eutelsat COMMUNICATIONS

Société anonyme with a Board of Directors
and a share capital of 219 641 955 euros
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MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

VERSION APPROVED BY THE BOARD ON 30 JULY

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Dear shareholders(s)

We are required to submit to you a management report on the activities of Eutelsat Communications (the Company) and the Eutelsat[1] Group for the year ended 30 June 2008. We are also presenting the Company and consolidated financial statements for the year ended 30 June 2008. The consolidated statements take into account the intra-group relations with our subsidiaries and affiliated companies.

This report was adopted by the Board of Directors at its meeting on 30 July 2008.

Introduction

With a fleet of 24 satellites in geostationary orbit (GEO) broadcasting more than 3 120 television channels from 20 orbital positions between 16° West and 70.5° East , the Group is leader in Extended Europe for the provision of Fixed Satellite Services (FSS). It operates and supplies mainly capacity for video applications, professional data networks and value-added services.

Via its fleet, the Group covers the entire European continent, the Middle East and North Africa ("Extended Europe"), as well as sub-Saharan Africa and a large section of the Asian and American continents, potentially giving the Group access to 90% of the world's population.

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

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

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

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

1.1 Key points in the financial year

1.1.1 Key indicators of the Group

Twelve-month period ended 30 June 2007 and 30 June 2008

Further progression of the Group's financial indicators				
Revenues	M€	829.1	**877.8**	**+5.9%**
EBITDA[2]	M€	652.6	**695.7**	**+6.6%**
EBITDA Margin	%	78.7	**79.3**	
Group share of net income	M€	159.4	**172.2**	**+ 8.0%**
Distribution per share	€	0.58	**0.61**	**+5.2%**
24 satellites at 20 orbital positions				
Number of transponders	Units	505	**501**	**-0.79%**
Transponders leased	Units	404	**468**	**+15.8%**
Fill rate	%	80%	**93.4%**	
Leader for the broadcasting of television channels in Extended Europe				
Premium positions HOT BIRD and EUROBIRD 1	Units	1 381	**1 422**	+3.0%
Major video positions	Units	1 113	**1 535**	+37.9%
Other orbital positions	Units	114	**166**	+45.6%
Total	Units	2 608	**3 123**	+19.7%

During the year, the Group has successfully pursued its development strategy, which is designed to position the Group in the most profitable segments of the FSS sector both in terms of applications provided and geographical regions covered, in order to maximise revenues per satellite transponder in use.

Over the year, the development strategy has taken the following directions:

- In terms of commercial policy, there has been priority allocation of in-orbit resources for video applications and the development of value-added services. Geographically, this has involved:
  - Video applications: consolidation of the Group's orbital positions on Western European markets, largely due to the introduction of the 9° East position from where reception can be twinned with reception via HOT BIRD, the leading orbital neighbourhood in the world in terms of television channels broadcast, as well as continued development of the Group's positions on Central and Eastern European markets, and in Russia, Central Asia, the Middle East and on the continent of Africa (the Second Continent).
  - Value-added services: the Group has developed broadband Internet access solutions on-board trains, primarily via a contract with the SNCF for the Group to equip high-speed trains in Eastern France (*TGV Est*). Additionally, a new broadband Internet access solution by satellite has been introduced called TOOWAY™, which uses Ku band and Ka band to target the general consumer in areas situated beyond or at the edge of the coverage provided by terrestrial broadband networks. This has been adopted by the operator SWISSCOM to launch a universal broadband Internet access service al over Swiss territory, as well as, more recently, by the Piedmont region of Italy.

[2] EBITDA is defined as the operating result before depreciation and amortisation and other operating income and expenses (impairment of assets, dilution profits (losses), launch indemnities, etc.

Group revenues have increased by 5.9% over last year's figures, reaching 877.8 million euros at 30 June 2008. Over the same period, video applications grew by +10% and value-added services by +10.6%.

- In terms of future growth, a significant investment policy is being undertaken. This has seen the Group commission two new satellites during the year, Ka-Sat and W3B for launch in 2010, while the procurement programmes for the five satellites ordered in previous years has been continued.

  During the year, cash flows used in the Group's investing activities reached a total of 422 million euros, showing 20.5% growth on last year, which is in line with the investment targets for the year.

- In terms of financial policy, the Group has maintained its No. 1 position in the world among the leading operators in the sector[3] measured by profitability.

  Compared to 2006-2007, the Group has seen its EBITDA progress at year-end by 6.6% to 695.7 million euros.

  The Group's EBITDA margin was 79.3%, making the Group one of the leading major FSS operators for the third year in succession.

1.1.2 An excellent commercial performance

- Reinforcement of its positions on all European Union markets

Drawing on the attraction of its flagship HOT BIRD™ neighbourhood, which with 1 101 channels at 30 June 2008 is the world's leading orbital position for television channels, the Group has continued its development on European Union markets, mainly as a result of:

- The virtually immediate success of the commercialisation process for the new position at 9° East, where the EUROBIRD™ 9 satellite is already transmitting 125 television channels only one year after being brought into service.
-

  This orbital position, where reception can be twinned with reception from the HOT BIRD™ satellites via a single receive antenna, has benefited from the attractiveness of the HOT BIRD™ neighbourhood.

  EUROBIRD™ 9, for instance, has been chosen by the new Hungarian high-definition bouquet Hello HD. This orbital location has also been selected by TeleColumbus, Germany's 3rd largest cable operator, to broadcast a platform of digital channels to accelerate the transition of Germany's cable market from analogue to digital, thereby reinforcing the Group's commercial positioning on the German market.

- Enhancement of the Group on the French market with the launch of a new pay-TV bouquet called BIS, transmitted from the HOT BIRD™ and ATLANTIC BIRD™ 3 positions, and also the decision by Orange, one of the world's leading providers of TV over ADSL, to broadcast the TV component of its "triple play" offer from these orbital locations to add to its terrestrial network coverage to serve French homes where its ADSL offer is not available.

- Progression of the Group's video business on the markets of the Second Continent:

  - The 36° East orbital position is occupied by the W4 and SESAT 1 satellites, serving markets in Russia and sub-Saharan Africa. It has recorded more than 49% growth and was transmitting 391 television channels at 30 June 2008. In Africa, this strong growth is mainly the result of take-up levels for the pan-African bouquet DStv, operated by MultiChoice Africa, and the launch of the new bouquet Entertainment Highway for Nigeria. On the Russian market, growth was driven by the additional capacity leased to the operators RSCC and Intersputnik to support the rapid development of Russian television bouquets.

[3] Intelsat, SES and Eutelsat

The momentum of the Russian and Ukrainian markets has seen a rise in the number of satellite receive antennas of more than 95% between 2006 and 2008, and the current total is 4.7 million such antennas serving these markets. Over the same period, and as an illustration of the appeal of the 36° East orbital position to these markets, the audience at this orbital slot increased more than two-fold to reach 3.5 million satellite receive antennas, a total reach of more than 75% of the satellite market[4].

- The 7° East position, operated via the W3A satellite, benefited from the launch of the Gateway bouquet for Nigeria and an increase in capacity leased by the DigiTurk bouquet. This commercial momentum produced a 14% rise in the number of television channels and the total figure reached 196 TV channels, including 7 high-definition channels (HDTV) for DigiTurk customers.
- Contracts signed with customers such as Nilesat for transmissions via 7° West have enabled the Group to create a major orbital position quickly to serve North Africa and the Middle East. First opened at the beginning of 2006-2007, this position is operated with the ATLANTIC BIRD™ 2 and ATLANTIC BIRD™ 4 satellites, which at 30 June 2008 were already broadcasting 253 television channels, a rise of 47% over the year.

- <u>The development of value-added services</u>
  - The Group has continued to deploy its D-STAR broadband Internet access service for professional users in areas with little or no service from the terrestrial networks, offering facilities for business companies and territorial groupings. As of 30 June 2008, it was operating a network of 8 902 terminals, increase of 20% since 30 June 2007. The rise in the number of D-STAR terminals has been largely driven by the dynamics of emerging markets, which with 5 408 terminals accounted for more than 60% of the total number at 30 June 2008, with strong 32% growth in Africa, with 3 255 terminals.
  - As part of a partnership with Orange, Alstom and Cap Gemini, SNCF has selected the Group to try out broadband access services for passengers, using Group resources on-board high-speed trains operated by *TGV Est*;
  - The Group also undertook a major innovation during the year aimed at making Internet via satellite available to the general consumer at speeds and prices comparable to ADSL. This new generation TOOWAY™ service [5] uses Viasat's SurfBeam DOCSIS technology (DOCSIS is the world leader for satellite communication equipment), which is already used by 325 000 homes in North America. There is also a payload in Ka band on-board the HOT BIRD™ 6 satellite. The service will also utilise part of the Ku-band resources of EUROBIRD™ 3. Today in Europe, there is no technological equivalent for this Internet access solution in Ka band, which has been chosen by the operator SWISSCOM and, more recently, by the Piedmont region of Italy to offer a universal broadband Internet access service to serve areas beyond the reach of the terrestrial networks.

    This new initiative saw the Group order a Ka-band satellite from EADS Astrium in October 2007. Currently known as KA-SAT[6] it will be the cornerstone of a new satellite and on-ground infrastructure, considerably extending the resources and accessibility of broadband services for the general consumer throughout Europe and the Mediterranean Basin. It is capable of offering speeds comparable to ADSL and will reach more than 1.5 million users in 2010 in an overall total market estimated at nearly 15 million homes, at the same time offering new opportunities to local and regional TV markets.

- <u>An opportunistic approach to Multi-usage services</u>, designed to meet the requirements of governments; in the course of the financial year, the Group renewed all its contracts with government users, notably

[4] Source: Eutelsat Cable and Satellite Observatory 2008.
[5] See Press Releases dated 10 September 2007 and 14 February 2008.
[6] See Press Release dated 7 January 2008.

at the 4° East position operated via the EUROBIRD™ 4 satellite, which first opened for business during the second half of the previous year.

1.1.3 Further progression of the Group's financial indicators

- *No. 1 in the world in terms of profitability among the major operators in its sector for the 3rd year in succession*

  The excellence of the Group's operating performance, combined with rigorous cost control, has resulted in a further progression (6.6%) of EBITDA to 695.7 M€, producing another increase in the EBITDA margin to 79.3% as of 30 June 2008 compared to 78.7% at 30 June 2007. With one-off revenues for 2006-2007 excluded, the progression of the Group's profitability would have been higher, because the EBITDA margin at 30 June 2007 was 78.4%, one-off revenues totalling 11.4 million euros for that year.

- *8.0% progression in the Group share of net income*

  The year also saw a further improvement in the intermediate operating indicators. The Group's operating income progressed by nearly 4.5% to 378.8 M€ or more than 43% of revenues.

  Combined with the stability of the Group's financial expenses and the reduction in the effective rate of tax (36% at 30 June 2008), as well as the good performance of Hispasat in which the Group has a 27.69% stake, this improvement saw the Group record a further improvement in its consolidated net income, which at 30 June 2008 was 183.4 million euros, up by 7.9%

  Supported also by the excellent performance of Eutelsat S.A., its principal operating subsidiary, the Group share of net income rose by 8.1% to reach 172.3 million euros at 30 June 2008. The Group's net income corresponds to 20.9% of Group revenues at 30 June 2008 compared to 20.5% at 30 June 2007, which shows the solidity of our economic model.

Extract from the consolidated income statement

IFRS (in thousands of euros)	12-month period ended 30 June 2006	12-month period ended 30 June 2007	12-month period ended 30 June 2008
Revenues	791 070	829 086	***877 765***
Operating charges	(174 550)	(176 464)	*(182 019)*
Depreciation and amortisation	(285 805)	(300 849)	*(300 886)*
Operating income	303 709	362 529	***378 848***
Financial result	(179 570)	(108 160)	*(109 088)*
Net income before tax	129 958	262 235	
Consolidated net income	40 234	170 020	*183 444*
Group share of net income	**30 420**	**159 377**	***172 276***

You are reminded that the financial year has a duration of 12 months ending 30 June. You are also reminded that the financial year ended 30 June 2006 was the Company's first 12-months reporting period.

1.1.4 An active investment policy to ensure durable future growth

Group investments over the year amounted to 422.2 million euros, up by 20.5% on 30 June 2007.

The objective of the Group's investment policy is to guarantee future growth for its activities (i) by securing its orbital positions at 13° East and 7° East, (ii) by ensuring an appropriate increase in its in-orbit resources serving fast-growing markets, and (iii) by developing innovative solutions so as to position the Group on new markets, e.g. satellite broadband access services for users in Ka band or mobile television in S band.

In 2007-2008, this investment policy saw orders placed for two new satellites (Ka Sat and W3B) and further progression of the five satellite programmes commissioned in previous years (HOT BIRD™ 9, HOT BIRD™ 10, W2M, W2A and W7).

The Group intends to launch five satellites in 2008-2009: HOT BIRD™ 9, HOT BIRD™ 10, W2M, W2A and W7.

2 OVERVIEW OF THE GROUP'S MARKETS

2.1 The Fixed Satellite Services ("FSS") Industry

According to Euroconsult, the FSS sector was generating total revenues of 8.85 billion dollars as of 31 December 2007, 7.94 billion dollars of which represented infrastructure revenues. It should be observed that this sector is very tightly concentrated, with the five leading global operators accounting for 72% of worldwide infrastructure revenues in the sector.

The Group operates a fleet of 24 satellites from 20 orbital positions concentrated mainly over Extended Europe. It is the third largest operator in its sector of activity and No. 1 in Europe in terms of satellites or TV channels being broadcast.

2.1.1 An infrastructure in space

The FSS sector is tied to the infrastructure in place, and so presents a number of shared characteristics, including:

- major barriers to entry, particularly the significant investment needed to operate a fleet of satellites and the fact that there is only a limited number of positions on the geostationary satellite orbit situated 36 000 km above the earth; the Group operates 18 orbital positions on the European orbital arc (between 15° West and 45° East) with 22 satellites that represent a total investment of more than 3 billion euros.
- generally high visibility over revenues, primarily because long-term leases are used (particularly for video applications); the Group's backlog represents 3.4 years of revenues at 30 June 2008 and the average weighted remaining duration of the contracts is in excess of 7.4 years;
- generally high operating margins and a high proportion of fixed costs (resulting in strong operating leverage); the Group's EBITDA margin has progressed continuously over the last three financial years, rising from 77.9% at 30 June 2006 to 79.3% at 30 June 2008 while over the same period the Group has increased its in-orbit resources by 8.4%;
- generation of strong operating cash flow, which over the last three financial years has constantly amounted to a figure representing more than 60% of the Group's revenues.

2.1.2 The highest of all the telecommunications infrastructure networks

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

GEO satellites are therefore one of the most effective and economical means of communications to ensure transmission from one fixed point to an unlimited number of fixed points, as required for television services for example, or to complement the coverage capability of the terrestrial networks to enable terrestrial network operators (Internet, television, private corporate networks) to provide 100% coverage of any given territory. Satellite makes it possible to provide communications facilities that are totally independent of the availability or even existence of terrestrial networks, and this is an advantage when natural disasters occur, for example, or on-board trains and boats.

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

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

2.2 An infrastructure at the heart of communication and broadband

The Group considers that it has a portfolio of services combining visibility and growth, concentrated on the most profitable segments of the FSS sector.

*Business portfolio (expressed as a percentage of revenues)**

Year ended 30 June	2007	**2008**
Video Applications	73.0%	**75.5%**
Data & Value-Added Services	19.7%	**17.7%**
Data services	*15.8%*	***13.7%***
Value-added services	*3.9%*	***4.0 %***
Multi-usage	7.3%	**6.8%**
Total	100%	**100%**

**excluding other revenue and one-off revenue of 20.6 M€ at 30 June 2007 and 17.6 M€ at 30 June 2008 respectively*

The strong progression of video applications in the Group's business portfolio at 30 June 2008 should be noted. This is the result of the new orbital position for video services opened at 9° East and of the Group's policy for priority allocation of its in-orbit resources to these applications over the year.

Video Applications	
• **Broadcast**	
- Direct broadcasting of TV and radio to satellite-dish equipped households (Direct-to-Home)	o Pay-TV platforms and television channels o Operators of ADSL networks
- Distribution of TV channels and radio stations to terrestrial head-ends (cable, DTT)	o Terrestrial network operators, cable operators, operators of fibre networks
• **Professional Video Networks**	
- Point to point connections for routing TV channels to the teleport enabling them to pick up from direct-broadcast satellites;	o Television channels o Teleport operators
- Live reports and retransmissions of events to TV channel production studios	o Television channels o Providers (at technical level) of television channels
- Permanent connections constituting a mesh network for programme exchanges between broadcasters	o European Broadcasting Union

Data services and value-added services	
• Data Services	
- VSAT data communications networks	o Press agencies, financial agencies, major retailing, oil-extraction industry
- Internet backbone connectivity	o Internet Service Providers (ISPs)
- Private corporate networks/networks for local institutions	o Communications network operators and integrators
• Value-Added Services	
- D-STAR/D-SAT professional broadband Internet access solutions	o Companies and local institutions with little or no coverage from the terrestrial broadband networks
- TOOWAY™ broadband Internet access solutions for the general consumer	o Internet Service Providers, operators of terrestrial networks, local institutions
- Internet mobile access solutions or solutions for extensions to the mobile telephony networks (GSM)	o Cruise ships, business jets, trains
- Mobile Communications Services (EutelTracs)	o Road-haulage companies
Multi-Usage Applications	
- Supply of capacity for government services	o Government, Civil Security

2.3 A growing business, driven by video applications and broadband

According to the business analysts Euroconsult, demand for satellite capacity in Extended Europe should progress at a weighted average annual rate of 5.1% during the period 2007 to 2012.

The increased demand for satellite transmissions is expected to derive mainly from the growth of video applications, largely due to the development of TV and HDTV programme offers. But there will also be a sustained demand for data networks and value-added services from 2010 onwards.

2.3.1 The development of TV-based offers, the driving force behind the growth of video applications

According to Euroconsult, demand for capacity for video service transmissions should continue to rise at a weighted average annual rate of 5.2 % between 2007 and 2012 in Extended Europe.

Growth is expected to be generated mainly by:

- **An increase in the number of television channels in areas covered by the Group's satellites**

  According to Euroconsult, the number of TV channels should increase from about 7 850 in 2007 to more than 13 000 within ten years in Extended Europe. This increase is mainly due to the development of TV channel offerings in the emerging countries of Central and Eastern Europe, North Africa and the Middle East, lower costs for accessing satellite capacity stimulate the expansion of thematic and community channels.

  As an illustration of this trend, the number of television channels broadcast by the Group in Extended Europe increased by 19.7% during 2007-2008, from 2 608 channels at 30 June 2007 to 3 123 television channels at 30 June 2008.

The development of High-Definition Television (HDTV) Transmission of HDTV programmes requires more satellite capacity than traditional digital television. In MPEG 2 compression mode (the standard currently used by traditional digital television), a high-definition channel requires 5 times more capacity for transmission than in standard digital format. In MPEG 4 mode, a high-definition channel will require capacity 2.5 times greater than the same standard definition channel in MPEG 2. The continuing development of HDTV will also require additional capacity to guarantee simultaneous transmission of television channels in standard and high definition format (simulcast) for a certain period of time.

HDTV is already widely developed on the North-American market where 350 HDTV channels are transmitted via satellite. However, its development has been slower in Extended Europe, with 113 channels broadcasting in HDTV mode at 30 June 2008. Euroconsult says that the number of HDTV channels is expected to progress at a weighted average annual rate of 40% in 2007-2012 to attain more than 480 channels in Extended Europe in 2012.

Nevertheless, the year saw a certain acceleration in the development of HDTV. At 30 June 2008, the Group was broadcasting 49 HDTV channels across its fleet compared to 17 commercial channels at 30 June 2007. Several of the Group’s customers operating TV platforms in Western Europe or in Central Europe, Turkey (7 HDTV channels) and Russia (9 HDTV channels) rolled out commercial programme offers with one or more high-definition channels.

This more than two-fold increase in the number of HDTV channels is du**e** to the emergence of a favourable environment for the development of high-definition television, principally as a result of there being more audiovisual content available in HD format, and also the general consensus in favour of the “Blue Ray” standard for high-definition DVDs aimed at the general consumer. The increased rate at which households are now equipping themselves with “HD Ready” or “Full HD” television screens, high-definition DVD players and high-definition games consoles, and the advent of the first free-to-air programming in the high-definition format (major sports events such as the European Football Championship) during the year, also encouraged a growing interest among the general public.

Customers or users of the Group's satellite capacity who launched or developed commercial HDTV programmes during the financial year just ended include SKY Italia in Italy, BSkyB in the United Kingdom and also "n" in Poland, NTV+ in Russia (9 HD channels), Hello HD in Hungary and Digiturk (7 HD channels). Other customers of the Group, including Cyfra+ in Poland, have also recently announced their intention to develop an HDTV offer as part of their programme packages.

As a result of the extra bandwidth needed to transmit high-definition TV, the Group considers that its progressive deployment will involve an increased demand for capacity on its satellites.

- **The appearance of new television platform operators**

  During the year, the Group witnessed the emergence of new television platforms. This is explained by a number of different developments:

  - In Western Europe, some operators of terrestrial ADSL decided to introduce “Triple Play” offers (television, Internet, telephony) over their ADSL networks. However, because the bandwidth available to those using such networks is limited or because the networks do not provide adequate geographical coverage, some operators decided to use the Group’s satellites to complement their ADSL-based television offers. In France, this saw Orange, a subsidiary of France Telecom, selecting the HOT BIRD™ neighbourhood for satellite transmission of its TV offer to French homes unable to receive television over the ADSL networks, i.e. nearly 50% of all French households.

  - After the merging of the TPS and CanalSat platforms in France, a new television-programme package called "BIS" was launched on the HOT BIRD™ and ATLANTIC BIRD™ 3 satellites.
  - And in Germany, TeleColumbus, the country's 3rd largest cable operator, chose the EUROBIRD™ 9 satellite to transmit a bouquet of channels to its network head-ends to support the transition of Germany's cable market from analogue to digital.

- **The introduction of additional services on digital broadcast platforms** A large number of satellite broadcast platforms offer or intend to offer interactive services (home shopping services, betting, Video on Demand - VOD). The increase in the range of interactive services available should result in an increase in demand for satellite capacity.
- **Optimisation of the compression rates for television signals** In the 1990s, with the development of the DVB standard, the video applications segment saw a transition from the analogue broadcasting format to digital. On average, this format allows approximately 10 channels per transponder to be broadcast instead of just one in analogue format. With continuing technological innovations, such as the development and broadcasting of the MPEG 4 compression format, up to twice as many channels can be broadcast per transponder. The number of channels is expected to increase significantly with the development and deployment of the DVB-S2 standard and with further use of statistical multiplexes, which allow optimisation of bandwidth use between television channels and so reduce the cost of access to satellite capacity.

2.3.2 New growth vectors with broadband services

The FSS industry is benefiting from sustained growth in the demand for capacity for Internet applications.

Demand for satellite capacity for professional data networks (including Internet trunking) and value-added services is expected to grow at a weighted average annual rate of 4% in Extended Europe between 2007 and 2012. According to Euroconsult, this should reach 14% in the corporate networks and broadband Internet access segments alone.

The Group considers that after a period of falling demand, the demand for satellite capacity for data services will now increase, largely due to the expected increase in the Group's in-orbit resources over the next few years.

The Group also considers that value-added services will grow significantly over 2007-2012, mainly as a result of the development of a major service offer in Ka band from late 2010 onwards.

Indeed, as the resources available in Ku band are scarce and their technical characteristics less suitable in terms of reception, the Group's view is that Ka band is better adapted to the provision of data services or broadband services, because of the resources available in this band of frequencies and also its transmit capabilities, which allow satellite transmissions to be concentrated into very narrow spotbeams for reception and enable frequencies to be re-used on-board the satellites in Ka band.

The Group considers that its Ka-band service offer will allow an eight-fold reduction in present transmission costs per Gigabyte in Ku band (25 euros) to only 3 euros using Ka band. There should also be a three-fold reduction in the cost of the necessary technical equipment, and this could make it possible to offer broadband Internet access at prices falling within a range comparable to current service offers proposed by the terrestrial networks.

The Group considers that the technical characteristics of this frequency band make it particularly well adapted to the provision of broadband Internet services in geographical regions located away from the broadband DSL networks. The Group also believes that the significant reduction in the cost of accessing satellite capacity in Ka band will favour the emergence of a local or regional TV offer in Extended Europe and allow satellite to regain its competitiveness with the terrestrial networks for the professional data networks now being so extensively deployed.

After closely monitoring not only the launch and development in North America of value-added services in Ka band by the companies WildBlue and Telesat Canada based on the DOCSIS standard, and also the use of satellites in Ka band by DirecTV to offer services for the broadcasting of high-definition television channels to local network head-ends in this same market, the Group launched a service in Extended Europe called TOOWAY™, which is designed to operate in Ka band on HOT BIRD™ 6 and which will also be made available in Ku band on EUROBIRD™ 3.

The Group also placed an order for a satellite in Ka band during the year called Ka Sat, which has a scheduled launch date in 2010. It also entered into a strategic partnership with the VIASAT company, one of the world leaders for telecommunications equipment, which has developed the DOCSIS "Surfbeam" technology in the United States.

Under a strategic partnership agreement, the Group and VIASAT intend to take cross-shareholdings of 50 million US dollars in their respective subsidiaries in Europe and the United States that have been given the task of operating and marketing their respective Ka-band infrastructures.

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

The Group expects the market for satellite broadband services to be driven by declining prices for user terminals and by improvements in the quality of the service offers, as well as the development of solutions for people on the move (trains, aircraft, boats).

2.3.3 Services to government departments, an application offering less visibility

According to EuroConsult, this market segment, which corresponds mainly to the demand for satellite services by defence and security departments, should see a weighted average rate of growth of 10.4% over the period 2007-2012 in Extended Europe. These applications are closely linked to the way in which the international environment evolves and, in particular, the occurrence of geopolitical conflicts and natural disasters.

This type of service is characterised by a certain volatility and by a very strong concentration of demand, with North America and the Middle East/North Africa region accounting for nearly 71% of the demand for military communications by satellite, as estimated by Euroconsult Research. It generally involves contracts of short duration (one year), and alternative solutions involving capacity on military satellites are emerging.

2.4 Competition

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

2.4.1 The principal competitors are the satellite operators

The Group's principal competitors are the other major FSS operators, primarily SES and Intelsat. Other FSS operators compete with the Group only for certain services or in certain geographical regions.

SES S.A. is the Group's main competitor. SES primarily provides video services in the European and North American markets. It also provides Internet broadband services and capacity for professional data networks. At 31 December 2007, SES's fleet consisted of 38 l satellites (1 048 transponders) and covered the entire world population. At 31 December 2007, SES's revenues were 1 610.7 million euros (against 1 617.2 at 31 December 2006) and its EBITDA level was 1 090.3 million euros, i.e. an EBITDA margin of 67.7%[7].

SES is present in Extended Europe through its subsidiary companies SES Astra, SES SIRIUS and, in part, SES NewSkies. As of 31 December 2007, the 16 satellites of the combined fleet of SES Astra and SES SIRIUS were broadcasting 1 961 TV and radio channels in Europe, including 28 HDTV channels, to more than 117.2 million cable and satellite homes.

SES is listed for trading on the Eurolist market of Euronext Paris and in Luxembourg.

Intelsat is the largest operator in the world for fixed satellite services. It was founded in 1964 in the form of an international telecommunications satellite organisation and was privatised in July 2001. Intelsat was bought by BC Partners in June 2007 for more than 16 billion US dollars.
As of 31 December 2007, Intelsat was operating a fleet of 53 satellites (2 218 transponders), located above North America and the Atlantic, Pacific and Indian oceans. As of 31 December 2007, Intelsat's pro-forma revenues were 2.18 billion US dollars and its pro-forma EBITDA was 1.67 billion US dollars (i.e. a pro-forma EBITDA margin of 77%)[8].
Although covering a larger geographical area than the other operators, the range of services offered by Intelsat is more limited. Intelsat is the leader for video services in North America and the leader for DTH services in Latin America and Africa. Intelsat primarily competes with the Group in Africa and the Middle East and, to a lesser extent, in Europe.

The Group also competes with a large number of regional and national satellite operators. Some of these operators, for example Turksat, Hellasat and Telenor, also provide international connections in addition to providing communications services for their domestic markets. Competition from these regional and national operators is essentially based on price and some of them enjoy advantages (tax or regulatory, for example) in their national markets.

For most of these services, the Group considers that it is not in direct competition with satellite mobile service operators (notably Inmarsat). Inmarsat does, however, compete with the Group for the provision of value-added maritime services (D-STAR) and future services as developed by SOLARIS, the joint subsidiary of the Group and SES, which is responsible for commercialising services in S band on the W2A satellite.

2.4.2 A limited risk of replacement by the terrestrial communications networks

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

Fibre-optic networks are highly suited to transmitting large volumes of point-to-point traffic (video or data), which may encourage some customers to use these networks rather than a satellite connection.

However, the Group considers that because of the size of the investment necessary for the deployment of this type of network, the development of fibre-optic networks is currently limited to very densely populated urban zones.

[7] Source SES - Annual results

[8] Source Intelsat - Annual results

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

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

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

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

And lastly, the Group takes the view that satellite transmission services can make it possible to complement the terrestrial networks, especially for transmissions to mobile terminals.

The Group has undertaken a joint investment with SES in an S-band payload on its W2A satellite. During the year, the Group set up a joint venture based in Dublin called SOLARIS to operate and commercialise this payload in S-band. The Group considers that this S-band mission will enable the deployment of a hybrid infrastructure combining terrestrial networks (DVB-H standard) and satellite networks (DVB-SH standard) to ensure universal coverage for television channels delivered to mobiles and, at the same time, reception in buildings. The Group believes that S band will make it possible to offer bidirectional services, notably to vehicles, as a complement to services provided under the Galileo project.

3 PRESENTATION OF THE SERVICES OFFERED BY THE GROUP DURING THE PERIOD

3.1 Analysis of commercial activity during the year

3.1.1 A growth driven by the momentum of video services and value-added services

The following table shows the distribution of revenues by application for the years ended 30 June 2007 and 30 June 2008:

Revenues by application (in millions of euros)

			Change	
Year ended 30 June	2007	**2008**	(en M€)	(as a %)
Video Applications	590.4	**649.4**	+58.9	+10.0%
Data & Value-Added Services	159.0	**152.5**	-6.5	-4.1%
Data services	*127.6*	***117.8***	*-9.8*	*-7.7%*
Value-added services	*31.4*	***34.7***	*+3.3*	*+10.6%*
Multi-usage	59.1	**58.1**	-1.0	-1.7%
Other revenues	9.2	**17.8**	+8.6	N.S
Sub-total	817.7	**877.8**	+60.1	+7.3%
One-off revenues	11.4	**-**	-11.4	N.S
Total	829.1	**877.8**	+48.7	+5.9%

Revenues for FY 2006-2007 included 11.4 million euros as indemnity payments for the late delivery of HOT BIRD™ 7A. Excluding one-off items, the rate of year-on-year growth is 7.3%.

Key elements in the Group's commercial activity in 2007-2008:

- A growth driven by the momentum of video applications (+10%) and value-added services (+10.6%)
- Additional resources in Western Europe with the success of the 9° East orbital position
- Strong development of business on the Second Continent[9]

Video applications up by 10%

With 3 123 television channels and interactive services being broadcast via the Eutelsat fleet as of 30 June 2008, a rise of almost 20% (+515 television channels) on 30 June 2007, the Group confirms its leading position in Extended Europe.

[9] Central Europe and Eastern Europe, Russia, the Middle East, North Africa and sub-Saharan Africa.

Number of TV channels broadcast by the Eutelsat fleet

At 30 June	2007	**2008**	Units	As a %
Premium orbital positions for broadcast services[10]	1 381	1 422	+41	**+3.0%**
Major orbital positions for broadcasting services[11]	1 113	1 535	+422	**+37.9%**
Other orbital positions[12]	114	166	+52	**+45.6%**
Total	2 608	3 123	+515	**+19.7%**

Video applications record growth of 59 million euros to nearly 650 million euros due to:

- the additional resources available in Western Europe, mainly as a result of the introduction of the 9° East orbital position in May 2007;
- sustained demand in the emerging markets of the Second Continent;
- the progressive development of HDTV offers (high-definition television).

➢ **A stronger position in the key markets of Western Europe**

Highlights of the financial year are:

➢ The virtually immediate commercial success of the new position at 9° East, where the EUROBIRD™ 9 satellite is already transmitting 125 television channels just one year after being brought into service.

For example, the EUROBIRD™ 9 satellite has been selected by TeleColumbus, the 3rd largest cable operator in Germany, to broadcast a bouquet of digital channels to support the transition of the German cable market from analogue to digital. The EUROBIRD™ 9 satellite has also been chosen by the new Hungarian high-definition bouquet Hello HD.

➢ In France, the launch of a new pay-TV bouquet called BIS, broadcast from the 13° East (HOT BIRD™) and 5° West (ATLANTIC BIRD™ 3) positions, and also the decision by Orange, one of the world's leading providers of TV over ADSL, to broadcast the TV component of its "triple play" offer from these orbital locations in order to complete its terrestrial network coverage to serve French homes where its ADSL offer is not available.

➢ Confirmation of the leading position of the HOT BIRD™ neighbourhood as the world's leading in-orbit location with 1 101 television channels being broadcast, and of its attractiveness, particularly:

- In Poland, where the HOT BIRD™ audience at 13° East has progressed by 11% over the last two years: this orbital position provides more than 4 million homes with DTH reception out of a total of nearly 4.3 million[13] satellite households.
- In Italy, where the HOT BIRD™ audience at 13° East has progressed by 18% over the last two years: this orbital position provides 6.1 million homes with DTH reception out of a total of 7.1 million satellite households.
- In Greece, where NOVA, the leading Greek pay-TV bouquet, has decided to renew its leased capacity until 2020 as well as leasing an additional transponder.

➢ **Rapid expansion of satellite digital TV on the markets of the Second Continent**

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[10] HOT BIRD™ at 13° East (Europe) and EUROBIRD™ 1 at 28.5° East (United Kingdom & Ireland).
[11] 7° West (Middle East, North Africa), 36° East (Russia, Africa), 16° East (Central Europe), 7° East (Turkey), 5° West (France), 9° East (Europe) and 25.5° East (Middle East).
[12] Used for professional distribution or contribution services
[13] Source: Eutelsat Cable & Satellite Observatory 2008

- The 36° East orbital position is occupied by the W4 and SESAT 1 satellites, serving markets in Russia and sub-Saharan Africa. As of 30 June 2008, it was broadcasting 391 television channels, which is up by 49% on the figure at 30 June 2007.

  The Russian and Ukrainian markets in particular are highly dynamic: The number of homes with direct reception there has increased by 95% over the last two years to 4.7 million households. The audience at the 36° East orbital position, a location that is becoming increasingly attractive, has more than doubled over the same period and has reached 3.5 million homes; this represents more than 75% of all households equipped for satellite reception in these countries.
- The 7° East orbital position, which covers Turkey, also serves a high-potential market: the number of channels broadcast via the W3A satellite has increased by 15% when compared to the figure at 30 June 2007, and the high-definition offer of the Digiturk bouquet has been further enhanced: as of 30 June 2008, it was already carrying 7 HDTV channels;
- The 7°/8° West orbital position was opened at the beginning of 2006-2007. It is occupied by the ATLANTIC BIRD™ 2 and ATLANTIC BIRD™ 4 satellites and is already transmitting 253 television channels: contracts signed with customers such as Nilesat have enabled the Group to create a major orbital position quickly to serve North Africa and the Middle East.

➢ **There are already 49 high-definition television channels being broadcast via the Eutelsat fleet**

- The number of commercial HDTV channels broadcast via the Group's fleet virtually tripled during the year: the figure reached 49 channels as of 30 June 2008 compared with 17 commercial channels at the end of the financial year ended 30 June 2007. The channels broadcast via Eutelsat represent nearly half the 113 HDTV channels that were being broadcast via satellite in Extended Europe as of 30 June 2008. This progression of HDTV programming s apparent on all the Group's target markets. At year-end 2007-2008, the Eutelsat fleet of satellites was broadcasting:
  - 21 high-definition channels from its premium HOT BIRD™ and EUROBIRD™ 1 positions;
  - 28 high-definition channels from its major video positions[14] in the emerging markets, including 7 at the 7° East orbital position (Turkey), 5 at 36° East (Russia and Africa), 5 at 16° East (Central Europe) and 8 at the new 9° East orbital position (Western Europe and Central Europe).

Data and value-added services: *Significant progress on the broadband access markets*

With the reallocation to video applications of capacity made available upon the expiry of certain contracts, principally in the course of the previous financial year, **data services** were down by 9.8 million euros on 2006-2007, coming in at 117.8 million euros. However, revenues from data services have stabilised over the last two calendar quarters as a result of new contracts with telecommunications and corporate network operators such as Orascom (Algeria), BT Turkey (Turkey), Siemens (Germany), Telespazio (Italy) and GulfSat (Middle East).

Value-added services have continued to progress, showing sustained growth (+10.6%) to reach 34.7 million euros as a result of:

- The entry into service during the year of 1 478 D-STAR™ terminals [15] for business enterprises and local institutions, bringing the installed user-base to 8 902 activated terminals at 30 June 2008 (+20%). Growth here is driven by emerging markets like the Middle East (+32% to reach 2 011 terminals) and Africa (+13% to reach 3 255 terminals), but also by Europe (+21% to reach 3 494 terminals).

[14] The major orbital positions are: 7°/8° West (Middle East, North Africa), 5° West (France, North Africa and sub-Saharan Africa), 7° East (Turkey), 9° East (Western Europe and Central Europe), 16° East (Eastern Europe and the Balkans), 25.5° East (Middle East), 36° East (Russia, Africa).

[15] D-STAR terminals provide broadband Internet access and virtual private networks to companies and institutions located in regions without any infrastructure or where terrestrial broadband infrastructures are unreliable.

- The commercial start-up of the TOOWAY™ service [16] in seven different countries for homes situated at the edge of the coverage provided by terrestrial facilities, with a contract signed, for example, with the telecommunications operator Swisscom to provide a universal broadband access service to all Swiss homes.
- Deployment of an Internet and multimedia service offer on-board the high-speed trains of the SNCF's *TGV Est* services, in partnership with Orange, Cap Gemini and Alstom.

Multi-usage applications: *Signature of new leases*

Revenues from Multi-usage applications are slightly down, due to the fall in the US dollar exchange rate against the euro. At a constant exchange rate, multi-usage applications would have recorded 12% growth: this reflects the signature of new leases and the renewal of almost all the leases that expired during the year.

Other revenues: *Exceptionally high level at 30 June 2008*

"Other revenues" came in at 17.8 million euros in 2007-2008. Revenues here almost doubled over the previous period, due mainly to €/USD foreign-exchange hedges (9.9 million euros) and to the settlement of commercial litigation (1.4 million euros) during the first half of the year.

3.2 Other information on commercial activity during the year

3.2.1 Commercial and distribution policy

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

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

As of 30 June 2007 and 2008, the Group's top four client-distributors (France Telecom/Globecast, British Telecom/Arqiva, Telespazio and Deutsche Telekom/T-Systems) represented 40.3% of revenues and 36.9% of consolidated revenues, respectively.

This reduction in the relative contribution of the large client-distributors to the Group's consolidated revenues reflects the desire of certain end-users of the Group's capacity to establish direct contractual links with the Group, particularly for video applications.

Some pay-TV operators now prefer to sign contracts directly with the Group when the time comes to renew their existing allotment agreements or when they have need of additional capacity. In July 2005, SKY Italia signed a framework agreement with the Group for the additional lease of a minimum of 10 transponders for a 10-year period and to renew their existing allotment agreements (covering 16 transponders) direct with the Group as and when their current agreements with the client-distributors expire.

Moreover, through its teleports at Rambouillet and Turin, and using the experience of its Skylogic subsidiary in setting up and managing video platforms for the 2006 Winter Olympic Games in Turin, the Group is now able to offer services to its customers and end-users related to the provision of satellite capacity, such as multiplexing services on the ground or the encryption/decryption of signals, for more than 300 television channels broadcast across its satellite fleet.

3.2.2 Portfolio of customers

[16] TOOWAY™ terminals in Ka band and Ku band provide broadband Internet access to homes situated in areas at the edge of terrestrial network coverages.

The Group's customer base includes client-distributors, who sell satellite capacity to end-users, and customers who are themselves users, and use the Group's satellite capacity for their own needs.

In terms of utilisation of the Group's satellite capacity, it should be noted that none of the Group's end-users individually accounted for more than 10% of the Group's revenues as of 30 June 2008.

As of 30 June 2008, the Group's leading 10 customers, six of which are distributors, accounted for 54.45% of the Group's revenues. These are as follows:

Customers	Revenues per customer (in millions of euros)	Revenues per customer (as a %)
France Télécom / Globecast	99.8	11.37
Telespazio/ Telecom Italia	90.7	10.34
British Telecom/Arqiva	72.2	8.23
Deutsche Telekom/ T-Systems/Media Broadcast	61.4	6.99
Government services	54.5	6.21
SKY Italia	25.5	2.91
Noorsat WLL	23.1	2.63
TVN/ITI Neovision	19.7	2.24
P&T Enterprise Luxembourg	15.6	1.78
European Broadcasting Union	15.5	1.76
Total for 10 leading customers	**478.0**	**54.45**
Other	399.8	45.55
Total	**877.8**	**100.00**

3.2.3 Backlog

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

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

At 30 June	2006	2007	2008
Value of the agreements (In billions of €)	4.0	3.7	3.4
Weighted remaining duration of the agreements	7.7	7.3	7.4
Share of video applications	92%	92%	93%

At 30 June 2008, the Group's backlog stood at €3.4 billion or 3.9 times annual revenues (excluding non-recurring revenues), compared to €3.7 billion at 30 June 2007. The 7.6% reduction in the backlog between 30 June 2007 and 30 June 2008 is mainly due to natural erosion with the increase in the average age of the fleet, as most of the order backlog is composed of agreements entered into for satellite lives.

The share of agreements relating to video applications in the backlog at 30 June 2008 has consolidated compared to 30 June 2007 at 93%, giving the Group high visibility over its future revenues. Indeed, the operators of TV broadcasting platforms have a recurring requirement for long-term capacity. The average remaining duration of the contracts the backlog represents as of 30 June 2008 (weighted for the amount involved) was 7.4 years (compared to 7.3 years at 30 June 2007.)

Breakdown of the backlog by year at 30 June 2008 is as follows:

Period ended 30 June	Backlog
	(unaudited, in millions of euros)
2009..	712.2
2010..	547.8
2011 and later	2 149.9
Total	3 409.9

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

4 A FLEET CONCENTRATED ON EXTENDED EUROPE

As of 30 June 2008, the Group was operating a fleet of 24 satellites (including 2 satellites in inclined orbit) located at 20 orbital positions between 16° West and 70.5° East, providing coverage of the entire European continent, the Middle East and North Africa ("Extended Europe"), sub-Saharan Africa and a large section of the Asian and American continents. This fleet represents a total of 501 operational transponders in stable orbit as of 30 June 2008 – compared to 505 transponders in stable orbit as of 30 June 2007, following an in-orbit incident in June 2008 that resulted in a reduction in W5's operational capacity.

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

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

- a large number of orbital positions concentrated on the European orbital arc, serving geographical areas covering both mature markets (Western Europe) and rapidly expanding markets (Second Continent);
- A fleet with an average age of 6.3 years as of 30 June 2008 [17] (excluding satellites in inclined orbit) which is being renewed with the launches of seven new satellites over the next three years;
- high technical flexibility, particularly with on-board antennas with steerable beams on satellites or several beams with different coverages so that areas covered can be adapted and reconfigured to meet customer needs, respond to geographical market factors or reconfigure coverage areas if a satellite is repositioned to a new orbital position;
- connectivity between transponders and the geographical coverage zones possible, enabling the Group to respond to evolving customer demands;
- and redundancy of the on-board equipment.

You are reminded that the Group is currently undertaking one of the largest investment programmes the Group has known, with the launch of seven satellites over the next three years: HOT BIRD™ 9, W2M, HOT BIRD™ 10, W2A, W7, Ka Sat and W3B**.**

The objective of this investment programme is to guarantee the foundations of the Group's future growth by reinforcing our in-orbit resources at orbital positions developing strongly, improving our service offer by securing our in-orbit resources, and reaping the benefit of new growth areas with new innovative applications for our customers and the consumers.

The table below shows the Group's satellite fleet in stable orbit as of 30 June 2008. The estimated dates of the end of operational lifetimes given shown in the table below are the Group's estimates.

Each year, the Group reviews estimated lifetimes of the satellites in orbit (see Note 5 to the consolidated financial statements for 2007-2008 for further information). The number of transponders represents nominal transponders per satellite. The number of transponders in operation may vary upwards or downwards from time to time depending on regulatory constraints, the power available on-board the satellites or the technical characteristics related to the strength of the signals transmitted from the satellites.

[17] Weighted average by number of transponders (equivalent to 36 MHz).

Satellite	Orbital position	Type of transponder (C, Ku or Ka)	Nominal capacity	Date launched	Estimated end of operational use in stable orbit as of 30 June 2008 (calendar year)
HOT BIRD™ 6	13° East	Ku/Ka	28/4	August 2002	Q1 2018
HOT BIRD™ 7A[18]	13° East	Ku	38	March 2006	Q3 2024
HOT BIRD™ 8[19]	13° East	Ku	64	August 2006	Q1 2025
EUROBIRD™ 1	28.5° East	Ku	24	March 2001	Q3 2018
EUROBIRD™ 2	25.5° East	Ku	16	October 1998	Q2 2013
EUROBIRD™ 3	33° East	Ku	20	September 2003	Q3 2014
EUROBIRD™ 4	4° East	Ku	8	September 1997	Q2 2011
EUROBIRD™ 9	9° East	Ku	20	November 1996	Q4 2009
W1[20]	10° East	Ku	14	September 2000	Q1 2012
W2[21]	16° East	Ku	24	October 1998	Q1 2010
W3A	7° East	Ku/Ka	42/2	March 2004	Q1 2021
W4	36° East	Ku	31	May 2000	Q2 2017
W5[22]	70.5° East	Ku	20	November 2002	Q4 2014
W6[23]	21.5° East	Ku	24	April 1999	Q2 2013
SESAT™ 1	36° East	Ku	18	April 2000	Q3 2011
ATLANTIC BIRD™ 1	12.5° West	Ku	19	August 2002	Q4 2017
ATLANTIC BIRD™ 2	8° West	Ku	26	September 2001	Q1 2018
ATLANTIC BIRD™ 3	5° West	Ku/C	27/10	July 2002	Q3 2019
ATLANTIC BIRD™ 4[24]	7° West	Ku	15	February 1998	Q4 2011
Telstar 12[25]	15° West	Ku	4	October 1999	Q4 2011
Express A3[26]	11° West	Ku	5	June 2000	Q3 2008
SESAT 2[27]	53° East	Ku	12	December 2003	Q1 2016

18 Satellite operating 31 transponders as of 30 June 2008
19 Satellite operating 43 transponders as of 30 June 2008
20 Following the incident of 10 August 2005, the power of this satellite and its estimated remaining life have been reduced. This satellite is temporarily operating with 18 transponders.
21 Satellite temporarily operating with 27 transponders
22 In view of the incident that occurred on 19 June 2008, the number of operational transponders has been reduced from 24 to 20 and its remaining life by one third.
23 Satellite temporarily operating with 29 transponders
24 Following the successful launch of HOT BIRD™ 7A, HOT BIRD™ 4 was brought into service at 7° West on 1 July 2006 under the name ATLANTIC BIRD™ 4.
25 Owned by Loral Skynet. End of utilisation foreseen in Q4 2011.
26 Owned by Russian Satellite Communications Company (RSCC). End of utilisation foreseen in Q3 2008.
27 Owned by Russian Satellite Communications Company (RSCC). End of utilisation foreseen in Q1 2016.

4.1.1 Group-owned in-orbit satellites

The Group owns 19 geostationary satellites.

HOT BIRD™ satellites

As of 30 June 2008, with 102 Ku-band transponders operating in stable orbit over Europe (excluding four Ka-band transponders on HOT BIRD™ 6), the satellites HOT BIRD™6, HOT BIRD™7A and HOT BIRD™8 form one of the largest satellite broadcasting systems in the world, providing full coverage for Europe, all of the Middle East and part of Africa and Asia.

EUROBIRD™ satellites

From its orbital position at 28.5° East, the EUROBIRD™ 1 satellite provides direct broadcasting services to more than 9 million homes, located mostly in the United Kingdom and Ireland. Like the HOT BIRD™ satellites, the high broadcast power of EUROBIRD™ 1 makes it a suitable satellite for broadcasting television programmes to homes equipped with dish antennas.

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

Launched in September 2003 to 33° East, EUROBIRD™ 3 has been mainly used for bidirectional broadband Internet services. This satellite is also used to provide capacity for video services or professional data networks. It provides coverage of Europe and a large part of Turkey with four high-power beams.

After nearly 9 years operating at 13°East (under the name HOT BIRD™ 3), EUROBIRD™ 4 was redeployed in February 2007 to 4° East and is mainly used for Multi-usage applications for the Middle East.

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

W satellites

The six W satellites have wide coverage and provide high flexibility through steerable beam antennas. They are operated at 7° East, 10° East, 16° East, 21.5° East, 36° East and 70.5° East, and provide bandwidth options and coverage suitable for video broadcasting, for professional data networks and for value-added services in Europe, Asia and Africa.

The W1 satellite launched in September 2000 is located at 10° East. On 10 August 2005, this satellite was affected by a technical incident leading to a service interruption that lasted several hours. On 11 August, service was restored for the majority of customers under acceptable operational conditions. The result of this incident was a loss of half the satellite's available power and an estimated reduction in its remaining operational lifetime.

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

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

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

The W5 satellite launched in November 2002 is located at 70.5° East. It has contributed to the development of the geographical coverage of the fleet and serves the Far East and a large part of China and Southern Asia. Following an incident that occurred in orbit on 16 June 2008, the satellite's electrical power has been reduced. There has been a consequent reduction in the number of operational transponders, from 24 transponders to 20 transponders under present operating conditions. There has also been a one-third reduction in the satellite's remaining in-orbit life.

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

SESAT 1 satellite

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

ATLANTIC GATE

As of 30 June 2008, ATLANTIC GATE comprises three satellites: (ATLANTIC BIRD™ 1 (12.5° West), ATLANTIC BIRD™ 2 (8° West) and ATLANTIC BIRD™ 3 (5° West)) and provides capacity for video, IP and data applications for intercontinental links between the American continent, Europe, the Middle East and Africa, and for regional communications.

ATLANTIC BIRD™ 1 is designed to provide a wide range of telecommunications services from12.5° West, such as professional data networks, professional video links, the transmission of audiovisual programmes and connections to the Internet backbone. This satellite covers Europe, the Middle East and a part of the United States and South America.

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

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

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

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

4.1.2 Leased capacity on third-party satellites

In addition to the operation of its own satellites, the Group uses the satellite capacity of three satellites in stable orbit and two satellites in inclined orbit owned by third parties, which expands coverage in Europe, and over part of the American continent and in Africa. These satellites are:

- Telstar 12

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

- Express A3

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

- SESAT™ 2

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

Finally, it should be noted that the Group operates capacity on the TELECOM 2C and TELECOM 2D satellites, which belong to France Télécom.

4.1.3 A programme of seven satellites in course of procurement

With seven satellites in course of procurement as of 30 June 2008, the Group is currently undertaking one of the most extensive programmes for the expansion and renewal of its satellite fleet.

During the year, the Group has placed orders for two satellites.

- KA SAT, ordered from EADS ASTRIUM in January 2008, is the first satellite of the Group operating solely in Ka band. This satellite will be the cornerstone of a new major satellite infrastructure programme, considerably extending the resources and accessibility of the TOOWAY™ broadband services for the general consumer throughout 'Europe and the Mediterranean Basin and at the same time offering new opportunities for local and regional TV markets. This satellite, which is to be launched during the third quarter of 2010, will be equipped with more than 80 narrow beams, making it the most advanced multi-beam satellite ever designed in the world to date. A network of eight stations managed by Eutelsat will be an integral part of this new infrastructure, making it possible to access the KA-SAT satellite and to provide the whole range of available broadband services to end-users.
  The KA-SAT multi-beam satellite will be located at 13° East where it will join the three large HOT BIRD™ broadcasting satellites operating in Ku band at what is the leading television transmission neighbourhood in the world. Co-locating the satellites in this way will enhance the service offer available to the general public at the Group's flagship satellite location and allow homes equipped to receive television programmes in Ku band to have access also to new multimedia content in Ka band via a single dual-feed antenna.
  The amount of bandwidth supplied by KA-SAT, coupled with Viasat's next-generation SurfBeam® ground-network system, will increase the satellite's operational capability to levels of efficiency and resources never before reached, offering a total speed in excess of 70 Gigabits per second. A capability of this magnitude is made possible by the new infrastructure created between the satellite and its associated access stations and marks a major turning point in the provision of IP access services over satellite, enabling the number of homes that can obtain such services at speeds comparable to ADSL to be increased well over a million, bringing Internet by satellite within reach of

everyone at prices and speeds similar to ADSL. This figure is to be compared with the several tens of thousands of professional users who use the existing Ku-band satellite capacity in Europe today.

- W3B, which was ordered from Thales Alenia Space in May 2008. Scheduled for launch in the second quarter of 2010, the W3B satellite will in principle be positioned at 7° East where it will be co-located with W3A. Assigned to a Spacebus 4000 platform of Thales Alenia Space, Eutelsat will use the 56 transponders of W3B to offer customers who so require significantly greater back-up capacity at 7° East and to increase the number of transponders operated at this position by more than 50%.
  The order placed for W3B reflects the policy that alms at converting 7° East into another flagship position by co-locating two large satellites at this location. This approach is the same as the strategy that made the HOT BIRD™ neighbourhood the leading position in the world in terms of the number of television programmes broadcast from this slot.
  From 7° East, W3A provides excellent coverage of Europe, Africa, the Middle East and Central Asia. It is already transmitting nearly 200 television channels, together with professional video and data services.
  The arrival of W3B will increase the Group's capacity in operational service at 7° East from 44 to 70 transponders. These extra resources will be used by Eutelsat to support the expansion of existing customers, especially broadcasters wishing to launch their first high-definition programming offers, and will reinforce Eutelsat's ability to serve other target regional markets.
  W3B will perform the following three main missions:
  - High-power Ku-band coverage of Europe, via a beam centred on Central Europe and Turkey that is particularly well suited to the broadcasting of DTH television to homes in these regions;
  - Wide coverage of the whole of Extended Europe, including North Africa and the Middle East as far as Central Asia, via a beam in Ku band to serve markets for data networks and professional video links;
  - Ku-band coverage of sub-Saharan Africa and the islands of the Indian Ocean to offer regional telecommunications and Internet access services. The African coverage will also provide links for interconnections with Europe, using Ka-band frequencies in Europe and Ku-band frequencies in Africa.

  In addition, thanks to the flexibility of its architecture, the W3B satellite will also be used to ensure service continuity at 16° East, 10° East or 36° East in the event of a launch failure of W2M, W2A or W7.

The Group has continued the procurement process for the 5 satellites commissioned during the years ended 30 June 2006 and 30 June 2007, which are currently being constructed by EADS ASTRIUM and Thales Alenia Space.

- W2A, ordered in September 2006 from Thales Alenia Space.

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

  For the first time in Europe, W2A will carry a payload in S band, which will be used by a joint venture company owned by Eutelsat S.A. and SES to offer bidirectional services in conjunction with the Galileo navigation services for example and, for the first time in Europe, direct reception by mobile terminals of satellite-delivered television and radio services. This S-band payload will serve France, Germany, Italy, Poland, Spain and the United Kingdom, and will enable the deployment of a hybrid infrastructure combining satellite and terrestrial networks to ensure universal coverage for mobile television services and reception in buildings.

- HOT BIRD™ 10, which was ordered from EADS Astrium in October 2006.

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

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

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

- HOT BIRD™ 9

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

- W2M

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

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

The table below summarises the satellites under construction or commissioned during the financial year. An additional period of one to two months should be allowed after the launch date in order to estimate the date of a satellite's entry into operational service.

Name of satellite	Manufacturer	Estimated launch date	Capacity	Operational position in orbit
HOT BIRD™ 9	EADS Astrium	October 2008	64 Ku	13° East
W2M	EADS Astrium / ISRO	November 2008	26 Ku	16° East
HOT BIRD™ 10	EADS Astrium	January/March 2009	64 Ku	13° East
W2A	Thales Alenia Space	January/March 2009	46 Ku/10 C/S band	10° East
W7	Thales Alenia Space	June/August 2009	70 Ku	36° East
Ka Sat	EADS Astrium	mid-2010	+80 Ka spots	13° East
W3B	Thales Alenia Space	mid-2010	56 Ku	7° East

4.2 Incidents during the financial year

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

The Group believes that its fleet of satellites is generally in good operating condition.

You are informed that the W5 satellite has suffered an anomaly affecting one of its power-supply sub-systems. After a technical assessment of the problem with the manufacturer, Thalès Alenia Space, the power situation on-board the satellite was stabilised. However, this anomaly has resulted in reducing the number of transponders available on-board the satellite under existing operating conditions from 24 to 20, and in an estimated one-third reduction of the satellite's remaining operational lifetime.

4.3 A record fill factor of 93.4% at 30 June 2008

Our Group operates a total of 501 transponders in stable orbit as of 30 June 2008, compared to 505 transponders as of 30 June 2007. This represents a 0.5% reduction of its in-orbit resources due to the incident that affected the W5 satellite.

It should also be noted that the number of transponders in operation may vary over time, depending on the electrical power on-board the satellites, their age and working order, the frequencies available at the various orbital slots or the technical power requirements for the signals that the satellites transmit.

The utilisation rate, or fill factor, represents the total percentage of allotted satellite capacity in stable orbit expressed as a percentage of the total operational satellite capacity in stable orbit. As of 30 June 2008, this stood at 93.4%. a record level for the Group.

This record figure is explained by the consolidation of the Group's flagship orbital positions (13° East and 28.5° East), for which utilisation rates were close to 100% as of 30 June 2008 and also by the commercial success of the new position at 9° East and the Group's strategy in developing major video positions in France, Central and Eastern Europe, the Middle East, North and Sub-Saharan Africa (5° West, 7° West, 7° East, 16° East, 25.5° East and 36° East) during the year.

4.4 Policy of the Group for insuring its satellite fleet

The Group uses insurance policies to cover the two phases of its satellites' lives, namely their launch (launch-insurance policy) and their in-orbit lifetime (in-orbit insurance policy). The Group has also taken out ground and in-orbit civil-liability insurance.

4.4.1 Insuring the launch programme for the 7 satellites in course of construction

In April 2008, the Group took out one of the largest insurance policies ever entered into by an FSS operator.

This insurance policy, which was taken out at highly favourable conditions, comprises "launch + 1 year in orbit" insurance for the seven satellites currently being constructed and covers up to 200 million euros per satellite programme. In addition, the Group is able to use all of the launchers available on the market, thus giving it maximum flexibility in deploying its in-orbit expansion programme over the next three years.

4.4.2 Policy for insuring in-orbit lives

In November 2007, the Group renewed its in-orbit insurance programme for one year to expire in November 2008. This covers all the satellites it owns (with the exception of the EUROBIRD™ 4, ATLANTIC BIRD™ 1 and W1 satellites) and is a slight improvement on the insurance cover set in place the previous year.

The in-orbit insurance policy provides for a cumulative basic deductible of 80 million euros for the year covered. Beyond this figure, a maximum insurance indemnity of 390 million euros is foreseen, subject to an upper limit of 180 million euros for each satellite concerned by a claim.

5 ACTIVITIES OF SUBSIDIARIES AND EQUITY INTERESTS

The financial year ended 30 June 2008 saw the development of new commercial Eutelsat S.A. subsidiaries so as to provide a better response to the needs of the Group's customers in the markets it covers.

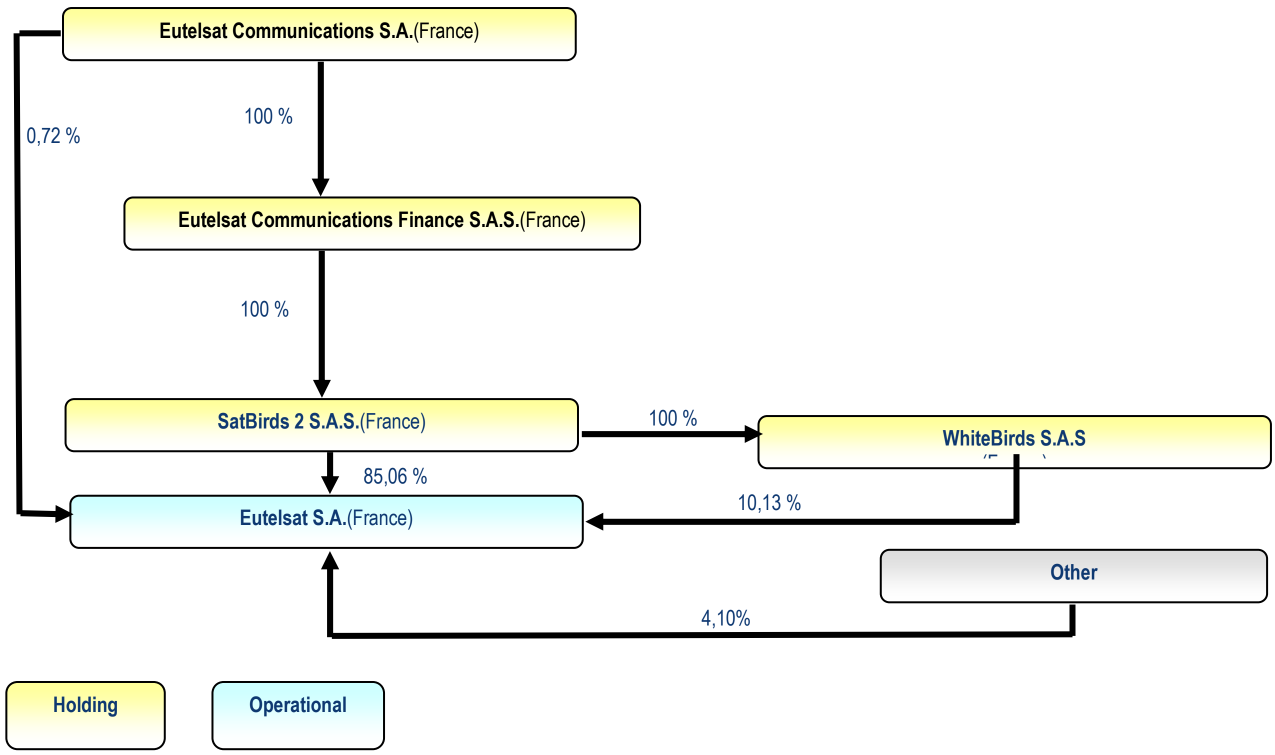
At 30 June 2008, Company directly or indirectly owns 21 subsidiaries and has equity interests in six different companies.

The organisational charts below show the stake holdings of Eutelsat S.A., the Company's main operating subsidiary (see diagram 1), and all the subsidiaries and equity interests held directly or indirectly by Eutelsat S.A. (see diagram 2) at 30 June 2008.

It should be borne in mind that the subsidiaries managing the Company's equity interest in Eutelsat S.A. have no operational, commercial or technical role.

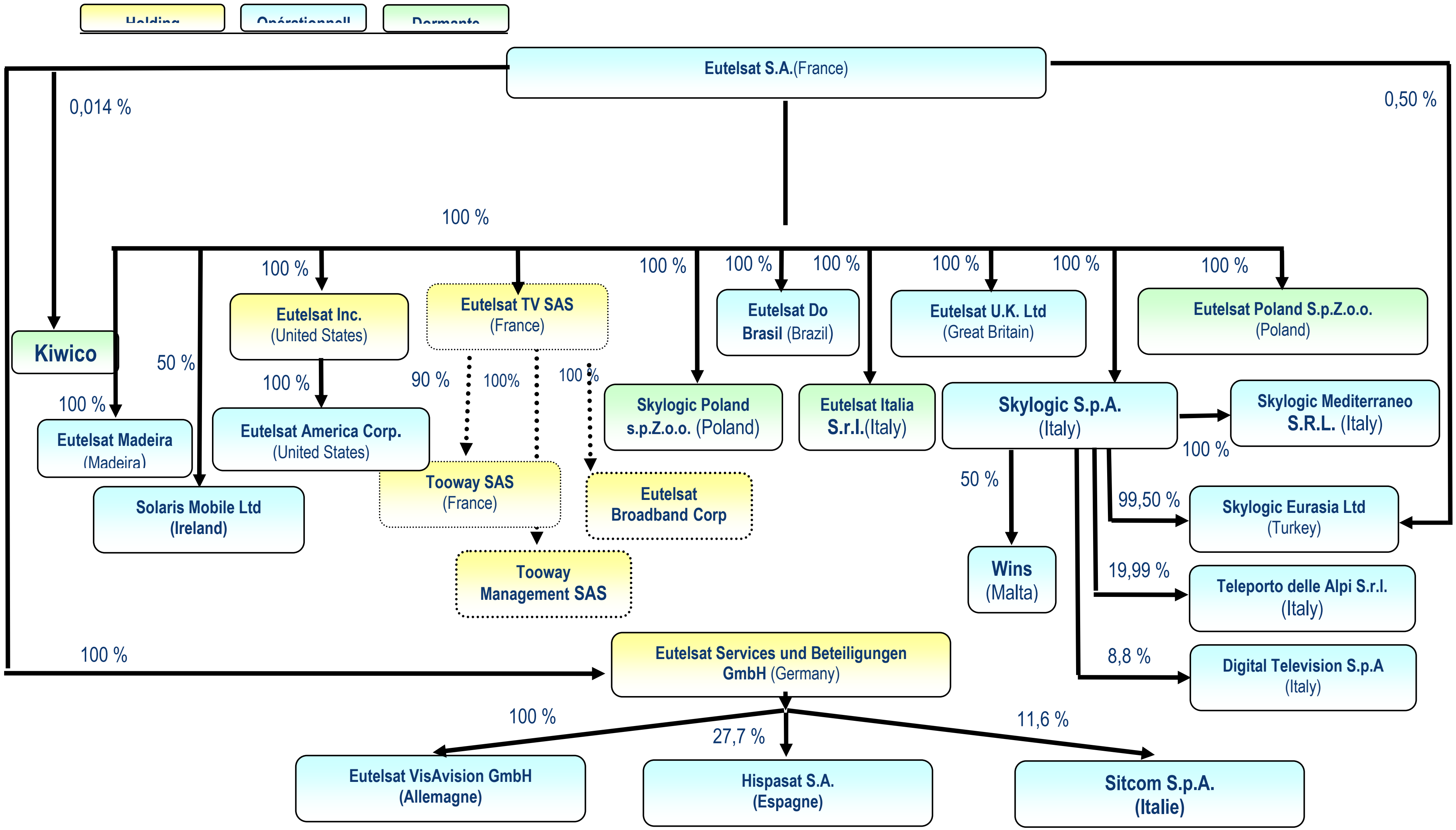
Your attention is drawn to the fact that all revenues and results shown below are based on the companies' annual accounts drawn up in accordance with local accounting standards. These figures are not representative of the contribution of the various companies to the consolidated performance of the Group.

<u>ORGANISATIONAL CHART OF THE GROUP AT 30 JUNE 2008 (PART 1)</u>



The term "Others" groups together all minority shareholders of Eutelsat S.A., namely the historical institutional shareholders of Eutelsat S.A., i.e. mainly telecoms operators and governments in Central and Eastern Europe or Central Asia, as well as Eutelsat S.A. employees.

ORGANISATIONAL CHART OF THE GROUP AT 30 JUNE 2008 (PART 2)



5.1 Subsidiaries

You are reminded that our main operating subsidiaries are Eutelsat S.A. (France) and Skylogic S.p.A. (Italy), which is itself a subsidiary of Eutelsat S.A.

5.1.1 Subsidiaries managing equity interests

Since 1 July 2007, Eutelsat Communications S.A., Eutelsat Communications Finance S.A.S., SatBirds 2 S.A.S., WhiteBirds France S.A.S., Eutelsat S.A. and Eutelsat TV S.A.S. are part of a single tax consolidation group.

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

100% owned by Eutelsat Communications and established in June 2006, this simplified stock corporation is domiciled at 70 rue Balard - 75015 Paris. Its purpose is to act as recipient of the financing provided under the refinancing arrangements for the Revolver and Senior credit facilities entered into by some of the Group's subsidiaries during the 2005-2006 financial year.

Following the Group's restructuring in 2006-2007, the share capital of Eutelsat Communications Finance S.A.S. increased to 5 000 000 euros, i.e.500 000 shares with a nominal value of 10 euros each.

The sole activity of Eutelsat Communications Finance S.A.S. is to hold an indirect stake in Eutelsat S.A. As of 30 June 2008, no revenues were reported and its net result showed a profit of 211.0 million euros as a result of cash flows received from its subsidiaries.

- SatBirds 2 S.A.S. (France)

SatBirds 2 S.A.S. is a simplified stock corporation under French law, with its head office at 70 rue Balard - 75015 Paris. It is registered in the Paris Register of Commerce and Companies as number 481 046 175 RCS Paris.

SatBirds 2 S.A.S's purpose is acquiring holdings in other companies.

SatBirds 2 S.A.S. is a company whose only activity is to hold an equity interest in Eutelsat S.A.

During the year ended 30 June 2008, SatBirds 2 S.A.S. acquired 12 437 446 Eutelsat S.A. shares from some of the Group’s employees and key managers. The shares were acquired as a result of:

(i) a liquidity offer to all employees in April 2008 concerning shares deriving from the Eutelsat S.A. Partners, Managers 1, Managers 2 and Managers 3 stock-option plans (a total of 1 993 134 shares) and,

(ii) commitments entered into with Eutelsat Communications by certain managers and the Company officers whereby they would transfer shares obtained under the Eutelsat S.A. Managers 3 stock-option plan (a total of 10 444 312 shares).

No revenues were reported at 30 June 2008 and its net result showed a profit of 218.4 million euros as a result of cash flows received from its subsidiaries.

- WhiteBirds S.A.S. (France)

WhiteBirds S.A.S. is a simplified stock corporation under French law, with its head office at 70 rue Balard - 75015 Paris. It is registered in the Paris Register of Commerce and Companies as number 479 530 834 RCS Paris. The purpose of WhiteBirds France S.A.S is to acquire equity interests in other companies. WhiteBirds was registered on 17 November 2004 for the purpose of holding a 10.3% interest in the share capital of Eutelsat S.A.

No revenues were reported at 30 June 2008 and its net result showed a profit of 23.4 million euros as a result of cash flows received from its subsidiaries.

At the date of this report, there were no contractual relationships generating significant cash flows apart from those generated under intra-group service agreements or centralised cash-management agreements.

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

As of 30 June 2008, the Company indirectly owns 95.9% of the capital of Eutelsat S.A., the main operating company in the Eutelsat Group, through which it has control of several subsidiaries and sub-subsidiaries of Eutelsat S.A. as well as indirect holdings such as Hispasat and Solaris.

Eutelsat S.A. is a *société anonyme* incorporated under French law. Its head office is located at 70 rue Balard - 75015 Paris. Eutelsat S.A. is the Group's main operating company.

As of 30 June 2008, its revenue[28] stood at 852.3 million euros and its net result showed a profit of 248.3 million euros.

5.2.1 Representation and promotion of Eutelsat S.A. business

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

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

As of 30 June 2008, Eutelsat Inc. had revenues of 907.4 thousand euros and its net result showed a profit of 15.5 thousand euros.

Eutelsat Inc. also has a wholly-owned subsidiary:

- Eutelsat America Corp., set up on 28 November 2006, which is responsible for distributing Eutelsat capacity in the North American market. It reported revenues of 27.4 million euros at 30 June 2008 and its net result showed a profit of 618.9 thousand euros.

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

At 30 June 2008, this company reported revenues of 945.4 thousand euros and its net result showed a profit of 612.4 thousand euros.

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

The company reported revenues of 599.9 thousand euros at 30 June 2008 and its net result showed a profit of 36.2 thousand euros.

Eutelsat Poland s.p.Z.o.o. (Poland): Created in January 2004, the purpose of this company is to promote Eutelsat's services in Poland and Central Europe.

At 30 June 2008, it company reported revenues of 957.7 thousand euros and its net result showed a profit of 48.4 thousand euros.

Skylogic Poland s.p.Z.o.o. (Poland): Created in January 2004, this is a shell company with no activity as of 30 June 2008. Its net result showed a loss of 4 796 euros.

Eutelsat Italia (Italy) – Eutelsat Italia is a shell company with no activity as of 30 June 2008. Its net result showed a loss of 10.7 thousand euros.

5.2.2 Other subsidiaries

28 Non-consolidated revenues based on the annual financial statements at 30 June 2008, including billing to subsidiaries, holdings or related companies but excluding revenues from subsidiaries, holdings or related companies of Eutelsat S.A .

Skylogic (Italy*)* - Skylogic SpA is wholly owned by our subsidiary Eutelsat S.A. (in which our Company has a 95.2% stake). Skylogic is responsible for operating the Turin teleport and for commercialising value-added services, in particular the D-STAR^{TM} satellite Internet access system.

Skylogic acquired a minority stake of 9.38% in Digital TV Spa by means of a capital increase, involving an overall amount of 1 000 000 euros; following a further increase in capital, this stake represented a holding of 8.8% as of 30 June 2008. The net book value was zero as of the same date.

Skylogic also acquired a 19.99% stake in Teleporto delle Alpi s.r.l.

At 30 June 2008 (closing date for the period), Skylogic revenues were 24.0 million euros. Its net result after tax (annual financial statements) showed a profit of 1 804.4 thousand euros, due to the cost of Eutelsat S.A. leased capacity and to investments and marketing efforts undertaken in the context of its development plan to meet the constant increase in demand for its services, particularly in Europe and Africa. As of 30 June 2008, Skylogic had 57 employees.

Wins (Malta): This company is 50% held by Skylogic SpA under a partnership with the Maltese operator MALTASAT. It is responsible for marketing the D-STAR service in the Mediterranean Basin to cruise ships and ferries, particularly to provide telephony (GSM) and broadband access facilities.

As of 30 June 2008, it had revenues of 690 thousand euros and was showing a loss of 516.5 thousand euros due to the expenditure involved in launching its services.

Skylogic Mediterraneo srl (Italy): 100% held by Skylogic Spa, this company was established on 7 July 2006, its purpose being the operation of a teleport to be set up in Sardinia. As of 30 June 2008, no revenues were reported and its net result showed a loss of 30.4 thousand euros.

Skylogic Eurasia Ltd: 99.5% held by Skylogic SpA and 0.5% by Eutelsat S.A., this company was established on 26 January 2008. It is responsible for promoting and marketing satellite services in Turkey.

At 30 June 2008, no revenues were recorded and its net result showed a loss of 102.6 thousand euros.

Eutelsat Services und Beteiligungen GmbH (Germany): You are reminded that Eutelsat S.A. acquired a company in April 2002 renamed Eutelsat Services und Beteiligungen GmbH (Eutelsat GmbH), which is 100% owned. Eutelsat GmbH holds a 27.69% interest in the Spanish operator Hispasat and has a role in promoting and representing Eutelsat S.A. in Germany. Revenues (as per annual financial statements at 30 June 2008) were 1 349 thousand euros and its net result showed a profit of 1 549 thousand euros.

VisaVision GmbH (Germany): 100% owned by Eutelsat GmbH and set up in 2004, VisaVision GmbH is responsible for promoting the KabelKiosk service in Germany. This service consists of providing satellite capacity and associated dedicated services for a range of channels (including ethnic channels) marketed by regional cable operators to their subscribers. At 30 June 2008, its revenues (in the annual financial statements) were 3 039.3 thousand euros and its net result showed a profit of 932.2 thousand euros.

Eutelsat TV SAS (recently Eutelsat VAS SAS): Wholly owned by Eutelsat S.A., this company was set up on 25 June 2007 and its first business year ended at 30 June 2007. At 30 June 2008, it was a shell company with no business activity. Its net result showed a loss of 16.8 thousand euros.

It should be noted that the structuring of the Ka–Sat TOOWAY project provides for this company to hold 90% of TOOWAY SNC (*société en nom collectif*), a general partnership arrangement set up in July 2008, with the balance of the share capital to be held by Eutelsat Communication Finance S.A.S. The role of Tooway SNC is to own the Ka Sat satellite. It should also be borne in mind that the manager of TOOWAY SNC will be a company newly established in July 2008 called TOOWAY Management S.A.S., which as of the date of approving this report is wholly owned by Eutelsat VAS S.A.S.

The Eutelsat VAS S.A.S. company (100% owned by Eutelsat S.A.) will have 100% responsibility for a holding company called Eutelsat BroadBand Corporation whose role will be to hold the Group's equity interest in the VIASAT subsidiary in charge of operating and commercialising the Ka-band satellite VIASAT 1 on the North-American continent. The satellite has a scheduled launch date in 2011.

5.3 Equity interests

- Hispasat S.A. (Spain)

As of 30 June 2008, the Group indirectly owned 27.69% of the voting rights in the Hispasat Group, a private unlisted Spanish satellite operator, 21.15% of which was acquired on 28 December 2001 and 6.54% of which was acquired on 8 April 2002.

The table below gives a summary of the annual figures for the Hispasat Group as of 31 December 2007 (latest figures published by Hispasat):

(In thousands of euros)	31 December 2007
Assets	621 687
Shareholders' equity	347 499
Operating income	128 312
Net result	36 213

- SOLARIS Mobile Ltd. (Ireland)

As of 30 June 2008, the Group indirectly owned 50% of the voting rights and capital of SOLARIS Mobile Ltd., a company incorporated under Irish law with capital of 90 500 000 euros, which has its head office in Dublin. Set up on 5 March 2008, SOLARIS MOBILE is jointly held in equal portions by the Group and by SES. Its role is to operate and commercialise the S-band payload of the future W2A satellite.

As of 30 June 2008, no revenues were reported by Solaris Mobile and its net result showed a loss of 485.8 thousand euros.

- Sitcom S.p.A. (Italy)

At 30 June 2008, the Group indirectly held 11.6% of the voting rights within Sitcom S.p.A. Established in 1997, Sitcom S.p.A. is an operator and an editor of audiovisual programmes and television channels in Italy. The channels of Sitcom S.p.A. are broadcast mainly in Italy on the Sky Italia bouquet.

6 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 – FINANCIAL INFORMATION

6.1 Financial and accounting policy – IFRS standards

The financial year of Eutelsat Communications runs for twelve months and ends on 30 June.

In accordance with European Union Regulation 1602-2002 on the application of international accounting standards, the Company decided from its inception to use IFRS to draw up its consolidated financial statements.

The consolidated financial statements at 30 June 2008 have therefore been prepared in accordance with IFRS, as adopted by the European Union and effective as of that date.

The main accounting principles applied by the Group are as follows:

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 is the power to direct financial and operational policies and is presumed to exist where the Group holds directly or indirectly more than 50% of the voting rights. The determination of control takes into account the existence of potential voting rights, provided that these are immediately exercisable or convertible.

Companies over which the Group exercises joint control with a limited number of partners under a contractual agreement are consolidated using the equity method of accounting.

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

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 a of the same date. Similarly, the changes in their reserves following the acquisition that are not related to operations that 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.

Acquisition of minority interests: Although IFRS 3 "*Business Combinations*" and IAS 27 "*Consolidated and Separate Financial Statements*", as revised, now indicate how acquisitions of minority interests are to be recognised, these two texts have not yet been adopted by the EU and will be compulsory only for financial years beginning on or after 1 July 2009. For this reason, and in order to ensure the same accounting methods are applied from one financial period to the next, the Group is continuing to apply the same accounting treatment, and 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, continues to be recognised as goodwill. This method will be reviewed when the relevant compulsory texts become applicable.

Operations in foreign currencies

Transactions in foreign currencies: Transactions denominated in foreign currencies are translated into the functional currency of the entity 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 foreign-exchange 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 1.58 U.S. dollars per euro and the average exchange rate used for the period is 1.47 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, including goodwill, are translated into euros using the exchange rate prevailing at the balance sheet date. Income 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".

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 and 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 associated "Customer Contracts and Relationships" assets. Because its lifetime is indefinite, the "Eutelsat" brand is not amortised but is systematically tested for impairment on a yearly basis.
The "Customer Contracts and Relationships" 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.

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 recorded as incurred.
For the periods ended 30 June 2007 and 2008, 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".

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 arise when there are significant adverse developments that call into question the recoverable amount of the initial investment.

Satellites and other property and equipment

Satellites and other property and equipment acquired separately ("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.
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 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 periods 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 and amortisation – This 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. It takes account, as appropriate, of the residual value of each asset or group of assets, starting from the date they are brought 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 – 10 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 launch-insurance costs. Studies, staff and consultancy costs, interest and other costs incurred directly in connection with the acquisition of satellites are also 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 that 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.

Impairment of non-current assets - Goodwill and other intangible assets with an indefinite useful life, such as the Eutelsat brand, are systematically tested annually for impairment in December, or more frequently when an event or circumstance occurs indicating a potential decline in its value.

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 value 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 largely independent of the cash inflows from other assets or groups of assets.

It is not always necessary to estimate both the fair value of an asset net of selling costs and its value in use. If either of these amounts is greater than the carrying amount of the asset, its value has not been impaired and it is not necessary to estimate the other amount.

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 are 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 CGU.

The fair value net of selling costs is equal to the amount that could be received from the sale of the asset (or of one CGU) in the course of an arm's length transaction between knowledgeable, 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 2007 and 2008, the following CGUs have been identified for the purpose of impairment tests:

- Each of the satellites, i.e. 24 as of 30 June 2008
- the investment in the Hispasat group
- each of the four assets related to "Customer Contracts and Relationships"

Revenue recognition

The Group's revenues are mainly attributable to the leasing of space segment capacity 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 service interruptions caused by under-performing transponders. 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 remaining duration of the lease. The revenues initially recognised are then adjusted to reflect the overall economic outcome of the contract.

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

6.2 Consolidated simplified balance sheet of Eutelsat Communications

The consolidated financial statements include the accounts of the Company and of the subsidiaries in which it owns more than 50% of the shares using the full consolidation method. Companies over which the Group exercises joint control with a limited number of partners under a contractual agreement are consolidated using the equity method of accounting. The companies over which Eutelsat Communications has a significant influence are evaluated using the equity method.

Simplified consolidated balance sheet

ASSETS	30 June 2007	30 June 2008
Non-current assets		
Goodwill	758 179	804 869
Intangible assets	829 791	785 340
Satellites and other property and equipment, net	1 705 635	1 469 927
Prepayments for assets under construction	461 477	757 415
Investments in associates	124 599	177 169
TOTAL NON-CURRENT ASSETS	3 884 122	3 999 473
Current assets		
Accounts receivable	220 976	239 435
Other current assets	18 421	17 148
Current financial assets	145 835	193 005
Cash and cash equivalents	45 479	21 321
TOTAL CURRENT ASSETS	**441 388**	**496 501**
TOTAL ASSETS	**4 325 510**	**4 495 974**

LIABILITIES AND SHAREHOLDERS' EQUITY	30 June 2007	30 June 2008
Shareholders' equity		
Share capital	217 401	219 642
Additional paid-in capital	776 136	662 566
TOTAL SHAREHOLDERS' EQUITY	1 311 513	1 417 244
Non-current liabilities		
Bank debt	2 308 978	2 412 189
Other non-current financial liabilities	70 502	60 150
Deferred tax liabilities	304 932	311 417
TOTAL NON-CURRENT LIABILITIES	2 758 268	2 839 990
Current liabilities		
Current portion of bank debt	23 185	31 333
Other current financial liabilities	34 263	33 799
Other current payables	83 531	77 022
TOTAL CURRENT LIABILITIES	255 729	238 740
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4 325 510**	**4 495 974**

Details of the Eutelsat Communications consolidated balance sheet at 30 June 2007 and 30 June 2008 are shown in the attached consolidated financial statements.

Operations affecting Eutelsat Communications' capital during the year are described in section 9.9 below.

6.3 Simplified consolidated income statement of Eutelsat Communications

IFRS (in thousands of euros)	12-month period ended 30 June 2007	12-month period ended 30 June 2008
Revenues	**829 086**	**877 765**
Operating costs	(62 526)	(69 239)
Selling, general and administrative expenses	(113 938)	(112 780)
Depreciation and amortisation	(300 849)	(300 886)
Other operating income	37 501	3 858
Other operating charges	(26 745)	(19 870)
Operating income	**362 529**	**378 848**
Financial result	(108 160)	(109 088)
Net income before tax	262 235	280 953
Income tax expense	(92 215)	(97 519)
Net income	**170 020**	**183 434**
Group share	159 377	172 276
Minority interests' share of net income	10 643	11 168

6.3.1 Operating costs

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

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

Costs for satellite operation and control These correspond to the earth station operating costs and equipment costs, which include in particular telemetry, control, positioning, payload management, and maintaining software and equipment at the satellite control centres, as well as traffic supervision and management. The amount of these costs is based on the number of satellites and the family of satellites operated, any repositioning of the satellites, as well as the number and type of services offered.

These costs also include sub-contracting of telemetry, control and tracking operations for a number of the satellites in orbit. In addition, Eutelsat S.A. has signed service agreements with eight suppliers related to control of the satellite communications systems.

In-orbit insurance premiums for satellite lives. Satellite in-orbit insurance generally takes effect when the launch insurance policy expires (generally one year after the satellite is launched). When the Group signs for launch insurance covering a satellite's in-orbit life, the premiums for periods after the first anniversary of the launch date are treated as in-orbit insurance costs. Almost all the satellites in-orbit owned by the Group are insured for amounts defined on the basis of an insurance scheme that is structured in tranches. Depending on the selected risk management policy, and general market conditions for space insurance, the costs for these insurance premiums can vary from one year to the next (see Section 4.4 (Policy of the Group for insuring its satellite fleet).

Operating costs also include a portion of the *taxe professionnelle*, which is divided between operating costs on the one hand and selling, general and administrative expenses on the other (based on corresponding staff numbers).

The progression of operating costs over the year ended 30 June 2008 is largely explained by the increase in the number of terminals bought for purposes of resale, which is linked to the intensive development of the value-added business, as well as the need to increase our satellite capacity via external procurement in order to meet demand, pending the arrival of our new satellites.

6.3.2 Selling, general and administrative expenses

Selling, general and administrative expenses include:

- administrative and commercial staff costs (including mandatory employee profit-sharing);
- marketing expenses, such as advertising and co-marketing expenses with distributors and end-users;
- general expenses associated with property leases, external studies and logistics;
- expenses associated with developing and marketing new products;
- a portion of the operating taxes (including part of the *taxe professionnelle*); and
- provisions for accounts receivable or other receivables.

During the year ended 30 June 2008, selling, general and administrative expenses fell by 1.0%. As well as a strict cost-containment policy, benefit has been reaped from the Group's sustained efforts to recover outstanding amounts due, offset in part by the expense generated by the plans for the allotment of free shares.

6.3.3 Depreciation and amortisation and other operating costs

Details of how this item has evolved are given in Notes 4 and 5 to the attached consolidated financial statements.

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

It is the Group's largest cost item.

The fact that depreciation and amortisation at 30 June 2008 is stable compared to last year is due to the fact that the depreciation of the HOT BIRD™ 8 satellite is now recorded over a full year. This is offset by the reduction in the depreciation charge for EUROBIRD™ 4 (formerly HOT BIRD™ 3), following the exceptional depreciation recognised for this satellite last year.

The "Other operating income and expenses" item comprises an amount of 12 million euros for exceptional depreciation of the EUROBIRD™ 3 satellite and a further 7.9 million euros due to the dilution that resulted from the exercise of stock options granted by Eutelsat S.A. These amounts are partly offset by income of 3.9 million euros that was received as insurance indemnities.

6.4 Operating income

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

At 30 June 2008, operating income was 378.8 million euros and represented 43.2% of revenues, compared with 362.5 million euros (43.7% of revenues) at 30 June 2007.

6.5 Financial result

The financial result shows an expense of 109.1 million euros at 30 June 2008, compared with 108.2 million euros the previous financial year.

The financial result remains stable, in spite of the increase in net indebtedness, due to optimising the Group's cash management processes and the reduction in the average cost of the debt, down from 4.00%

in 2006-2007 to 3.87% in 2007-2008, as a result of the effects of the interest-rate risk hedging instruments employed.

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6.5.1 Group liquidity and financial resources

During the year ended 30 June 2008, the Group slightly increased its level of indebtedness. The Group's liquidity requirements mainly include the following: - financing the construction and launch of satellites; - servicing its debt; - financing its working capital requirements.

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

6.5.2 Status of the Group's net indebtedness[29]

At 30 June 2008, the Group's total net debt was 2 425 million euros, compared to 2 325 million euros at 30 June 2007.

The table below describes the Group's main credit facilities as of 30 June 2008:

(In millions of euros)	Amount granted	Amount used	Maturity
Refinancing' bullet loan	1 615	1 615	8 June 2013
Eutelsat Communications renewable credit facility	300	0	8 June 2013
Eutelsat S.A. renewable credit facility	650	160	24 November 2011
Eutelsat S.A. bullet loan	650	650	24 November 2011
Total	**3 215**	**2 425**	

The weighted average interest rate for drawdowns on the revolving lines of credit is 5.1% for the period ended 30 June 2008. Effective interest rates for the Refinancing loans and the Eutelsat S.A. bullet loan are respectively 5.7% and 4.7% at 30 June 2008.

As of 30 June 2008, all the Group's debt bore interest at a variable rate (generally EURIBOR plus a margin)

An increase of ten base points (+0.1%) over the Euribor interest rate has an impact of 2.42 million euros in the consolidated income statement, based on the amounts recognised at 30 June 2008.

The evolution of the Group's net indebtedness during the financial year results mainly from the distribution of a total amount of 139 million euros to shareholders in Eutelsat S.A. and the Company in November 2007, as well as the financing of programmes for satellites under construction or ordered during the financial year.

6.5.3 Description of the financial instruments in place during the financial year ended 30 June 2008

- **Eutelsat S.A.'s credit facilities**

On 24 November 2004, Eutelsat S.A. entered into a seven-year 1.3 billion euro syndicated credit facility comprising (i) a 650 million euro bullet loan and (ii) a renewable line of credit for 650 million euros to refinance existing debt and the Company's financing needs in general.

[29] The Group's net indebtedness includes all its bank debts as well as the debts associated with satellite finance leases, less its cash in hand and investment securities (see Notes 15 and 16 to the attached consolidated financial statements).

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

Under the terms of this line of credit, Eutelsat S.A. is required to maintain a total net debt to EBITDA ratio (a contractually defined ratio) of less than or equal to 1, this ratio being verified at 30 June and 31 December each year. (See Note 15 to the Company's consolidated financial statements for more information).

As of 30 June 2008, drawdowns on these financing facilities came to a total of 160 million euros.

- **The Refinancing Loan**

To enable the early repayment of credit lines with SatBirds Finance Sarl, Eutelsat Communications signed a loan agreement with a group of banks on 8 June 2006 to set up a syndicated loan of 1 915 million euros over 7 years, divided into two parts:

- Tranche A: a long-term bullet loan of 1 615 million euros to be repaid at EURIBOR plus a margin of between 75 and 162.5 base points depending on the net consolidated debt to consolidated EBITDA ratio.

- Tranche B: a revolving line of credit for 300 million euros. Drawdowns for a maximum period of 6 months are repaid at EURIBOR plus a margin of between 75 and 162.5 base points depending on the net consolidated debt to consolidated EBITDA ratio.

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

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

Finally, it should be noted that these credit lines are accompanied by the following financial covenants, based on the Group's consolidated financial statements presented according to IFRS:

Leverage Ratio: consolidated net debt/consolidated EBITDA at or below 5.5 for the half-year and full-year periods defined in the agreement, the first of which is 30 June 2006. This ratio then gradually reduces every six moths by 0.25X from 31 December 2008 to 4.5X at 31 December 2011.

Interest Cover Ratio: Consolidated EBITDA/interest payable (due and matured) 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 in order 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, SatBirds Finance Sàrl consequently transferred to Eutelsat Communications the interest rate hedging instruments set in place for the above loan.

In September 2006, Eutelsat Communications acquired a new interest rate hedging instrument to cover years 5 to 7 of the loan.

The fees incurred for setting up the Refinancing syndicated credit facility of 1 915 million euros, which represent almost one year of margin based on a Net Debt/EBITDA leverage ratio between 3.5 and 4, were spread over the duration of the loan.

Costs remaining to be spread at 30 June 2008 have been charged to the carrying amount of the loan facilities. As of 30 June 2008, the balance is 13.6 million euros.

- **Financial instruments**

The Group has exposure to market risks, particularly with regard to foreign exchange and interest rates. To deal with this, the Group uses a number of derivative financial instruments. the objective of which is to limit, where appropriate, exposure of revenues and cash flows to fluctuations 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.

Foreign exchange risk hedges

The Group's functional currency is the euro and the Group is therefore principally exposed to fluctuations in the value of the U.S. dollar. As a means of preserving the value of assets, commitments and forecast transactions, the Group consequently enters into contracts whose value fluctuates in line with changes in the euro/dollar exchange rate. In particular, the Group hedges certain future U.S. dollar revenues by means of financial instruments such as options contracts, forward currency transactions and foreign currency deposits. These instruments are traded over-the-counter with first-rate banking counterparts. In addition, some suppliers' contracts (satellites or launch services) are denominated in US dollars. During the 2007 and 2008 financial years, the Group only used euro call/dollar put foreign currency options.

Interest rate risk hedges

The Group's exposure to interest rate risk is managed by apportioning its borrowings between fixed and variable interest rates. To hedge its debt, the Group has set up the following interest rate hedges:

- a tunnel (purchase of a cap and sale of a floor) over three years for a notional amount of 1 700 million euros to hedge the long-term Eutelsat Communications bullet loan, reduced in April 2007 to 1 615 million euros so that it would be the same as the exact amount of the refinancing loan.
a forward pay fixed/receive variable swap covering two years (Years 4 and 5) for a notional amount of 1 700 million euros, reduced to 1 615 million euros in April 2007 (i.e. 850 million euros to 807.5 million euros for each), to serve as a hedge for the long-term Eutelsat Communications bullet loan.
A forward pay fixed/receive variable swap covering the last two years (Years 6 and 7) for an amount of 1 615 million euros, to serve as a hedge for the long-term Eutelsat Communications bullet loan.
A pay fixed/ receive variable swap for the long-term portion of the 7-year (date of maturity) 650 million euro bullet loan of its subsidiary Eutelsat S.A.
- A pay fixed/receive variable swap for the nominal amount of 250 million euros over 4 years, until maturity of the 650 million euro renewable credit facility of Eutelsat S.A.
- A purchase of a cap for a nominal amount of 200 million euros over 4 years, until maturity of the 650 million euro renewable credit facility of Eutelsat S.A.

On 20 November 2007, a pay EURIOBOR three-month rate / receive EURIBOR one-month rate swap (basis swap) for a notional amount of 650 million euros was put in place for a period of six months until 30 June 2008.
On 11 June 2008, this operation was renewed, also for a period of six months.

6.6 Consolidated net result

At 30 June 2008, the consolidated net result shows a profit of 183.4 million euros compared to 170.0 million euros at 30 June 2007.

This marked improvement in consolidated net income comes from the excellent operational performance of the Group, which has seen an improvement in all intermediate management balances and particularly the operating result, but also a reduction in the Group's effective rate of tax, which was 36.0% at 30 June 2008 compared to 36.6% at 30 June 2007, and a sound operational performance by our equity interest Hispasat.

At 30 June 2008, the Group share of net income was 172.3 million euros, compared to 159.4 million euros at 30 June 2007.

7 COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 – FINANCIAL INFORMATION

7.1 Accounting and financial principles

The Company's financial statements at 30 June 2008 have been prepared in accordance with the *Code de Commerce* (Articles L.123-12 to L123-28) and Rule 99-03 of the *Comité de la Réglementation Comptable* (CRC). The conventions below were applied in adherence to the principle of prudence, according to the basic rules of (i) continuity of operations (ii) keeping financial years independent of each other, (ii) consistency in accounting methods from one financial year to the next and (iv) in compliance with the general rules for drawing up and presenting annual financial statements.

7.2 Company activities and key highlights during the year

It should be noted that the Company acts as a holding company: its role is therefore to direct the financial and strategic activities of the Eutelsat Group.
The main event that occurred during the financial year was the direct acquisition, under a private offer to buy or exchange shares between the Company and certain minority shareholders in its principal operating subsidiary Eutelsat S.A. (see section 9.9 of this report for further information), which led to the acquisition or contribution of 7 023 050 Eutelsat S.A. shares.

7.3 Extracts from the Company's balance sheet and income statement at 30 June 2008

Details of the Company's balance sheet and income statement for the financial year ended 30 June 2008 are presented in the Company financial statements in Annex 2 to this report.

7.3.1 Simplified balance sheet at 30 June 2008 – Company financial statements

ASSETS		
(in thousands of euros)	**30 June 2007**	**30 June 2008**
Financial assets	2 482 917	2 442 280
Total long-term assets	2 482 917	2 442 280
Total current assets	100 663	49 571
Prepaid expenses	20 938	16 702
TOTAL ASSETS	**2 604 518**	**2 508 553**
LIABILITIES AND SHAREHOLDERS' EQUITY		
	30 June 2007	**30 June 2008**
Common stock (219 641 955 ordinary shares with a nominal value of 1 euro per share at 30 June 2007)	217 401	219 642
Additional paid-in capital	776 135	662 566
Legal reserve	79	79
Retained earnings	1	1
Result for the year	(20 081)	(4 610)
Total shareholders' equity	**973 535**	**877 693**
Loans and bank debt	1 625 430	1 627 407
Other financial debt	-	-
Total bank debt	1 625 430	1 627 407
Total operating debt	5 315	3 255
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2 604 518**	**2 508 553**

As of 30 June 2008, financial assets were composed mainly of the following:

- o Equity interests, namely 500 000 shares in Eutelsat Communications Finance S.A.S. and 7 248 478 shares in Eutelsat S.A. for a total amount of 2 441 million euros;
- o Company shares held under a liquidity agreement with Exane BNP PARIBAS (46 473 shares for a total amount of 873 thousand euros).

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

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

The Company's indebtedness is the result of the Company signing a refinancing loan for 1 615 million euros and a revolving loan, which has not been drawn on, for a total of 300 million euros.

For more information about these operations see Note 8 – Indebtedness - in the Company financial statements in Annex 2 and in section 6.5 of this report.

7.3.2 Simplified income statement at 30 June 2008 – Company financial statements

(in thousands of euros)	**30 June 2007**	**30 June 2008**
Revenues	1 422	1 812
Release of provisions and reclassification of costs	-	135
Total operating income	**1 422**	**1 947**
Other purchases and external expenses	11 126	5 410
Taxes and assimilated	23	62
Wages	1 106	1 263
Total operating charges	**16 204**	**10 355**
Operating result	**(14 782)**	**(8 408)**
Financial income	61 042	38 323
Financial expenses	66 487	65 011
Financial result	**(5 444)**	**(26 688)**
Exceptional result	**66**	**60**
NET INCOME	**(20 081)**	**(4 610)**

The Company's net income, which shows a loss of 4.6 million euros, is mainly due to the reduced level of revenues realised by the Company in its capacity as holding company, the fact that no provisions were released or costs reclassified during the year, and the high level of financial expenses as interest on the June 2006 Refinancing loan. There was, however, a tax saving of 30.4 million euros as a result of the tax consolidation treatment and a cash inflow from its subsidiary Eutelsat Communications Finance S.A.S. You are reminded that the Company is head company of the tax consolidation group comprising the following subsidiaries since 1 July 2007: Eutelsat Communications Finance S.A.S., WhiteBirds France S.A.S., SatBirds 2 S.A.S., Eutelsat S.A. and Eutelsat TV S.A.S.

8 OBJECTIVES OF THE GROUP

An objective to achieve revenues of more than one billion euros in 2010-2011

In view of these prospects and its satellite launch programme, the Group is making an upward adjustment to its prospective growth over the next 3 years and is now targeting consolidated revenues of more than 1 billion euros in FY 2010-2011[30].

This objective corresponds to an average annual growth rate of 6%[31] over the next 3 financial years (2008-2009 to 2010-2011), accelerating from 2009-2010 onwards.

The Group maintains a target EBITDA margin of more than 77% over this period.

During the period, the Group plans to launch 7 satellites, which are currently in course of construction. Coupled with a dynamic approach to management of its in-orbit resources, this active investment policy should enable the Group to have 664 operational transponders by 30 June 2011 (excluding KA-SAT). Over this same period, the Group also expects to initiate the capital expenditure needed to renew 4 satellites launched during 1998-2000.

The Group consequently confirms its target of 450 million euros capital expenditure per year, on average, over the period 2008-2011.

Objectives for FY 2008-2009

At the end of 2007-2008, Eutelsat is ahead of the 3-year objectives disclosed in November 2007. As a consequence of this performance, the fill rate of the Group's satellite fleet has reached an exceptionally high level of more than 93%.

With the progressive entry into service of additional satellite capacity expected over the second half of FY 2008-2009 as a result of the upcoming satellite launches, the Group is confident of reaching its revenue target of more than 900 million euros for the financial year ending 30 June 2009.

Finally, the Group expects to maintain its profitability at the highest level among the major operators in its sector and is targeting an EBITDA margin above 78% for 2008-2009.

These objectives are based *inter alia* on the following assumptions: (i) launch and successful entry into operation of the 7 satellites in course of construction in accordance with the timetable envisaged by the Group (ii) continued growth in satellite demand in Western Europe and in the Second Continent at satisfactory tariff conditions, (iii) maintenance of the existing operating capacity of the Group's fleet, (iv) no incidents to affect any of the satellites in orbit, (v) continuation of a policy of controlling operating costs and their evolution, (vi) maintenance of the general conditions of the space insurance and space industry market.

The forward-looking objectives, statements and information summarised above are based *inter alia* on the data, assumptions and estimates cited earlier and are considered by Eutelsat Communications to be reasonable as of the date of this document.

The reader is cautioned that these forward-looking statements are dependent on circumstances or facts that are to occur in the future. These statements are not historical data and must not be interpreted as

[30] Excluding revenues from the operation of a payload in S band on the W2A satellite by the 50%-owned Solaris Mobile Ltd company, which will be accounted for using the equity method.

[31] Based on target revenues estimated at 870 million euros for the year ended 30 June 2008

guarantees that the facts and data cited will occur or that the objectives will be attained. By their nature, these data, assumptions and estimates, as well as all elements taken into consideration to determine these forward-looking objectives, statements and information, could prove to be wrong or may not materialise and may change or be modified due to uncertainties related to the economic, financial, competitive and regulatory environment in particular.

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

9 CORPORATE GOVERNANCE

The Company's IPO took place on 2 December 2005. As of that date no shareholder of the Company, directly or indirectly, by itself or with others, exercised control within the meaning of Article L. 233.3 of the *Code de Commerce*.

This situation has not been altered by the changes in the make-up of the Company's share capital over this and previous years. The major shareholders of our Group are represented on the Company's Board of Directors. These are ABERTIS TELECOM, with 31.43% of the share capital, and *Caisse des Dépôts et Consignations- Infrastructure*, with 25.68% of the share capital, as of 30 June 2008. As of 30 June 2008, no shareholder of the Company, directly or indirectly, by itself or with others, exercised control within the meaning of Article L. 233.3 and following of the *Code de Commerce*.

Under Article 148 of the decree of 23 March 1967, the Board of Directors decided at its meeting of 31 August 2005 to combine the functions of Chairman of the Board and CEO. Mr Giuliano Berretta, Chairman of the Board of Directors, is accordingly responsible for the overall management of the Company.

9.1 Changes in the composition of the Board of Directors

Apart from the co-opting of Mr Guarguaglini by the Board of Directors on 25 July 2007, a co-optation that was ratified by the General Meeting of Shareholders on 9 November 2007, there has been no change in the composition of the Board of Directors during the year, as shown in the following table:

Name	Date of appointment	End of term of office
Jean-Luc ARCHAMBAULT	10/05/2007	OGM accounts 30 June 2011
Bertrand MABILLE	10/05/2007	OGM accounts 30 June 2011
CDC- Infrastructure represented by Jean BENSAÏD	14/02/2007	OGM accounts 30 June 2011
Carlos SAGASTA- REUSSI	23/01/2007	OGM accounts 30 June 2011
Tobías MARTÍNEZ GIMENO	23/01/2007	OGM accounts 30 June 2011
Andrea LUMINARI	23/01/2007	OGM accounts 30 June 2011
Carlos ESPINÓS-GÓMEZ	23/01/2007	OGM accounts 30 June 2011
Lord John BIRT	10/11/2006	OGM accounts 30 June 2012
Pier Francesco GUARGUAGLINI	25/07/2007	OGM accounts 30 June 2012
Giuliano BERRETTA	31/08/2005	OGM accounts 30 June 2011

In application both of the Letter-Agreement between the Company and EUTELSAT IGO, and also the Company's by-laws, Mr Roisse, Executive Secretary of EUTELSAT IGO, sits on the Board of Directors as an observer (*censeur*).

Finally, you are informed that as part of a policy aimed at strengthening communication between the Group's management and employees, the Company entered into an agreement with the works' council of our operating subsidiary Eutelsat S.A.
This agreement is designed to give the works' council of Eutelsat S.A., and hence all Eutelsat S.A. employees, greater visibility over the Company's operations and decisions. It has seen the introduction of a

procedure for informing the Eutelsat S.A. works' council when operations are undertaken by the Company that are liable to affect the operations and field of activity of our operating subsidiary Eutelsat S.A. Under the same agreement, the two Eutelsat S.A. works' council representatives on the Board of Directors of Eutelsat S.A. are invited to attend meetings of the Board of Directors of the Company, with access to the same information as the Company's directors.

9.1.1 The mission of the Board of Directors

Under Article L.225.35 of the *Code de Commerce*, the Board of Directors is notably responsible for orienting the Company's business activities and ensuring this framework is properly implemented. Subject to the powers expressly reserved for General Meetings of Shareholders, the Board of Directors can examine any question that affects the sound operation of the Company or the Eutelsat Group.

It should also be noted that in addition to the powers provided by law and in application of the Board's internal rules, a number of strategic decisions and undertakings require the prior approval of the Board of Directors.

These decisions can be grouped under the following headings:

***Operations affecting the by-laws*:** Any operation that results in an increase in the Company's capital or a modification of the Company's bylaws is submitted for prior approval by the Board of Directors.

***Strategic operations*:** The Group's Five-Year Strategic Plan, as well as any acquisition of shares in another company or any operations or mergers with a substantial effect on the Company's structure or strategy, is submitted for prior approval by the Board of Directors. This also applies to any investment in the capital of another company of more than 50 million euros or of more than 25 million euros if the relevant investment operation is not foreseen in the Strategic Plan.

Financial commitments and investments: The Group's consolidated Annual Budget is subject to prior approval by the Board of Directors at the beginning of each financial year. All capital expenditure in excess of 50 million euros (or in excess of 25 million euros if not included in the annual budget) is subject to prior approval by the Board of Directors. Any loan or financing contract that results in increasing the Group's indebtedness by more than 50 million euros that is not included in the Annual Budget is subject to prior approval by the Board of Directors. Lastly, any decision to dispose of, loan, lease or transfer assets of the Group (excluding commercial operations) or any decision to disinvest any amount in excess of 50 million euros that is not included in the annual budget is subject to prior approval by the Board of Directors.

***Composition of the Board of Directors and management of the Group*:** The Board of Directors is in charge of defining the requirements for independence and selection of the independent directors, and its prior approval is needed before any recruitment or dismissal of a manager working for the Group whose remuneration is one of the six largest.

Other matters: Any projected take-over or merger of the Company, any offer to buy any other company for which payment is to be wholly or partly in Company shares, any draft reference documents or offer documents for investors must be submitted for approval by the Board of Directors.

You are reminded that the General Meeting of Shareholders of 9 November 2007 delegated its powers to the Board of Directors for purposes of issuing stock warrants (free of charge) known as "Bons Bretons" in the event of a takeover bid concerning the Group. This delegation of powers was not used or implemented in the course of the financial year.

9.1.2 Meetings of the Board of Directors

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

The Board of Directors met 10 times during the financial year.

The attendance rate at meetings during the financial year exceeded 95%, with only 3 directors unable to participate in all Board meetings held during that period.

In accordance with the relevant provisions of the internal rules of the Board of Directors, documents for a Board meeting are sent to its members at least 5 days before the meeting of the Board takes place. For an emergency meeting of the Board, documents are sent out in a shorter timeframe.

During the year, the Chairman requested Lord Birt, with the support of the Secretary to the Board and the Deputy CEO, to issue a set of recommendations for improving the Board's work, especially documentation for Board meetings, and to propose *inter alia* the introduction of a single format for all documents. These recommendations were examined and approved by the Board on 26 April 2008.

To provide directors with a better knowledge of the Group's operations and business activities, the Chairman of the Board & CEO gives a status report at each Board meeting on the activities of all the Group's Departments during the period leading up to the meeting, and on on-going projects in those Departments.

9.2 Role & composition of the Committees and working groups of the Board of Directors

During the year, the Board of Directors decided to set up a specialised committee and an ad hoc working group to provide advice to the Board in their respective areas of competence:

Selection and Remuneration Committee: This Committee is mainly responsible for studying and providing recommendations to the Board as appropriate on (i) the remuneration of the Chairman of the Board & CEO and of the Deputy CEO, (ii) the introduction of stock-option plans or plans for the purchase or grant of shares within the Group, (iii) the allocation of attendance fees to members of the Board, (iv) the selection of the independent directors, (v) the recruitment or departure of any employee whose remuneration is one of the 6 highest in the Group.

The Committee is currently chaired by Mr Martínez Gimeno. Messrs Bensaid, Espinós-Gómez and Lord John Birt are also members. The Secretary to the Committee is Mr Izy Béhar, Director of Human Resources at Eutelsat S.A.

The Committee met 9 times during the financial year. All Committee members took part in all meetings of the Committee during the year.

In the course of the year, the Committee's work included examination of the employee shareholding policy and consideration of how to ensure the loyalty of the Group's key personnel.

Based on a recommendation by the Committee, the Board of Directors decided on 25 July 2007 to introduce a plan for the allocation of free shares to all employees of the Group, including the Company officers (*mandataires sociaux)*. In accordance with Article L.225-197 of the *Code de Commerce*, definitive acquisition of these free shares will only become absolute provided the beneficiaries are still with the Group in two years time (i.e. until 25 July 2009) and will only become available after a further period of two years has expired, i.e. as of 26 July 2011. It should be noted that under this plan, definitive acquisition of the free shares granted is subject to the achievement of certain performance objectives over a two-year period.

The Committee was also required to supervise the process of recruiting a new Chief Financial Officer, following Mr Ehlinger's departure from the Group in July 2007, and reviewed the applications put forward by Management. On the Committee's recommendation, the Board of Directors approved the decision of the Chairman of the Board & CEO to appoint Mrs Catherine Guillouard to the position of Chief Financial Officer.

Strategy and Investment Working Group: This Working Group was set up in April 2007. It meets on an ad hoc basis and has the task of submitting recommendations to the Board as appropriate on any projected external growth operations and investments under the Strategic Plan or annual budget.

The members of the Working Group are Jean Bensaïd and Carlos Espinós-Gómez. They are assisted by the other directors as necessary.

The Working Group met 10 times during the financial year. In the course of its work, the Working Group oversaw a strategic study on the Group's growth strategy, as well as preparation of the Group's 2008-2013 Strategic Plan and preparation of the Group's consolidated annual budget for 2008-2009.

Finally, as part of the prior examination of the Group's projected investments, the Working Group made recommendations to the Board on the launch and implementation of the KA SAT Tooway™ programme, notably in relation to the setting into place of a partnership with ViaSat in Europe, and the possibility of the Group taking a minority stake in the "ViaSat 1" project for operation of a satellite in Ka band in the United States. The Working Group also provided a recommendation to the Board on the W3B satellite programme and the requirements necessary for the strategy to be adopted for securing the Group's in-orbit infrastructure.

Audit Committee

The Board has also decided to set up an Audit Committee. In addition to its Chairman, Mr Archambault, the Audit Committee is composed of Lord Birt and Mr Sagasta-Reussi.

The task of the Audit Committee is to assist the Board of Directors by (i) reviewing the Company's draft half-year and full-year accounts (Company and consolidated accounts), (ii) expressing recommendations on the draft consolidated annual budget proposed by Management, prior to its examination by the Board, (iii) expressing recommendations to the Management of the Company and to the Board of Directors on the policy and methods for ensuring the production of accounting and financial information that is reliable and sincere, (iv) making sure that the internal controls applied within the Group are appropriately implemented, and (v) presenting recommendations to the Board and to Management on the appropriate method of handling any risk of any kind liable to affect the Group's operations.

The Audit Committee met 6 times during the financial year. All Committee members took part in all meetings of the Committee.

In the course of its work, the Audit Committee ensured mapping of all risks liable to affect the operations of the Group, and made a recommendation on the creation of a new post for a Director of Risk Management to report directly to the Company's Management and to have the task of defining, implementing and supervising a coordinated and cross-disciplinary approach to the management of risks of any nature liable to affect the Group and its operations.

Further to this recommendation, Mr José Ignacio Gonzáles-Nuňez was appointed by the Chairman of the Board & CEO as the Group's Director of Risk Management.

The Audit Committee has also engaged in regular dialogue with the Company's auditors. The auditors attend Audit Committee meetings when half-year and full-year accounts are being prepared, prior to their adoption by the Board of Directors.

9.3 Information concerning the members of the Board of Directors

In accordance with the provisions of law No. 2003-706 of 1 August 2003, amending law No. 2001-420 of 15 May 2001, related to the new economic regulations, it is our duty to inform you of the total compensation (including benefits in-kind) paid to the members of the Company's corporate bodies during the financial year ended 30 June 2008 (See the Notes to the Company financial statements for more information).

9.3.1 Attendance fees paid to members of the Board of Directors

Pursuant to the resolution approved by the AGM on 10 November 2006, the total amount of attendance fees eligible for payment during the financial year was 700 000 euros.

The level of attendance fees paid to members of the Board of Directors is dependent upon (i) their attendance rate at Board meetings, and (ii) the missions or specific tasks carried out by them as members of the various Committees and Working Groups of the Board.

The total amount of attendance fees paid to serving Board members for the financial year ended 30 June 2008 was 601 000 euros, distributed as follows:

Name of Board Member	Gross amount paid by the Company
G. Berretta, Chairman of the Board of Directors	50 000
J.L Archambault	70 000
Lord Birt	70 000
CDC Infrastructure represented by J. Bensaïd	59 000
C. Espinós Gómez	70 000
P. F Guarguaglini	45 000
A. Luminari	50 000
B. Mabille	50 000
T. Martínez Gimeno	68 000
C. Sagasta Reussi	69 000

9.3.2 List of functions or offices exercised in any French company by the members of the Board of Directors as of 30 June 2008 (excluding subsidiaries of Eutelsat Communications)

Name	Function	Other functions or offices exercised in any French company other than companies within the Group
G. Berretta	Chairman of the Board & CEO	None
J. Bensaïd	Permanent representative of CDC Infrastructures, Board member	o Chairman of MAP SUB o Board Member of CDC Infrastructures, GALAXY o Permanent representative of CDC on the Supervisory Board of Tower Participations o Chairman and representative of CDC in the Bac Gestion company o Permanent representative of CDC on the Board of Directors of Seche, TDF (TéléDiffusion de France) and SANEF (Société des Autoroutes du Nord et de l'Est de la France)
J. Tobias-Martinez	Board Member	None
C. Sagasta	Board Member	None
C. Espinos	Board Member	None
A. Luminari	Board Member	None
B. Mabille	Board Member	None
J-L. Archambault	Board Member	Chairman of Lysios S.A.S.

9.4 Information concerning the compensation paid to the Company officers

The total compensation (including variable components, profit-sharing, staff incentives and benefits in-kind) paid to the Company officers by the Group during the financial year was 2 242 512 euros. This breaks down as follows:

(en euros)	Fixed compensation	Variable compensation	Attendance fees	Benefits in kind	Total
G. Berretta Chairman & CEO	550 000	1 010 655	50 000	4 216	1 614 871
J.P. Brillaud Deputy CEO	311 720	310 851	0	5 070	627 641

The amount of 1 614 871 euros paid to Mr Berretta corresponds to Mr Berretta's total gross compensation paid to him by Eutelsat S.A. and Eutelsat Communications during the financial year that began 1 July 2007 and ended 30 June 2008 both for his duties as Chairman of the Board & CEO of Eutelsat S.A. and his employment contract with Eutelsat S.A as its Director of International Development, and also for his duties as *mandataire social* (Company officer) of Eutelsat Communications. Mr. Berretta did not receive any compensation for his position as *mandataire social* of Eutelsat S.A. Mr. Berretta did not receive any other sum, in any capacity, from any company in the Group.

The amount of 627 641 euros paid to Mr Brillaud corresponds to Mr Brillaud's total gross compensation paid to him by Eutelsat S.A. during the financial year that began 1 July 2007 and ended 30 June 2008 for his duties as Deputy CEO of Eutelsat S.A. and his employment contract with Eutelsat S.A. Mr. Brillaud did not receive any compensation for his position as *mandataire social* of Eutelsat Communications. Mr. Brillaud did not receive any other sum, in any capacity, from any company in the Group.

You are reminded that the gross compensation paid by the Group to Mr Berretta during the financial year ended 30 June 2007 was 1 659 048 euros and that the gross compensation paid by the Group to Mr Brillaud for the year ended 30 June 2007 was 653 089 euros.

Criteria used to determine the variable component of the compensation of the mandataires sociaux (Company officers)

The variable component of the compensation of the Company officers (excluding attendance fees, profit sharing, staff incentives and benefits in kind) is determined by the Board of Directors each year when the accounts are closed, based on a recommendation by the Selection and Remuneration Committee. For the year ended 30 June 2007 it was subject to attainment of an EBITDA target fixed at the beginning of FY 2007. This variable component was paid during the first half of the financial year ended 30 June 2008.

The variable component of the compensation of the Company officers (excluding attendance fees, profit sharing, staff incentives and benefits in kind) is determined by the Board of Directors each year when the accounts are closed, based on a recommendation by the Selection and Remuneration Committee. For the year ended 30 June 2008, it was based on targets related to the Group's key financial indicators, namely revenues, EBITDA and consolidated net income. The Board also fixed qualitative evaluation criteria for the Company officers, linked to the work of the Board during the financial year. This variable component of the compensation of the Company officers will be paid during the first half of the financial year beginning 1 July 2008.

Other information concerning the Company officers

The Group contributes to an additional supplemental retirement plan with defined benefits (Article 39) for its Company officers (present or past) corresponding to 8% of their fixed compensation, the benefit of which is conditional upon their retirement from Eutelsat. The obligation in this regard has been covered by a special pension allocation. On 25 September 2007, the Company's Board of Directors decided to increase the amount of the defined supplemental benefits from 8% to 10% for its serving Company officers.

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

9.5 Other information concerning the Company officers

We would like to remind you that Messrs. Berretta and Brillaud are beneficiaries under Eutelsat S.A. stock-option and stock-purchase plans. Please refer to section 9.6.5.1 of this report for further details.

The Board of Directors meeting of 10 May 2007 decided to establish a plan for the allocation of free shares to all employees and key managers of the Eutelsat Group. The Board also decided, based on a recommendation by the Selection and Remuneration Committee, to grant to Mr Giuliano Berretta, Chairman & CEO, and to Mr Jean-Paul Brillaud, Deputy CEO, 30 000 and 10 000 free shares respectively.

In accordance with Article L.225-197 of the *Code de Commerce*, allotment of these free shares will become absolute provided the beneficiaries are still with the Group in two years time (i.e. on 10 May 2009) and will only be available after a further period of two years has expired, i.e. as of 11 May 2011.

No other condition was fixed by the Board to benefit from the free shares allotted to the Company officers.

The Board of Directors meeting of 25 July 2007 decided to establish a plan for the allocation of free shares to all employees and key managers of the Eutelsat Group, involving a total of 474 831 free shares. The Board also decided, based on a recommendation by the Selection and Remuneration Committee, to grant to Mr Giuliano Berretta and to Mr Jean-Paul Brillaud 78 431 and 25 991 free shares respectively. In accordance with Article L.225-197 of the *Code de Commerce*, definitive acquisition of these free shares will only become absolute provided the beneficiaries are still with the Group in two years time (i.e. on 25 July 2009) and will only become available after a further period of two years has expired, i.e. as of 26 July 2011. As well as a requirement that the beneficiaries must still be working for the Group after 2 years, acquisition of all or part of the free shares is, for half of the shares granted, subject to the achievement of certain objectives over a two-year period linked to a financial target (50% of the relevant portion) and to a target linked to the Company's share price over a two-year period (the remaining 50%).

The Board did not offer the Company officers any stock-option or stock-purchase plans during the financial year ended 30 June 2008.

At 30 June 2008, Mr Berretta held 78 823 Eutelsat S.A shares and Mr Brillaud 467 377 Eutelsat S.A. shares.

9.6 Information about the Company's share capital

9.6.1 Information on the composition of the share capital

You are informed that, to our knowledge as of 30 June 2008, the main shareholders of the Company are as follows:

Shareholder	% of voting rights	% of shares
ABERTIS TELECOM	31.43	31.43
CDC- Infrastructures	25.68	25.68
Public[32]	42.89	42.89

[32] Including senior managers and employees (1.14% or 2 495 393 shares)

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

We can inform you that, to our knowledge, no shareholder acting alone or with others holds more than 50% of the Company's voting rights and that no shareholder acting alone or with others controls the Company within the meaning of Articles L. 233 and following of the *Code de Commerce.*

In application of Article 12 of the Company's by-laws, we have been notified that the following statutory thresholds have been crossed. The Board of Directors was duly informed:

12 July 2007: Notification of the downward crossing of the 26% threshold by *CDC Infrastructure*, as it holds 56 399 660 shares or 25.94% of the Company's capital;

24 July 2007: Notification by MAGNETAR Capital Master Funds LLC that it holds 2 058 001 shares or 0.95% of the Company's capital;

21 September 2007: Notification of the upward crossing of the 11% threshold by Franklin Mutual Resources Advisors LLC and Templeton Worldwide Inc., as they hold 23 922 039 shares or 11.004% of the Company's capital;

8 November 2007: Notification of the downward crossing of the 1% threshold by BNP PARIBAS Asset Management, as it holds 2 093 873 shares or 0.96% of the Company's capital;

26 November 2007: Notification of the downward crossing of the 11% threshold by Franklin Mutual Resources Advisors LLC and Templeton Worldwide Inc., as they hold 23 738 225 shares or 10.86% of the Company's capital;

16 January 2008: Notification of the downward crossing of the 10% threshold by Franklin Mutual Resources Advisors LLC and Templeton Worldwide Inc., as they hold 21 748 095 shares or 9.94% of the Company's capital;

18 March 2008: Notification of the downward crossing of the 9% threshold by Franklin Mutual Resources Advisors LLC and Templeton Worldwide Inc., as they hold 19 630 370 shares or 8.97% of the Company's capital;

12 May 2008: Notification of the downward crossing of the 8% threshold by Franklin Mutual Resources Advisors LLC and Templeton Worldwide Inc., as they hold 17 433 547 shares or 7.43% of the Company's capital;

21 May 2008: Notification by Crédit Suisse Securities (Europe) Limited that it holds 2 188 828 shares or 1% of the Company's capital;

26 May 2008: Notification of the downward crossing of the 1% threshold by BNP PARIBAS Asset Management, as it holds 1 970 134 shares or 0.90% of the Company's capital;

2 June 2008: Notification of the downward crossing of the 1% threshold by Crédit Suisse Securities (Europe) Limited with the transfer of all the securities held by Crédit Suisse Securities (Europe) Limited;

9 June 2008: Notification of the upward crossing of the 5% threshold by Pioneer Asset Management, as it holds 11 402 562 shares or 5.19% of the Company's capital;

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

9.6.3 Restrictions on the transfer of shares or securities giving access to the Company's capital

As of 30 June 2008, there is no restriction on the transfer of shares or securities giving access to the Company's capital, with the exception of the restrictions or bans on acquiring/transferring our securities, as specified in the Share Dealing Code relating to the holding of privileged information. This Share Dealing Code is applicable to Board members and to the Group's employees and the Company officers, as well as to related parties, in accordance with the regulations of the *Autorité des Marchés Financiers* (the French financial markets authority).

This Share Dealing Code sets periods during which the persons concerned are prohibited from exercising any securities giving rights to the Company's capital and from selling or transferring any Company shares for a duration of 3 weeks prior to the disclosure of periodic financial information, ending 48 hours after the information is published.

9.6.4 Operations affecting the share capital during the year

9.6.4.1 Capital increase as a result of the free allocation of shares
You are informed that on 25 November 2007, the Board of Directors noted the issue of 133 331 new shares as a result of the decision by the Board of Directors on 25 November 2005 to allocate a total of 341 free shares as of that date to each employee of the Group, subject to their remaining with the Group for 2 years following the date of allocation. These shares definitively vested and the grant became absolute as of 25 November 2007, but they the shares will not become available until a further period of 2 years has expired, i.e. as of 25 November 2009.

9.6.4.2- Capital increase through the exercise of stock warrants
The Board of Directors meeting on 25 November 2007 also noted a capital increase of 77 968 new shares as a result of the exercise of stock warrants (see §9.6.6.1 below for further information).

9.6.4.3- Capital increase as a result of the exchange of shares
In July and August 2007, the Company made a private offer to exchange shares with some of Eutelsat S.A.'s historical shareholders and Eutelsat S.A. employees who were holding shares derived from the Partners, Managers 1 et Managers 2 stock-option plans, excluding the Managers 2 shares held by those employees who had entered into commitments to transfer their shares. In application of a decision by the Board of Directors dated 15 October 2007, the Board noted the contribution to the Company of 3 216 183 Eutelsat S.A. shares and approved the issue of 991 332 new shares with a nominal value of 1 euro as a consideration for this transaction to those who had contributed their shares.

As certain institutional shareholders of Eutelsat S.A. were unable to take part in this offer, the Board decided at its meeting on 15 October to make a further offer to exchange shares during the second half of the financial year. On 27 May 2008, the Board decided to approve the contribution to the Company of 3 459 560 Eutelsat S.A. shares by the Republic of Croatia and approved the issue of 1 038 242 new shares with a nominal value of 1 euro as a consideration for this transaction to the entity who had contributed its shares.

The parities used for these transactions were as follows:

- For participating employees, the exchange parity was fixed at 0.3191 Eutelsat Communications shares = 1 Eutelsat S.A. share, with fractions of a share being paid in cash;
- For participating institutional shareholders, the exchange parity was fixed at 0.3001 Eutelsat Communications shares = 1 Eutelsat S.A. share, with fractions of a share being paid in cash.

9.6.5 Concerning stock options or stock-purchase plans

The Company did not offer any stock option or stock-purchase plans during the financial year ended 30 June 2008.

A total of 13 597 863 stock options were exercised during the financial year in our subsidiary Eutelsat S.A.

9.6.5.1 Exercise of stock options by the Company officers

During the financial year, Mr Berretta, Chairman & CEO, exercised 9 467 917 Managers 3 stock options at the exercise price of 1.26 euros, resulting in the issue of 9 467 917 new shares in Eutelsat S.A.
During the financial year, Mr Brillaud, Deputy CEO, exercised 438 087 Managers 3 stock options at the exercise price of 1.26 euros, resulting in the issue of 438 087 new shares in Eutelsat S.A., and 437 374 Managers 4 stock options at the exercise price of 1.64 euros, resulting in the issue of 437 374 new shares in Eutelsat S.A.

All the shares held by Messrs. Berretta and Brillaud and their related parties as a result of exercising the Managers 3 stock options were transferred to the SatBirds 2 S.A.S. company, pursuant to the commitments to transfer shares, which were entered into by Messrs. Berretta and Brillaud.

As of the date of this report, Messrs. Berretta and Brillaud hold no further stock options under existing Eutelsat S.A. stock-option plans.

9.6.6 Concerning other securities granting access to the share capital

9.6.6.1 Stock warrants

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

At its meeting of 15 July 2005, the Board of Directors authorised the Chairman to issue 835 200 ABSA1s (all of which were granted to Mr Berretta, Chairman & CEO) and 882 380 ABSA2s (including 187 710 ABSAs which were granted to Mr Brillaud, Deputy CEO) with the following characteristics:

- ABSA 1: unit price of 1.378 euros
- ABSA 2: unit price of 1.54 euros
- 2.7 BSA per ABSA
- 1 BSA giving the right to subscribe for 1 Company share

This issue was undertaken on 2 August 2005, fully paid up in cash, and the difference between the unit subscription price of the ABSAs and the nominal value of the securities was recognised as additional paid-in capital. The BSAs were detached from the shares when the ABSAs were issued.

Following the exercise in November of the 150 016 BSA 2s yet to be exercised at the end of the previous financial year, the Board of Directors meeting on 25 November 2007 noted the issue of 77 968 new shares in the Company.

At 30 June 2008, no BSAs remain to be exercised.

9.6.6.2 Plans for the allocation of free shares

The Board of Directors meeting on 25 July 2007 decided to establish a plan for the allocation of free shares to all employees and key managers of the Group, the total allocation being 474 831 and with each employee of the Group receiving 400 free shares. The shares will definitively vest after an acquisition period of 2 years beginning on 26 July 2009 with a requirement that the employee must still be working for the Group at that time. Beneficiaries are then required to keep their shares for a further period of 2 years after effective acquisition.

As well as a requirement that beneficiaries must still be working for the Group after 2 years, acquisition of all or part of the free shares is, for half of the shares granted, subject to the achievement of certain objectives over a two-year period linked to a financial target (50% of the relevant portion) and to a target linked to the Company's share price over a two-year period (the remaining 50%).

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

9.6.7.1 Share acquisitions resulting from the commitments to transfer shares, undertaken by the Company officers and certain key employees of the Group

In exchange for the grant of the ABSA 1s and ABSA 2s, the Company officers and key managers signed commitments with the Company to buy and sell the Eutelsat S.A. shares resulting or that may result from exercising the stock options granted by Eutelsat S.A. under the various Managers plans (see Note 4.2 to the consolidated financial statements in the Annex):

- Acquisition of shares held by the Company officers (December 2007 and May 2008)

A decision by the Eutelsat Communications Board of Directors on 25 September 2007 changed the unit price for the share buy-back under the commitments to sell granted by the Eutelsat S.A. Company officers benefiting from shares issued as a result of exercising the Managers 3 options.

Under this decision, in December 2007 SatBirds 2 S.A.S. acquired (i) a total of 6 058 361 Eutelsat S.A. shares deriving from the Managers 3 stock-option plan at a unit price of 3.13 euros and (ii) in May 2008, acquired a total of 3 847 643 shares at a unit price of 3.37 euros from Messrs. Berretta and Brillaud.

- Acquisition of shares held by certain key managers of the Group (May 2008)

Under the commitments to sell their shares, granted by certain Eutelsat S.A. key manager beneficiaries of Eutelsat S.A. shares deriving from the exercise of Managers 3 stock options, the SatBirds 2 S.A.S. company acquired a total of 538 308 Eutelsat S.A. shares at a unit price of 2.70 euros.

9.6.7.2 Share acquisitions actions as a result of liquidity offers

- Liquidity/Exchange offer (August/September 2007)

The second stage of the private offer made by the Company in September 2007 to buy back the shares of all beneficiaries of stock-options granted under the Partners and the Managers 1 and 2 plans (excluding those managers who had entered into commitments to transfer shares) whereby the Company would acquire their shares in August/September 2007 at a unit price of 5.20 euros per share.

The Liquidity offer closed on 15 October 2007, resulting in the transfer of 72 735 shares by the beneficiaries to Eutelsat Communications.

Under this private offer, the Company also acquired 500 000 shares from an institutional shareholder at a net unit price of 5.15 euros per share.

- Liquidity offer (April 2008)

Pursuant to its earlier commitments, the Company undertook the second liquidity offer of the financial year, via its subsidiary SatBirds 2 S.A.S., and offered to buy back the shares of all beneficiaries of stock-options granted under the Partners and the Managers 1, 2 and 3 plans (excluding those held by key managers who had entered into commitments to transfer shares) and of beneficiaries under the stock-purchase plans of March and April 2004, whereby it would acquire their shares in April 2008 at a unit price of 5.48 euros per Eutelsat S.A. share.

As a result of this liquidity offer, beneficiaries transferred 1 993 134 shares to the Eutelsat Communications subsidiary, SatBirds 2 S.A.S.

10 OTHER INFORMATION PRESENTED

10.1 Research and Development

Research and Development activities relate mainly to multimedia activities. There was no development cost capitalised as of 30 June 2008.

10.2 Table of results for the last five financial periods

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

10.3 Non-deductible charges and expenditures for the year ended 30 June 2008

Non-deductible charges and expenditures of 354 908 euros were reported by the Company for the year ended 30 June 2008.

10.4 Agreements referred to in Article L.225-38 of the *Code de Commerce*

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

10.5 Agreements with a related party

You are also informed that our subsidiary Eutelsat S.A. authorised an agreement with a related party in the course of the previous financial year whereby, if certain conditions were fulfilled by 15 September 2007, the Group could receive an amount of 25 million euros in return for renouncing certain rights within an equity interest. This agreement has continued in force this year.

10.6 Acquisition of shares by the Company

The Company did not directly acquire any of its shares during the year ended 30 June 2008. However, the Company entered into a liquidity agreement with Exane BNP PARIBAS. As of 30 June 2008, this liquidity agent had acquired a total of 46 473 shares in the name of and on behalf of the Company with a unit value of 17.69 euros, amounting to a total of 822 107.37 euros.

10.7 Employee participation in the share capital of the Company

Further information is given in Note 12 to the attached Company financial statements and in the special report by the Board of Directors drawn up in application of the provisions of Article L.225-177 and L.225-197 of the *Code de Commerce*.

Senior managers and employees hold 1.14% of the Company's capital. The shares they hold result from i) the stock warrants subscribed for by certain managers and the Company officers, ii) a capital increase reserved for employees at the time of the Company's IPO, iii) the offer to exchange shares in October 2007, and iv) the Board's policy to allocate free shares.

10.8 Dividend policy

The dividend distribution policy is defined by the Board of Directors after analysing the Group's results and financial position in particular.

Because it was only recently created, Eutelsat Communications has paid no dividend since it was first established.

However, Eutelsat Communications did distribute 0.54 euro per share, deducted from additional-paid-in capital, for the year ended 30 June 2006, and 0.58 euro per share, also deducted from additional paid-in capital, for the year ended 30 June 2007.

For the year ended 30 June 2008, the Board decided on 30 July 2008 to propose to the annual General Meeting of Shareholders that an amount of 0.60 euro per share be distributed, also deducted from additional-paid in capital.

For the future, the objective of Eutelsat Communications is to distribute between 50% and 75% of the Group share of consolidated net income to its shareholders.

This objective in no way constitutes a commitment by the Group, and future distributions will depend on the Group's results, its financial position, and a certain number of restrictions.

10.9 Allocation of the result

At its meeting on 30 July 2008, the Board decided to allocate the net result for the year, which shows a loss of 4 609 948 euros, to additional paid-in capital, which consequently reduces from 738 702 878.47 euros to 734 092 930.47 euros.

At the same meeting, the Board also decided to propose to the General Meeting of Shareholders to be held on 6 November that an amount of 0.60 euros per share be distributed, taken from the Company's additional-paid in capital.

10.10 Powers delegated to the Board of Directors by General Meetings of Shareholders

The table below gives a summary of the powers delegated to the Board by the Company's Extraordinary General Meeting of Shareholders that are still applicable as of 30 June 2008:

	Operation concerned	Maximum nominal amount	Duration of the delegation of powers and expiry date
1.	Authorisation provided to the Board to buy Company shares	10% of the shares comprising the share capital up to a maximum amount of 400 million euros	18 months (30 June 2009)
2.	Delegation of authority for the Board to issue ordinary shares in the Company and also marketable securities giving access to ordinary shares in the Company or in one of its subsidiaries, while maintaining shareholders' preferential subscription rights	120 million	26 months (30 June 2010)
3.	Delegation of authority for the Board to issue ordinary shares in the Company and also marketable securities giving access to ordinary shares in the Company or in one of its subsidiaries, with suspension of shareholders' preferential subscription rights	120 million	26 months (31 December 2009)
4.	Authorisation provided to the Board to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights	120 million	26 months (31 December 2009)

5.	Delegation of authority for the Board to increase the capital by including reserves, profits, premiums or other capitalisable amounts	100 million	26 months (31 December 2009)
6.	Delegation of authority in the event of a public offering for Company securities in order to issue share subscription warrants free of charge to shareholders	120 million	18 months (30 April 2009)
7.	Delegation of authority for the Board to issue ordinary shares in the Company and also marketable securities giving access to ordinary shares in the Company in the event of a public share exchange offer initiated by Eutelsat	120 million	26 months (31 December 2009)
8.	Delegation of authority for the Board to undertake a capital increase by issuing ordinary shares in the Company and also marketable securities giving access to ordinary shares in the Company as a consideration for contributions in kind up to a maximum of 10% of the Company's share capital.	up to a maximum of 10% of the Company's share capital	26 months (31 December 2009)
9.	Delegation of authority for the Board to issue ordinary shares a result of the issuing of marketable securities giving access to ordinary Company shares by Company subsidiaries.	120 million	26 months (31 December 2009)
10.	Delegation of authority for the Board to issue marketable securities giving entitlement to the allocation of debt securities	2 billion	26 months (31 December 2009)
11.	Authorisation for the Board to increase the share capital to the benefit of the members of a savings plan	2 million euros	26 months (31 December 2009)
12.	Authorisation for the Board to allocate Company shares free of charge	up to a maximum of 4 % of the Company's share capital	38 months (31 December 2010)
13.	Authorisation for the Board to allocate share subscription and/or purchase options for ordinary shares in the Company	4% of the share capital > or = 95% of the average share price over 20 trading days	38 months (31 December 2010)
14.	Reduction of the share capital by cancellation of shares bought back	up to a maximum of 10% of the Company's share capital	18 months (30 April 2009)

Only the delegations of authority under No.1, No.8 and No.12 have been used by the Board in the course of the financial year:

- for the purpose of a liquidity agreement to animate the secondary market;
- for the purpose of the share exchange offer concerning Eutelsat S.A. shares;
- for the purpose of allocating free shares to the employees, managers and Company officers of the Group.

10.11 Environmental information

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

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

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

10.12 Post balance-sheet events

Receipt of 25 million euros from a related party.

Under the agreement referred to in 10.4 above, the Group received the sum of 25 million euros in July 2008. This will be recognised in FY 2008/2009.

Conclusion of a Put-Option Agreement with a related party

The Board of Directors of our subsidiary Eutelsat S.A. authorised Eutelsat GmbH to enter into a Put-Option Agreement with a related party, for an unlimited period, relating to the possible transfer of an equity investment to the related party concerned.

11 THE GROUP'S PRINCIPAL RISKS

These can be divided into three categories:

- Risks related to the Group's fleet of satellites and to the investments necessary for its deployment;
- Risks associated with the evolution of the telecommunications satellite market;
- Financial risks and other risks.

This section presents a summary of the principal risks with which the Group may be confronted in conducting its business activities. The risks mentioned are solely for illustrative purposes and the list is not exhaustive. These or other risks unidentified as of the date of this report, or deemed insignificant by the Group as of the date of this report, could have a negative impact on the Group's business, financial position, results or prospects for development. It should also be remembered that some of the risks mentioned in this report as well as some risks that are not mentioned in this report may be triggered or may arise as a result of external factors or cases of *force majeure,* and that such risks are beyond the Group's control.

Risks related to the Group's fleet of satellites and to the investments necessary for its deployment

The Group might not be able to keep to its launch or entry-into-service schedule for its new satellites.

The Group intends to launch seven new satellites (HOT BIRD™ 9, HOT BIRD™ 10, W2M, W2A, W7, KA SAT and W3B) over the next few years, including 5 new satellites during the 2008-2009 financial year (HOT BIRD™ 9, HOT BIRD™ 10, W2M, W2A and W7). The purpose of these new satellites is to ensure service continuity for some satellites currently being operated, to increase resources at certain orbital positions, to increase the Group's service offerings and, for the HOT BIRD™ 9 and HOT BIRD™ 10 satellites, to secure the 13° East orbital position and so enable the Group to redeploy some satellites to other orbital positions.

It is possible that the planned schedule for launching these new satellites will not be met or that the launches will fail.

A significant delay or launch failure of one of these satellites would impair the Group's ability to meet its contractual service continuity commitments for its customers or end users and to meet its growth objectives.

Any significant delay or launch failure of any of its satellites could thus have a significant negative impact on the Group's business, financial position and results.

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

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

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

Over the course of the financial year, and the previous financial year, some of the Group's satellites suffered incidents in orbit that resulted in a significant reduction in their transmission capability or their estimated remaining life. Similarly, some of the Group's satellites have lost some equipment in the past, and are operating by using on-board redundant equipment.

If a satellite breaks down or malfunctions while in orbit, the Group cannot guarantee that it will be able to ensure service continuity for its customers by using sparing equipment or the back-up capacity of another satellite, particularly if satellite capacity appropriate for the needs of the relevant customers is not available.. If there is a failure or malfunction in orbit, the Group could have trouble in retaining its customers (who could terminate or renegotiate their capacity allotment agreement) and might not be capable of entering into new capacity allotment agreements on satisfactory terms. Such failures or malfunctions could have a significant negative impact on the Group's business, financial position and results.

The Group has not taken out insurance policies for all the satellites in orbit that belong to it, and these policies might not protect it against all the damage that could be sustained by its satellites.

The Group has implemented an in-orbit lifetime insurance programme covering 16 of its 19 satellites for their net book values. Under certain conditions, the policies cover the partial losses and/or the constructive total losses of the insured satellites. In spite of this total or partial insurance coverage, a failure or the loss of one or more of the Group's satellites could have a significant negative impact on its business, financial position and results.

The in-orbit lifetime insurance policies taken out by the Group contain typical exclusion clauses as well as specific exclusion clauses for the risks of potential failures for certain satellites. In the event of losses resulting from an event or piece of equipment not covered by these policies, the damage suffered will not be compensated. In addition, some partial losses or constructive total losses may not be fully compensated under the insurance programme in force. Nor does this insurance programme protect against certain damage or harm, such as opportunity loss, interruption of business, delayed entry into service or lost revenues. Finally, insurance companies could dispute the causes for the failures or malfunctions or the amount of the damage incurred by the Group. The Group cannot guarantee that in the event of a proven failure or malfunction in any of its satellites covered under past insurance programmes, insurance will compensate the Group within a reasonable time frame or for the amount claimed in compensation by the Group. The lack of compensation, late compensation or partial compensation of losses suffered could have a significant negative impact on the Group's business, financial position and results.

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

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

The Group is dependent on several large suppliers.

The number of constructors capable of designing and building satellites in compliance with technical specifications and the quality demanded by the Group is limited, as is the number of agencies capable of launching these satellites. Moreover, the launch services operators have recently indicated a desire to raise their prices. The reduced number of these suppliers could reduce the Group's negotiating power and result in less favourable economic conditions. The small number of suppliers could make it more difficult for the Group to implement its deployment programme according to the desired schedule. Moreover, the Group is exposed to the risk that its suppliers will have operational or financial difficulties, or that they will be bankrupt or exposed to lawsuits related to intellectual property rights. The limited number of suppliers could have a significant negative impact on the Group's business, financial position and results.

Risks associated with the evolution of the telecommunications satellite market

The Group might not be able to meet the demand for satellite capacity at certain orbital positions

The available supply of satellite capacity is currently significantly lower than the level of demand in certain frequency bands (Ku and C) and/or in Extended Europe. This situation, which could last, is mainly due to long investment and in-orbit operation cycles that do not correspond and to variations in demand as a result of the prevailing economic climate.

Given that the utilisation rate of its satellite capacity is at a record level, the Group might not be able to meet additional demand for satellite capacity by existing customers at certain orbital positions. These customers could then lease additional satellite capacity from other operators and/or decide to terminate their allotment agreements with the Group and to transfer all the capacity they lease from the Group to other satellite operators that do have capacity available, which could have a significant negative impact on the Group's business, financial position and results.

In addition, because of the utilisation rate of its satellite capacity and the limited number of customers and/or end users of satellite capacity, then should the current situation where there is too little capacity persist due in particular to launch delays or launch failures of the upcoming satellites, the Group might not be able to meet demand from new customers, which could have a significant negative impact on the Group's prospects and on its ability to achieve its growth objectives.

The Group's business is sensitive to the evolution of the level of demand by users of video applications

The audiovisual industry is sensitive to variations in advertising budgets and household expenditure, which are themselves affected by the economic environment as a whole. In recent years, many television channels, broadcasting platform operators and cable TV operators have experienced financial difficulties as a result of declining advertising revenue and a general economic slowdown. Some have gone bankrupt or have had to restructure. The Group cannot be certain that the audio-visual broadcast industry, which is an important part of its end-user base, will not be similarly affected by a deterioration in general economic conditions in the future, leading to a decrease in demand or additional pressure on prices. Such a deterioration could have a significant negative impact on the Group's business, financial position and results.

Continuation of the consolidation trend could also result in broadcasting platform operators or cable TV operators having greater negotiation leverage with satellite operators or their distributors, creating additional pressure on prices. Such consolidation could thus have a significant negative impact on the Group's business, financial position and results.

The adoption of new technical broadcasting standards, which has resulted in and could continue to result in an increase in the signal compression rate, has reduced and could continue to reduce the demand for transponders for a given number of television channels. If this reduction is not offset by an increase in the number of channels transmitted, the overall demand for transponders could decrease, which could have a significant negative impact on the Group's business, financial position and results.

The Group's development is closely tied to the prospects for growth in the demand for satellite services. This demand might not become reality or the Group might not be in a position to meet it.

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

Another vector of the Group's strategy is developing value-added services (especially IP access solutions). This will depend, in part, on continued growth in demand for broadband Internet services, which is not a certainty and which is hard to predict. Demand for broadband Internet services could decrease or not continue to grow as quickly as over the last few years. Even if this demand does continue to grow, the Group cannot guarantee that such growth will generate an increased demand for satellite services due to the cost of access to satellite capacity. Furthermore, the Group might not be able to provide broadband Internet services that correspond to market demand at competitive prices, especially if its KA SAT TOOWAY™ programme suffers any delay or failure.

If the demand for satellite broadband Internet services does not develop as predicted or the Group is not able to meet it adequately, this could have a significant negative impact on its business, financial position and results.

Development of the Group's business also depends on the availability of capacity in the various frequency bands requested by customers. Availability is insufficient in some frequency bands, and this could have a significant negative impact on the Group's ability to meet its customers' needs in these bands.

The Group is exposed to risks inherent in the international nature of its customer base and its business.

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

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

The Group derives a substantial part of its revenues from Multi-usage leases, which depend heavily on the international political and economic context.

Over the last few years, the Group has generated a substantial portion of its revenues from the Multi-usage market segment. This market segment includes the direct or indirect supply of services to governments, especially in the United States. Obtaining and/or renewing capacity allotment agreements for this segment depends to a great extent on the international political and economic context. As a result, the Group cannot be certain that it will be capable of continuing to earn revenues from such leases.

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

The Group is dependent on several major customers.

The Group generates a significant portion of its business from a limited number of customers, most of which are telecommunications operators. As of 30 June 2008, the Group's 10 largest customers represented 54.45% of its revenues.

Some of the Group's major customers could decide (i) to terminate their contracts, (ii) not to renew them, or (iii) to renew them on terms, particularly price terms, less favourable to the Group, which could have a significant negative impact on its business, financial position and results.

Moreover, some of the Group's major customers in terms of capacity and revenues, particularly those located in emerging markets, could encounter or are encountering financial difficulties liable to lead to late payments or to unpaid invoices, which could lead to termination of the corresponding allotment agreements without the Group being able to replace the defaulting customers with new customers, which could also have a significant negative impact on the Group's business, financial position and results.

The Group has to contend with significant competition from satellite operators and from terrestrial network operators.

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

The Group is also in competition with terrestrial network operators (cable, fibre optic, DSL, radio relay broadcasting and VHF/UHF transmission, especially digital) for many transmission services and value-added services, particularly for broadband IP access but also for the transmission of audiovisual programmes (ADSL TV, DTT). This intensified competition could result in greater pressure on prices for satellite broadcasting and telecommunications services. Furthermore, any improvement or increase in the geographical reach of the terrestrial network operators could result in the Group's customers opting for the telecommunications solutions proposed by these operators, thereby making it more difficult for the Group to retain or develop its customer portfolio. Finally, some technological innovations that could be developed in the future with alternatives to satellites could render satellite technology obsolete. Heightened competition with the terrestrial network operators could thus have a significant negative impact on the Group's business, financial position and results.

<u>Financial risks and other risks.</u>

The Group has a high level of debt.

Any rise in interest rates could lead to an increase in the level of indebtedness of the Group.

Amounts due under current borrowings bear interest at a variable rate plus a margin. The Group has entered into transactions to hedge the interest rate risk for most of the amounts drawn on these credit facilities over a specified period of time. However, the Group does not currently hedge the full extent of its exposure, over time, to interest-rate risk. A rise in the reported interest rates could therefore have a significant negative impact on the Group's business, financial position and results.

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

The Group's debt instruments are rated by the independent rating agencies, Moody's Investor Service and Standard & Poor's. These ratings affect the cost and terms of the Group's credit lines. Future rating downgrades, should they occur, would probably affect the Group's ability to obtain financing and the terms associated with that financing. The Group cannot guarantee that it will be able to take measures enabling it to improve or maintain its ratings, nor that the rating agencies will consider that the measures the Group has taken to that end are sufficient. Additionally, factors outside the Group's control, such as those related to its industry segment or the geographical areas in which it operates, may affect the rating assigned by these agencies. Consequently, the Group cannot guarantee that its debt rating will not be adversely affected in the future, which could have a significant negative impact on its business, financial position and results.

The Company is a holding company, which depends on its subsidiaries for the necessary resources to be available for the payment of dividends. The ability of its subsidiaries to make distributions may be subject to certain constraints.

The Company is a holding company, which has no operating assets and only a limited ability to generate revenues. Therefore, the Company depends on its subsidiaries to have the resources necessary for any payment of dividends or any other form of distribution to its shareholders.

Eutelsat S.A. distributable sums could be heavily affected by that company's expenses, whether or not they involve a disbursement, and in particular, by any asset impairments recognised in its accounts. In the past, Eutelsat S.A. has recognised major impairments of its assets and could have to recognise such impairments in the future. The fact that the Company is a holding company and that the ability of its subsidiaries to make distributions is subject to certain constraints could therefore have a significant negative impact on its financial position, its results and its ability to make distributions.

The Group could be subject to new requests for funding as a result of its financial guarantee in respect of the IGO Closed Pension Fund.

Before the creation of Eutelsat S.A., IGO managed a pension fund (the "Closed Pension Fund") for its staff members. The rights of the Closed Pension Fund's beneficiaries were frozen, and management of the fund and the corresponding assets assigned to a Trust (which was also charged with managing the corresponding pension commitments). Under the Transfer Agreement of 2 July 2001, Eutelsat S.A. took over the unlimited financial guarantee taken on by the IGO to cover any shortfall in the financing of the Pension Fund. Any shortfall in the amount needed to finance the Closed Pension Fund could involve the Group in new obligations as regards the financial guarantee, which could have a significant negative impact on the Group's business, financial position and results.

The Group is subject to foreign currency risk

Part of the Group's business is conducted outside Europe. Most of the Group's customers pay for the services they take in euros, and the Group presents its financial results in euros. However, some of the Group's customers pay in U.S. dollars, the amount involved representing 20% of the Group's revenues in euros as of 30 June 2008, and because developing its business outside Europe is a key part of the Group's strategy, this proportion could increase as the Group expands its business to countries located outside the euro zone. This geographical expansion could increase the foreign currency risk in terms of the U.S. dollar against the euro for the Group. Fluctuating exchange rates could lead to an increase in the price of the Group's capacity and services when they are paid for in currencies other than the euro.

These fluctuations could then reduce demand from customers paying in currencies other than the euro. Even in the absence of fluctuating demand, fluctuations in the exchange rate could have an impact on the Group's revenues, because a portion of those revenues is in a currency other than the euro.

Also, the Group's customers located in emerging countries could encounter difficulties in obtaining euros or US dollars (because of currency controls), which could significantly affect their ability to pay in euros or in US dollars, thereby exposing the Group to additional exchange risks. Also, the Group's contracts with American suppliers (including contracts signed with launch agencies) are denominated in U.S. dollars. The Group generally negotiates forward contracts or call options in U.S. dollars to hedge the payment obligations that it has when a satellite is delivered or after it is launched. However, the Group also has contracts with suppliers that are payable in U.S. dollars, for which the risk is not hedged.

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

Share risk

As of 30 June 2008, the Group owned none of its own shares (excluding shares held as of 30 June 2008 under the liquidity agreement with Exane BNP PARIBAS) nor any equity interests in any listed companies and is not therefore exposed to any significant risk in this regard.

The Group provides its satellite telecommunications services in a heavily regulated environment.

The satellite telecommunications industry in which the Group operates is highly regulated. Changes in policy or regulation – at an international level under the International Telecommunication Union, in the European Union, in France or in the other countries in which the Group does business - could have a significant negative impact on the Group's business or its development, particularly if these changes increase the cost and the regulatory constraints associated with provision of the Group's services. These changes could have a significant negative impact on the Group's business, financial position and results.

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

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

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