

EUTELSAT COMMUNICATIONS S.A.

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EUTELSAT COMMUNICATIONS S.A.

BALANCE SHEETS

<i>(in thousands of euros)</i>	Note	30 June	
		2010	2011
ASSETS			
<u>Long-term assets</u>			
Financial assets	3	2 442 980	2 445 427
Total long-term assets		2 442 980	2 445 427
<u>Current assets</u>			
Accounts receivable		10	363
Other receivables.....	5	40 724	56 849
Cash and marketable securities	6	800	14 871
Total current assets		41 534	72 084
Prepaid expenses	4	8 311	5 163
TOTAL ASSETS		2 492 825	2 522 675

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BALANCE SHEETS

<i>(in thousands of euros)</i>	Note	30 June	
		2010	2011
LIABILITIES AND SHAREHOLDERS' EQUITY			
Common stock (220 113 982 ordinary shares as of 30 June 2010 with a nominal value of €1 per share).....		220 114	220 114
Additional paid-in capital.....		497 128	453 214
Legal reserve		6 225	12 783
Retained earnings		128	1 770
Result for the year		131 159	314 225
Regulated provisions.....		203	296
Total shareholders' equity	7	854 955	1 002 401
Provisions for risks.....		13	13
Provisions for expenses		245	873
Total provisions for risks and expenses		258	886
Loans and bank debt	8	1 628 044	1 476 881
Other financial debt.....		-	-
Total bank debt.....		1 628 044	1 476 881
Accounts payable		1 901	2 099
Tax and employee-related payable.....	9	4 716	39 795
Fixed assets payable.....		-	-
Other payables		2 952	613
Total operating debt.....		9 568	42 507
Deferred revenues		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2 492 825	2 522 675

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INCOME STATEMENT

<i>(in thousands of euros)</i>	Note	Twelve-month period ended 30 June 2010	Twelve-month period ended 30 June 2011
Revenues.....		903	1 702
Costs eligible for capitalisation		-	-
Grants received		-	-
Release of provisions and reclassification of costs		310	1 614
Other income		-	-
Total operating income		1 213	3 317
Purchase of goods and changes in inventories.....		-	-
Other purchases and external expenses		5 911	6 121
Taxes and assimilated		54	46
Wages	16	1 430	716
Social charges	16	731	1 837
Depreciation, amortisation and provisions		3 089	3 961
Other charges		717	861
Total operating charges		11 932	13 542
Operating result		(10 719)	(10 226)
Financial income.....		172 698	372 857
Financial expenses.....		55 115	80 884
Financial result	11	117 582	291 973
Exceptional income		595	463
Exceptional charges		166	428
Exceptional result	12	429	35
Mandatory employee profit-sharing		-	-
Income tax	13	(23 866)	(32 442)
NET INCOME		131 159	314 225

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STATEMENTS OF CASH FLOWS

<i>(in thousands of euros)</i>	Note	Twelve-month period ended 30 June 2010	Twelve-month period ended 30 June 2011
<u>Cash flows from operating activities</u>			
Net income		131 159	314 225
Adjustments for non-cash items:			
Capital (gain) / loss on disposal of assets		-	-
Depreciation, amortisation and provisions		3 043	3 962
Other non-operating items		(118 898)	(291 947)
Changes in operating assets and liabilities:			
Accounts receivable		494	(353)
Other current assets		21 908	(47 963)
Accounts payable		72	198
Other payables		(19 189)	32 741
Net cash flows provided by operating activities		18 589	10 863
<u>Net cash flows used in investing activities</u>			
Acquisitions of intangible assets		-	-
Acquisitions of satellites and other property and equipment		-	-
Proceeds from sale of assets		-	-
Changes in other long-term assets		-	-
Equity investments and other movements in financial investments		(521)	(2 439)
Net cash flows used in investing activities		(521)	(2 439)
<u>Net cash flows provided by (used in) financing activities</u>			
Changes in capital		-	-
Distribution	7.4	(145 244)	(166 872)
Dividends received	11	171 957	371 885
Additional long-term and short-term debt		-	-
Reimbursements of long-term and short-term debt		-	(150 000)
Changes in borrowing		3 000	31 700
Financial instruments	11.14	-	(6 190)
		-	(13 892)
Interest paid		(49 789)	(75 814)
Interest received		696	982
Changes in other debt		-	-
Net cash flows provided by (used in) financing activities		(19 380)	(8 201)
Increase (decrease) in cash and cash equivalents		(1 313)	222
Cash and cash equivalents, beginning of period		2 070	757
Cash and cash equivalents, end of period		757	979

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1: PRESENTATION

1.1 – Business description

The role of Eutelsat Communications S.A. (“the Company”) is to hold shares and provide services to its equity interests. It is the parent company of the Eutelsat Communications Group (“the Group”).

The Company’s fiscal year runs for twelve months and ends on 30 June.

1.2 – Key events during the period

None

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

2.1 – Basis of presentation

The annual financial statements are prepared in accordance with the *Code de Commerce* (Articles L123-12 to L123-28) and Rule 99-03 of the *Comité de la Réglementation Comptable* (CRC).

The following conventions have been applied in observance of the principle of prudence and in accordance with the following basic rules:

- continuity of the enterprise,
- separation of the financial periods,
- application of the same accounting methods to each financial period,

and in accordance with the general rules for preparing and presenting annual financial statements.

The basic method of evaluating the items recorded is the historical cost method.

There have been no changes in accounting policies during the period.

The currency used in the presentation of the Company’s accounts is the euro.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.2 – Use of estimates

The preparation of the annual financial statements requires Management to make estimates and assumptions that may affect the reported amounts shown in the financial statements and their accompanying Notes. Examples of these estimates and assumptions include provisions for risks and expenses, provisions for bad debts, the fair value of financial instruments, and the values in use of the equity investments and similar. Actual results could vary from these estimates.

2.3 – Financial assets

Stock is recorded in the balance sheet at its acquisition value less incidental expenses. It may include treasury shares acquired under liquidity agreements.

Any excess of cost over fair value, as estimated by Management of the Company based on criteria such as the market value, the expected development and profitability or the shareholders' equity, and taking into account the specific nature of each investment, is recorded as an impairment charge to net income.

2.4 – Cash and marketable securities

Cash and marketable securities consist mainly of treasury shares acquired under share buyback programmes designed to serve stock option plans or free share allocation plans, UCITS, cash on hand and at bank, and deposit certificates with original maturities of three months or less.

Shares repurchased for the purpose of serving stock plans are recorded at their initial cost until they are delivered to their recipients or reclassified if not attributed. This results in their not being impaired in the event of a drop in the share price.

2.5 – Receivables and debt

Receivables and debt have been evaluated at their nominal value.

Receivables are entered with a loss in value, where appropriate, to reflect any difficulties in recovering outstanding amounts.

2.6 – Apportionment of loan set-up costs

Loan set-up costs are amortised over the duration of the loan.

2.7 – Shareholders' equity

External costs directly related to increases in capital, reduction of capital and share buy-back for reduction of capital, are allocated to the share premium net of taxes when an income tax benefit is generated.

Under French law, Eutelsat Communications S.A. is obliged to allocate 5% of its net annual result (after deduction of balances brought forward in the red, if any) to a legal reserve. This minimum contribution is no longer mandatory if and when the legal reserve represents at least

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

10% of the share capital. The legal reserve can only be distributed upon the winding-up of the Company. As of 30 June 2011, the legal reserve is €12.8 million.

2.8 – Provisions

A provision is an item with a negative economic value for the Company, i.e. it is a Company obligation towards an unrelated party that is probable or certain to lead to an outflow of resources to the benefit of such party, with nothing at least equivalent expected of the unrelated party in return and for which the term or the amount is not precisely fixed.

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

NOTE 3: FINANCIAL ASSETS

Financial assets break down as follows (in thousands of euros):

	30 June	
	2010	2011
Equity interests	2 440 645	2 440 645
Other investments in securities.....	2 343	4 781
Loans and other financial assets	-	1
Total gross book values	2 442 988	2 445 427
Less: provisions	8	-
Total net carrying amounts	2 442 980	2 445 427

The changes in net carrying amounts between beginning and end of period are as follows (in thousands of euros):

	Other equity interests	Other investments in securities	Loans and other financial assets	Total
Net carrying values as of 1 July 2010	2 440 645	2 335	0	2 442 980
Acquisitions	-	43 611	43 612	87 223
Revaluation	-	-	-	-
Transfers	-	-	-	-
Reimbursement (of capital contribution) and disposals	-	(41 172)	(43 611)	(84 783)
Depreciation, amortisation and provisions	-	8	-	8
Net carrying values as of 30 June 2011 ..	2 440 645	4 781	1	2 445 427

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3.1 – Equity interests

“Other equity interests” comprises:

- Eutelsat Communications Finance shares:
 - 500 000 shares in Eutelsat Communications Finance for an amount of €2 401 488 322.14, including:
 - 3 700 shares subscribed for when the Company was formed;
 - 100 000 shares subscribed for at the time of the cash increase of 19 June 2006;
 - 252 544 shares received as a result of the merger between SatBirds Finance and Eutelsat Communications Finance;
 - The €58.7 million of additional paid-in capital distributed by Eutelsat Communications Finance to Eutelsat Communications following the decision of the sole shareholder on 4 October 2006 was considered as repayment of a capital contribution. The value of the Eutelsat Communications Finance shares reduces accordingly;
 - 143 756 shares received on the occasion of the capital increase of 15 June 2007, subscribed for in full by offsetting the cost against an outstanding repayment.
 - The €97.5 million of additional paid-in capital distributed by SatBirds Finance to Eutelsat Communications following the General Meeting of 25 September 2006 was considered as repayment of a capital contribution. The value of “Equity interests” reduces accordingly.
 - The €45.5 million of additional paid-in capital distributed by SatBirds Finance to Eutelsat Finance following the General Meeting of 25 September 2006 was considered as a repayment of a capital contribution and by being dissolved into Eutelsat Communications the value of “Equity interests” reduces accordingly.
 - The €79.8 million of additional paid-in capital distributed by Eutelsat Communications Finance following the decision of Eutelsat Communications, its sole shareholder, on 30 October 2007 was considered as repayment of a capital contribution. The value of the Eutelsat Communications Finance shares reduces accordingly.
 - All distributions of additional paid-in capital have been treated in the accounts as repayment of a capital contribution. These have been reported as a reduction in the value of the shares, as following implementation of the Group’s legal structure it was envisaged that most of the additional contributions would be recognised as additional paid-in capital to make it easier for liquidity to rise to the head company in the Group. This can be achieved by distributing amounts recognised as additional paid-in capital irrespective of whether or not a distributable profit is recognised in the books of the Group’s subsidiaries.

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- Eutelsat S.A. shares:

7 248 478 shares in Eutelsat S.A. for an amount of €39 156 817.32 (including acquisition costs of €467 000), including:

● 3 216 183 shares derived from the liquidity offer of October 2007, as follows:

○ the Company's share exchange offer to employees, former employees, directors and corporate officers, and historical shareholders resulted in the acquisition of 3 216 183 Eutelsat S.A. shares with a value of €16570 977 for a contribution of 991 332 new shares in Eutelsat Communications.

○ The buying-back of 572 735 Eutelsat S.A. shares from minority interests and institutional shareholders for an amount of €2 953222.

● 3 459 560 shares derived from the Company's exchange offer based on the transfer agreement relating to Eutelsat S.A. shares, as entered into between the Company and a historical shareholder in May 2008, and amounting to €19 165 962 in return for the contribution of 1 038 242 new shares in Eutelsat Communications.

3.2 – *Other investments in securities:*

“Other investments in securities” comprises: treasury stock held under a liquidity agreement for €1 462 thousand corresponding to 52 762 shares as of 30 June 2010 and for €1 348 thousand corresponding to 44 516 shares as of 30 June 2011.

- the “*SICAV de trésorerie*” (short-term marketable securities) held under the liquidity agreement for an amount of €881 thousand corresponding to 390 SICAV BNP Paribas as of 30 June 2010 and for an amount of €3 433 thousand corresponding to 1 510 SICAV BNP Paribas as of 30 June 2011.

3.3 – *Loans and other financial assets*

“Loans and other financial assets” comprises the cash account related to the liquidity agreement on treasury stock for €27.79 as of 30 June 2010 and for €987.54 as of 30 June 2011.

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NOTE 4: PREPAID EXPENSES AND OTHERS

“Prepaid expenses and others” is composed as follows (in thousands of euros):

	30 June	
	2010	2011
Prepaid expenses	155	256
Expenses to be accrued over several years	8 156	4 908
Total	8 311	5 163

Expenses for the loan set-up costs relate to an initial amount of €19 240 thousand and are accrued over 7 years, which is the lifetime of the loan taken out in June 2006. Following the early partial reimbursement of a syndicated facility (see Note 8 – *Financial debt*), a portion of the residual amount of trailing commissions associated with these credit agreements totalling €502 thousand was fully amortised. Loan set-up costs amount to €8 156 thousand at 30 June 2010 and €4 908 thousand at 30 June 2011.

NOTE 5: OTHER RECEIVABLES

“Other receivables” break down as follows (in thousands of euros):

	30 June	
	2010	2011
Prepayments and advances	56	29
Credits to be received	-	-
Prepaid expense account.....	1	1
Income tax	-	-
Deductible VAT	326	316
Inter-company accounts within the Group.....	40 341	56 503
Other debit balances	-	-
Total	40 724	56 849

All other receivables are not later than one year.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 6: CASH AND MARKETABLE SECURITIES

Cash and marketable securities are as follows (in thousands of euros):

	30 June	
	2010	2011
Treasury stock*	-	13 892
UCITS	-	-
Cash	-	279
Deposit warrants	800	700
Total	800	14 871

* cf. Note 7.3 – *Other securities giving access to capital*

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 7: SHAREHOLDERS' EQUITY

7.1 - Statement of changes in shareholders' equity

<i>(in thousands of euros)</i>	Carried forward	Movements affecting capital		Allocation of the result	Distribution of dividends	Other movements	Balance 30.06.2011	
		increase	reduction					
Share capital	220 114	-	-	-	-	-	220 114	
Additional paid-in capital	463 843	-	-	-	(43 914)	-	419 929	
Share premium	33 285	-	-	-	-	-	33 285	
Legal reserve	6 225	-	-	6 558	-	-	12 783	
Retained earnings (-)	-	-	-	-	-	-	-	
Retained earnings (+)	128	-	-	1 642	-	-	1 770	
Result 30.06.10	131 159	-	-	(8 200)	(122 959)	-	-	
Regulated provisions	203	-	-	-	-	93	296	
TOTAL	854 955			-	(166 873)	93	688 177	
							Shareholders' equity before result	688 177
							Net result for the year	314 225
							Total Shareholders' equity	1 002 401

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7.2 – Share capital

As of 30 June 2011, the Company's share capital was composed of 220 113 982 ordinary shares with a par value of 1 euro each. No movement occurred during the financial period with respect to the number or the par value of shares.

7.3 – Other securities giving access to capital

Allocation of free shares

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

- on the one part, the grant of 600 shares per employed beneficiary, conditional upon the attainment of performance objectives over three financial years ending 30 June 2012, including one objective linked to cumulative EBITDA (50% of the relevant portion) and another objective linked to average ROCE (the remaining 50%);
- on the other part, the grant of 368 200 shares to directors and corporate officers and managers, conditional upon the achievement, over the same three financial periods, of one objective based on cumulative EBITDA¹, one objective based on average ROCE², one objective linked to cumulative EPS³ and one TSR⁴-linked objective, all four objectives being equally weighted.

¹ EBITDA is defined as the operating result before depreciation and amortisation, excluding impairment of assets, other operating income and charges.

² ROCE is Return on Capital Employed = operating result / (shareholders' equity + net debt – goodwill).

³ EPS is defined as the Group's net earnings per share.

⁴ TSR is Total Shareholder Return. Rate of return on a share over a given period, including the dividends received and the capital gain earned (i.e. variation in the share price).

The above-mentioned performance objectives are based on the Group's consolidated financial statements.

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

As of 30 June 2011, 500 000 shares were repurchased for €13.9 million and accounted for as "Cash and marketable securities" (see Note 6 - *Cash and marketable securities*).

7.4 – Dividends, additional paid-in capital and legal reserve

On 10 November 2009, the Ordinary and Extraordinary General Meeting of Shareholders recognised a net income of €122 908 336.23 at 30 June 2009 and decided to charge a total of €6 145 thousand to "Legal reserve" and distribute a gross amount of €0.66 per share, i.e. a total of €145 244 thousand taken from "Additional paid-in capital" for a total of €28 609 thousand and from distributable income for a total of €116 635 thousand.

On 9 November 2010, the Ordinary and Extraordinary General Meeting of Shareholders recognised a net income of €131 158 794.76 at 30 June 2010 and decided to charge a total of €6 558 thousand to "Legal reserve" and distribute a gross amount of €0.76 per share, i.e. a total of €166 873 thousand taken from "Additional paid-in capital" for a total of €43 914 thousand and from distributable income for a total of €122 959 thousand.

NOTE 8: FINANCIAL DEBT

Loans and bank debt are denominated in euros with a seven-year maturity period and are repayable at maturity. Breakdown is as follows (in thousands of euros):

	30 June	
	2010	2011
Bank debt (up to 1 year)	-	
Bank debt (between 1 and 5 years)	1 615 000	1 465 000
Bank overdrafts	43	-
Accrued interest	13 001	11 881
Total	1 628 044	1 476 881

At 30 June 2010 and 2011, the Company has access to a syndicated credit facility entered into on 8 June 2006 for a period of seven years, initially amounting to €1 915 million and reduced to €1 765 million during the financial period. The facility breaks down in two parts:

- Tranche A: a long-life term loan for €1 615 million bearing interest at EURIBOR plus a margin of between 0.75% and 1.625%, depending on the Leverage Ratio (defined below), partially reimbursed for €150 million

during June 2011, resulting in the term loan now amounting to €1 465 million.

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

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

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

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

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

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

- Leverage Ratio: consolidated net debt/consolidated EBITDA⁵ less than or equal to 5.5 for the half-year and full-year periods defined in the agreement, with the first being 30 June 2006; this ratio is then gradually reduced to 5.25 at 31 December 2008, to 5 at 31 December 2009, to 4.75 at 31 December 2010 and then to 4.50 at 31 December 2011.
- Interest Cover Ratio: Consolidated EBITDA/interest payable (due and matured) greater than or equal to 2.75 (if Leverage Ratio greater than 3.5).

At 30 June 2011, Eutelsat Communications S.A. complies with these ratios.

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.

⁵ EBITDA is defined as the operating result before depreciation and amortisation, excluding impairment of assets, other operating income and charges.

To this end, Eutelsat Communications had acquired an interest rate hedge put in place for the previous loan from its SatBirds Finance subsidiary on 19 June 2006.

In addition, Eutelsat Communications has introduced a new instrument for the period 2010–2013 (see Note 14 – *Market risk*)

NOTE 9: TAX AND EMPLOYEE-RELATED PAYABLE

Tax and employee-related payable is composed of the following (in thousands of euros):

	30 June	
	2010	2011
State: accrued liabilities	61	70
Income tax	4 042	39 041
Output VAT.....	14	62
Staff: accrued liabilities	418	424
Social charges payable.....	181	198
	4 716	39 795

All tax and employee related-payable mature within one year.

NOTE 10: STAFF

The Company has no employee.

Compensation paid to senior managers is indicated in Note 16: *Related party transactions*.

NOTE 11: FINANCIAL RESULT

The financial result is made up as follows (in thousands of euros):

	Period ended 30 June	
	2010	2011
Interest expense	(55 105)	(75 232)
Interest income	735	954
Income from investments	171 957	371 885
Provisions on investments	(8)	8
Provisions for expenses	(2)	-
Investment income.....	4	10
Foreign-exchange losses	(1)	-
Realised foreign exchange gains	2	-
Hedging instruments	-	(5 652)
	117 582	291 973

The interest expense corresponds to the loans taken out on 8 June 2006 (see Note 8 – *Financial debt*), after taking into account interest received or paid on hedging instruments.

For the year ended 30 June 2010, income from investments mainly consists of dividends from the subsidiaries Eutelsat Communications Finance (€170 million) and Eutelsat S.A. (€2 million).

For the year ended 30 June 2011, income from investments mainly consists of dividends from the subsidiaries Eutelsat Communications Finance (€210 million) and Eutelsat S.A. (€1.9 million), and an advance payment on dividends amounting to €160 million received from Eutelsat Communications Finance as decided by its Chairman on 15 June 2011.

The hedging expense consists of a termination indemnity excluding accrued interest as a result of the partial termination of an instrument (see Note 14 – *Market risk*)

NOTE 12: EXCEPTIONAL RESULT

The exceptional result comprises the following:

(in thousands of euros)

	Period ended 30 June	
	2010	2011
Fines and penalties		(1)
Loss on repurchase of treasury stock	(73)	(334)
Gain on repurchase of treasury stock	595	463
Exceptional depreciation and amortisation	(93)	(93)
Allocation to provisions for risks	-	
	429	35

NOTE 13: TAX ON PROFITS

13.1 – Tax consolidation

On 28 June 2006, the Company decided to apply a tax consolidation system to a group consisting of itself and its subsidiary Eutelsat Communications Finance.

Under a tax consolidation agreement, subsidiary companies bear an income tax, a social contribution and lump-sum tax expense equal to the amount they would have had to bear if there were no tax consolidation agreement applying to the tax consolidation group, it being understood that it is the Company at the head of the group that bears or benefits from any additional tax expense or tax saving resulting from such a system.

Since 1 July 2009, the scope of the tax consolidation group has been extended and comprises the following entities: Eutelsat S.A., Eutelsat Communications Finance S.A.S, Eutelsat VAS S.A.S and Fransat S.A.

At 30 June 2010, the tax expense in respect of the tax consolidation group is €125.0 million and the amount due by the sub-subsidiaries under the tax consolidation agreement is €148.4 million, which generates a €234 million profit.

At 30 June 2011, the tax expense in respect of the tax consolidation group is €167 million and the amount due by the sub-subsidiaries under the tax consolidation agreement is €201 million, which generates a €34 million profit.

For information, Eutelsat Communications' losses prior to the tax consolidation system were €43.3 million.

13.2 Common law provisions

As of 30 June 2011, the Company's tax liability, with an estimated rate of 33.33%, in accordance with applicable legal provisions, breaks down between current income and exceptional income as follows:

	Result before tax	Tax due	Net income
Current	281 748	(32 438)	314 186
Exceptional	35	(4)	39
Total	281 783	(32 442)	314 225

Increases/reductions in future tax liability are as follows:

- Certain or possible increases/reductions of tax liability:

<i>(in thousands of euros)</i>	30 June 2010	30 June 2011
Reductions in future tax liability:		
Loss carry-forwards	14 435	14 435
Impairment of assets	-	-
Non-deductible provisions	5	5
Total	14 440	14 440
Increases in future tax liability:		
Capitalised interest and interest for late payment	-	-
Total	-	-

NOTE 14: MARKET RISK

The Company has exposure to market risks, particularly with regard to foreign exchange and interest rates. Exposure to such risks is actively managed by Management, the objective of which is to limit, where appropriate, the fluctuations of revenues and cash-flows due to variations in interest rates and foreign-exchange rates. The Company's policy is to use derivatives to manage its exposure to such risks. The Company does not engage in financial transactions whose associated risk cannot be quantified at their outset, i.e. the Company never sells assets it does not possess or does not know it will subsequently possess.

Eutelsat Communications S.A.'s exposure to interest-rate risk is managed by hedging its floating rate debt.

In order to hedge the risk on future cash flow changes related to floating rate coupon payments on its debt, the Company has implemented the following interest rate hedging instrument for hedging the Term Loan facility (due to mature in June 2013):

- A swap (pay fixed rate/receive floating rate) put in place in September 2006 with a deferred start date in April 2010 (ending in June 2013) for a notional amount of €1 615 million. This amount was reduced in June 2011 to €1 465 million so as to represent the term loan's exact amount (see Note 8 – *Financial debt*). A termination indemnity amounting to €6.2 million was paid as a result of the partial termination (see Note 11 – *Financial result*).

Financial counterpart 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 Company minimises its exposure to issuer risk and its exposure to execution and credit risk by acquiring financial products exclusively from first-rate financial institutions or banks. Exposure to these risks is closely monitored and maintained within predetermined limits. The Company does not foresee any loss that would result from a failure by its counterparts to respect their commitments under the agreements concluded. The risks to which the Group is exposed are confined neither to the financial sector nor to any particular country.

Key figures at 30 June 2010:

The following table analyses the contractual or notional amounts and fair values of the derivatives at 30 June 2010 by type of contract:

(in thousands of euros)

<u>Instrument</u>	<u>Contractual or notional amounts</u>	<u>Fair values at 30 June 2010</u>
Swap	1 615 000	(119 410)

Key figures at 30 June 2011:

The following table analyses the contractual or notional amounts and fair values of the derivatives at 30 June 2011 by type of contract:

(in thousands of euros)

<u>Instrument</u>	<u>Contractual or notional amounts</u>	<u>Fair values at 30 June 2011</u>
Swap	1 465 000	(55 184)

NOTE 15: OTHER COMMITMENTS AND CONTINGENCIES

In accordance with the loan agreements and as mentioned in Note 8 – *Financial debt*, Eutelsat Communications is committed to perform or not to perform certain actions.

This commitment cannot be quantified.

There are no other off-balance sheet commitments.

NOTE 16: RELATED-PARTY TRANSACTIONS

Related parties are defined as any third parties having a direct or indirect capital-based link with Eutelsat (subsidiaries included).

More specifically, related party transactions consist of the 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 subsidiary of the Company), the companies other than subsidiaries in which Eutelsat has an equity and the “principal senior managers”.

The Company considers that the concept of “principal senior managers” as applied to the governance of Eutelsat 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.

16.1 – Related parties other than “principal senior managers”

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

<i>(In thousands of euros)</i>	<u>At 30 June</u>	
	<u>2010</u>	<u>2011</u>
Gross receivables (including unbilled revenues).....	10	363
Inter-company accounts: receivables (payables).....	37 389	55 889
Liabilities (including accrued invoices).....	386	434

Current assets comprise trade receivable balances, inter-company accounts and unbilled revenues, but do not take into account any provisions for bad debts.

Transactions with related parties included in the income statement are as follows:

<i>(In thousands of euros)</i>	Period ended	
	30 June 2010	30 June 2011
Revenues	903	1 702
Transfer of expense	-	819
Operating charges	1 762	1 923
Financial result	172 689	372 821

Revenues are composed of the services the Company provides to the other companies in the Group in terms of strategy, industrial policy and representation.

16.2 – Compensation granted to “principal senior managers”

Gross compensation (including employer’s contributions) paid by the Company to its directors and corporate officers during the financial period ended 30 June 2011 breaks down as follows:

<i>(In thousands of euros)</i>	Twelve-month period ended 30 June 2011
Short-term benefits	896
Post-employment benefits ⁽¹⁾	12% of annual salary at end of career
Share-based payment	See below

Share-based payment

During its meeting of 1st February 2010, the Board of Directors approved a new free share allocation plan (see Note 7.3 – *Other securities giving access to capital*) and decided on a free allotment of a maximum of 66 952 new shares in Eutelsat Communications to the members of the Company’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 non-executive officers.

The value of the benefit granted, which was initially estimated at €1 187 thousand, was increased to €1 859 thousand to take account of the free share grant reassessment, and was spread over a three-year vesting period. The expense recorded under staff expenses for the financial years ended 30 June 2010 and 30 June 2011 was €161.5 thousand and €711.3 thousand respectively.

€734 thousand were paid to the members of the Board of Directors as attendance fees during the reporting period.

NOTE 17: FINANCIAL INFORMATION RELATED TO SUBSIDIARIES AND EQUITY INVESTMENTS

The table below presents the list of investments held by Eutelsat Communications in subsidiaries and other companies as of 30 June 2011 (in thousands of euros):

	<u>Last financial period ended</u>				
	<u>Capital</u>	<u>Other components of equity as of 30 June (local accounts)</u>	<u>Percentage of ownership</u>	<u>Revenues (local accounts)</u>	<u>Net income (local accounts)</u>
Eutelsat Communications Finance RCS No. 490416674 Paris Headquarters in Paris (period ended 30.06.11)	5 000	3 112 959	100%	-	252 205

The table below provides aggregated information for all investments held by Eutelsat Communications in subsidiaries and other companies at 30 June 2011 (in thousands of euros):

	<u>Gross book value of the investments</u>	<u>Provision for impairment</u>	<u>Loans and advances</u>	<u>Guarantees granted</u>	<u>Dividends received</u>
Investments in subsidiaries and other companies	2 401 488	-	-	-	370 000

NOTE 18: EVENTS AFTER THE BALANCE-SHEET DATE

None