

## **EUTELSAT COMMUNICATIONS**

*Société anonyme* with a Board of Directors  
and a share capital of 220,113,982 euros  
Registered office: 70, rue Balard  
75015 Paris

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<p><b>SPECIAL REPORT OF THE BOARD OF DIRECTORS ON THE OPERATIONS CARRIED OUT UNDER ARTICLES L. 225-177 TO L. 225-197 OF THE FRENCH <i>CODE DE COMMERCE</i> RELATING TO STOCK OPTION PLANS AND FREE SHARE ALLOCATION PLANS</b></p>
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Ladies, Gentlemen, Shareholders,

In accordance with Articles L. 225-184 and L. 225-197-4 of the French *Code de Commerce*, we are pleased to report to you on the operations undertaken during the financial year pursuant to Articles L. 225-177 relating to stock options and L. 225-197 of the French *Code de Commerce* relating to free share allocations.

First of all, we should like to remind you that no stock option plan is in force at Eutelsat Communications (hereinafter referred to as "The Company"). However, we would remind you that stock option plans are currently in force in our subsidiary Eutelsat S.A., which we control indirectly with a 95% interest.

You are further reminded that the Eutelsat Communications Group's overall corporate policy is to associate Group staff in its profits, not least by promoting employee shareholding.

## **1. FREE SHARE ALLOCATION PROGRAMMES (L.225-197) IN PLACE AT EUTELSAT COMMUNICATIONS**

You are reminded that under its employee loyalty policy and in line with its endeavour to include staff in the Group's development, Eutelsat Communications has set up three free share allocation plans since 2006.

No new free share allocation programmes have been set up during the financial year ended 30 June 2011.

The characteristics of the free share allocation programme dated 1 February 2010 are summarized below:

### **1.1 FREE SHARE ALLOCATION PLAN DATED 1 FEBRUARY 2010**

On 1 February 2010, the Company's Board of Directors approved a new free share allocation programme for the entire Eutelsat Communications Group including directors and corporate officers (*mandataires sociaux*). This involves a maximum of 700,000 shares. It further decided that this allocation would be implemented through the distribution of previously purchased shares. The allocation of free share is subject to the condition that the beneficiaries are present within the Group for 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 characteristics of this plan are as follows:

- on the one part, the allocation 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<sup>1</sup> (50% of the relevant portion) and another objective linked to average ROCE<sup>2</sup> (the remaining 50%);
- on the other part, the allocation of 368,200 shares to directors and corporate officers and managers, conditional upon the achievement, over the same three financial periods, of one objective based on cumulative EBITDA, one objective based on average ROCE, one objective linked to cumulative EPS<sup>3</sup> and one TSR<sup>4</sup>-linked objective, all four objectives being equally weighted.

The defined performances are based on the Group consolidated accounts.

As at 30 June 2011, 554 employees of the Eutelsat Group met the eligibility conditions to receive a minimum of 600 shares in the Company.

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

<sup>2</sup> ROCE is Return on Capital Employed = operating result x (1 – corporate income tax) / (shareholders' equity + net debt – goodwill).

<sup>3</sup> EPS is defined as the Group's net earnings per share.

<sup>4</sup> 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 table below shows the free allocation of shares to Group directors and corporate officers:

NAME	First name	Number of shares
DE ROSEN	Michel	66,952
BRILLAUD	Jean-Paul	36,122

The ten largest free share allocations to Group managers are listed below:

NAME	First name	Number of shares
GUILLOUARD	Catherine	19,236
BEHAR	Izy	7,000
CALVO SERRANO	Manuel	7,000
DUTRONC	Jacques	7,000
LALLEMENT	Sylvie	7,000
MILLIES LACROIX	Olivier	7,000
PATACCHINI	Arduino	7,000
O' CONNOR	Vanessa	6,000
SAMUEL	Ronald	6,000
GONZALEZ NUNEZ	Ignacio	5,000

## 2. STOCK OPTION PLANS (L.225-177)

No stock option plan or stock purchase plan is in force in the Company. However, you are reminded that our subsidiary Eutelsat S.A. has set up stock option and stock purchase plans in previous financial years, relative to Eutelsat S.A. shares.

Our subsidiary Eutelsat S.A. has set up no stock option or stock purchase plan since the financial year ended 30 June 2005.

For further details on the changes in these stock option and stock purchase plans, please be kind enough to refer to Note 15 of the Reference Document – Equity capital, in the consolidated accounts for the financial year ended 30 June 2011.

### 2.1 STOCK OPTIONS EXERCISED DURING THE FINANCIAL YEAR

You are informed that during the financial year ended 30 June 2011, a total of 23,987 stock options of our subsidiary Eutelsat S.A. were exercised.

#### 2.1.1 Stock options exercised by directors and corporate officers

As Group directors and corporate officers and their related parties hold no further stock options on Eutelsat S.A. shares, no options were exercised by them in the course of the financial year ended 30 June 2011.

**2.1.2 Table detailing the ten (10) highest numbers of options exercised by employees or former employees who are not directors and corporate officers**

<b>NAME AND FIRST NAME</b>	<b>Total number of options exercised</b>	<b>(Exercise price (in euros))</b>	<b>Plan</b>	<b>Date of Plan</b>
RAISON Jean-Claude	23,156	1.64	Managers 4	Nov. 2004
WELLER Elisabeth	831	1.64	Managers 4	Nov. 2004

**2.2 ASSIGNMENT TRANSACTIONS DURING THE FINANCIAL YEAR**

You are reminded that, as in previous years, several share assignments arising from stock option or purchase plans took place during the year:

- Liquidity offers (“Liquidity Offers”) made on a six-monthly basis to all employees and former employees of the Group, and
- Purchase transactions (“Purchase Transactions”) concerning certain Eutelsat S.A. employees who entered into undertakings to assign shares to the Company.

**2.2.1. Liquidity Offers**

The Board of Directors of Eutelsat Communications, the company that controls Eutelsat S.A., decided at its meeting on 28 June 2006 to make six-monthly liquidity offers to employee and former employee shareholders in the Company (excluding those employees and former employees having entered into undertakings to assign shares derived from the Managers Plans) whereby Eutelsat S.A. shares could be exchanged for cash.

The unit price of Eutelsat S.A. shares is calculated on a transparent basis, using the average Eutelsat Communications share price for the last 20 trading days and a formula identical to the one used for the liquidity offers of previous years.

Two private offers to buy shares were consequently made to employees and former employees of Eutelsat S.A. in December 2010 and May 2011 respectively (“Liquidity Offers”).

The Liquidity offers described below expressly exclude Eutelsat S.A. shares derived from the Managers 1, 2, 3 and 4 Plans, held by certain beneficiaries who, on 15 July 2005, undertook to assign their shares to Eutelsat Communications and its subsidiaries.

**2.2.2 The Liquidity Offer of December 2010**

Eutelsat Communications Finance, a subsidiary of Eutelsat Communications, made a Liquidity Offer to all beneficiaries of stock options granted under the Partners and the Managers 1, 2, 3 and 4 Plans and to beneficiaries of the stock purchase plans of March and April 2004, offering to purchase their shares derived from the said plans in December 2010 at a unit price of €6.99 per share.

The Liquidity Offer closed on 10 December 2010.

As a result of the Liquidity Offer, 400,187 shares were assigned by the beneficiaries to Eutelsat Communications Finance, for a total amount of €2,797,307.13.

### **2.2.3 The Liquidity Offer of May 2011**

Once again, via its subsidiary Eutelsat Communications Finance, Eutelsat Communications made a proposal to all beneficiaries of options granted under the Partners and Managers 1, 2, 3 and 4 Plans, as well as to beneficiaries of the stock purchase plans of March and April 2004, offering to purchase their Eutelsat S.A. shares at a unit price of €7.73 per Eutelsat S.A. share.

As a result of this second Liquidity Offer, which closed on 26 May 2011, beneficiaries assigned 135,389 shares to Eutelsat Communications Finance, for a total amount of €1,046,556.97.

## **2.3 SHARE ACQUISITION TRANSACTIONS**

Pursuant to the provisions of the undertakings to acquire shares, signed between Eutelsat Communications and certain beneficiaries of the Managers 1, 2, 3 and 4 Managers Stock Option Plans dated 15 July 2005, two share acquisition transactions were carried out during the financial year.

### **2.3.1. Acquisition transaction in November/December 2010**

Pursuant to the provisions of the assignment undertakings signed by certain Eutelsat S.A. managers who were beneficiaries of Eutelsat S.A. shares derived from their exercise of the “Manager 3” options, Eutelsat Communications Finance acquired a total of 1,453,432,256 Eutelsat S.A. shares at a unit price of €2.70 in November/December 2010.

## **2.4 SUMMARY TABLE**

The following table shows the total number of shares assigned by the 10 employees and former employees having assigned the largest number of shares during the financial year in accordance with the provisions of the Liquidity Offers or Acquisition Transactions.

<b>NAME AND FIRST NAME</b>	<b>Total number of shares assigned</b>	<b>Assignment price (in euros)</b>
DUTRONC Jacques	269,153	2.70
SAUNDERS Barry	201,865	2.70
SAMUEL Ronald	201,865	2.70
BEHAR Izy	134,577	2.70
BLANC Yves	121,119	2.70
O'CONNOR Vanessa	94,204	2.70
CALVO SERRANO Manuel	67,288	2.70
	17,342	6.99
VALBRET Vincent	80,747	2.70
VITALONE Roberto	80,747	2.70