198 660**	**8 426**	**207 086**
Transactions affecting the capital				-	-	-
Treasury stock				(13 009)	-	(13 009)
Transactions with non-controlling interests				(3 171)	(3 516)	(6 687)
Distributions			(43 914)	(122 958)	(10 252)	(177 124)
Benefits for employees upon exercising options and free shares granted				1 678	67	1 745
ABSA commitments				322	3 602	3 924
Liquidity offer				1 625	1 631	2 986
31 December 2010	**220 113 982**	**220 114**	**453 214**	**789 098**	**68 800**	**1 531 226**

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR ACCOUNTS

NOTE 1: KEY EVENTS DURING THE PERIOD

- On the night of 28 to 29 October 2010, the W3B satellite was launched by an Ariane 5 launch vehicle. Following separation from the rocket, a failure was observed on the satellite's propulsion sub-system, preventing it from being placed into geostationary orbit. Consequently, the Group declared the total loss of the W3B and filed an insurance claim on the spacecraft.
(see Note 5 - *Satellites and other property and equipment* and Note 17.2 - *In-orbit insurance and launch insurance*).

- On 26 December 2010, the Ka-Sat satellite was successfully launched by a Proton rocket. It is due to come into operational service by end of May 2011.

NOTE 2: ADOPTION OF THE ACCOUNTS

The condensed consolidated half-year accounts of Eutelsat Communications as of 31 December 2010 have been prepared under the responsibility of the Board of Directors, which approved them at its meeting held on 17 February 2011.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 – Compliance with IFRSs

The consolidated half-year accounts as of 31 December 2010 have been prepared in accordance with IFRSs as adopted by the European Union and effective as of that date. The relevant texts are available for consultation at the following Web site:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

They have been prepared on a going concern basis and under the historical cost convention, except for those items for which the standards require fair value valuations. The financial information disclosed in these financial statements is prepared in accordance with the option contained in IAS 34 "Interim Financial Reporting" in a summary format. The accounts as presented do not therefore contain all the information and Notes required under IFRSs for the preparation of consolidated full-year financial statements and must be read in conjunction with the consolidated full-year financial statements for the financial year ended 30 June 2010.

3.2 – Published standards and interpretations

The accounting methods and rules used in preparing the condensed interim accounts are identical to those used for the consolidated full-year financial statements for the year ended 30 June 2010, with the exception of the new standards and interpretations as described below, which are adopted by the European Union and are to be applied after 1 July 2010.

- Amendment to IFRS 2 "Cash-settled Share-based Payments of Intra-group Transactions". This amendment clarifies the accounting for group cash-settled share-based payment transactions. It did not have any impact on the financial position of the Group.

- Improvements to IFRSs released in April 2009 primarily concern the following standards:

  - IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” clarifies the nature of disclosures required in respect of groups of assets classified as "held for sale".

  - IFRS 8 "Operating Segments" removes the requirement to report information about segment assets when this information is not regularly provided to the chief operating decision maker (the same applies to the equivalent provision on segment liabilities).

  - IAS 1 "Presentation of Financial Statements" clarifies that the possibility for a holder to convert a convertible debt instrument into an equity instrument within 12 months does not affect its classification as current/non-current.

  - IAS 7 “Statements of Cash Flows” clarifies that only expenditures that result in a recognised asset in the balance sheet are eligible for classification as cash flows from investing activities.

  - IAS 17 “Leases” provides guidance on classification of land as a lease.

  - IAS 18 “Revenue Recognition” introduces criteria for determining whether an entity is acting as a principal or as an agent in a business transaction.

  - IAS 36 “Impairment of Assets” clarifies that the largest unit permitted for allocating goodwill is the operating segment defined in IFRS 8.

  - IAS 39 “Financial instruments: Recognition and Measurement” clarifies the accounting treatment for contracts to purchase / sell a business and the event that subsequently results in the reclassification to profit and loss in a cash flow hedging relationship.

- Amendment to IAS 32 “Classification of Rights Issues” applicable for financial years beginning on or after 1 February 2010. Subject to certain conditions, foreign currency rights issues (and certain warrants and options) can be classified as equity instruments. Prior to the amendment, these rights were classified as derivatives. The Group did not issue such instruments and therefore was not impacted by the amendment.

- IFRIC 17 “Distributions of Non-cash Assets to Owners” addresses the accounting when an entity distributes non-cash assets as dividends to its shareholders. It has no impact on the Group’s accounts.

- IFRIC 18 “Transfers of assets from customers”.

- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”, released in November 2009 and applicable for financial years beginning on or after 1 July 2010. The interpretation clarifies the accounting treatment when an entity renegotiates the terms of its debt with the result that the liability is extinguished, in whole or in part, by the entity issuing its own equity instruments to the lender(s). The interpretation does not address the accounting by the lender.

- Improvements to IFRSs released in May 2010, for the Amendment applicable for financial years beginning on or after 1 July 2010, even if as yet not endorsed by the European Union:

    - IFRS 3R Amendment limits the fair value option when measuring non-controlling interests in a business combination; furthermore, it addresses the application of the existing IFRS 3 for earn-outs (adjustments to consideration) from business combinations recognised under IFRS 3; it also clarifies the accounting treatment for un-replaced and voluntarily replaced share-based payment transactions.

None of these texts has had an impact on previous financial periods or on the condensed consolidated half-year accounts as of 31 December 2010.

Furthermore, no standard or interpretation has been applied in advance, whether they were endorsed by the EU or not, and the Group is currently analysing the practical consequences of the new standards and the effects of applying them in the accounts. This concerns:

- IAS 24 revised “Related Party Disclosures”, applicable to financial years beginning on or after 1 January 2011, and endorsed by the European Union;

- Amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirement” effective for financial years beginning on or after 1 January 2011and endorsed by the European Union;

- IFRS 9 “Financial Instruments”, effective as of 1 January 2013, as yet not endorsed by the European Union;

- Improvements to IFRSs released in May 2010, as yet not endorsed by the European Union for amendments applicable as of 1 January 2011;.

- IFRS 7 “Disclosures about Transfers of Financial Assets” released in October 2010 and effective as of 1 July 2011, as yet not endorsed by the European Union.

- IAS 12 "Income Taxes”, released in December 2010 on the assessment of deferred tax assets for assets for which the entity expects to recover the carrying amount by using or selling the asset items. The amendment was not adopted by the European Union.

3.3 - Periods presented and comparatives

The six-month period ends 31 December 2010.

The functional currency and the currency used in the presentation of the accounts is the euro.

3.4 – Use of estimates

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

Judgements

When preparing the half-year interim consolidated accounts for the period ended 31 December 2010, Management exercised its judgement, in particular regarding recognition as income at 31 December 2010 of the expected insurance indemnity following the W3B satellite's total loss (see Note 17.2 - *In-orbit insurance and launch insurance*).

3.5 – Taxes

The interim income tax expense is calculated by applying the average effective interest rate estimated for the financial year to earnings before taxes for the period.

NOTE 4: GOODWILL AND OTHER INTANGIBLES

The "Goodwill and Other Intangibles" item breaks down as follows:

Changes in gross assets

(In thousands of euros)	**Goodwill**	**Customer contracts and relationships**	**Eutelsat brand**	**Other intangibles**	**Total**
30 June 2010	**807 752**	**889 000**	**40 800**	**37 032**	**1 774 584**
Separate acquisitions	-	-	-	3 175	3 175
Disposals	-	-	-	(73)	(73)
Transfers..	-	-	-	4	4
31 December 2010	**807 752**	**889 000**	**40 800**	**40 138**	**1 777 690**

Changes in accumulated depreciation and impairment

(In thousands of euros)	**Goodwill**	**Customer contracts and relationships**	**Eutelsat brand**	**Other intangibles**	**Total**
Accumulated depreciation as of 30 June 2010	**-**	**(233 363)**	**-**	**(24 274)**	**(257 637)**
Half-year allowance..........................	-	**(22 225)**	**-**	**(2 615)**	**(24 840)**
Reversals	-	-	-	73	73
Impairment	-	-	-	-	-
Accumulated depreciation as of 31 December 2010	**-**	**(255 588)**	**-**	**(26 816)**	**(282 404)**

Net assets

(In thousands of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
Net value as of 30 June 2010	**807 752**	**655 637**	**40 800**	**12 758**	**1 516 947**
Net value as of 31 December 2010	**807 752**	**633 412**	**40 800**	**13 322**	**1 495 286**

As of 31 December 2010, goodwill was tested annually for impairment, which did not challenge the amount shown on the balance sheet. The recoverable value was approximated by fair value, which in turn derives from the market value of Eutelsat SA. The market value was measured by analysing the implicit value of Eutelsat S.A. based on the stock-exchange value of Eutelsat Communications S.A. (and taking into account this Company's debt) compared with / corroborated by the latest private transactions involving Eutelsat S.A. shares.

This method is not called into question by the present economic environment, as market capitalisation has increased substantially with respect to the figure used for the latest impairment test. In terms of sensitivity, there would have to be a negative variation in the stock-exchange price of at least 80% for the fair value representing the recoverable value in this particular instance to fall below the carrying amount. Should such an event occur, a test would be developed based on the value in use.

NOTE 5: SATELLITES AND OTHER PROPERTY AND EQUIPMENT

Changes in gross assets

(In thousands of euros)	Satellites	Other tangibles	Construction in progress	Total
30 June 2010	**3 028 676**	**169 534**	**732 913**	**3 931 123**
Change in gross value	(1 387)	-	-	(1 387)
Acquisitions	-	4 617	295 426	300 043
Disposals and scrapping of assets	-	(9 582)	(236 146)	(245 728)
Transfers	-	1 323	(1 327)	(4)
31 December 2010	**3 027 289**	**165 892**	**790 866**	**3 984 047**

Changes in accumulated depreciation and impairment

(In thousands of euros)	Satellites	Other tangibles	Construction in progress	Total
Accumulated depreciation at 30 June 2010	**(1 305 074)**	**(95 548)**	**-**	**(1 400 622)**
Half-year allowance	(105 630)	(11 968)	-	(117 598)
Reversals	-	9 277	-	9 277
Impairment	-	-	-	-
Accumulated depreciation at 31 December 2010	**(1 410 704)**	**(98 239)**	**-**	**(1 508 943)**

Net assets

(In thousands of euros)	Satellites	Other tangibles	Construction in progress	Total
Net value as of 30 June 2010	**1 723 602**	**73 986**	**732 913**	**2 530 501**
Net value as of 31 December 2010	**1 616 585**	**67 653**	**790 866**	**2 475 104**

W3B satellite

Following its launch on 28 October 2010, the W3B satellite suffered an anomaly related to its propulsion sub-system, precluding any possible entry into commercial service of the satellite. On 17 November 2010, the Group filed an insurance claim for the total loss of the spacecraft (see Note 17.2 - *In-orbit insurance and launch insurance*). This incident had no impact on the continuity of service provided to the Group's customers, but it led Eutelsat to recognise the satellite's loss under "Other operating expenses".

Construction in progress

As of 31 December 2010, the "Construction in progress" item mainly included the Ka-Sat satellite which was launched on 26 December 2010 but had not entered into operational service and the W3C, ATLANTIC BIRD™ 7, W5A, W6A, EUROBIRD ™ 2A and W3D.

NOTE 6: INVESTMENTS IN ASSOCIATES

During the reporting period, Solaris, a 50/50 joint venture between Eutelsat and SES Astra, carried out a €120 million capital reduction At 30 December 2010, the Group had received its share, i.e. €60 million.

NOTE 7: CURRENT FINANCIAL ASSETS

(In thousands of euros)	30 June 2010	31 December 2010
Hedging instruments[1]	24	802
Other receivables	4 876	140 771
Total	**4 900**	**141 573**

(1) see Note 16 – *Financial instruments*

"Other receivables" are mainly composed of an item of accrued income corresponding to insurance indemnification for the loss of the W3B satellite. (see Note 17.2 - *In-orbit insurance and launch insurance*).

NOTE 8: CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

(In thousands of euros)	30 June 2010	31 December 2010
Cash	53 481	72 701
Accrued interest	-	-
Cash equivalents	6 038	108 612
Total	**59 519**	**181 313**

Cash equivalents are mainly composed of deposit warrants, the great majority of which matures less than one month after the date of acquisition, and UCITS qualifying as "cash equivalents".

NOTE 9: SHAREHOLDERS' EQUITY

9.1 – Shareholders' equity

As of 31 December 2010, the share capital of Eutelsat Communications S.A. comprised 220,113,982 shares with a nominal value of €1 per share. In terms of treasury stock, Eutelsat Communications S.A. holds 521,591 shares, including 21,591 shares with a value of €593,010.33 under the liquidity agreement and 500,000 shares with a value of €13.9 million under the free share allocation plan (see below). These shares have been deducted from shareholders' equity.

Changes in the share capital and additional paid-in capital of the Company since 30 June 2010 are presented below:

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 each operation (in thousands of euros)	Cumulative number of shares	Nominal value of shares (in euros)
30/06/2010		-	-	497 128	220 114	220 113 982	1
09/11/10	Distribution of dividends (GM of 09/11/10)	-	-	(43 914)	220 114	220 113 982	1
31/12/2010		-	-	453 214	220 114	220 113 982	1

On 9 November 2010, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of €0.76 per share, i.e. a total of €166,872,289.52, taken from "Additional paid-in capital" for a total of €43,913,760.40 and from net income as per 30 June 2010 for a total of €122,958,529.12. In 2009, the amount distributed was €145,244,412.70 i.e. €0.66 per share.

9.2 –Share-based payment

Free grant of shares

On 1 February 2010, the Board of Directors approved a new plan for the allocation of free shares to all employees of the Group, including the directors and corporate officers (i.e. 554 beneficiaries, including 553 employees), representing a maximum of 700,000 shares and decided that the allocation plan should be implemented through the distribution of previously repurchased shares. The allocation of free share is subject to the condition that the beneficiaries are still employed within the Group three years as from the above mentioned date and that they hold the shares for a further two-year period starting on the shares' vesting date. The plan breaks down in two parts:

- on the one part, the grant of 600 shares per employed beneficiary, conditional upon the attainment of performance objectives over three financial years ending 30 June 2012, including one objective linked to cumulative EBITDA (50% of the relevant portion) and another objective linked to average ROCE (the remaining 50%);
- on the other part, the grant of 368,200 shares to directors and corporate officers and managers, conditional upon the achievement, over the same three financial periods, of one objective based on cumulative EBITDA[1], one objective based on average ROCE[2], one objective linked to cumulative EPS[3] and one TSR[4]-linked objective, all four objectives being equally weighted.

[1] EBITDA is defined as the operating result before depreciation and amortisation, excluding impairment of assets, other operating income and charges.
[2] ROCE is Return on Capital Employed = operating result x (1 – corporate income tax) / (shareholders' equity + net debt – goodwill).
[3] EPS is defined as the Group's net earnings per share.
[4] TSR is Total Shareholder Return. Rate of return on a share over a given period, including the dividends received and the capital gain earned (i.e. variation in the share price).

The fair value of the equity instrument took into account the market price of the share at the grant date, market expectations of the dividend distribution at the valuation date, staff turnover of 5% and a non-transferability cost of 1.5%, and was in part approximated by using Monte Carlo simulations based on the previous criteria, a risk-free rate of 1.637% and a share price volatility of 26.27%.

The value of the benefit was estimated at €10.5 million spread over the three-year vesting period (maturity date at 31 January 2013). The expense recognised for the period ended 31 December 2010, with a double entry to shareholders' equity, was €1,745 thousand.

It should be noted that as of 31 December 2010, 500 000 shares had been repurchased for €13.9 million. Under IAS 32 "*Financial Instruments: Presentation*", the acquisition cost of shares bought back by the Group under the above free share allocation plan was recorded as a reduction of the Group's share of shareholders' equity.

For the record, within the framework of the free share allocation plan and the associated share buy-back programme, Eutelsat Communications has signed a chargeback agreement with all of its subsidiaries concerned by the free share plan.

Impact of Eutelsat S.A. stock-option plans

During the period ended 31 December 2009, a total of 103,831 Eutelsat S.A. stock options were exercised. This capital increase at Eutelsat SA generated a loss of dilution for Eutelsat Communications of €45 thousand, recognised within "Other operating expenses".

During the period ended 31 December 2010, a total of 16,581 Eutelsat S.A. stock options were exercised. This capital increase at Eutelsat SA generated a loss of dilution for Eutelsat Communications of €4 thousand, recognised within "Other operating expenses".

Commitments to buy and to sell Eutelsat S.A. shares

In August 2005, the Group entered into commitments with certain key managers and directors and corporate officers of Eutelsat S.A. for the purchase and sale of Eutelsat S.A. shares. Since 30 June 2010, the Group has acquired 1,453,432 Eutelsat S.A. shares representing 0.1435% of the latter's share capital.

The acquisition cost was €3,924 thousand.

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

Since 30 June 2010, the Group has acquired from Eutelsat S.A. employees, under a liquidity offer in December 2010, 400,187 shares in Eutelsat S.A. representing overall 0.0395% of the latter's share capital.

The acquisition cost was €2,797 thousand.

9.3 – Change in the revaluation surplus of financial instruments

All financial instruments that have an impact upon the revaluation surplus are cash-flow hedges for the effective portion.

(In thousands of euros)	**Total**
Balance as of 30 June 2010	**(125 038)**
Changes in fair value within equity	15 464
Transfer into the income statement	22 990
Balance as of 31 December 2010	**(86 584)**

NOTE 10: FINANCIAL DEBT

10.1 – Non-current portion

As of 30 June and 31 December 2010, all debt is denominated in euros.
Since 30 June 2010, the structure of the Group's debt has remained identical.

As of 31 December 2010, the Group has 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, breaking down in two parts:

  - Tranche A: a long-life term 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 drawn for a maximum period of 6 months 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 is 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 mergers, acquisitions, asset disposals, 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 term 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.

Furthermore, 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 IFRSs.

- Leverage Ratio: consolidated net debt/consolidated EBITDA[3] 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 as of 31 December 2008, to 5 as of 31 December 2009, to 4.75 as of 31 December 2010 and then to 4.50 as of 31 December 2011.
- Interest Cover Ratio: Consolidated EBITDA/interest payable (due and matured) greater than or equal to 2.75 (if Leverage Ratio above 3.5).

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

On 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 put in place an instrument for the period 2010 – 2013 (see Note 16 – *Financial Instruments*):

The interest periods for the Eutelsat Communications term loan are periods of 6 months beginning 29 April and 29 October each calendar year, except for the final period which runs from 29 April 2013 to 8 June 2013.

- a 7-year €850 million Eurobond entered into on 26 March 2010 on the Luxembourg Stock Exchange regulated market. The bond was issued with a coupon of 4.125% per annum at 99.232% by its subsidiary Eutelsat S.A., and redeemable at maturity at 100% of its principal amount.

- a revolving credit facility for €450 million (used to the tune of €130 million as of 31 December 2010) entered into by its subsidiary Eutelsat S.A. on 24 March 2010 for a 5-year period.

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 0.75% and 2.50% depending on Eutelsat S.A.'s long-term debt rating assigned by Standard & Poor's. A fee for non-use representing 40% of the margin mentioned above is payable. Under the agreement, a 0.25% fee for use is charged if more than 50% of the revolving credit facility is used, and it is only applied to the portion exceeding 50% of the aggregate amount of this credit line.

In addition, 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 on 30 June and 31 December each year.

The credit agreement and the bond issue include neither a guarantee by Eutelsat Communications' subsidiaries nor the pledging of assets to the lenders. They include restrictive clauses (subject to the usual exceptions contained in loan agreements) limiting the capacity of Group companies, in particular to:

[3] EBITDA is defined as the operating result before depreciation and amortisation, excluding impairment of assets, other operating income and charges.

- grant security interests or guarantees;
- enter into agreements resulting in additional liabilities;
- grant loans and carry out certain types of investments;
- enter into mergers, acquisitions, asset disposals, 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 eurobond issue and the credit facility allow each lender to request early repayment of all sums due in case of unregulated downgrading, at the end of a period of 120 or 180 days as appropriate, of Eutelsat S.A. or bonds issued by Eutelsat S.A. respectively as a result of a change of control of Eutelsat S.A. or a change of control of Eutelsat Communications (other than control acquisition by the Group's reference shareholders). This provision does not apply in case of Group restructuring.

The credit 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.

As of 31 December 2010, the Group complies with these ratios.

- *Financial information as of 30 June 2010 and 31 December 2010*

The non-current portion of the Group's financial debt as of 30 June and 31 December 2010 breaks down as follows:

(In thousands of euros)	**30 June 2010**		**31 December 2010**	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Eutelsat Communications term loan (Floating rate)	1 615 000	1 615 000	1 615 000	1 615 000
Eutelsat S.A. revolving credit facility (Floating rate)	-	-	130 000	130 000
Eurobond	843 000	850 000	855 000	850 000
Fixed rate loan (Wins Ltd.)	64	64	-	-
Floating rate loan (Wins Ltd.)	150	150	-	-
Sub-total of debt (non-current portion)	**2 458 214**	**2 465 214**	**2 600 000**	**2 595 000**
Loan set-up fees and premiums		(19 111)		(16 908)
Total		**2 446 103**		**2 578 092**

The weighted average interest rate on amounts drawn under the revolving credit facilities for the period ended 31 December 2010 is 2.27%.

As of 31 December 2010, the Group has access to the following main credit facilities:

(In thousands of euros)	Amount granted	Amount used	Maturity
Eutelsat Communications term loan	1 615 000	1 615 000	8 June 2013
Eutelsat Communications revolving credit facility	300 000	-	8 June 2013
Eutelsat S.A. revolving credit facility	450 000	130 000	24 March 2015
Eurobond	850 000	850 000	27 March 2017
Wins fixed rate loan	900	127	31 December 2011
Wins floating rate loan	500	275	31 December 2011
Total	**3 216 400**	**2 595 402**	

As of 31 December 2010, the debt maturity analysis is as follows:

(In thousands of euros)	31 December 2010	Maturity within 1 year	Maturity between 1 and 5 years	Marurity over 5 years
Eutelsat Communications term loan	1 615 000	-	1 615 000	-
Eutelsat S.A. revolving credit facility	130 000	130 000	-	-
Eurobond	850 000	-	-	850 000
Wins Ltd. fixed rate loan	127	127	-	-
Wins Ltd. floating rate loan	275	275	-	-
Total	**2 595 402**	**130 402**	**1 615 000**	**850 000**

10.2 – Current portion

Current bank debt includes accrued interest not yet due on the debt described in Note 10.1 as of 31 December 2010. Current bank debt is as follows:

(In thousands of euros)	30 June 2010	31 December 2010
Bank overdrafts	18 182	719
Accrued interest not yet due	14 275	32 983
Portion of the loans due within one year (excluding revolving credit)	409	402
Total	**32 866**	**34 104**

NOTE 11: OTHER FINANCIAL LIABILITIES

(In thousands of euros)	**30 June 2010**	**31 December 2010**
Financial instruments [(1)]	129 781	92 695
Performance incentives [(2)]	26 955	22 293
Finance leases [(3)]	90	-
Other liabilities	52 999	60 387
Total	**209 825**	**175 375**
Incl. current portion	160 661	120 890
Incl. non-current portion	49 164	54 485

[(1)] See Note 16 – *Financial instruments*
[(2)] Including interest on "Performance Incentives" amounting to €8,054 thousand at 30 June 2010 and €6,926 thousand as of 31 December 2010.
[(3)] As of 30 June 2010 and 31 December 2010, amounts of interest on finance leases are not material.

"Other liabilities" comprise advance payments and deposits from clients.

NOTE 12: INCOME TAX EXPENSE

"Income tax expense" shows current and deferred tax expenses for consolidated entities.

The Group's income tax expense is as follows:

(In thousands of euros)	**Six-month period ended 31 December 2009**	**Six-month period ended 31 December 2010**
Current tax expense	(71 636)	(88 059)
Deferred tax income (expense)	(2 834)	(6 692)
Total income tax expense	**(74 470)**	**(94 751)**

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)	**31 December 2009**	**31 December 2010**
Income before tax and income from equity investments	213 273	266 154
Standard French corporate tax rate	*34.43%*	*34.43%*
Theoretical income-tax expense	(73 430)	(91 637)
Permanent differences and other items	(1 040)	(3 114)
Corporate tax expense in the income statement	**(74 470)**	**(94 751)**
Actual corporate tax rate	*34.9%*	*35.6%*

As of 31 December 2009 and 2010, the Group's effective income tax rate is close to the standard income tax rate in France (34.43%).

NOTE 13: SEGMENT INFORMATION

The Group considers that it only operates in a single industry segment, basing that view on an assessment of services rendered and the nature of the associated risks, rather than on their finality. This is the supply of satellite-based video, business and broadband networks, and mobile services to major international telecommunications operators and broadcasters, corporate network integrators and companies for their own needs.

The information presented below is intended for the Managing Director, the Deputy Managing Director and the Chief Financial Officer who together make up the Group's main operational decision-making body.

Management data is presented according to IFRS principles applied by the Group for its consolidated financial statements as described in the Notes.

The performance indicators that are monitored by the decision making body include turnover, EBITDA (EBITDA is defined as the operating result before amortisation and depreciation, excluding impairment of assets, other operating income and expense), financial expense, cash flow for investment in tangibles and equity interests and net consolidated Group debt (net debt includes all financial debt and all liabilities from long-term lease agreements, less cash and cash equivalents and marketable securities (less bank credit balances)).

Internal reporting is a presentation of the Group's consolidated income statement according to a different breakdown of items of the consolidated financial statements in order to highlight performance indicators for which the main aggregates are identical to those included in the Group's consolidated accounts, such as the operating result, net result, the portion attributable to non-controlling interests and the portion attributable to the Group.

13.1- Segment Reporting

(In thousands of euros)	Six-month period ended 31 December 2009	Six-month period ended 31 December 2010
Revenues	**508 040**	**575 854**
Total operating costs	**(96 481)**	**(112 872)**
EBITDA	**411 559**	**462 982**
Depreciation and amortisation:	(157 301)	(142 438)
Other non-operating income (expenses), net	(370)	(867)
Operating income	**253 889**	**319 677**
Total interest	(41 441)	(45 966)
Income tax expense	(74 470)	(94 751)
The financial expenses	826	(7 557)
Net income before revenue from equity investments and non-controlling interests	**138 804**	**171 403**
Income from equity investments	7 497	11 176
Net income	**146 300**	**182 579**
Non-controlling interests	(6 834)	(8 141)
Group share of net income	**139 466**	**174 438**
Tangible investments and equity investments (cash flow)	**226 141**	**125 195**
Net debt (including finance leases)	**2 440 357**	**2 414 809**

13.2 – Information per geographical zone

Group revenues by geographical area, based on invoice addresses, for the periods ended 31 December 2009 and 31 December 2010 are as follows:

(In thousands of euros and as a percentage)	**6-month period ended 31 December 2009**		**6-month period ended 31 December 2010**	
Region	**Amount**	**%**	**Amount**	**%**
France	72 692	14.3	78 436	13.6
Italy	81 661	16.1	89 257	15.5
United Kingdom	46 212	9.1	40 216	7.0
Europe (other)	174 611	34.4	191 942	33.3
Americas	52 941	10.4	67 782	11.8
Middle East	44 696	8.8	62 947	10.9
Other (*)	35 227	6.9	45 274	7.9
Total	**508 040**	**100.0**	**575 854**	**100.0**

(*) Including €3.17 million and €2.68 million in indemnity payments for late delivery of satellites for the periods ended 31 December 2009 and 31 December 2010 respectively.

Most of the Group's assets are satellites in orbit; the remaining assets are mainly located in France.

NOTE 14: FINANCIAL RESULT

The financial result is made up as follows:

(In thousands of euros)	Six-month period ended 31 December 2009	Twelve-month period ended 30 June 2010	Six-month period ended 31 December 2010
Interest expense (banks) [(1)]	(38 501)	(79 962)	(57 420)
Other interest expense [(2)]	6 357	13 258	13 080
Loan set-up fees	(1 559)	(8 209)	(1 794)
Commitment fees and other similar charges	(996)	(2 247)	(1 577)
Changes in financial instruments [(3)]	(9 538)	(43 947)	(1 699)
Provisions for risks and liabilities	(17)	-	(653)
Foreign-exchange losses [(4)]	(6 402)	(12 405)	(11 445)
Financial expenses	**(50 656)**	**(133 512)**	**(61 508)**
Changes in financial instruments [(3)]	1 685	792	1 693
Interest income	1 110	1 527	850
Reversal of provisions for risks and expenses	529	796	-
Foreign-exchange gains [(4)]	6 717	29 753	5 442
Financial income	**10 041**	**32 868**	**7 985**
Financial result	**(40 615)**	**(100 644)**	**(53 523)**

[(1)] Interest expense (banks) includes the effects of the interest-rate hedging instruments. Coupons due and matured on the swaps and caps that are qualified as interest-rate risk hedges have affected the interest expense for the years ended 31 December 2009, 30 June 2010 and 31 December 2010 respectively by €18.2 million, €37.6 million and €23.0 million in expense.

[(2)] The amount shown is the interest expense net of loan costs charged to the value of the eligible assets. During the period, the capitalised costs amounted to €9.9 million as of 31 December 2009, €18.5 million as of 30 June 2010 and €14.0 million on 31 December 2010. They are highly contingent on the progress and number of satellite construction programmes recognised during the financial year.

The paid portion of the capitalised interest expense is included within financing expenses in the consolidated cash-flow statement under the heading “Interest and other fees paid”.

The interest rates used to determine the amount of interest expense eligible for capitalisation are 3.5% for the financial year ended 31 December 2009, 3.6% for the year ended 30 June 2010, and 4.4% for the year ended 31 December 2010. “Other interest expense” also includes interest related to in-orbit satellite performance incentives for a €1.1 million net expense item for the year ended 31 December 2009, €0.7 million for the year ended 30 June 2010 and €0.6 million for the year ended 31 December 2010.

[(3)] Gains or losses in the fair value of financial instruments mainly include changes in the fair value of non-qualifying derivatives in a hedging relationship and the ineffective portion of qualifying derivatives in a hedging relationship. Furthermore, for the periods ended 30 June 2010, these items include disqualifications/disposal of hedging instruments (see Note 16.2 – *Interest rate risk*).

[(4)] Foreign exchange hedges were put in place to hedge future sales in dollars. Changes in the time value of these instruments (excluded from the hedging relationship) have a direct effect on profit. The intrinsic value of instruments exercised during the year, taking into account that the hedged item has also affected the result for the financial year, has also been recognised directly in income or expense (no net change in equity due to these hedges). Changes to the intrinsic value of a foreign exchange hedge for which the hedged component has not yet affected net income have been posted to equity and have had no effect on the income statement for the period.

Results on financial instruments per accounting category:

(In thousands of euros)	**Six-month period ended 31 December 2009**	**Twelve-month period ended 30 June 2010**	**Six-month period ended 31 December 2010**
Net result on instruments measured at fair value per result on the option (cash equivalents)	29	(75)	(867)
Net result on instruments valued at fair value per result (non-qualifying derivatives for hedges and components excluded from hedging relationships)	(1 849)	343	109
Financial income on assets valued at amortised cost (loans and long term advance payments and other receivables)	-	-	-
Interest expense on loans (excluding hedging effect)	(20 261)	(42 322)	(34 430)
Reversals and (depreciation) of financial assets (accounts receivable)	137	(918)	1 402

NOTE 15: 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):

	31 December 2009	31 December 2010
Net income	146 300	182 579
Income from subsidiaries attributable to non-controlling interests, before taking into account the dilutive instruments in the subsidiaries	(6 788)	(7 975)
Net earnings used to compute basic earnings per share	**139 512**	**174 604**

	31 December 2009	31 December 2010
Net income	146 300	182 579
Income from subsidiaries attributable to non-controlling interests, after taking into account the dilutive instruments in the subsidiaries	(6 802)	(7 976)
Net earnings used to compute diluted earnings per share	**139 498**	**174 603**

Reconciliation between the number of shares used to compute basic and diluted earnings per share is provided below, as of 31 December 2009 and 2010 respectively:

	31 December 2009	31 December 2010
Restated weighted average number of shares used to compute basic earnings per share	220 071 860	220 113 982
Incremental number of additional shares that would result from the exercise of outstanding stock options (1)	-	-
Restated weighted average number of shares used to compute diluted earnings per share (1)	**220 071 860**	**220 113 982**

(1) As of 31 December 2009 and 2010, only the subsidiary Eutelsat S.A. had issued dilutive instruments. The incremental number of additional 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 using the latest valuations performed and the latest transactions between shareholders.

NOTE 16: FINANCIAL INSTRUMENTS

The Group has exposure to market risks, particularly with regard to foreign exchange and interest rates. Exposure to such risks is 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; in other words, the Group never sells assets it does not possess or does not know it will subsequently possess.

16.1 – Foreign-exchange risk

The Group's functional currency is the euro and the Group is therefore mainly exposed to fluctuations in the value of the U.S. dollar. As a means of preserving the value of assets, commitments and forecast transactions, the Group consequently enters into contracts whose value fluctuates in line with changes in the euro/dollar exchange rate. In particular, the Group hedges future U.S. dollar revenues by means of financial instruments such as options contracts, 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 mature after three years and payments are made according to a pre-determined payment schedule. Commitments to sell relate to contracts denominated in US dollars.

During the financial year ended 30 June 2010 and the first half of the financial year ending 30 June 2011, the Group only sold synthetic forwards with a knock-in option.

The net position in terms of controlling foreign-exchange risk as of 31 December 2010 is as follows:

(In thousands of euros)

Assets	151 599
Liabilities	33 708
Net position before risk management	**117 891**
Off-balance-sheet position (foreign exchange hedging)	112 259
Net position after risk management	**5 632**

Considering its exposure to foreign-currency risk, the Group estimates that a 1% reduction in the value of the US dollar against the euro would have a non-significant impact on the Group's result and equity.

16.2 – Interest rate risk

Interest rate risk management

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

In order to hedge the risk on future cash flow changes related to floating rate coupon payments on its debt, the Group has implemented the following interest rate hedging instruments:

For hedging the Eutelsat Communications term loan facility (prior to maturity in June 2013):

- A swap (pay fixed rate/receive a floating rate) and a cap both having matured in April 2010 and for a notional amount of €807.5 million.

- A swap (pay fixed rate/receive a floating rate) put in place in September 2006 with a deferred start date in April 2010 (maturing in June 2013) for a notional amount of €1,615 million.

For each of these instruments; the interest periods are of 6 months beginning 29 April and 29 October each calendar year, except for the final period which runs from 29 April 2013 to 8 June 2013.

In addition, at Eutelsat S.A. sub-group level, the following derivatives had been put in place to hedge the syndicated credit facility entered into in November 2004 for a notional amount of €1,300 million:

- A 7-year pay fixed/receive floating interest rate swap put in place in November 2004 for a notional amount of €650 million (until maturity of the facility), terminated on 1 April 2010.

The selected interest periods were three-month periods beginning 31 March, 30 June, 30 September and 31 December each calendar year.

- An interest rate swap (pay EURIBOR 3 month/ receive EURIBOR 1 month “Basis swap” put in place in November 2007 for a period of six months maturing on 30 June 2008. This interest rate swap pay EURIBOR 3 month/ receive EURIBOR 1 month was used three times:

    - On 11 June 2008 for a 6-month period until 31 December 2008;
    - On 21 November 2008 for a 6-month period until 30 June 2009;
    - On 15 May 2009 for a one-year period until 30 June 2010.

These three basis swap transactions were combined with the pay fixed rate swap designed to hedge the €650 million term loan.

In respect of the €650 million revolver arranged in November 2004 by the Eutelsat S.A. sub-group, out of which amounts have been drawn down for €200 million at refinancing date:

- A pay fixed/receive floating interest rate swap put in place in February 2007 for a notional amount of €250 million over 4 years until maturity of the revolver (€650 million), terminated on 1 April 2010.

- Purchase of a cap in March 2007 in return for the payment of a €2 million premium for a notional amount of €200 million over 4 years until maturity of the €650 million revolving credit facility.

For each instrument, the interest periods are three-month periods beginning 31 March, 30 June, 30 September and 31 December each calendar year, except for the final period which runs from 30 September 2011 to 24 November 2011.

Refinancing the syndicated credit facility on 26 March 2010 resulted in the hedging relationship of financial instruments being interrupted. Consequently, changes in fair value within equity were recognised for €26 million in the income statement for the financial year ended 30 June 2010.

Furthermore, on 1 April 2010, both pay fixed/receive floating interest rate swaps were terminated in return for the settlement of a termination indemnity of €25 443 thousand for the swap covering the €650 million term loan and €12 572 thousand for the swap covering the €250 million drawn down out of the €650 million revolving credit facility.

Lastly, in respect of the partial hedging of the €450 million revolver entered into in March 2010 at Eutelsat S.A. sub-group level, out of which amounts have been drawn down for €130 million at 31 December 2010, the following derivative instrument was put in place in August 2010:

- A collar (purchase of a cap and sale of a floor) for a notional amount of €100 million over 3 years.

The selected interest periods are one-month periods beginning 30 September, 31 October, 30 November, 31 December, 31 January, 28 February, 31 March, 30 April, 31 May, 30 June, 31 July and 31 August each calendar year.

Sensitivity to interest rate risk

Given the trend in interest rates following the global financial crisis, the fair value of the Group's financial instruments has fallen substantially, which has been recognised within equity. The effectiveness of these hedges, however, is not being called into question.

Considering the full range of financial instruments available to the Group as of 31 December 2010, an increase of ten basis points (+ 0.10 %) above EURIBOR would generate:

1. An additional interest expense, on an annual basis of €130 thousand in the income statement, related to the portion hedged with caps against the risk of a change in interest charges on bank debt.

2. A €3 443 thousand change in shareholders' equity, related to the change in the effective fair value of hedging instruments qualified as hedges of future cash flows.

16.3 – Counterparty risk

Counterparty risk includes issuer risk, execution risk in connection with derivatives or monetary instruments and credit risk related to liquidity and forward investments. The Group minimises its exposure to issuer risk, execution 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 Eutelsat Communications banking syndicate is made up of 39 lenders as of 31 December 2010. The Eutelsat S.A. banking syndicate consists of 4.

If one of the lenders defaults on the term loan part of the credit facilities, the Group retains the amounts initially allocated in full.

In the event of a counterparty default on the revolving portion of a credit facility, the amount obtained could be less than the total amount requested. In this case, the Group has the possibility of drawing one or more additional amounts on the other counterparties in order to obtain the extra amounts needed to make up the total required.

The Group does not foresee any loss resulting from a failure by its counterparties to honour the commitments entered into under the agreement.

16.4 – Liquidity risk

The Group manages liquidity risk by using a tool enabling it to monitor and manage its recurring needs and liquidity. This tool takes into account the maturity of financial investments, financial assets and estimated future cash flows from operating activities.

The Group's objective is to maintain a balance between continuity of its funding needs and their flexibility through the use of overdraft facilities, term loans, revolver lines of credit from banks, bond loans and satellite leases.

62% of the Group's debt matures in June 2013, 5% in March 2015 and 33% in March 2017.

16.5 – Key figures as of 31 December 2010

The following tables analyse the contractual or notional amounts and fair value of the Group's derivatives as of 31 December 2009, 30 June 2010 and 31 December 2010 by type of contract. The instruments are valued by the Group's bank counterparties, and the valuation is verified/validated by an independent expert.

(In thousands of euros)	**Contractual or notional amounts**	**Fair value 31 December 2009**	**Change in fair value during the period**	***Impact on income (excl. coupons)***	***Impact on equity***
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	41 649	(729)	(443)	*29*	*(473)*
Total foreign exchange derivatives	**41 649**	**(729)**	**(443)**	***29***	***(473)***
Swap (Eutelsat Communications)	807 500	(9 244)	5 567	*(9 003)*	*14 570)*
Forward swap (Eutelsat Communications)	1 615 000	(67 262)	(19 778)	-	*(19 778)*
Purchased cap (Eutelsat Communications)	807 500	-	-	*(164)*	*164*
Swap (Eutelsat S.A.)*	650 000	51	(174)	-	*(174)*
Swap (Eutelsat S.A.)*	650 000	(22 747)	1 801	*747*	*1 054*
Swap (Eutelsat S.A.)**	250 000	(11 926)	1 515	*737*	*778*
Cap (Eutelsat S.A.) (*)	200 000	182	(200)	*(199)*	-
Total interest rate derivatives		***(110 946)***	***(11 269)***	***(7 882)***	***(3 387)***
Total derivatives		**(111 675)**	**(11 712)**	**(7 853)**	**(3 859)**

* Combined swaps
** Swap qualifying as a hedge for €100 million since 1 April 2008.
(*) Cap qualifying as a hedge for €100 million since 1 January 2009.

(In thousands of euros)	**Contractual or notional amounts**	**Fair value 30 June 2010**	**Change in fair value during the period**	***Impact on income (excl. coupons)***	***Impact on equity***
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	154 837	(10 371)	(10 086)	*75*	*(10 161)*
Total foreign exchange derivatives	***154 837***	***(10 371)***	***(10 086)***	***75***	***(10 161)***
Swap (Eutelsat Communications)	807 500	-	14 811	*(8 243)*	*23 055*
Swap (Eutelsat Communications)	1 615 000	(119 410)	(71 926)	*(8 174)*	*(63 753)*
Purchased cap (Eutelsat Communications)	807 500	-	-	*(218)*	*218*
Swap (Eutelsat S.A.) * [(1)]	650 000	Disposal	(895)	*(21 834)*	*20 939*
Swap (Eutelsat S.A.) *	650 000	-	(225)	-	*(225)*
Swap (Eutelsat S.A.) ** [(1)]	250 000	Disposal	870	*(4 403)*	*5 273*
Cap (Eutelsat S.A.) [(*)]	200 000	24	(358)	*(358)*	-
Total interest rate derivatives		***(119 386)***	***(57 723)***	***(43 230)***	***(14 493)***
Total derivatives		**(129 757)**	**(67 809)**	**(43 155)**	**(24 654)**
Equity interests					(10)
Total					**(24 663)**

* Combined swaps, unqualified since 26 March 2010.
** Swap qualifying as a hedge for €100 million since 1 April 2008, unqualified since 26 March 2010.
(*) Cap qualifying as a hedge for €100 million since 1 January 2009, unqualified since 26 March 2010.
(1) Including termination indemnities settled.

(In thousands of euros)	**Contractual or notional amounts**	**Fair value 31 December 2010**	**Change in fair value during the period**	***Impact on income (excl. coupons)***	***Impact on equity***
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	112 259	344	10 715	(867)	11 582
Total foreign exchange derivatives	***112 259***	***344***	***10 715***	***(867)***	***11 582***
Swap (Eutelsat communications)	1 615 000	(92 695)	26 715	752	25 963
Cap (Eutelsat S.A.)	200 000	-	(24)	*(24)*	-
Tunnel (Eutelsat S.A.)	100 000	458	133	*133*	-
Total interest rate derivatives		**(92 237)**	**26 824**	**861**	**25 963**
Total derivatives		**(91 893)**	**37 539**	**(6)**	**37 545**
Equity interests					909
Total					**38 454**

As of 31 December 2010, the cumulative fair value of financial instruments was negative at €91,893 thousand. This is composed of €802 thousand recognised under “Current financial assets” (see Note 7 – *Current financial assets*) and €92,695 thousand recognised within “Other current financial liabilities” (see Note 11 – *Other financial liabilities*).

As of 31 December 2009, 30 June 2010 and 31 December 2010, the changes in fair value recognised within financial result in respect of financial instruments amounted to a net expense of €7,853 thousand, €43,155 thousand and €6 thousand respectively.

Financial instruments qualifying as hedges at 31 December 2009, 30 June 2010 and 31 December 2010 break down as follows:

(In thousands of euros)	**Contractual or notional amounts**	**Fair value 31 December 2009**	**Change in fair value during the period**	***Impact on income (excl. coupons)***[(1)]	***Impact on equity***
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	41 649	(729)	(443)	*29*	*(473)*
Total foreign exchange derivatives	***41 649***	***(729)***	***(443)***	***29***	***(473)***
Swap (Eutelsat Communications)	807 500	(9 244)	5 567	*(9 003)*	*14 570*
Forward swap (Eutelsat Communications)	1 615 000	(67 262)	(19 778)	*-*	*(19 778)*
Purchased cap (Eutelsat Communications)	807 500	-	-	*(164)*	*164*
Swap (Eutelsat S.A.)*	650 000	51	(174)	*-*	*(174)*
Swap (Eutelsat S.A.)*	650 000	(22 747)	1 801	*747*	*1 054*
Swap (Eutelsat S.A.) **	100 000	(4 771)	606	*(172)*	*778*
Cap (Eutelsat S.A.) (*)	100 000	91	(100)	*(100)*	*-*
Total interest rate derivatives		***(103 882)***	***(12 078)***	***(8 692)***	***(3 386)***
Total derivatives		**(104 611)**	**(12 521)**	**(8 663)**	**(3 859)**

* Combined swaps
** Swap qualifying as a hedge for €100 million since 1 April 2008.
(*) Cap qualifying as a hedge for €100 million since 1 January 2009.
(1) The ineffective portion of the hedges was not significant and has not been isolated.

(In thousands of euros)	**Contractual or notional amounts**	**Fair value 30 June 2010**	**Change in fair value during the period**	***Impact on income (excl. coupons)***[(1)]	***Impact on equity***
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	154 837	(10 371)	(10 086)	*75*	*(10 161)*
Total foreign exchange derivatives	***154 837***	***(10 371)***	***(10 086)***	***75***	***(10 161)***
Swap (Eutelsat Communications)	807 500	-	14 811	*(8 243)*	*(23 055)*
Forward swap (Eutelsat Communications)	1 615 000	(119 410)	(71 926)	*(8 174)*	*(63 753)*
Purchased cap (Eutelsat Communications)	807 500	-	-	*(218)*	*218*
Swap (Eutelsat S.A.)* (2)	650 000	Disposal	(895)	*(21 834)*	*(20 939)*
Swap (Eutelsat S.A.)*	650 000	-	(225)	*-*	*(225)*
Swap (Eutelsat S.A.)** (2)	100 000	Disposal	348	*(4 925)*	*5 273*
Cap (Eutelsat S.A.) (*)	100 000	12	(179)	*(179)*	*-*
Total interest rate derivatives		***(119 398)***	***(58 066)***	***(43 573)***	***(14 493)***
Total derivatives		**(129 769)**	**(68 152)**	**(43 498)**	**(24 654)**
Equity interests					(10)
Total					***(24 663)***

* Combined swaps, unqualified since 26 March 2010.
** Swap qualifying as a hedge for €100 million since 1 April 2008, unqualified since 26 March 2010.
(*) Cap qualifying as a hedge for €100 million since 1 January 2009, unqualified since 26 March 2010.
(1) The ineffective portion of the hedges was not significant and has not been isolated.
(2) Including termination indemnities settled.

(In thousands of euros)	**Contractual or notional amounts**	**Fair value 31 December 2010**	**Change in fair value during the period**	***Impact on income (excluding coupons)*** [1]	***Impact on equity***
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	112 259	344	10 715	*(867)*	*11 582*
Total foreign exchange derivatives	***112 259***	***344***	***10 715***	***(867)***	***11 582***
Forward swap (Eutelsat Communications)	1 615 000	(92 695)	26 715	*752*	*25 963*
Total interest rate derivatives		***(92 695)***	***26 715***	***752***	***25 963***
Total derivatives		**(92 351)**	**37 430**	**(115)**	**37 545**
Equity interests					909
Total					**38 454**

[1] The ineffective portion of the hedges was not significant and has not been isolated.

Impact on income statement and equity

The impact on the income statement and equity of changes in fair value of derivatives qualifying as interest rate hedges on future cash flows is as follows:

- The coupons on swaps that qualify as hedges for future cash flows are directly recognised under income; changes recognised in equity for such swaps correspond to changes in fair value excluding coupons ("clean fair value").

- The coupon on the purchased cap (when the cap is active) is directly recognised under income and the same applies to changes in the time value of the cap (not included in the hedging relationship). The items recognised to equity correspond to changes in the intrinsic value not including the accrued coupon of the cap.

NOTE 17: OTHER OFF-BALANCE SHEET LIABILITIES

17.1 – Purchase commitments

As of 31 December 2010, future payments under satellite construction contracts amounted to €390 million, and future payments under launch agreements amounted to €298 million. These future payments are spread over 5 years.

Furthermore, the Group has entered into commitments with suppliers for the acquisition of assets and the provision of services for satellite monitoring and control.

Future minimum payments in respect of such acquisitions of assets and provisions of services as of 31 December 2010 are scheduled as follows:

(in millions of euros)	**As of 31 December 2010**
2011	64
2012	22
2013	18
2014	16
2015 and thereafter	68
Total	**188**

Included in the above total is €1.4 million related to purchase commitments entered into with related parties.

17.2 – In-orbit insurance and launch insurance

As of 31 December 2010, the Group's existing L+1 insurance (launch + 1 year) and in-orbit insurance policies have been taken out with insurance syndicates of 28 and 24 insurers respectively, generally with ratings of between AA- and A+. The counterparty risk is therefore limited and, if any of the insurers should default, that entity's share of the insurance cover could be taken on by a new player.

a) In-orbit insurance

Since 1 July 2010, the Group's insurance programme has been replaced by a new 12-month programme defined by the Group with a view to minimising, at an acceptable cost, the impact on its balance sheet and its income of losing one or more satellites. This programme comes in two parts (French"*Tranches"*): one covers losses in excess of €80 million up to a maximum of €500 million and the other covers losses ranging from €50 million to €80 million. These insurance policies were underwritten by 24 insurance companies for the first *tranche* and 4 for the second. Under this programme, 15 of the satellites belonging to the Group (excluding the EUROBIRD™4A (former W1), ATLANTIC BIRD™1, W75 (former EUROBIRD™4), W5, SESAT1, EUROBIRD™16 (former HOT BIRD™4), W2M and W48 (former HOT BIRD™2) satellites) are covered by insurance. There is no longer any limitation of insurance cover for the W4 and W6 satellites resulting from incidents caused by technical problems already identified.

The general insurance policy taken out against damage under this programme covers any cumulative partial or total (or deemed total) constructive losses of the 15 satellites insured, up to a ceiling of €223 million per satellite, subject to a total maximum claim or claims each year of €500 million. The Group's satellites covered under this policy are insured for their net book value.

The recent W7 satellite is included in this policy as of the date of maturity of its previous L +1 year policy, i.e. on 24 November 2010.

b) Launch insurance

In April 2008, the Group took out L+1 (launch + 1 year) insurance for maximum cover of €200 million per satellite, covering the seven satellites under construction (HOT BIRD™9, HOT BIRD™10, W2M, W2A, W7, W3B and Ka-Sat).

The Company subsequently took out additional policies to cover the entire net book values of the satellites (HOT BIRD™9, ATLANTIC BIRD™4A (former HOT BIRD™10), W2M, W2A, W7, W3B and Ka-Sat).

In October 2010, the Group took out L+1 (launch + 1 year) insurance for maximum cover of €225 million per satellite, covering five satellites under construction (W3C, ATLANTIC BIRD™7, W5A, W6A and EUROBIRD™2A).

This policy is valid for a period of three years, i.e. until November 2013, and provides the required flexibility to assign any type of launcher to any of the five satellites insured.

On 28 October 2010, the Group suffered the loss of the W3B satellite just after its launch (see Note 5 - *Satellites and other property and equipment*). On 17 November 2010, a submission was sent to the insurers with proof of the loss and quantification of the claim. At 31 December 2010, in view of the facts available to it, the Company considered that the criteria were met to recognise a €235.1 million indemnity covering the full amount of the loss insured, recorded under "Other operating income". As of the same date, €101.6 million were already paid.

NOTE 18: EVENTS AFTER THE BALANCE-SHEET DATE

Since 31 December 2010 and as of the date of approval of these accounts, the Group has received additional insurance payments (see above) for an aggregate amount of € 133.5 million completing the insurance proceeds to be received.