Eutelsat Communications Group

Société anonyme with a capital of 220 113 982 euros
Registered office: 70, rue Balard 75 015 Paris
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CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2012

This is a free translation into English of the financial statements issued in French and is provided solely for the convenience of English-speaking users.

CONSOLIDATED BALANCE SHEET

(In millions of euros)

ASSETS	Note	30 June 2011	30 June 2012
Non-current assets			
Goodwill	5	807.8	807.8
Intangible assets	5	671.0	638.2
Satellites and other property and equipment	6	1 950.2	2 169.2
Construction in progress	6	698.0	718.6
Investments in associates	7	188.4	193.8
Non-current financial assets	8,14	5.8	3.2
Deferred tax assets	21	19.4	23.9
TOTAL NON-CURRENT ASSETS		**4 340.6**	**4 554.7**
Current assets			
Inventories	9	1.2	0.9
Accounts receivable	10	244.1	270.9
Other current assets	11	19.3	18.0
Current tax receivable	21	1.6	1.2
Current financial assets	12,14	7.6	19.6
Cash and cash equivalents	13	136.9	105.1
TOTAL CURRENT ASSETS		**410.6**	**415.7**
TOTAL ASSETS		**4 751.2**	**4 970.4**

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2011	30 June 2012
Shareholders' equity			
Share capital	15	220.1	220.1
Additional paid-in capital	15	453.2	453.2
Reserves and retained earnings		978.3	1 111.4
Non-controlling interests		77.2	63.2
TOTAL SHAREHOLDERS' EQUITY		**1 728.8**	**1 847.9**
Non-current liabilities			
Non-current financial debt	16	2 300.8	2 421.1
Other non-current financial liabilities	17,18	59.2	45.9
Non-current provisions	22	28.6	25.6
Deferred tax liabilities	21	308.0	324.2
TOTAL NON-CURRENT LIABILITIES		**2 696.6**	**2 816.8**
Current liabilities			
Current financial debt	16	20.0	53.0
Other current financial liabilities	17,18	85.3	78.5
Accounts payable		53.2	47.2
Fixed assets payable		22.2	16.5
Taxes payable		39.7	6.5
Other current payables	20	91.3	97.5
Current provisions	22	14.1	6.5
TOTAL CURRENT LIABILITIES		**325.8**	**305.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4 751.2**	**4 970.4**

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

	Note	30 June 2011	30 June 2012
Revenues	23	1 168.1	1 222.2
Revenues from operations		**1 168.1**	**1 222.2**
Operating costs		(88.7)	(107.1)
Selling, general and administrative expenses		(153.1)	(157.8)
Depreciation and amortisation	5,6	(280.5)	(308.9)
Other operating income	27.2	235.4	-
Other operating expenses	6	(236.1)	(7.1)
Operating income		**645.2**	**641.3**
Financial income		16.5	18.0
Financial expenses		(125.7)	(147.5)
Financial result	24	**(109.2)**	**(129.5)**
Income from associates	7	17.8	11.4
Net income before tax		**553.8**	**523.2**
Income tax expense	21	(199.0)	(182.1)
Net income		**354.7**	**341.1**
Attributable to the Group		338.5	326.1
Attributable to non-controlling interests		16.3	15.0
Earnings per share attributable to Eutelsat Communications' shareholders	25		
Basic and diluted earnings per share in €		1.539	1.483

COMPREHENSIVE INCOME STATEMENT
(In millions of euros)

	Note	30 June 2011	30 June 2012
Net income		**354.7**	**341.1**
Other items of gain or loss on comprehensive income			
Translation adjustment	15.5	(1.9)	(0.6)
Tax effect	21.2	0.2	-
Changes in fair value of cash-flow hedging instruments	15.4, 26.5	75.9	14.0
Tax effect	21.2	(26.0)	(4.3)
Total of other items of gain or loss on comprehensive income		**48.1**	**9.1**
Total comprehensive income		**402.9**	**350.3**
Attributable to the Group		386.3	335.4
Attributable to non-controlling interests		16.6	14.9

CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions of euros)

	Note	30 June 2011	30 June 2012
Cash flow from operating activities			
Net income		354.7	341.1
Income from equity investments	7	(17.8)	(11.4)
Tax and interest expense, other operating items		257.4	307.4
Depreciation, amortisation and provisions		282.5	301.7
Deferred taxes	21	26.5	6.8
Changes in accounts receivable		24.3	(27.9)
Changes in other assets		(6.8)	(7.1)
Changes in accounts payable		33.2	(6.2)
Changes in other debt		3.7	3.9
Taxes paid		(140.9)	(211.1)
NET CASH INFLOW FROM OPERATING ACTIVITIES		**816.8**	**697.2**
Cash flows from investing activities			
Acquisitions of satellites, other property and equipment and intangible assets	6	(545.9)	(487.5)
Movements in equity investments	7.1	60.0	-
Insurance indemnities on property and equipment	27.2	235.1	-
Changes in non-current financial assets		(0.9)	5.0
Dividends received from associates		3.4	3.4
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(248.3)**	**(479.0)**
Cash flows from financing activities			
Distributions		(177.1)	(227.2)
Movements in treasury shares	15.3	(13.6)	(9.9)
Increase in debt		-	1 600.0
Repayment of debt	16	(150.6)	(1 465.0)
Repayment in respect of performance incentives and long-term leases		(11.3)	(11.1)
Other loan-related expenses		-	(28.5)
Interest and other fees paid		(111.7)	(92.3)
Interest received		2.9	3.6
Premiums and termination indemnities paid for derivatives settled	26.2	(6.5)	(29.0)
Acquisition of non-controlling interests	15.3	(7.8)	(2.5)
Other changes		(2.2)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(478.1)**	**(261.9)**
Impact of exchange rate on cash and cash equivalents		0.7	(1.0)
Increase (decrease) in cash and cash equivalents		**91.1**	**(44.7)**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**41.3**	**132.4**
CASH AND CASH EQUIVALENTS, END OF PERIOD		**132.4**	**87.8**
Cash reconciliation			
Cash	13	136.9	105.1
Overdraft included under debt [1]	16	(4.5)	(17.3)
Cash and cash equivalents per cash flow statement		**132.4**	**87.8**

[1] Overdrafts are included in determining “Cash and cash equivalents” in the cash-flow statement as they are repayable on demand and form an integral part of the Group’s cash-flow management. They are shown as “Current financial debt” under “Current liabilities” on the balance sheet.

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

	Common stock			Reserves and retained earnings	Share-holders' equity Group share	Non-controlling interests	Total
	Number	Amount	Additional paid-in capital				
As of 30 June 2010	**220 113 982**	**220.1**	**497.1**	**726.0**	**1 443.2**	**69.1**	**1 512.3**
Net income for the period				338.5	338.5	16.2	354.7
Other items of gain or loss on comprehensive income				47.8	47.8	0.3	48.1
Total comprehensive income				**386.3**	**386.3**	**16.6**	**402.9**
Treasury stock				(13.6)	(13.6)	-	(13.6)
Transactions with non-controlling interests				(3.9)	(3.9)	(3.8)	(7.7)
Distributions			(43.9)	(123.0)	(166.9)	(10.3)	(177.1)
Benefits for employees upon exercising options and free shares granted				4.0	4.0	0.2	4.2
"ABSA" commitments				2.2	2.2	1.7	3.9
Liquidity offer				0.3	0.3	3.6	3.9
As of 30 June 2011	**220 113 982**	**220.1**	**453.2**	**978.3**	**1 651.6**	**77.1**	**1 728.8**
Net income for the period				326.1	326.1	15.0	341.1
Other items of gain or loss on comprehensive income				9.3	9.3	(0.1)	9.2
Total comprehensive income				**335.4**	**335.4**	**14.9**	**350.3**
Treasury stock				(9.9)	(9.9)	-	(9.9)
Transactions with non-controlling interests				(1.9)	(1.9)	(0.6)	(2.5)
Distributions				(197.6)	(197.6)	(29.6)	(227.2)
Benefits for employees upon exercising options and free shares granted				5.1	5.1	0.2	5.3
Liquidity offer and others				2.0	2.0	1.2	3.2
As of 30 June 2012	**220 113 982**	**220.1**	**453.2**	**1 111.4**	**1 784.7**	**63.2**	**1 847.9**

NOTE 1: KEY EVENTS DURING THE FINANCIAL YEAR

- Following its successful launch on 24 September 2011, the EUTELSAT 7 West A satellite went into operational service on 23 October 2011 (see Note 6 – *Satellites and other property and equipment* and Note 27.2 – *Fleet insurance*).

- Following its successful launch on 07 October 2011, the EUTELSAT 16A satellite went into operational service on 09 November 2011 (see Note 6 – *Satellites and other property and equipment* and Note 27.2 – *Fleet insurance*).

- On 6 and 7 December 2011, the Group refinanced its existing credit agreements for a total amount of €1 765 million with maturity date of June 2013 (see Note 16 – *Financial debt*).

- On 19 June 2012, Eutelsat announced that an agreement was signed with GE Capital to acquire the GE-23 satellite. The US$228 million transaction covers the acquisition of the GE-23 satellite and the associated business agreements and orbital rights. The transaction is expected to close in the second half of 2012 (calendar year), subject to regulatory approvals.

NOTE 2: GENERAL OVERVIEW

2.1 – Business

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

Eutelsat S.A. itself derives from the transfer on 2 July 2001 of all of the operating activities, assets, liabilities and commitments of the EUTELSAT Intergovernmental Organisation (IGO).

As of 30 June 2012, the Group owns and operates, via Eutelsat S.A., 24 satellites in geostationary orbit to provide capacity (assignment and availability) to major international telecommunications operators and international broadcasting companies for television and radio broadcasting services (analogue and digital), for business telecommunications services, multimedia applications and messaging and positioning services. Furthermore, the Group uses additional capacity on four satellites belonging to third parties or to related parties.

2.2 – Approval of the financial statements

The consolidated financial statements at 30 June 2012 were prepared under the responsibility of the Board of Directors, which adopted them at its meeting on 30 July 2012.

They will be submitted to the approval of the Ordinary General Meeting of Shareholders to be held on 08 November 2012.

NOTE 3: BASIS OF PREPARATION OF FINANCIAL INFORMATION

3.1 – Compliance with IFRSs

The financial statements at 30 June 2012 have been prepared in accordance with the IFRSs, as adopted by the European Union and effective as of that date.The relevant texts are available for consultation on the following website:

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

The financial statements have been prepared on a historical cost basis except for certain items for which the standards require measurement at fair value.

3.2 – Accounting Policies

Newly applicable standards and interpretations for financial periods beginning on or after 1 July 2011:

The standards and interpretations applicable at 30 June 2012 are identical to those applicable at 30 June 2011, except for the following texts which are required to be applied for all financial periods beginning on or after 1 July 2011.

- IAS 24 revised “Related Party Disclosures”, effective for financial years beginning on or after 1 January 2011, and endorsed by the European Union on 20 July 2010;

- Improvements to IFRSs released in May 2010, for amendments effective for financial years beginning on or after 1 January 2011 and endorsed by the European Union on 22 February 2011. These amendments cover:
  - IAS 1 which clarifies provisions on the statement of changes in equity by setting out that the OCI analysis must be performed for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is applied retrospectively.
  - IFRIC 13 which clarifies the disclosure of certain items in the fair value of gift cards. This amendment is applied retrospectively.
  - IAS 34 which notes that the information provided is an update to the information provided in the latest set of annual financial statements.
  - IFRS 7 on credit risk which requires disclosure of collateral and other credit enhancements without the effect of over-collateralisation offsetting the effect of under-collateralisation.
  - IFRS 3R Amendment which (i) limits the option when measuring non-controlling interests in a business combination; (ii) addresses the application of the existing IFRS 3 for adjustments to consideration from business combinations recognised under IFRS 3; (iii) clarifies the accounting treatment for un-replaced and voluntarily replaced share-based payment transactions, with application date starting on 1 July 2010.

- IFRS 7 “Disclosures about Transfers of Financial Assets” released in October 2010, effective as of 1 July 2011, and endorsed by the European Union on 26 November 2011. This amendment requires entities to provide additional information on the risks to which they remain exposed and the effect of such risks on their financial position when financial assets are transferred.

- Amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirement” effective for financial years beginning on or after 1 January 2011 and endorsed by the European Union on 24 July 2010.

None of these texts has had an impact on previous financial periods or on the consolidated financial statements as of 30 June 2012.

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

- IFRS 9 “Financial Instruments”, effective as of 1 January 2015, and yet not endorsed by the European Union.

Improvements to IFRSs released in 2012 for amendments which are effective as of 1 January 2013 and are not yet endorsed by the European Union. These amendments concern:

- IAS 1 and the clarification of requirements for providing comparative information;
- IAS 16 and the classification of spare parts;
- IAS 32 and the recognition of income tax consequence on distributions of dividends to shareholders;
- IAS 34 and disclosures of assets and liabilities for interim financial reports.

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

The "Cotisation sur la Valeur Ajoutée des Entreprises" or CVAE (Business contribution on the added value) was considered by the Group as an operating expense that does not meet the criteria laid down in IAS 12 "Income Taxes" and therefore does not give rise to deferred taxes.

3.4 – Presentation of the income statement

Operating costs essentially comprise staff costs and other costs associated with controlling and operating the satellites in addition to satellite in-orbit insurance premiums.

Selling, general and administrative expenses are mainly made up of costs for administrative and commercial staff, all marketing and advertising expenses and related overheads.

3.5 – Significant judgements and estimates

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

Judgements

When preparing the consolidated financial statements for the period ended 30 June 2012, Management exercised its judgement, especially with regard to the dispute with Deutsche Telekom (see Note 27.4 - *Litigation).*

3.6 – Periods presented and comparatives

The financial year of Eutelsat Communications runs for 12 months and ends on 30 June.

The reference currency and the currency used to issue financial statements is the euro.

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES

4.1 – Consolidation method

The companies controlled directly or indirectly by Eutelsat Communications, even if the Company does not directly own any of the equity of these companies, are consolidated using the full consolidation method. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. 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.

Associates 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, joint 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 as 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, joint control or significant influence.

Intra-Group balances and transactions are eliminated on consolidation.

4.2 – Accounting treatment for business combinations

After standard revision in 2008

Since 1 July 2009, business combinations have been recognised using the purchase accounting method, in accordance with the revised IFRS 3. Under this method, the various components of an acquisition are recognised at their fair values with some exceptions. Accordingly,

- The consideration transferred is measured at fair value. This includes contingent consideration that is also measured at fair value at the acquisition date, which takes into account probabilities of occurrence. Once classified as liabilities or as equity depending on their nature, obligations are entered as debts and subsequently remeasured at fair value, with their changes recorded under income.

- Costs directly attributable to the acquisition are expensed in the year during which they are incurred.

- In case of partial disposal, non-controlling interests (formerly known as "minority interests") are measured on the option determined for each combination, either at fair value, or as their proportionate share of the acquired assets and assumed liabilities (similar method used under IFRS 3).

- In a business combination achieved in stages (step acquisition), the previously held ownership interest is remeasured at its acquisition-date fair value. The difference between the fair value and the carrying amount of the ownership interest is recognised directly in income for the reporting period.

The identifiable assets, liabilities and contingent liabilities of the acquired entity which meet IFRS criteria are recognised at their fair values at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are measured at fair value less costs to sell.

Goodwill represents the excess of consideration transferred and the value of non-controlling interests, if any, over the fair value of the acquiree's identifiable net assets and liabilities. Depending on the option retained for the valuation of equity interest in an acquisition, the recognised goodwill represents either the only portion acquired by the Group (partial goodwill) or the aggregate of the Group's portion and the non-controlling interests' portion (full goodwill).

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

Prior to standard revision in 2008

Under IFRS 3, business combinations were also recognised using the acquisition method. The main differences with the revised IFRS 3 are as follows:

- Acquisition costs were included in the historical cost of an acquisition;

- Price adjustments were also part of the cost if payment was probable and could be measured reliably and therefore any subsequent changes in the value were treated as an adjustment to the initial cost of the business combination and recorded against goodwill;

- Minority interests (non-controlling interests) could only be recognised on the basis of the fair value of the net assets acquired.

4.3 - Acquisition/disposal of non-controlling interests

Since 1 July 2009, changes in ownership interests in subsidiaries without loss of control are accounted for as equity transactions and recognised directly in equity. Before the standard was applied and failing any specific provision in the IFRSs, the difference between the price paid (for acquisitions) or received (for disposals) and the carrying amount of the minority interests (non-controlling interests) acquired/transferred was recognised by the Group against goodwill (for acquisitions) or in the income statement (for disposals).

4.4 – Foreign currency operations

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 end of period using the balance sheet rate. Resulting foreign-exchange gains and losses are recorded in the income statement for 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 main foreign currency used is the U.S. dollar. The closing exchange rate used is US$1.26 for 1 euro and the average exchange rate for the period is US$1.34 for 1 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 an-average exchange rate for the period, unless the use of such rate becomes inappropriate due to major erratic changes over the period. The resulting translation difference is recorded as a separate item of shareholders’ equity under “Translation adjustments”.

4.5 – Intangible assets

Intangible assets purchased separately or acquired in the context of a business combination
Intangible assets purchased separately are recorded at their acquisition cost and those purchased in a business combination are recorded at fair value on the acquisition date when allocating the acquisition cost of the entity. The fair value is set by referring 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 into account anticipated contract renewal rates (see Note 4.8 – *Impairment of non-current assets*).

Research and development costs
Development costs are recorded as intangible assets if the capitalisation criteria defined under IAS 38 "Intangible Assets" are met. Otherwise, they are expensed in the period in which they are incurred. Research costs are recorded as an item of expenditure.

For the periods ending 30 June 2011 and 2012, no development costs were incurred by the Group.

The Group spent €3.4 million on research and development during the financial period ended 30 June 2012.

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

4.6 – Goodwill

Goodwill is measured at cost at the date of the business combination, representing the difference between the aggregate of the fair value of consideration transferred and the amount of non-controlling interests, and the net amount of identifiable assets acquired and liabilities assumed.

Goodwill arising from the acquisition of a subsidiary is separately identified in the consolidated balance sheet under "Goodwill". Goodwill arising from the acquisition of an associated company is included within the book value of the investment within the 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.

4.7 – 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 preparing the asset for use, less accumulated depreciation and possible impairment.

Borrowing costs incurred for the financing of tangible 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 under 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 after taking into account the financing structure of the Group.

Satellites – Satellite costs include all expenses incurred for commissioning individual satellites and comprise manufacturing, launch and associated launch insurance costs, capitalised interest, performance incentives and costs directly attributable to monitoring the satellite programme (studies, staff and consultancy costs).

Satellite performance incentives – The Group has a number of 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 items are part of the cost of the satellite and are recognised as an asset offsetting a liability equal to the net present value of the expected payments. Any subsequent change in the amount of such an incentive payment with respect to one or more periods is recognised as an adjustment to the cost of a satellite. The new value of the satellite is amortised on a prospective basis over the remaining useful life.

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

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

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

Satellites	10 – 18 years
Traffic monitoring equipment	5 – 10 years
Computer equipment	2 – 5 years
Leasehold improvements	3 – 10 years

The Group conducts 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.

Construction in progress – The “Construction in progress” item primarily consists of percentage completion payments for the 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 satellite acquisition are also capitalised.

Assets under finance leases – Agreements whereby the Group uses capacity on all or part of a satellite’s transponders are recognised as an asset with its corresponding liability in accordance with IAS 17 “Leases” when the terms and conditions of the contracts are such that they are considered as finance leases in that they transfer substantially all risks and rewards incidental to ownership to the Group. Assets are depreciated over the shorter of their useful lives and the corresponding lease terms.

4.8 – Impairment of non-current assets

Goodwill and other intangible assets with an indefinite useful life, such as the brand, are systematically tested annually for impairment in December, or more frequently when an event or circumstance occurs indicating a potential loss in value.

For tangible fixed assets and intangible assets with finite useful lives, such as the "Customer Contracts & Relationships" asset, an impairment test is performed when there is an external or internal indication that their recoverable values may be lower than their carrying amounts (for example, the loss of a major customer or a technical incident affecting a satellite).

An impairment test consists of appraising the recoverable amount of an asset, which is the higher of its fair value net of disposal costs and its value in use. If it is not possible 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 disposal costs and its value in use. If either of these amounts is greater than the book value of the asset, its value has not been impaired and there is no need to estimate the other amount.

The Group estimates value in use on the basis of the estimated future pre-tax cash flows (discounted using the Group's WACC) to be generated by an asset or a CGU during its useful life, based upon the medium-term plan approved by Management and reviewed by the Board of Directors. Using a pre-tax WACC per segment would have no impact on the results of this test. Revenues in the medium-term plan are based upon the order backlog for each satellite, market studies, and the deployment plan for existing and future satellites. Costs given in the plan that are used for the impairment test consist mainly of in-orbit insurance costs and also satellite operation and control costs directly attributable to the satellites tested. 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 long-term pre-tax interest rates which, in the Group's opinion, best reflect the time value of money and the specific risks associated with the related assets or CGU.

The fair value net of disposal 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 transaction.

Impairment losses and their reversals are recognised in the income statement under the items "Other operating costs" and "Other operating income" respectively. An impairment of goodwill cannot be reversed.

As of 30 June 2011 and 2012, the following CGUs have been identified for the purpose of impairment tests:

- each satellite, i.e. 28 as of 30 June 2012;
- investment in the Hispasat Group;

- each of the four assets related to “Customer Contracts and Relationships”.

4.9 – Inventories

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

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

4.10 – Financial instruments

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

In accordance with IAS 39 "*Financial Instruments: Recognition and Measurement*", IAS 32 "*Financial Instruments: Presentation*", and IFRS 7 "*Financial Instruments: Disclosures*", the Group has adopted the following classification for financial assets and liabilities, which is based on the objectives determined by Management at acquisition date. The designation and classification of these instruments are determined at initial recognition.

4.10.1 – Financial assets

Financial assets are classified, reported and measured as follows:

Financial assets measured at fair value through the income statement

Financial assets measured at fair value through the income statement include financial instruments designated as being measured at fair value through the income statement at initial recognition. This category includes derivatives unless they are designated as hedges, and mutual fund investments (managed on the basis of their fair values) measured by applying the fair value option through the income statement.

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

Assets held for sale

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

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

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

Loans and receivables

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

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

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

4.10.2 – Financial liabilities

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

4.10.3 – Derivative instruments

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

Where a derivative can be qualified as a hedging instrument, it is valued and recorded in accordance with the hedge accounting rules laid down in IAS 39 "*Financial Instruments: Recognition and Measurement*" (see Note 4.10.5 – *Hedging transactions*).

4.10.4 – Impairment

At each balance sheet date, the Group applies impairment tests to all financial assets in order to determine whether there is an indication of impairment. Impairment is recognised in the income statement when there is objective evidence that the asset is impaired. Examples of target impairment indicators include defaulting on contractual payment terms, significant financial hardship of the lender or borrower, a likelihood of bankruptcy or an extended or significant decline in the price of the listed shares.

Impairment losses, other than those related to accounts receivable and other debit operator balances, are recorded as financial expenses.

The Group's customers mainly comprise international telecommunications operators, broadcasters and other users of commercial satellite communications. Management regularly monitors its exposure to credit risk and recognises allowances for bad customer debt and doubtful payments of other receivables, based on expected cash-flows, under the heading "selling, general and administrative expenses". The method of recognising allowances for bad debt is based on experience and is periodically applied to determine a recoverable percentage based on how long the receivables have been on our books.

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

4.10.5 – Hedging transactions

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

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

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

Cash-flow hedging

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

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

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

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

4.10.6 – Fair value of financial instruments

Fair value is the amount for which a financial asset could be exchanged, or an extinguished liability, between knowledgeable, willing parties in an arm's length transaction.
The fair value of financial assets and liabilities traded on active markets (as in the case of certain equity interests, certain marketable securities and certain derivative instruments) is determined on the basis of the listed price or at the market value at the balance sheet date.

The fair value of other financial instruments, assets or liabilities that are not listed on an active market is determined by the Group using appropriate valuation methods and assumptions reflecting market conditions at balance sheet date.

4.10.7 – Firm or conditional commitments to purchase non-controlling interests

Under the revised IAS 27 "*Consolidated and Separate Financial Statements*", and IAS 32 "*Financial Instruments: Presentation*", the Group recognises the fair value of firm or conditional commitments to purchase non-controlling interests as financial debt, offset by a reduction in non-controlling interests.

Any change in the fair value of the obligation subsequent to its initial recognition is considered as an adjustment affecting the income statement.

4.11 – Cash and cash equivalents

Cash and cash equivalents mainly consist of cash on hand and at bank, as well as short term deposits or investment certificates with original maturities of three months or less, and also mutual fund investments that are easily convertible into a known amount of cash, the liquid value of which is determined and published daily and for which the risk of a change in value is insignificant.

4.12 – Shareholders' equity

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

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

Grant of stock options
Rewards granted to employees under stock-option plans are measured on the date the options are granted and represent additional employee compensation. This is recognised under personnel expenses over the vesting period of the rights representing the reward granted to the employee and is offset by increases in equity (equity settled plans) or by recognition of a debt (for plans deemed to be cash-settled plans).

Similarly, in accordance with IFRS 2 "*Share-based Payment*", awards granted to employees in the form of public issues or other capital transactions are measured at grant date. They represent additional compensation, which is recorded during the financial year as an expense recognised over the vesting period.

4.13 – Revenue recognition

The Group's revenues are mainly attributable to the allotment of space segment capacity on the basis of terms and conditions set out in the lease contracts.

These contracts usually cover 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 contract, payment of the difference between the contractual price and the price that would have been paid for a contract 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 recorded in the accounts, it is probable that the amount receivable will be recovered.

Deferred revenues include unearned balances of amounts received in advance from customers. Such amounts are recorded as revenue on a straight-line basis over the corresponding duration of the relevant transponder contracts or of the services provided.

4.14 – Deferred taxes

Deferred taxes are the result of temporary differences arising between the tax base of an asset or liability and its book value. Deferred taxes are recognised for each fiscal entity in respect of all temporary differences, with some exceptions, using the balance sheet liability method.

Accordingly, deferred tax liabilities are recognised for all taxable temporary differences except:

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

- when the deferred tax liability arises from investments in subsidiaries, associated companies or joint ventures unless the Group is able to control the reversal of the difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

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

The book value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of the deferred tax assets.

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

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

4.15 – Earnings per share

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

4.16 – Post-employment benefits

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

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

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

A complete assessment of the discounted present value of the benefit is outsourced each year and reviewed at interim periods to identify any significant changes.

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

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

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

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

4.17 – Financial guarantee granted to a pension fund

Following the acquisition of Eutelsat S.A. in April 2005, the Group granted a financial guarantee to the pension fund for the obligations that had been assigned to a trust prior to the contribution transactions that led to the creation of Eutelsat. This defined-benefit pension scheme has been closed and the vested pension rights were frozen prior to the transfer. The risk resulting from this financial guarantee has been analysed, assessed and reported in the same way as defined benefit plan obligations described in Note 4.16 - *Post-employment benefits*, despite the fact that the Group has not assumed the legal commitments entered into by the Intergovernmental Organisation (“IGO”) in respect of the pension fund.

4.18 – Provisions

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

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

If the effect of the time value of money is material, the amount of the provision will be equal to the discounted value of anticipated expenditure needed to settle the obligation. The discounted value is calculated using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Increases in provisions recorded to reflect the passage of time and the effect of discounting are recognised as financial expenses in the income statement.

NOTE 5: GOODWILL AND OTHER INTANGIBLES

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

Changes in gross assets, depreciation and amortisation

(in millions of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
Gross assets					
30 June 2010	**807.8**	**889.0**	**40.8**	**37.0**	**1 774.6**
Acquisitions	-	-	-	8.2	8.2
Disposals	-	-	-	-	-
Transfers	-	-	-	4.2	4.2
30 June 2011	**807.8**	**889.0**	**40.8**	**49.4**	**1 787.0**
Acquisitions	-	-	-	19.4	19.4
Disposals	-	-	-	-	-
Transfers	-	-	-	0.8	0.8
30 June 2012	**807.8**	**889.0**	**40.8**	**69.6**	**1 807.2**
Depreciation and amortisation:					
Accumulated depreciation as of 30 June 2010	**-**	**(233.5)**	**-**	**(24.2)**	**(257.6)**
Annual allowance	**-**	**(44.5)**	**-**	**(6.2)**	**(50.5)**
Reversals	**-**	**-**	**-**	**-**	**-**
Impairment	**-**	**-**	**-**	**-**	**-**
Accumulated depreciation as of 30 June 2011	**-**	**(277.8)**	**-**	**(30.4)**	**(308.1)**
Annual allowance	**-**	**(44.5)**	**-**	**(8.5)**	**(53.0)**
Reversals	**-**	**-**	**-**	**-**	**-**
Impairment	**-**	**-**	**-**	**-**	**-**
Accumulated depreciation as of 30 June 2012	**-**	**(322.3)**	**-**	**(38.9)**	**(361.2)**
Net value as of 30 June 2010	**807.8**	**655.5**	**40.8**	**12.8**	**1 516.9**
Net value as of 30 June 2011	**807.8**	**611.2**	**40.8**	**19.0**	**1 478.8**
Net value as of 30 June 2012	**807.8**	**566.7**	**40.8**	**30.7**	**1 446.0**

The economic conditions observed as prevailing as of 30 June 2012 did not lead Management to review the annual impairment test of the goodwill, carried out at 31 December 2011. At that date, the recoverable value as measured by analysing the implicit market value (fair value) of Eutelsat S.A. based on the stock-exchange value of Eutelsat Communications S.A. (and taking into account this Company's debt) compared with / corroborated by the latest private transactions involving Eutelsat S.A. shares did not call into question the amount shown on the balance sheet.

The Group's Management took the view that the current context did not alter assumptions made at 31 December 2011, the decrease in the stock price being far from requiring a new impairment test.

The share price on the stock-exchange would have to drop by at least 73% for the fair value to fall below the carrying amount. Should such an event occur, a test would be carried out based on the value in use.

NOTE 6: SATELLITES AND OTHER PROPERTY AND EQUIPMENT

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

Changes in gross assets, depreciation and amortisation

(in millions of euros)	Satellites [1]	Other property and equipment	Construction in progress	Total
Gross assets				
Gross value at 30 June 2010	**3 028.7**	**169.6**	**732.9**	**3 931.2**
Change in gross value	-	-	-	-
Acquisitions	15.4	40.7	532.0	588.1
Disposals and scrapping of assets	-	(9.9)	(235.9)	(245.8)
Transfers	295.9	30.7	(331.0)	(4.3)
Gross value at 30 June 2011	**3 340.0**	**231.1**	**698.0**	**4 269.1**
Acquisitions	1.2	32.6	464.9	498.7
Disposals and scrapping of assets	(296.8)	(2.1)	-	(298.9)
Transfers	445.1	(4.4)	(444.3)	(3.6)
Gross value at 30 June 2012	**3 489.5**	**257.2**	**718.6**	**4 465.3**
Depreciation				
Accumulated depreciation as of 30 June 2010	**(1 305.1)**	**(95.6)**	**-**	**(1 400.7)**
Annual allowance	(207.5)	(22.3)	-	(229.9)
Reversals	-	9.6	-	9.6
Impairment	-	-	-	-
Accumulated depreciation as of 30 June 2011	**(1 512.6)**	**(108.3)**	**-**	**(1 620.9)**
Annual allowance	(224.8)	(30.8)	-	(255.6)
Reversals	296.4	2.6	-	299.0
Impairment	-	-	-	-
Accumulated depreciation as of 30 June 2012	**(1 441.0)**	**(136.5)**	**-**	**(1 577.5)**
Net value as of 30 June 2010	**1 723.6**	**74.0**	**732.9**	**2 530.5**
Net value as of 30 June 2011	**1 827.4**	**122.8**	**698.0**	**2 648.2**
Net value as of 30 June 2012	**2 048.5**	**120.7**	**718.6**	**2 887.8**

- [1] Including satellites under finance leases:

(in millions of euros)	
Gross value	93.0
Net value as of 30 June 2012	**32.3**

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

	Gross value	Net value		
SESAT 2 [1]	60.0	20.3	12 transponders	Contract dated March 2004 covering the satellite's remaining useful life
EUTELSAT 3A	16.9	12.0	10 transponders	Agreement dated December 2010 covering the satellite's remaining useful life

[1] Gross value corresponding to the fair value of the satellites as of 4 April 2005, the date of acquisition of Eutelsat S.A. by Eutelsat Communications.

Satellite-related transfers at 30 June 2011 correspond to delivering the EUTELSAT KA-SAT 9A satellite (launched during the financial year) into geostationary orbit.

Satellite-related transfers at 30 June 2012 correspond to the entry into operational service of the EUTELSAT 7 West A and EUTELSAT 16A satellites launched during the financial year.

The W75 and W1 satellites were fully depreciated and de-orbited during the financial year ended 30 June 2012.

W3B satellite

Following its launch on 28 October 2010, the W3B satellite suffered an anomaly related to its propulsion sub-system, precluding any possible entry into commercial service of the satellite. On 17 November 2010, the Group filed an insurance claim for the total loss of the spacecraft. This incident had no impact on the continuity of service provided to the Group's customers, but it resulted in Eutelsat recognising the impairment caused by the loss of the satellite under "Other operating expenses". As of 30 June 2011, Eutelsat had received the indemnity in full.

Construction in progress

The satellites EUTELSAT 21B, EUTELSAT 70B, EUTELSAT 25B, EUTELSAT 3D, EUTELSAT 3B and EUTELSAT 9B are currently under construction. The first two satellites are expected to be launched in 2012-2013, the third and fourth in 2013-2014 and the last two in 2014-2015.

The EUTELSAT 25B and EUTELSAT 9B satellites are developed in partnership with other operators.

NOTE 7: INVESTMENTS IN ASSOCIATES

At 30 June 2011 and 30 June 2012, the “Investments in associates” item is as follows:

(in millions of euros)	**30 June 2011**	**30 June 2012**
Solaris Mobile	8.1	5.8
Hispasat	180.3	188.0
Total	**188.4**	**193.8**

7.1 – Solaris Mobile Ltd

During the 2007-2008 financial year, the Group set up a company in partnership with SES Astra called Solaris Mobile Ltd. (Solaris) in Dublin (Ireland) to provide services in the S band.

This frequency band can distribute television, video and radio services, as well as bidirectional communications for portable mobile equipment such as telephones, computers and multimedia readers.

On 14 May 2009, the European Commission announced that Solaris Mobile Ltd was being awarded 15 MHz of S-band frequency spectrum in Europe, with the other 15 MHz of frequency spectrum in Europe being awarded to Inmarsat.

Following an anomaly observed on the S-band payload embarked on the EUTELSAT 10A satellite, the value of the S-band capacity was fully impaired as of 30 June 2009.

However, the Company remains confident in its ability to meet the commitments entered into with the European Commission with respect to frequency operation.

Solaris is 50% held by Eutelsat, which has joint control with its partner.

During the period ended 30 June 2011, Solaris reduced its capital by €120 million. The Group received its share, i.e. €60 million.

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

(in millions of euros)	**30 June 2011**	**30 June 2012**
Value of the equity investment at beginning of period	**71.1**	**8.1**
Capital reduction	(60.0)	-
Share of income	(3.0)	(2.3)
Impact of income and expenses directly recognised under equity	-	-
Value of the equity investment at end of period	**8.1**	**5.8**

The following table shows the half-year accounts of Solaris:

(in millions of euros)	**30 June 2011**	**30 June 2012**
Non-current assets	4.0	4.0
Current assets	14.0	8.4
Non-current liabilities	-	-
Current liabilities	1.7	0.7
Total net assets	**16.3**	**11.7**
Operating income	-	-
Net income	**(5.9)**	**(4.6)**

7.2 – Hispasat Group

At 30 June 2011 and 2012, the Group owns, through its subsidiary Eutelsat Services und Beteiligungen GmbH, 27.69% of the Hispasat group, a private unlisted Spanish satellite operator.

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

(in millions of euros)	**30 June 2011**	**30 June 2012**
Value of the equity investment at beginning of period	**161.8**	**180.3**
Share of income	20.7	13.7
Impact of income and expenses directly recognised under equity and dividends	(2.2)	(6.0)
Value of the equity investment at end of period	**180.3**	**188.0**

The following amounts represent the Group's share of the assets, liabilities and income of the Hispasat Group:

(in millions of euros)	30 June 2011	30 June 2012
Intangible rights [1]	27.7	27.7
Service agreement [2]	1.0	0.8
Investment in Hisdesat	5.0	5.0
Sub-total	**33.7**	**33.5**
Hispasat net assets	146.6	154.5
Total	**180.3**	**188.0**

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

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

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

(in millions of euros)	31 December 2010	31 December 2011
Non-current assets	818.3	892.8
Current assets	166.8	179.9
Non-current liabilities	323.8	388.4
Current liabilities	120.8	90.0
Total net assets	**540.5**	**594.3**
Operating income	174.8	182.4
Net income	**72.7**	**56.1**

At 30 June 2011 and 2012, "Income from equity investments" in the consolidated income statement corresponds to the Group's share of IFRS income from:

- Hispasat, after amortisation of the identified intangible assets;
- Solaris Mobile Ltd.

NOTE 8: NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are primarily made up of long-term loans and advances.

Long-term loans and advances mainly consist of loans to social welfare bodies for €1.4 million and guarantee deposits paid for renting Eutelsat S.A. premises in Paris for a total of €0.9 million.

NOTE 9: INVENTORIES

Gross and net inventories amount to €3.5 million and €1.2 million at 30 June 2011 and €2.8 million and €0.9 million at 30 June 2012. They mainly comprise receive antennas and modems.

The allowance for stock depletion was €2.3 million and €1.9 million respectively for the financial periods ended 30 June 2011 and 2012.

NOTE 10: ACCOUNTS RECEIVABLE

Credit risk is the risk that a debtor of the Group will not pay when the debt matures. This is a risk that mainly affects the "accounts receivable" category and is followed up for each entity under the supervision of the financial personnel responsible.In the most important cases, the relevant financial personnel are assisted by a credit manager, acting in accordance with the instructions of the Group's debt recovery service. This follow-up activity is based mainly on an analysis of the amounts due and can be accompanied by a more detailed study of the creditworthiness of a number of debtors. Depending on the assessment conducted by the financial staff, the entities concerned may, after validation by the Group, be asked to hedge the credit risk by taking out credit insurance or obtaining guarantees compatible with the evaluation of the risk.

Customers are mainly international telecommunications operators, broadcasters and other users of commercial satellite communications.

As of 30 June 2011, the net book value of these receivables was €244.1 million and the corresponding impairment charge was €22.7 million.

As of 30 June 2012, the net value of these receivables was €270.9 million. The corresponding impairment charge stood at €28.1 million.

Accounts receivable at 30 June 2011 and 2012 are for short-term amounts and bear no interest.

The Group considers that it is not subject to concentration risk, owing to the diversity of its customer portfolio at 30 June 2012 and the fact that no legal entity billed by the Group accounts individually for more than 10% of its revenues. Credit risk is managed primarily through bank guarantees with leading financial institutions, by deposits and credit insurance.

During the financial year 2011/2012, the Group began to experience the impact of the current economic crisis in some of the areas in which it operates. Consequently, particular vigilance is called for with regard to clients in geographical areas considered as being most exposed to the effects of the financial crisis. Nonetheless, the Company considers that dealing with bad debt

represents only a limited risk, as unrecoverable debt is estimated at around 2.9% of the value of accounts receivable as of 30 June 2012.
The amount of bad debt represents €1.1 million and €2.0 million at 30 June 2011 and 2012 respectively.

10.1 – Evolution of the allowance for bad debt

(in millions of euros)	Total
Value at 30 June 2010	**20.5**
Annual allowance	12.7
Reversals (used)	(1.0)
Reversals (unused)	(9.5)
Value at 30 June 2011	**22.7**
Annual allowance	15.1
Reversals (used)	(1.2)
Reversals (unused)	(8.5)
Value at 30 June 2012	**28.1**

10.2 – Analysis of accounts receivable (matured and unmatured)

(in millions of euros)	30 June 2011	30 June 2012
Non-matured receivables	182.1	187.3
Unimpaired matured receivables	55.7	86.7
Between 0 and 30 days	*34.5*	60.3
Between 30 and 90 days	*5.0*	4.4
More than 90 days	*16.2*	22.0
Matured and impaired receivables	**29.0**	25.0
Between 0 and 30 days	-	-
Between 30 and 90 days	*12.1*	20.6
More than 90 days	*16.9*	4.4
Impairment	**(22.7)**	**(28.1)**
Total	**244.1**	**270.9**

10.3 – Guarantees and commitments received, which reduce the credit risk

(in millions of euros)	30 June 2011		30 June 2012	
	Value of accounts	Value of guarantee	Value of accounts	Value of guarantee
Guarantee deposits	93.7	42.2	86.8	32.1
Bank guarantees	72.7	52.0	81.2	61.4
Guarantees from the parent company	37.7	37.7	15.9	15.9
Total	**204.1**	**131.9**	**183.9**	**109.4**

Guarantee deposits are recognised in "Other liabilities" (see Note 17 – *Other Financial Liabilities*). Bank guarantees and guarantees from parent companies are not shown on the balance sheet.

NOTE 11: OTHER CURRENT ASSETS

Other current assets are as follows:

(in millions of euros)	**30 June 2011**	**30 June 2012**
Prepaid expenses	6.6	6.2
Tax and employee-related receivable	12.7	11.8
Total	**19.3**	**18.0**

NOTE 12: CURRENT FINANCIAL ASSETS

(in millions of euros)	**30 June 2011**	**30 June 2012**
Hedging instruments [(1)]	2.1	0.3
Other receivables	5.5	19.3
Total	**7.6**	**19.6**

[(1)] See Note 26.5 – *Financial Instruments.*

NOTE 13: CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

(in millions of euros)	**30 June 2011**	**30 June 2012**
Cash	63.3	38.3
Cash equivalents	73.6	66.8
Total	**136.9**	**105.1**

Cash equivalents are mainly composed of deposit certificates, the great majority of which mature less than one month on the date of acquisition, and mutual fund investments qualifying as “cash equivalents” (see Note 4.11 – *Cash and cash equivalents*).

NOTE 14: FINANCIAL ASSETS

The following tables give a breakdown of each balance sheet item representing financial instruments by category, and indicates its fair value, whether or not the instrument was recognised at fair value when the balance sheet was prepared:

(in millions of euros)	*Category of financial instruments*	Net carrying amount at 30 June 2011				Fair value at 30 June 2011
		Total	Instruments measured at amortised cost	Derivative instruments qualified as cash-flow hedges	Instruments measured at fair value through the income statement	
Assets						
Non-current financial assets						
Unconsolidated investments	*Available for sale*	-	-			-
Long-term loans and advances	*Receivables*	5.8	5.8			5.8
Current financial assets						
Accounts receivable	*Receivables*	244.1	244.1			244.1
Other receivables	*Receivables*	5.4	5.4			5.4
Financial instruments [1]						
Qualified as cash-flow hedges	*N/A*	1.7		1.7	-	1.7
Non-qualified as cash-flow hedges	*Held for trading purposes*	0.5		-	0.5	0.5
Cash and cash equivalents						
Cash	*N/A*	63.3	63.3			63.3
Mutual fund investments [2]	*Fair value option*	66.2	66.2			66.2
Other cash equivalents	*Receivables*	7.4	7.4			7.4

[1] Fair value hierarchy: level 2 (observable inputs other than quoted prices in active markets).
[2] Fair value hierarchy: level 1 (reflecting quoted prices).

(in millions of euros)	*Category of financial instruments*	Net carrying amount at 30 June 2012				**Fair value at 30 June 2012**
		Total	Instruments measured at amortised cost	Derivative instruments qualified as cash-flow hedges	Instruments measured at fair value through the income statement	
Assets						
Non-current financial assets						
Unconsolidated investments	*Available for sale*	-	-			-
Long-term loans and advances	*Receivables*	3.2	3.2			3.2
Current financial assets						
Accounts receivable	*Receivables*	270.9	270.9			270.9
Other receivables	*Receivables*	19.3	19.3			19.3
Financial instruments [1]						
Qualified as cash-flow hedges	*N/A*	0.3		0.3		0.3
Non-qualified as cash-flow hedges	*Held for trading purposes*	-		-	-	-
Cash and cash equivalents						
Cash	*N/A*	38.3	38.3			38.3
Mutual fund investments [2]	*Fair value*	59.6	59.6			59.6
Other cash equivalents	*Receivables*	7.2	7.2			7.2

[1] Fair value hierarchy: level 2 (observable inputs other than quoted prices in active markets).
[2] Fair value hierarchy: level 1 (reflecting quoted prices).

NOTE 15: SHAREHOLDERS'EQUITY

15.1 – Shareholders' equity

As of 30 June 2012, the share capital of Eutelsat Communications S.A. comprised 220 113 982 ordinary shares with a par value of €1 per share. As of the same date, in terms of treasury stock, the Group holds 151 895 treasury shares amounting to €3.4 million under a liquidity agreement. As of 30 June 2011, the Group was holding 44 156 such shares corresponding to a total amount of €1.4 million. Furthermore, under the free share allocation plans (see below), the Group holds 800 000 equity shares amounting to €21.1 million. The aggregate amount of treasury stock is deducted from shareholders' equity.

Changes in the share capital and the additional paid-in capital of the Company since 30 June 2011 are presented below:

Definitive date of each operation	Operations	Number of shares issued/ cancelled	Nominal capital increase/reduction (in millions of euros)	Additional paid-in capital (in millions of euros)	Nominal share capital after each operation (in millions of euros)	Cumulative number of shares	Par value of shares (in euros)
30/06/2011		-	-	453.2	220.1	220 113 982	1
08/11/2011	Distribution of dividends (GM of 08/11/2011)	-	-	-	220.1	220 113 982	1
30/06/2012		**-**	**-**	**453.2**	**220.1**	**220 113 982**	**1**

15.2 – Dividends

On 8 November 2011, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of €0.90 per share, i.e. a total of €197.6 million, taken from net income for the financial year 2010-2011.

The amount of the distribution for the financial year ended 30 June 2012, which is being proposed to the General Meeting of 08 November 2012, is €219.3 million, i.e. €1.00 per share.

15.3 – Share-based compensation

Stock-Options
At 30 June 2012, the Group no longer offers stock-option plans.

Free Share Allocation
There are currently two such plans implemented by the Group in February 2010 and July 2011.

Under the two plans, the expense recognised for the financial period ended 30 June 2012, with a double entry to shareholders' equity, was €5.3 million.

Features	Plan 02/2010	Plan 07/2011
Vesting period	February 2010 - February 2013	July 2011 – June 2014 [(1)]
Settled in	Shares	Shares
Lock-up period	February 2013 - February 2015	July 2014 – June 2016 [(2)]
Maximum number of attributable shares	700 000	700 000
Expense for the period	€4.0 million	€1.3 million
Aggregate valuation of plan at 30/06/2012	€11.9 million	€4.6 million

[(1)] For foreign subsidiaries, the vesting period is July 2011 to July 2015.
[(2)] There is no lock-up period for foreign subsidiaries.

Furthermore, in accordance with IAS 32 "Financial Instruments: Presentation", the acquisition cost of shares bought back by the Group under the above free share allocation plans will be recorded as a reduction to the Group's share of shareholders' equity.

Liquidity offer for employees of the Group who are shareholders in Eutelsat S.A.
Since 30 June 2011, under a liquidity agreement implemented in December 2011 and May 2012, the Group has acquired 350 942 Eutelsat S.A. shares from Eutelsat S.A. employees.

The acquisition cost amounted to €2.5 million.

15.4 – Change in the revaluation reserve of financial instruments

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

(in millions of euros)	**Total**
Balance at 30 June 2011	**(49.1)**
Changes in fair value within equity	(37.5)
Transfer to the income statement [(1)]	51.5
Balance at 30 June 2012	**(35.1)**

[(1)] Including €28.3 million corresponding to coupons due and matured on the swap and €23.1 million corresponding to the share of the swap for which hedging relationships were interrupted (see Note 26.2 – *Interest-rate risk*).

15.5 – Translation reserve

(in millions of euros)	**Total**
Balance at 30 June 2011	**(0.6)**
Change over the period	1.9
Balance at 30 June 2012	**1.3**

The translation reserve does not include the €(2.5) million change in the translation adjustment for Hispasat.

NOTE 16: FINANCIAL DEBT

At 30 June 2011 and 2012, all debt was denominated in euros.

- *Financial information at 30 June 2011 and 2012:*

(in millions of euros)	**Rate**	**30 June 2011**	**30 June 2012**	**Maturity**
Term loan	Variable	1 465.0	-	08 June 2013
Term loan 2016	Variable	-	800.0	06 December 2016
Eurobond 2017 (1)	4.145%	850.0	850.0	27 March 2017
Eurobond 2019 (2)	5.000%	-	800.0	14 January 2019
Sub-total of debt (non-current portion)		**2 315.0**	**2 450.0**	
Loan set-up fees and premiums		(14.2)	(28.9)	
Total of debt (non-current portion)		**2 300.8**	**2 421.1**	
Bank overdrafts		4.5	17.3	
Accrued interest not yet due		15.4	35.6	
Portion of the loans due within one year		0.1	-	
Total of debt (current portion)		**20.0**	**53.0**	

(1) Fair values are €859.4 million and €939.8 million at 30 June 2011and 2012 respectively.
(2) Fair value is €886.5 million at 30 June 2012.

The weighted average interest rate on amounts drawn under the revolving credit facility for the period ended 30 June 2012 is 2.51%.

The Group also has €650.0 million euros available under its various lines of undrawn revolving credit.

- *Change in structure*

Since 30 June 2011, the Group has refinanced its existing credit agreements at Eutelsat Communications' holding level for a total amount of €1 765 million with maturity date of June 2013.

The refinancing is expected to take place through:

- A 7-year €800 million inaugural Eurobond issued on 7 December 2011 on the Luxembourg Stock Exchange regulated market, with maturity date of 14 January 2019. This bond was issued by the Eutelsat S.A. subsidiary. The bond carries a coupon of 5.000% per annum, issued at 99.186%, and redeemable at maturity at 100% of its principal amount.

- Two new 5-year credit facilities entered into by Eutelsat Communications S.A. on 6 December 2011 with maturity date of 6 December 2016:

    - a €800 million term loan issued by Eutelsat Communications S.A. bearing interest at EURIBOR plus a margin of between 1.50% and 3.25% according to the long-term ratings assigned by Standard & Poor’s (S&P) and Moody’s to Eutelsat Communications S.A. The initial margin stands at 2.25%. Interest periods are periods of 6 months beginning 29 April and 29 October each calendar year, except for the three first periods which are less than 6 months.

- a new €200 million revolving credit facility granted to Eutelsat Communications S.A. Amounts drawn for a maximum period of 6 months bear interest at EURIBOR (or LIBOR for amounts drawn in U.S. dollars) plus a margin of between 1.00% and 2.75%, depending on Eutelsat Communications S.A.'s long-term rating assigned by Standard & Poor's and Moody's. The initial margin stands at 1.75%. A fee for non-use representing 35% of the margin mentioned above is payable. The agreement also provides for a 0.15% utilisation commission if less than 33.33% of the revolving credit facility is used, 0.30% for the portion equal to or exceeding 33.33% but lower than 66.67% and a 0.50% commission for any portion exceeding 66.67%.

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

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

The eurobond issue allows each party to request early repayment of all sums due in case of unregulated downgrading, at the end of a period of 120 or 180 days as appropriate, of Eutelsat S.A. or bonds issued by Eutelsat S.A. respectively as a result of a change of control of Eutelsat S.A. or a change of control of Eutelsat Communications (other than control acquisition by the Group's reference shareholders). This provision does not apply in case of Group restructuring.

The credit agreements allow each lender to request early repayment of all sums due if there is a change of control of the Company and of Eutelsat S.A. or in the event of concerted action. Furthermore, the Company must hold, directly or indirectly, 95% of the capital and voting rights of Eutelsat S.A. for the entire duration of the loan.

The credit agreements provide for a commitment to maintain launch-plus-one-year insurance policies for any satellite located at 13°East and, for any other satellite, a commitment not to have more than one satellite not covered by a launch insurance policy.

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

- Eutelsat Communications and Eutelsat S.A. are required to maintain a total net debt to annualised EBITDA ratio (as defined contractually) which is less than or equal to 3.75 to 1, this ratio being tested as of 30 June and 31 December each year.

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

The proceeds of the bond issue and the newly implemented credit facilities were used by the Group to reimburse the previous credit lines.

- *Debt maturity analysis*

At 30 June 2012, the debt maturity analysis is as follows:

(in millions of euros)	**Amount**	**Maturity within 1 year**	**Maturity between 1 and 5 years**	**Maturity exceeding 5 years**
Eutelsat Communications term loan	800.0	-	800.0	-
Eutelsat S.A. revolving credit facility	-	-	-	-
Eurobond 2017	850.0	-	850.0	-
Eurobond 2019	800.0	-	-	800.0
Total	**2 450.0**	**-**	**1 650.0**	**800.0**

- *Compliance with banking covenants*

As of 30 June 2012, the Group was in compliance with all banking covenants under its credit facilities.

- *Risk management*

Information on interest rate risk and liquidity risk is available in Note 10 – *Other Financial Liabilities* and Note 26 - *Financial Instruments.*

NOTE 17: OTHER FINANCIAL LIABILITIES

Other financial liabilities break down as follows:

(in millions of euros)	30 June 2011	30 June 2012
Financial instruments [1]	55.2	38.5
Performance incentives [2]	18.2	12.5
Finance leases [3]	15.4	11.2
Other liabilities	55.7	62.2
Total	**144.5**	**124.4**
- incl. current portion	*85.3*	*78.5*
- incl. non-current portion	*59.2*	*45.9*

(1) See Note 26 – *Financial Instruments*

(2) Including interest related to “Performance incentives” of €5.9 million at 30 June 2011 and €4.1 million at 30 June 2012.

(3) Including interest related to finance leases for amounts lower than €0.1 million at 30 June 2011 and at 30 June 2012.

“Other liabilities” comprise advance payments and deposits from clients, as well as debt related to the EUTELSAT 48B satellite.

17.1 – Commitment in respect of EUTELSAT 48B

On 22 January 2009, the EUTELSAT 48B satellite suffered a major anomaly. On 27 February 2009, a submission was sent to insurers with proof of the loss and quantification of the claim.
The loss was treated as a constructive total loss by all insurers involved in the programme. An insurance indemnity of €120.5 million representing the full amount of the loss insured was therefore paid to Eutelsat in June 2009.
The agreement with insurers also provides that if the satellite can be brought into commercial service at some time in the future, a portion of the revenues would be returned to insurers, subject to a total repayment ceiling of €30 million.
Any revenues would be recognised annually from 1 July 2009 but the first annual payment of the insurers’ portion would not be settled before August 2012, under the suspensive condition of it still being possible to operate the satellite commercially as of 1 July 2012.
The satellite being operated commercially as of the date of preparing these annual financial statements, a €7.1 million provision has been recorded to settle the insurance indemnity.

NOTE 18: FINANCIAL LIABILITIES

18.1 - Breakdown by category

(in millions of euros)	*Category of financial instruments*	Net carrying amount at 30 June 2011				Fair value at 30 June 2011
		Total	Instruments measured at amortised cost	Derivative instruments qualified as cash-flow hedges	Instruments measured at fair value through the income statement	
Liabilities						
Financial debt						
Credit lines	*At amortised cost*	1 460.1	1 460.1			1 460.1
Bond	*At amortised cost*	840.7	840.7			859.4
Fixed rate loans	*At amortised cost*	0.1	0.1			0.1
Floating rate loans	*At amortised cost*	-	-			-
Bank overdrafts	*N/A*	4.5	4.5			4.5
Other financial liabilities						
Non-current	*At amortised cost*	59.2	59.2			59.2
Current	*At amortised cost*	30.1	30.1			30.1
Financial instruments (1)						
Qualified as cash-flow hedges		55.2		55.2		55.2
Qualified as trading instruments		-			-	-
Accounts payable	*At amortised cost*	53.2	53.2			53.2
Fixed assets payable	*At amortised cost*	22.2	22.2			22.2

(1) Fair value hierarchy: level 2 (observable inputs other than quoted prices in active markets).

(in millions of euros)	*Category of financial instruments*	Net carrying amount at 30 June 2012				**Fair value at 30 June 2012**
		Total	Instruments measured at amortised cost	Derivative instruments qualified as cash-flow hedges	Instruments measured at fair value through the income statement	
Liabilities						
Financial debt						
Credit lines	*At amortised cost*	789.1	789.1			789.1
Bond	*At amortised cost*	1 631.9	1 631.9			1 826.3
Fixed rate loans	*At amortised cost*	-	-			-
Floating rate loans	*At amortised cost*	-	-			-
Bank overdrafts	*N/A*	17.3	17.3			17.3
Other financial liabilities						
Non-current	*At amortised cost*	45.9	45.9			45.9
Current	*At amortised cost*	40.0	40.0			40.0
Financial instruments (1)						
Qualified as cash-flow hedges		33.8		33.8		33.8
Qualified as trading instruments		4.7			4.7	4.7
Accounts payable	*At amortised cost*	47.2	47.2			47.2
Fixed assets payable	*At amortised cost*	16.5	16.5			16.5

(1) Fair value hierarchy: level 2 (observable inputs other than quoted prices in active markets).

NOTE 19: OPERATING AND FINANCE LEASES

19.1 – Operating leases

Eutelsat S.A. pays rent for use of its registered office located in Paris. The operating lease was renewed in advance on 25 November 2009 for a nine year-period starting on 1 August 2009 with contractual maturity date at 31 July 2018 and a fixed term of six years and five months. The rent expense amounted to €3.8 million and €3.9 million for the financial years ended 30 June 2011 and 2012 respectively. Future payments with respect to the lease agreement are detailed in the following table:

(in millions of euros)	**Total**	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**
Future payments for operating leases	**14.5**	4.1	10.4	-

19.2 – Finance leases

The Group operates four satellites under finance leases. None of the finance leases contains a purchase option at the expiry of the lease term. The last finance lease contract expires in 2016.

At 30 June 2012, three of the four finance leases were pre-paid.

Financial expenses for satellites operated under finance leases amounted to €0.1 million at 30 June 2011 and €0.6 million at 30 June 2012.

NOTE 20: OTHER PAYABLES AND DEFERRED REVENUES

20.1 – Non-current portion

Other non-current debts only comprise deferred revenue.

20.2 – Current portion

Other current payables and deferred revenues were as follows at 30 June 2011 and 2012:

(in millions of euros)	**30 June 2011**	**30 June 2012**
Deferred revenues	44.1	54.4
Tax liabilities	11.9	10.9
Liabilities for social contributions (1)	35.3	32.2
Total	**91.3**	**97.5**

(1) Including the liability related to the liquidity offer of €9.7 million at 30 June 2011 and €4.8 million at 30 June 2012 (see Note 15.3 – *Share-based payment*).

NOTE 21: CURRENT AND DEFERRED TAX

The scope of the tax consolidation for the Group headed by Eutelsat Communications includes the following subsidiaries: Eutelsat S.A., Eutelsat VAS S.A.S., Eutelsat Communications Finance S.A.S., Fransat S.A. and Skylogic France S.A.S.

The companies Eutelsat Communications and Eutelsat S.A. which are included in the tax consolidation group headed by Eutelsat Communications are subject to a tax audit for financial years ended 30 June 2009, 2010 and 2011. Eutelsat Communications has not received any notification as of the date of preparation of the financial statements. At this stage, the Company is not informed of any pronouncement that is likely to generate a potential liability.

21.1 – Income-statement tax balances

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

The Group’s income tax expense is as follows:

(in millions of euros)	**30 June 2011**	**30 June 2012**
Current tax expense	(169.3)	(178.3)
Deferred tax income (expense)	(29.7)	(3.8)
Total income tax expense	**(199.0)**	**(182.1)**

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

(in millions of euros)	**30 June 2011**	**30 June 2012**
Income before tax and income from equity investments	536.0	511.8
Standard French corporate tax rate	*34.43%*	36.10%
Theoretical income-tax expense	(184.6)	(184.8)
Permanent differences and other items	(14.5)	2.7
Corporate tax expense in the income statement	**(199.0)**	**(182.1)**
Actual corporate tax rate	*37.1%*	*35.6%*

As of 30 June 2011, the tax rate amounted to 37.1%. The tax rate distortion is mainly explained by losses of foreign subsidiaries which were not recognised as active deferred taxes.

As of 30 June 2012, the difference between the actual corporate income tax rate and the theoretical income tax rate is mainly explained by the recognition of a deferred tax asset.

21.2 – Balance-sheet tax balances

Deferred tax assets and liabilities correspond to the aggregate net financial positions of the consolidated entities. Changes in the deferred tax balances between 30 June 2011 and 30 June 2012 were as follows:

(in millions of euros)	30 June 2011	Net income for the period	Recognised in equity	30 June 2012
Deferred tax assets				
Financial Instruments	16.4	0.8	(4.8) [(1)]	12.4
Provisions for impairment of assets	11.8	(2.3)	-	9.5
Capitalisation of losses carried forward	-	12.0	-	12.0
Bad-debt provisions	20.1	(2.6)	-	17.5
Financial guarantee granted to the pension fund	5.2	0.1	-	5.3
Capitalised salaries and performance incentives	0.4	(0.8)	-	(0.4)
Provisions for risks and expenses	2.7	(1.2)	-	1.5
Accrued liabilities	5.3	(0.5)	-	4.8
Pension provision	2.7	0.1	-	2.8
Sub-total (a)	***64.6***	***5.7***	***(4.8)***	***65.4***
Deferred tax liabilities				
Intangible assets	(224.5)	14.6	-	(209.9)
Exceptional depreciation	(119.5)	(26.7)	-	(146.2)
Capitalised interest	(3.1)	0.5	-	(2.6)
Finance leases	(1.2)	0.1	-	(1.1)
Other	(4.9)	(1.0)	-	(5.9)
Sub-total (b)	***(353.2)***	***(12.5)***	***-***	***(365.7)***
Total = (a) + (b)	***(288.6)***	***(6.8)*** [(3)]	***(4.8)*** [(2)]	***(300.3)***
Reflected as follows in the financial statements:				
Deferred tax assets	19.4			23.9
Deferred tax liabilities	(308.0)			(324.2)
Total	***(288.6)***			***(300.3)***

[(1)] This amount does not include changes in respect of equity investments amounting to €0.4 million for the period.
[(2)] This amount does not include the change in shareholders' equity of equity investments with regard to translation adjustments amounting to €0.6 million.
[(3)] Excluding reversal of contingency provisions for €3.0 million.

Deferred tax assets and liabilities break down as follows:

(in millions of euros)	Deferred tax assets	Deferred tax liabilities
Due within one year	10.4	(17.0)
Due after one year	13.5	(307.2)
Total	**23.9**	**(324.2)**

Deferred tax liabilities relate mainly to the taxable temporary difference generated by:

- The accounting treatment at fair value of "Customer contracts and relationships" and of the Eutelsat brand, valued at €929.8 million (see Note 5: *Goodwill and other Intangibles*), giving rise, on the occasion of the acquisition of Eutelsat S.A., to an initial deferred tax liability of €320.1 million. The €44.4 million amortisation of customer contracts over 20 years generates a deferred tax income.

- Accelerated depreciation ("amortissements dérogatoires") of satellites.

NOTE 22: PROVISIONS

(in millions of euros)	**30 June 2011**	**Allowance**	**Reversal**		**30 June 2012**
			Used	Unused	
Financial guarantee granted to a pension fund	19.1	0.3	(4.1)	-	15.3
Retirement indemnities	7.5	0.8	(0.3)	-	8.0
Post-employment benefits[(1)]	2.0	0.5	(0.2)	-	2.3
Total post-employment benefits	**28.6**	**1.6**	**(4.6)**	**-**	**25.6**
Litigation[(2)]	10.3	0.9	(2.0)	(3.3)	5.9
Other	3.8	0.1	(3.3)	-	0.6
Total provisions	**42.7**	**2.6**	**(9.9)**	**(3.3)**	**32.0**
- non-current portion	**28.6**	**1.6**	**(4.6)**	**-**	**25.6**
- current portion	**14.1**	**1.0**	**(5.3)**	**(3.3)**	**6.5**

[(1)] The other post-employment benefits relate to end-of-contract indemnity payments within various subsidiaries and also to the balance of a provision entered in respect of a fixed contractual contribution to the health-insurance “mutuelle” for former employees of the IGO who had taken pension as of the date the business was transferred to Eutelsat S.A.
[(2)] Litigation recorded at end of period comprises business and employee litigation.

22.1 – Financial guarantee granted to a pension fund

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

This guarantee can be called under certain conditions to compensate for future under-funding of the plan. During the year ended 30 June 2011, as a result of the significant decline in long-term interest rates, the guarantee was called upon in the amount of €8.2 million. This amount was measured on the basis of the Trust’s projections, taking into account future market developments. In February 2011, an agreement was reached with the Trust to spread payment of the amount called to the tune of €4.1 million at 30 June 2011 and 2012.

Both payments for €4.1 million were made during the financial periods ended 30 June 2011 and 30 June 2012.

The actuarial valuation performed on 30 June 2011 and 2012 used the following assumptions:

	30 June 2011	**30 June 2012**
Discount rate	5.00%	3.50%
Expected rate of return on assets	4.00%	3.50%
Rate for pension increases	2.50%	2.50%
Inflation rate	2.00%	2.00%
Overall expenses (as a % of assets)	0.58%	0.58%
Mortality table	TGH2005-TGF2005	TGH2005-TGF2005
Pensionable age	61 years	61 years

As of 30 June 2011 and 2012, the position was as follows:

Comparative summary:

(in millions of euros)	30 June				
	2008	**2009**	**2010**	**2011**	**2012**
Present value of obligations wholly or partly funded	133.4	134.2	163.9	151.7	202.7
Fair value of plan assets	(145.8)	(148.0)	(151.6)	(156.2)	(155.0)
Net financing requirement	**(12.4)**	**(13.8)**	**12.3**	**(4.5)**	**47.7**
Actuarial differences and other gains/(losses) – amortised	40.7	36.5	9.6	23.6	(32.4)
Net (asset)/liability recorded in the balance sheet	**28.3**	**22.7**	**21.9**	**19.1**	**15.3**

Reconciliation between the present value of the obligations at beginning and end of period:

(in millions of euros)	**30 June 2011**	**30 June 2012**
Present value of the obligations at beginning of period	**163.9**	**151.7**
Service cost for the period	-	-
Finance cost	7.3	7.5
Actuarial differences: (gains)/losses	(16.5)	49.1
Benefits paid	(3.0)	(5.6)
Present value of the obligations at end of period	**151.7**	**202.7**

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

Reconciliation between the fair value of plan assets at beginning and end of period:

(in millions of euros)	**30 June 2011**	**30 June 2012**
Fair value of plan assets at beginning of period	**151.6**	**156.2**
Expected return on plan assets	6.0	6.2
Actuarial differences: gains/(losses)	(2.4)	(5.9)
Contributions paid	4.1	4.1
Benefits paid	(3.1)	(5.6)
Fair value of plan assets at end of period	**156.2**	**155.0**

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

The actual return on the plan's assets was €3.6 million and €0.4 million at 30 June 2011 and 2012 respectively.

Net expense (net gains) recognised in the income statement:

(in millions of euros)	30 June 2011	30 June 2012
Service cost for the period	-	-
Finance cost	7.3	7.5
Expected return on plan assets	(6.0)	(6.3)
Actuarial differences: (gains)/losses - amortised	-	(0.9)
Net expense (net gains) recognised in the income statement	**1.3**	**0.3**

Reconciliation of assets and obligations recognised in the balance sheet:

(in millions of euros)	30 June 2011	30 June 2012
Provision at beginning of period	**21.9**	**19.1**
Net expense/(net gains) recognised in the income statement	1.3	0.3
Contributions paid	(4.1)	(4.1)
Provisions at end of period	**19.1**	**15.3**

22.2 – Post-employment benefits

a) Retirement indemnities

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

The actuarial valuations performed at 30 June 2011 and 2012 were based on the following assumptions:

	30 June 2011	30 June 2012
Discount rate	5.00%	3.50%
Salary increases	2.50%	2.50%
Inflation rate	2.00%	2.00%
Mortality table	TF/TH04-06	TF/TH04-06
Retirement age	65 years	65 years
Type of retirement	Voluntary retirement:	Voluntary retirement:
Rate of employer’s contributions	52%	52%

Staff turnover per age bracket is based on the history of experience within Eutelsat S.A. and is reviewed every three years.

Age (years)	2011 Turnover	2012 Turnover
25	10.72	10.72
30	7.21	7.21
35	5.21	5.21
40	3.97	3.97
45	3.14	3.14
50	2.23	2.23
55	0.00	0.00
60	0.00	0.00

As of 30 June 2011 and 2012, the position was as follows:

Comparative summary:

(in millions of euros)	30 June				
	2008	**2009**	**2010**	**2011**	**2012**
Present value of obligations not financed	**6.4**	**7.1**	**7.9**	**8.0**	**9.3**
Past-service cost (amortised)	1.2	1.2	1.1	1.0	1.0
Actuarial differences: gains/(losses) - amortised	(1.6)	(2.2)	(2.4)	(1.5)	(2.3)
Liability recognised on balance sheet	**6.0**	**6.1**	**6.6**	**7.5**	**8.0**

Reconciliation between the present value of the obligations at beginning and end of period:

(in millions of euros)	30 June 2011	30 June 2012
Present value of the obligations at beginning of period	**7.9**	**7.9**
Service cost for the period	0.5	0.5
Finance cost	0.4	0.4
Actuarial differences and (gains)/losses	(0.8)	0.8
Termination indemnities paid	(0.1)	(0.3)
Present value of the obligations at end of period	**7.9**	**9.3**

Net expense recognised in the income statement:

(in millions of euros)	30 June 2011	30 June 2012
Service cost for the period	0.5	0.5
Financial cost	0.4	0.4
Amortisation of past service cost	(0.1)	(0.1)
Actuarial differences: (gains)/losses - amortised	0.1	-
Net expense recognised in the income statement	**0.9**	**0.8**

Reconciliation between the amount recognised on the balance sheet at beginning and end of period:

(in millions of euros)	30 June 2011	30 June 2012
Provision at beginning of period	**6.6**	**7.4**
Net expense recognised in the income statement	0.9	0.9
Termination indemnities paid	(0.1)	(0.3)
Provision at end of period	**7.4**	**8.0**

History of experience and changes in assumptions:

(in millions of euros)	30 June 2012
History of experience regarding the value of obligations: (gains)/losses	(0.1)
Impact of changes in assumptions	0.9
	0.8

b) Supplementary schemes

The Group also has a defined-contribution funded plan for its employees working in France (excluding directors and corporate officers who are employees), financed by employees' and employer's contributions of 6% of gross annual salary, limited to eight times the French Social Security threshold. There are no other commitments in relation to these contributions. Employer's contributions paid under the plan stood at €1.4 million and €1.5 million as of 30 June 2011 and 2012 respectively.

Some directors and corporate officers of Eutelsat Communications S.A. and Eutelsat S.A. (among key management personnel) have a supplementary defined benefits plan, which is financed by quarterly contributions to the fund managers. As of 30 June 2011 and 2012, the expense for the period amounts to €0.2 million and €0.1 million respectively. Considering that as of 30 June 2012, there are no directors and corporate officers eligible to the plan, all vested rights were settled by the Company and liabilities outstanding at 30 June 2011 were paid off.

c) Mandatory schemes

In accordance with French law, the Group meets its obligations to finance pensions for employees in France by paying contributions based on salaries to the relevant entities that manage mandatory pension schemes. There are no other commitments in relation to these contributions. The employer's contributions paid under these schemes were €6.2 million and €6.6 million at 30 June 2011 and 2012 respectively.

NOTE 23: SEGMENT INFORMATION

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

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

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

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

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

23.1 – Segment reporting

(in millions of euros)	**30 June 2011**	**30 June 2012**
Total revenues	**1 168.1**	**1 222.2**
Total operating costs	**(241.8)**	**(265.0)**
EBITDA	**926.4**	**957.2**
Depreciation and amortisation:	(280.5)	(308.9)
Other operating income (expenses), net	(0.8)	(7.0)
Operating income	**645.2**	**641.3**
Total interest	(94.5)	(132.4)
Income tax	(199.0)	(182.1)
Other financial income (expenses)	(14.6)	2.8
Net income before revenue from equity investments and non-controlling interests	**337.0**	**329.7**
Income from equity investments	17.8	11.4
Net income	**354.7**	**341.1**
Non-controlling interests	(16.3)	(15.0)
Net income attributable to the Group	**338.5**	**326.1**
Tangible investments and equity investments (cash flow)	**250.8**	**487.5**
Net debt (including finance leases)	**2 197.9**	**2 373.6**

23.2 – Information per geographical zone

Group revenues by geographical zone, based on invoice addresses, for the financial periods ended 30 June 2011 and 2012 are as follows:

(in millions of euros and as a percentage)	**30 June 2011**		**30 June 2012**	
Regions	**Amount**	**%**	**Amount**	**%**
France	154.4	13.2	145.2	11.9
Italy	183.3	15.7	194.5	15.9
United Kingdom	83.7	7.2	94.3	7.7
Europe (other)	385.3	33.0	402.2	32.9
Americas	147.2	12.6	171.8	14.1
Middle-East	122.3	10.5	141.3	11.6
Africa	74.7	6.4	65.4	5.4
Other (*)	17.2	1.5	7.5	0.6
Total	**1 168.1**	**100.0**	**1 222.2**	**100.0**

(*) Including €4.7 million and €3.5 million in indemnity payments for late delivery for the periods ended 30 June 2011 and 2012 respectively.

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

NOTE 24: FINANCIAL RESULT

The financial result is made up as follows:

(in millions of euros)	30 June 2011	30 June 2012
Interest expense (banks) [(1)]	(114.3)	(119.6)
Capitalised interest and other interest expense [(2)]	27.0	22.7
Loan set-up fees	(4.3)	(12.1)
Commitment fees and other similar charges	(3.0)	(3.8)
Changes in financial instruments [(3)]	(3.8)	(24.3)
Provisions for risks and expenses	(1.3)	(0.3)
Provisions on financial assets	(0.4)	-
Foreign-exchange losses[(4)]	(25.7)	(10.1)
Financial expenses	**(125.7)**	**(147.5)**
Changes in financial instruments [(3)]	0.8	-
Interest income	3.1	3.9
Reversal of provisions for risks and expenses	-	-
Foreign-exchange gains[(4)]	12.6	14.1
Financial income	**16.5**	**18.0**
Financial result	**(109.2)**	**(129.5)**

[(1)] Interest expense (banks) includes the effects of the interest-rate risk hedging instruments employed. Coupons due and matured on the swaps and caps that are qualified as interest-rate risk hedges have affected the interest expense for the years ended 30 June 2011 and 2012 by €42.8 million and €28.3 million respectively.

[(2)] The amount shown is the interest expense net of loan costs charged to the value of the eligible assets. During the period, the capitalised costs amounted to €30.0 million at 30 June 2011 and €23.0 million at 30 June 2012. They are highly contingent on the progress and number of satellite construction programmes during the financial period concerned.

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

The capitalisation rates used to determine the amount of interest expense eligible for capitalisation were 4.4% at 30 June 2011 and 4.8% at 30 June 2012. "Other interest expense” also includes interest related to satellite performance incentives and financial expenses attributable to satellites under finance lease agreements for €1.3 million and €1.5 million at 30 June 2011 and 30 June 2012 respectively.

[(3)] Gains or losses in the fair value of financial instruments mainly include changes in the fair value of the non-qualifying derivative instruments in a hedging relationship and the ineffective portion of qualifying derivatives in a hedging relationship and disqualifications/disposals of hedging instruments (see Note 26.2 – *Interest rate risks*).

[(4)] Foreign-exchange options’ contracts are put in place to hedge future sales in dollars. Changes in the time value of these instruments (excluded from the hedging relationship) have a direct impact on income. The intrinsic value of options exercised during the financial year, taking into account that the hedged item has also affected the result for the year, has also been recognised directly within income or expense. Changes in the intrinsic value of hedging instruments where the hedged item has not yet affected the result have been recognised within equity and have not affected the result for the year.

Results on financial instruments per accounting category:

(in millions of euros)	30 June 2011	30 June 2012
Net result on instruments measured at fair value per result on the option (cash equivalents)	0.1	-
Net result on instruments valued at fair value per result (non-qualifying derivatives for hedges and components excluded from hedging relationships)	0.1	(2.8)
Financial income on assets valued at amortised cost (loans and long-term advance payments and other receivables)	-	-
Interest expense on loans (excluding hedging effect)	(71.5)	(91.2)
Reversals and (depreciation) of financial assets (accounts receivable)	(2.2)	(5.4)

NOTE 25: EARNINGS PER SHARE

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

(in millions of euros)	30 June 2011	30 June 2012
Net income	**354.7**	**341.1**
Income from subsidiaries attributable to non-controlling interests, before taking into account the dilutive instruments in the subsidiaries	(16.0)	(14.8)
Net earnings used to compute diluted earnings per share	**338.7**	**326.3**

There are no dilutive instruments as of 30 June 2011 and 30 June 2012.

NOTE 26: FINANCIAL INSTRUMENTS

The Group is exposed to market risks, principally in terms of currency and interest-rates. Exposure to such risks is actively managed by Management, and for this purpose the Group employs a certain number of derivatives, the objective of which is to limit, where appropriate, the fluctuation of revenues and cash-flows due to variations in interest rates and foreign-exchange rates. The Group’s policy is to use derivatives to hedge such exposure and comply with its financial covenants. The Group does not engage in financial transactions whose associated risk cannot be quantified at maturity, i.e. the Group never sells assets it does not possess, or about which it is uncertain whether it will subsequently possess them.

26.1 – Foreign-exchange risk

During the financial years ended 30 June 2011 and 2012, the Group only sold synthetic forwards with a knock-in option.

The net position in terms of controlling foreign-exchange risk at 30 June 2012 is as follows:

(in millions of euros)

Assets	57.4
Liabilities	(41.5)
Net position before risk management	**15.9**
Off-balance-sheet position (foreign exchange hedging)	(7.9)
Net position after risk management	**(8.0)**

The Group's main exposure to foreign exchange risk concerns the US dollar.
The Group may use foreign exchange hedges to the tune of US$130 million over the next twelve months against its exposure to the euro/US dollar volatility risk.

Considering its exposure to foreign-currency risk, the Group believes that a 10-cent decrease in the euro/US dollar exchange rate would have a €2.0 million impact on Group income and would result in a negative change in Group equity amounting to €9.6 million.

26.2 – Interest rate risk

Interest rate risk management

In the context of the refinancing operation described in Note 16 - *Financial debt,* which resulted in the hedged item being reduced to €665 million, the existing pay fixed/receive floating swap put in place in September 2006 (initially maturing in June 2013) was partially terminated to the tune of €665 million at a €28.3 million cost. The terminated portion which was previously accumulated under equity was recognised as a financial expense for €23.4 million.

During the financial year and in accordance with its hedging policy, the Group introduced new hedging instruments with a deferred start date on the date of maturity of the existing swap.
- 2 swaps for a notional amount of €350 million,
- 2 collars for a notional amount of €350 million,
- 1 cap for a notional amount of €100 million.

Sensitivity to interest-rate risk

Considering the full range of financial instruments available to the Group at 30 June 2012, a ten base-point increase (+0.10 %) over the EURIBOR interest rate would not have any impact on the interest expense, but it would require revaluing financial instruments, which would have a positive €0.5 million effect on the income statement. It would result in a positive change amounting to €1.8 million in equity related to the effective portion of the change in the fair value of hedging instruments qualified as cash flow hedges.

26.3 – Key figures at 30 June 2011 and 2012

The following tables analyse the contractual or notional amounts and fair value of the Group's derivatives by type of contract as of 30 June 2011 and 2012. The instruments are valued by an independent expert and this valuation is verified/validated by .the Group's banking counterparts.

(in millions of euros)	**Notional**		**Fair values**				
	30 June 2011	**30 June 2012**	**30 June 2011**	**30 June 2012**	**Change in fair value over the period**	***Impact on income (excl. coupons)*** **(1)**	***Impact on equity***
Synthetic forward transaction with knock-in option (Eutelsat S.A.)	107.2	103.3	1.7	(4.8)	(6.5)	(0.9)	(5.6)
Total forex derivatives	***107.2***	***103.3***	***1.7***	***(4.8)***	***(6.5)***	***(0.9)***	***(5.6)***
Swap*	1 465.0	800.0	(55.2)	(27.1)	5.0	(21.4)	26.4
Future Swaps	-	350.0	-	(3.9)	(3.9)	-	(3.9)
Collars	-	350.0	-	(2.2)	(2.2)	(0.7)	(1.5)
Caps**	200.0	100.0	-	0.3	(0.4)	(0.4)	-
Collars***	100.0	100.0	0.5	(0,4)	(0.9)	(0.9)	-
Total interest rate derivatives	***1 765.0***	***1 700.0***	***(54.7)***	***(33.3)***	***(2.4)***	***(23.4)***	***21.0***
Total derivatives			**(53.0)**	**(38.1)**	**(8.9)**	**(24.3)**	**15.4**
Equity interests							(1.4)
Total							**14.0**

(1) The ineffective portion of the hedges was not significant and has not been isolated.
* Swap disqualified as a hedge for €23.4 million down to €665 million since 21 December 2011. The change in fair value does not include termination indemnities settled (€28.3 million) excluding accrued interest (€5.2 million).
** The change in fair value does not include termination indemnities settled for €0.7 million.
*** Instrument not qualifying as hedges.

At 30 June 2012, the cumulative fair value of financial instruments was positive at €0.3 million and negative at €38.4 million (cf. Note 17 – *Other Financial Liabilities* and Note 12 - *Other Financial Assets*).

Impact on income statement and equity

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

- - The coupons on swaps that qualify as cash flow hedges are directly recognised under income, as well as the share of the swap for which the hedging relationship was interrupted following cancellation of hedged interest rate flows. Changes recognised in equity with respect to these instruments correspond to changes in fair value excluding coupons ("clean fair value").

26.4 – Counterparty risk

Counterpart risk includes issuer risk, execution risk in connection with derivatives or monetary instruments, and credit risk related to liquidity and forward investments. The Group minimises its exposure to issuer, execution and credit risk by acquiring financial products from first-rate financial institutions and banks. Exposure to these risks is closely monitored and maintained within predetermined limits.

The Group does not foresee any loss resulting from a failure by its counterparts to respect their commitments under the agreements it has concluded.

26.5 – Liquidity risk

The Group manages liquidity risk by using a tool enabling it to monitor and manage its recurrent cash flow needs. This tool takes into account the maturity of financial investments, financial assets and estimated future cash flows from operating activities.
The Group's objective is to maintain a balance between continuity of its funding needs and their flexibility through the use of overdraft facilities, term loans, revolver lines of credit from banks, bond loans and satellite lease agreements.

67% of the Group's debt matures in 2016-2017 and 33% in 2018-2019.

Breakdown of net financial liabilities by maturity (in millions of euros)

At 30 June 2011	Balance-sheet value	Total contractual cash flows	06/2012	06/2013	06/2014	06/2015	06/2016	More than 5 years
Term loan Eutelsat Com.	(1 460.1)	(1 538.2)	(36.6)	(1 501.6)	-	-	-	-
Eutelsat S.A. bond	(840.7)	(1 060.4)	(35.1)	(35.0)	(35.1)	(35.0)	(35.1)	(885.1)
Eutelsat S.A. revolver loan	-	-	-	-	-	-	-	-
Wins Ltd. Loan	(0.1)	(0.1)	(0.1)	-	-	-	-	-
Eutelsat Communications interest rate derivatives Qualifying (*)	(55.2)	(55.2)	(29.8)	(25.4)	-	-	-	-
Bank overdrafts	(4.5)	(4.5)	(4.5)	-	-	-	-	-
Total financial debt	**(2 360.6)**	**(2 658.4)**	**(106.0)**	**(1 562.0)**	**(35.1)**	**(35.0)**	**(35.1)**	**(885.1)**
Other financial liabilities	(89.2)	(92.8)	(30.2)	(10.2)	(8.5)	(7.0)	(1.1)	(35.8)
Total financial liabilities	**(2 449.8)**	**(2 751.2)**	**(136.2)**	**(1 572.2)**	**(43.6)**	**(42.0)**	**(36.2)**	**(920.9)**
Eutelsat S.A. foreign exchange derivatives (*)	1.7	1.7	1.7	-	-	-	-	-
Non-qualifying Eutelsat S.A. interest rate derivatives (*)	0.4	0.4	0.3	0.1	-	-	-	-
Financial assets	11.2	11.2	5.4	-	-	-	-	5.8
Cash	63.4	63.4	63.4	-	-	-	-	-
Mutual fund investmens	66.2	66.2	66.2	-	-	-	-	-
Other cash equivalents	7.4	7.4	7.4	-	-	-	-	-
Total financial assets	**150.3**	**150.3**	**144.3**	**0.1**	**-**	**-**	**-**	**5.8**
Net position	**(2 299.5)**	**(2 600.9)**	**8.1**	**(1 572.1)**	**(43.6)**	**(42.0)**	**(36.2)**	**(915.1)**

* Amounts broken down under derivative instruments are recognised at fair value (not as contractual cash flows).

At 30 June 2012	Balance-sheet value	Total contractual cash flows	06/2013	06/2014	06/2015	06/2016	06/2017	More than 5 years
Term loan Eutelsat Com.	(789.1)	(919.3)	(26.5)	(26.5)	(26.5)	(26.5)	(813.3)	-
Eutelsat S.A. bond	(1 631.9)	(2 105.3)	(75.0)	(75.1)	(75.0)	(75.1)	(925.1)	(880.0)
Eutelsat S.A. foreign exchange derivatives*	(4.8)	(4.8)	(4.8)	-	-	-	-	-
Eutelsat Communications interest rate derivatives	(33.2)	(33.2)	(27.9)	-	-	(5.3)	-	-
Non-qualifying Eutelsat S.A. interest rate derivatives*	(0.5)	(0.5)	(0.5)	-	-	-	-	-
Bank overdrafts	(17.3)	(17.3)	(17.3)	-	-	-	-	-
Total financial debt	**(2 476.8)**	**(3 080.4)**	**(152.0)**	**(101.6)**	**(101.5)**	**(106.9)**	**(1 738.4)**	**(880)**
Other financial liabilities	(86.0)	(88.6)	(40.3)	(8.5)	(7.0)	(0.6)	-	(32.2)
Total financial liabilities	**(2 562.8)**	**(3 169.0)**	**(192.3)**	**(110.1)**	**(108.5)**	**(107.5)**	**(1 738.4)**	**(912.2)**
Non-qualifying Eutelsat S.A. interest rate derivatives*	0.3	0.3	0.3	-	-	-	-	-
Financial assets	22.5	22.5	19.2	-	-	-	-	3.3
Cash	38.3	38.3	38.3	-	-	-	-	-
Mutual fund investments	59.6	59.6	59.6	-	-	-	-	-
Other cash equivalents	7.2	7.2	7.2	-	-	-	-	-
Total financial assets	**127,9**	**127,9**	**124,6**	**-**	**-**	**-**	**-**	**3,3**
Net position	**(2 434.9)**	**(3 041.1)**	**(67.7)**	**(110.1)**	**(108.5)**	**(107.5)**	**(1 738.4)**	**(908.9)**

(*) Amounts broken down under derivative instruments are recognised at fair value (not as contractual cash flows).

Cash-flow hedges – Fair value recognised in equity and to be reclassified to income

	Fair value recognised in equity and to be reclassified to income						
(in millions of euros)	**Total**	**One year at most**	**One to two years**	**Two to three years**	**Three to four years**	**Four to five years**	**More than 5 years**
- Foreign-exchange-risk hedges	(3.9)	(3.9)	-	-	-	-	-
- Interest-rate risk hedges	(28.5)	(23.2)	-	-	(5.3)	-	-
Net total at 30 June 2012 (*)	**(32.4)**	**(27.1)**	**-**	**-**	**(5.3)**	**-**	**-**

* Excluding equity investments for a negative amount of €3.4 million.

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NOTE 27: OTHER COMMITMENTS AND CONTINGENCIES

As of 30 June 2012, Management considers that, to the best of its knowledge, no commitments exist that may have an impact on the Group's present or future financial position with the exception of the following items:

27.1 – Purchase commitments

At 30 June 2012, future payments under satellite construction contracts amount to €246 million, and future payments under launch agreements amount to €336 million. These commitments are spread over 4 years.

The Group also has commitments with suppliers for the acquisition of assets and provision of services for satellite monitoring and control.

The following table lists the payments for these services and acquisitions as of 30 June 2011 and 30 June 2012:

(in millions of euros)	**At 30 June 2011**	**At 30 June 2012**
2012	60	-
2013	23	43
2014	20	27
2015	18	24
2016 and beyond (*)	69	18
2017 and beyond	-	67
Total	**190**	**179**

(*) For the period reported in respect of the financial year ended 30 June 2011

At 30 June 2012, the above total includes €4 million for purchase commitments entered into with related parties (see Note 28 - *Related Party Transactions*).

The Group may receive penalties related to incidents affecting the performance of its operational satellites.

27.2 – Fleet insurance

As of 30 June 2012, the Group's existing "L + 1 insurance" ("Launch + 1 year") and in-orbit insurance policies have been taken out with insurance syndicates of 24 and 21 insurers respectively, generally with ratings of between AA- and A+. Counterpart risk is therefore limited and, if any of the insurers should default, that entity's share of the insurance cover could be taken on by a new player.

The in-orbit insurance plan taken out by the Group was renewed for a 12-month period starting on 1 July 2011. The programme has been designed with a view to minimising, at an acceptable cost, the impact of one or several satellite losses on the balance sheet and the income statement.

The fifteen satellites covered under this policy are insured for their net book value.
The recent Ka-Sat satellite is included in this policy as of the date of maturity of its previous "L +1 year policy", i.e. on 26 December 2011.

On 1 July 2012, this policy was replaced by a new 12-month programme covering 16 satellites.

27.3 – Commitments received

The Group has received a purchase commitment with no time limit, which it can exercise twice a year in respect of its equity in Hispasat.

See Note 10 – *Accounts receivable*.

27.4 – Litigation

The Group is involved in a number of cases of litigation in the normal course of its business. In respect of the expected cost of such litigation, regarded as probable by the Company and its advisers, the Company has set aside provisions considered to be sufficient enough to cover the risks incurred (see Note 22 – *Provisions*).

On 6 April 2011, Eutelsat initiated a request for arbitration before the International Chamber of Commerce against Deutsche Telekom and Media Broadcast to enforce its rights at the orbital position 28.5° East. The rights to certain frequencies at this orbital position are currently exploited by Eutelsat under an agreement dated June 1999 between Eutelsat and Deutsche Telekom whose satellite activity has since been transferred to Media Broadcast. At this stage, the Group is confident in its ability to have its rights enforced.

NOTE 28: RELATED-PARTY TRANSACTIONS

Related parties consist of:

- direct and indirect shareholders who have significant influence, which is presumed where more than 20% of the shares are held or where the investor is a member of the Board of Directors of an entity of the Group;
- minority shareholders of entities which the Group consolidates under the full consolidation method;
- companies in which the Group has an equity interest that it consolidates under the equity method, and
- members of the key management personnel.

The Group considers that the concept of "key management personnel" as applied to Eutelsat's governance includes members of the administrative and management bodies, namely the Chairman and CEO, the Deputy CEO and the other members of the Board of Directors.

28.1 – Related parties that are not members of the "key management personnel"

Amounts due by or owed to related parties and included on the balance sheet within current assets and liabilities as of 30 June 2011 and 2012 are as follows:

(in millions of euros)	30 June 2011	30 June 2012
Gross receivables including unbilled revenues [1]	10.1	8.6
Liabilities (including accrued invoices)	0.2	0.2

[1] Including €1.0 million and €0.3 million for entities accounted for via the equity method as of 30 June 2011 and 2012 respectively.

Related party transactions included in the income statements for the periods ended 30 June 2011 and 2012 are as follows:

(in millions of euros)	30 June 2011	30 June 2012
Revenues [1]	43.8	37.8
Operating costs, selling, general and administrative expenses	0.8	0.8
Financial result	-	-

[1] Including €8.5 million and €1.6 million for entities accounted for via the equity method as of 30 June 2011 and 2012 respectively.

For the year ended 30 June 2012, no related party transaction accounts individually for more than 10% of revenues.

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

28.2 – Compensation paid to members of the "key management personnel"

(in millions of euros)	30 June 2011	30 June 2012
Compensation excluding employer's charges	1.5	1.9
Short-term benefits: employer's charges	0.5	0.5
Total short-term benefits	**2.0**	2.4
Post-employment benefits [1]	See Note	See Note
Other long-term benefits (indemnity payment for unintended termination of activity	-	-
Share-based payment	0.7	0.7

[1] See Note 22.2 – *Post-employment benefits, b) Supplementary schemes.*

Share-based payment

During its meetings of 1st February 2010 and 28 July 2011, the Board of Directors approved a new free share allocation plan for the benefit of members of the Group's administrative and management bodies under the conditions set out in the plan. It also decided to define a 50% holding rate for all fully vested shares during the terms of office of the Company’s directors and corporate officers ("mandataires sociaux").

The value of the benefit granted is spread over a three-year vesting period. The expense recognised with a double entry to shareholders’ equity for the periods ended 30 June 2011 and 2012, was €0.7 million.

NOTE 29: STAFF COSTS

Staff costs (including mandatory employee profit-sharing and employee-related fiscal charges) are as follows:

(in millions of euros)	**30 June 2011**	**30 June 2012**
Operating costs	36.2	43.2
Selling, general and administrative expenses	53.7	57.0
Total [(1)]	**89.9**	**100.2**

[(1)] Including €4.2 million and €5.3 million at 30 June 2011 and 30 June 2012 respectively for expenses related to share-based payments.

The average number of employees is as follows:

	30 June 2011	**30 June 2012**
Operations	296	338
Selling, general and administrative	394	409
Total	**690**	**747**

As of 30 June 2012, the Group had 756 employees, against 723 as of 30 June 2011.

Compensation paid to the Eutelsat Communications' directors and corporate officers ("mandataires sociaux") employed by the Group was €2.4 million for the year ended 30 June 2012. €0.8 million were paid to the members of the Board of Directors as attendance fees during the reporting period.

The Group has a corporate savings plan (“Plan d’Epargne d’Entreprise” or PEE) for Eutelsat S.A. employees with more than three months of service, funded through voluntary contributions by employees.

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

NOTE 30: COMPANIES INCLUDED IN THE CONSOLIDATION

As of 30 June 2012, the list of companies included in the scope of consolidation is as follows:

Company	Country	Consolidation method	% control at 30 June 2011	% interest at 30 June 2012
Eutelsat Communications Finance S.A.S.	France	FC	100.00%	100.00%
Eutelsat S.A.	France	FC	100.00%	96.34%
Eutelsat S.A. Sub-Group				
- EUTELSAT VAS S.A.S.	France	FC	100.00%	96.34%
- Fransat S.A.	France	FC	100.00%	96.34%
- Eutelsat do Brasil S.A. (1)	Brazil	FC	100.00%	96.34%
- Eutelsat Italia S.r.l	Italy	FC	100.00%	96.34%
- Skylogic S.p.a.	Italy	FC	100.00%	96.34%
- Eutelsat Services und Beteiligungen GmbH	Germany	FC	100.00%	96.34%
- Eutelsat VisAvision GmbH	Germany	FC	100.00%	96.34%
- Eutelsat Inc.	United States	FC	100.00%	96.34%
- Eutelsat America Corp.	United States	FC	100.00%	96.34%
- Eutelsat UK Ltd	United Kingdom	FC	100.00%	96.34%
- Eutelsat Polska spZoo	Poland	FC	100.00%	96.34%
- Skylogic Polska spZoo	Poland	FC	100.00%	96.34%
- Skylogic Finland Oy	Finland	FC	100.00%	96.34%
- Skylogic France SAS	France	FC	100.00%	96.34%
- Skylogic Germany GmbH	Germany	FC	100.00%	96.34%
- Skylogic Mediterraneo S.r.l	Italy	FC	100.00%	96.34%
- Irish Space Gateways	Ireland	FC	100.00%	96.34%
- CSG Cyprus Space Gateways	Cyprus	FC	100.00%	96.34%
- Skylogic Eurasia	Turkey	FC	100.00%	96.34%
- Skylogic Greece	Greece	FC	100.00%	96.34%
- Skylogic Espana S.A.U.	Spain	FC	100.00%	96.34%
- Eutelsat Madeira Unipessoal Lda	Madeira	FC	100.00%	96.34%
- Wins Ltd (1)	Malta	FC	100.00%	67.44%
- Hispasat S.A.(1)	Spain	EM	27.69%	26.67%
- Solaris Mobile Ltd (1)	Ireland	EM	50.00%	48.17%

FC: Full consolidation method
EM: Equity method
(1) Companies with financial years ending on 31 December.
NB: The other companies' financial year ends on 30 June.

Consolidation of these subsidiaries under the full consolidation method was performed using financial statements prepared as of 30 June 2012.

NOTE 31: SUBSEQUENT EVENTS

No significant event occurred between the balance sheet date and the date on which the consolidated financial statements were approved by the Board of Directors.

NOTE 32: STATUTORY AUDITORS' FEES

(In thousands of euros)	ERNST & YOUNG				MAZARS			
	Amount N	%	Amount N-1	%	Amount N	%	Amount N-1	%
Statutory audit								
Statutory audit, certification, review of separate and consolidated financial statements								
Eutelsat communications	190	22%	199	21%	156	33%	209	42%
Other subsidiaries	517	59%	484	51%	259	55%	290	58%
Other due care and services directly linked to the statutory audit task								
Eutelsat communications								
Other subsidiaries	87	10%	156	16%	60	13%		
Sub-total	**794**	**90%**	**839**	**88%**	**475**	**100%**	**498**	**100%**
Other services, when appropriate								
Legal, tax, social	88	10%	112	12%				
Information technology								
Internal audit								
Others (to be specified if more than 10% of statutory audit fees)								
Sub-total	**88**	**10%**	**112**	**12%**				
TOTAL	**882**	**100%**	**951**	**100%**	**475**	**100%**	**498**	**100%**