

Eutelsat S.A.

EUTELSAT S.A. Group

Société anonyme with a capital of 658,539,781.25 euros

Registered office: 70 rue Balard 75 015 Paris

422 551 176 R.C.S. Paris

CONSOLIDATED FINANCIAL STATEMENTS

AT 30 June 2010

Eutelsat S.A.

CONSOLIDATED BALANCE SHEET

(In thousands of euros)

ASSETS	Note	<u>30 June 2009</u>	<u>30 June 2010</u>
Non-current assets			
Intangible assets	5	10 597	12 758
Satellites and other property and equipment, net	6	1 780 519	1 797 588
Construction work in progress	6	543 717	732 913
Investments in associates	7	216 502	232 928
Non-current financial assets	8,14	1 947	2 169
Deferred tax assets	21	2 753	2 912
TOTAL NON-CURRENT ASSETS		<u>2 556 035</u>	<u>2 781 268</u>
Current assets			
Inventories	9	1 771	1 372
Accounts receivable	10	299 500	299 212
Other current assets	11	16 649	13 029
Current tax receivable	21	3 407	2 867
Current financial assets	12,14	5 024	4 840
Cash and cash equivalents	13	140 391	58 618
TOTAL CURRENT ASSETS		<u>466 742</u>	<u>379 938</u>
TOTAL ASSETS		<u>3 022 777</u>	<u>3 161 206</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
	Note	<u>30 June 2009</u>	<u>30 June 2010</u>
Shareholders' equity			
Share capital	15	658 414	658 540
Additional paid-in capital		366 100	366 319
Reserves and retained earnings		457 455	554 545
Non-controlling interests		(800)	(20)
TOTAL SHAREHOLDERS' EQUITY		<u>1 481 169</u>	<u>1 579 384</u>
Non-current liabilities			
Non-current financial debt	16	1 150 581	1 222 759
Other non-current financial liabilities	17,18	51 775	49 164
Other non-current debt	20	3 440	1 469
Non-current provisions	22	11 359	13 391
Deferred tax liabilities	21	18 173	55 490
TOTAL NON-CURRENT LIABILITIES		<u>1 235 328</u>	<u>1 342 273</u>
Current liabilities			
Current financial debt	16	2 713	28 374
Other current financial liabilities	17,18	76 133	41 251
Accounts payable		38 813	37 362
Fixed assets payable		72 036	30 424
Taxes payable		31 280	8 563
Other current payables	20	74 680	80 014
Current provisions	22	10 627	13 561
TOTAL CURRENT LIABILITIES		<u>306 280</u>	<u>239 549</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>3 022 777</u>	<u>3 161 206</u>

Eutelsat S.A.

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

	Note	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
Revenues	23	941 894	1 048 702
Revenues from operations		941 894	1 048 702
Operating costs		(70 593)	(80 808)
Selling, general and administrative expenses		(120 076)	(132 597)
Depreciation and amortisation	5,6	(249 821)	(268 969)
Other operating income	27.2, 28.1	145 768	148
Other operating charges	6	(121 500)	(5 905)
Operating income		525 672	560 571
Financial income		26 879	32 062
Financial expenses		(62 737)	(75 705)
Financial result	24	(35 857)	(43 643)
Income from associates	7	15 954	17 844
Net income before tax		505 769	534 772
Income tax expense	21	(168 919)	(180 363)
Net income		336 850	354 409
Group share of net income (loss)		337 488	353 629
Non-controlling interests' share of net income		(638)	780
Earnings per share attributable to shareholders	25		
Basic earnings per share in €		0.333	0.349
Diluted earnings per share in €		0.333	0.349

Eutelsat S.A.

COMPREHENSIVE INCOME STATEMENT
(In thousands of euros)

	Note	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
Net income		336 850	354 409
Other items of gain or loss on comprehensive income			
Translation adjustment		(684)	3 815
Tax effect		-	(858)
Changes in fair value of cash-flow hedging instruments	15.4,26.5	(71 796)	19 425
Tax effect	21.2	24 760	(6 688)
Total of other items of gain or loss on comprehensive income		(47 720)	15 694
Total comprehensive income statement		289 130	370 103
Group share of net income (loss)		289 768	369 323
Portion attributable to non-controlling interests		(638)	780

Eutelsat S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of euros)

	Note	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
Cash flow from operating activities			
Net income		336 850	354 409
Income from equity investments	7	(15 954)	(17 844)
(Gain) / loss on disposal of assets		20	120
Other non-operating items		57 081	225 183
Depreciation, amortisation and provisions		367 021	279 461
Deferred taxes	21	10 305	30 465
Changes in accounts receivable		(74 097)	(18 962)
Changes in other assets		20 937	4 404
Changes in accounts payable		6 807	11 532
Changes in other debt		27 779	(13 767)
Taxes paid		(129 876)	(172 373)
NET CASH INFLOW FROM OPERATING ACTIVITIES		606 873	682 628
Cash flows from investing activities			
Acquisitions of satellites, other property and equipment and intangible assets	6	(386 802)	(494 362)
Acquisitions of equity investments	7.1	(29 750)	-
Proceeds from sale of assets		198	8
Insurance indemnities on property and equipment	27.2	120 545	-
Acquisition of non-controlling interests		-	(20)
Changes in other non-current financial assets		(257)	(8)
Dividends received from associates		2 473	3 169
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(293 593)	(491 213)
Cash flows from financing activities			
Changes in capital		2 633	315
Distributions		(242 865)	(273 495)
Increase in debt		123 980	926 972
Repayment of debt		(138)	(850 184)
Repayment in respect of performance incentives and long-term leases		(15 994)	(14 329)
Other debt-related expenses		-	(9 554)
Interest and other fees paid		(45 907)	(31 689)
Interest received		5 363	1 490
Termination indemnities on derivatives settled	26.2	-	(38 015)
Other changes		313	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(172 615)	(288 489)
Impact of exchange rate on cash and cash equivalents		(618)	(464)
Increase (decrease) in cash and cash equivalents		140 047	(97 538)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		(2 030)	138 017
CASH AND CASH EQUIVALENTS, END OF PERIOD		138 017	40 479
Cash reconciliation			
Cash	13	140 390	58 618
Overdraft included under debt ⁽¹⁾	16.2	(2 373)	(18 139)
Cash and cash equivalents per cash flow statement		138 017	40 479

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

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

	<u>Share capital</u>			Reserves and retained earnings	Non- controlling interests	Total
	Number	Amount	Additional paid-in capital			
At 30 June 2008	1 011 270 636	657 326	364 531	410 568	(276)	1 432 149
Net income for the period				337 488	(638)	336 850
Other items of gain or loss on comprehensive income				(47 720)	-	(47 720)
Total comprehensive income statement				289 768	(638)	289 130
Transactions affecting the capital	1 673 648	1 088	1 569	-	-	2 657
Transactions with non-controlling interests					115	115
Distributions				(242 865)	-	(242 865)
Employee benefits for share subscription				(17)		(17)
At 30 June 2009	1 012 944 284	658 414	366 100	457 455	(800)	1 481 169
Net income for the period				353 629	780	354 409
Other items of gain or loss on comprehensive income				15 694	-	15 694
Total comprehensive income statement				369 323	780	370 103
Transactions affecting the capital	193 841	126	219	(48)	-	297
Transactions with non-controlling interests	-	-	-	-	-	-
Distributions				(273 496)		(273 496)
Employee benefits for share subscription				1 311	-	1 311
At 30 June 2010	1 013 138 125	658 540	366 319	554 545	(20)	1 579 384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: KEY EVENTS DURING THE FINANCIAL YEAR

- On 26 March 2010, the Eutelsat S.A. company finalised the refinancing of all its credit agreements that were due to mature in November 2011 for a total amount of €1.3 billion. The refinancing took place through:

- the issuance of a 7 year senior unsecured bonds, with a coupon of 4.125 percent per annum for a total of €850 million;
- the conclusion of a 5 year new senior unsecured revolving credit facility for a total of €450 million.

By end of March 2010, Eutelsat S.A.'s indebtedness was fully cancelled and reimbursed using the net proceeds of the bonds, and treated in the financial statements as an extinguishment of debt.

(see Note 16 – *Financial debt*)

- The W7 satellite was successfully launched on 24 November 2009 by a Proton launch vehicle. It came into full operational service during the first week of January 2010.

- During the financial year, Solaris, an entity jointly held by SES Astra, was fully refunded for the amount of the indemnity in relation to the incident observed/reported in June 2009 on the W2A satellite. The loss of this asset recorded in Solaris' accounts at 30 June 2009 had no impact on the company's contribution to the Group's income, as the expected indemnity payment was recognised during the same accounting period.

(see Note 7.1 – *Solaris Mobile Ltd.*)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: GENERAL OVERVIEW

2.1 – *Business description*

EUTELSAT, S.A. (“EUTELSAT” or “the Group”) is a private telecommunications satellite operator involved in the design, establishment, operation and maintenance of satellite telecommunications systems covering many geographical areas (extended Europe – including North Africa, Russia and the Middle East – the east of North America, South America, sub-Saharan Africa and Asia).

EUTELSAT owns and operates 23 satellites in geostationary orbit to provide (allocating and making available) capacity to major international telecommunications operators and broadcasting companies, for analogue and digital television and radio broadcasting services, business telecommunications services, multimedia applications and messaging and positioning services. In addition, EUTELSAT also has transponder capacity utilisation contracts on three satellites belonging to related and third parties.

Six more satellites (5W3B, Ka-Sat, W3C, ATLANTIC BIRDTM7, W5A and W6A) are currently under construction. The first two satellites are expected to be launched in 2010/2011, the third and fourth in 2011/2012 and the last two in 2012/2013.

2.2 – *Formation and transfer of IGO activities*

On 2 July 2001, EUTELSAT IGO (the “IGO”), an Intergovernmental Organisation set up to provide the space segment required for public international telecommunications services in Europe, transferred all its operational activities, assets, liabilities and commitments to a shell company, EUTELSAT, S.A. (the Company) a joint stock company (*société anonyme*) incorporated according to French law with a Management Board and a Supervisory Board with Head Offices in Paris (France). The number of shares issued by EUTELSAT as a consideration for the transfer was based on the estimated net assets of the IGO as of 1 July 2001. Immediately after the transfer of activity, the IGO distributed 100% of the shares to its Signatories (namely the national telecommunications entities of the countries that are members of the IGO). The *Additional Paid-in Capital* was increased by the difference between the actual and the estimated net assets.

The entire IGO branch of activity was transferred at net book value applying the French tax rule for spin-offs (“*régime des scissions*”). The main consequence of the transfer is that the IGO activities are now subject to the French legal, tax and social security regimes and those of the other countries.

The frequency allocations for the spectrum and orbital resources used by EUTELSAT upon the transfer of activity for its satellite operations remain under the joint responsibility of the member countries of the IGO, and of the IGO.

Further to a decision taken by the extraordinary session of the General Meeting of 24 September 2004, the legal structure of the Company’s management framework was changed into a *société anonyme* with a Board of Directors.

Since 4 April 2005, more than 50% of EUTELSAT S.A. is held by the EUTELSAT Communications Company (formerly SATBIRDS SAS), which consolidates the accounts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of EUTELSAT S.A. and its subsidiaries according to the full consolidation method at the level of the EUTELSAT Communications Group (“the Group”).

2.3 – Approval of the financial statements

The consolidated financial statements at 30 June 2010 have been prepared under the responsibility of the Board of Directors, which adopts them at its meeting on 29 July 2010.

They will be submitted for the approval of the Ordinary General Meeting of Shareholders to be held on 8 November 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: BASIS FOR THE PREPARATION OF FINANCIAL INFORMATION

3.1 – Compliance with IFRS

In accordance with the EU rule 1602-2002 on the application of international accounting standards, the Company decided to prepare consolidated financial statements for the year ending 30 June 2004 in compliance with IFRSs then applicable.

The consolidated accounts for the year ending 30 June 2004 were the first that the Company prepared according to IFRS standards for consolidated statements.

The consolidated financial statements have been prepared in accordance with the accounting principles defined by the “International Financial Reporting Standards” (IFRS), and in particular, IFRS 1 “First Adoption of International Financial Reporting Standards”. The general principle is retrospective application on the opening balance sheet (1 July 2003) of the standards used in preparing the consolidated financial statements. The impact of the resulting adjustments is reported in shareholders’ equity at the beginning of the period. However, IFRS 1 offers “first-time users” a number of exceptions to the principles for total retroactive adoption when applying the IFRSs. The following options have been applied by the Company in preparing its consolidated financial statements according to IFRS:

Business combinations – The Company has chosen not to apply IFRS 3 “Business Combinations” retrospectively to business combinations formed prior to 1 July 2003. In particular the transfer in 2001 for the formation of EUTELSAT SA has not been restated.

Translation adjustments – The Company has not opted to adjust to zero the translation adjustments relating to the conversion of foreign subsidiaries’ accounts as of 1 July 2003. The amount of the translation adjustments therefore remains unchanged as of this date.

Fair value measurement of certain tangible assets – The Company has chosen not to revalue tangible assets at their fair value on the date of transformation.

Employee benefits – The Company has chosen to book all cumulative actuarial gains/losses as of 1 July 2003 to shareholders’ equity. Application of this option has no impact on the method used by the Company for subsequent reporting of actuarial gains/losses in terms of retirement and post-employment benefits.

Payments in shares and similar – The Company has chosen to apply IFRS 2 “Share-based Payments ” to equity instruments granted after 7 November 2002 for which rights have not yet vested as of 1 January 2005.

The Company has chosen to apply IAS 32 “Financial Instruments: Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement” at 1 July 2003.

The financial statements at 30 June 2010 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 Web site:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The standards and interpretations applicable at 30 June 2010 are identical to those applicable at 30 June 2009, except for the following texts which are required to be applied for all financial periods beginning on or after 1 July 2009.

- Revised IAS 1 "Presentation of Financial Statements"; the revised standard requires an entity to present a comprehensive income statement that includes net profit and other items of gain or loss on comprehensive income directly recognised to shareholder's equity. According to the revised IAS 1, the comprehensive income statement can be presented either as a single financial statement including the income statement or as two financial statements, namely an income statement and a comprehensive income statement. In the latter case, the comprehensive income statement is presented immediately after the income statement. This was the option that the Group has chosen.

- IFRS 8 "Operating Segments"; this standard which supersedes IAS 14 requires an entity to present information about its operating segments on the basis of the internal management data used by the Group's chief operating decision maker to assess performance and allocate resources. The new provisions had no impact on segment presentation. According to IFRS 8, the management data are reconciled with the consolidated accounts (see. Note 23 – *Segment information*).

- Revised IAS 23 "Borrowing Costs"; the revised standard requires an entity to capitalise borrowing costs attributable to the construction or production of qualifying assets (thereby eliminating the option of recognising borrowing costs as an expense). This amendment has no impact on the Group's accounts as the accounting treatment is already applied by the Group.

- Amendment to IFRS 2 "Share-Based Payments: Vesting Conditions and Cancellations"; this amendment which clarifies the definition of vesting conditions and the treatment of cancelled awards has not impacted the financial situation and performance of the reporting period.

- Amendment to IAS 32 and IAS 1: Financial instruments redeemable at the holder's discretion and obligations arising on liquidation; both standards were amended to limit exceptions to the scope of redeemable instruments and they had no impact on the Group's accounts.

- Improvement of IFRS standards published in May 2008 including the amendment to IFRS 5 on an interpretation of the notion "HFS, held for sale" in the event of partial disposal of securities, applicable for financial years beginning on or after 1 July 2009; these texts had no impact on the Group's accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Revised IFRS 3 “Business Combinations”, applicable to business combinations for which the date of acquisition occurs after the beginning of the first financial year starting on 1 July 2009.

- Revised IAS 27 “Consolidated and Separate Financial Statements”, applicable on the same date as the revised IFRS 3.

Generally, the two standards (Revised IFRS 3 and Revised IAS 27) substantially change the way business combinations and changes in ownership interests in subsidiaries (with or without loss of control) are accounted for. The main changes in the accounting for business combinations relate to the valuation of non-controlling interests (formerly referred to as "minority interests"), the recognition of transaction costs, the initial and subsequent recognition of contingent consideration and step acquisitions. As regards the revised IAS 27, the main changes relate to the accounting treatment for loss of control and changes in ownership interests without loss of control. These amendments are detailed in Note 4.2 "*Business Combinations*" and 4.3 "*Acquisition/disposal of non-controlling interests*".

The revised standard is to be applied prospectively.

In addition, as a result of the changes introduced by the revised IAS 27 to be applied prospectively, a number of disclosures required under IAS 7 "Cash Flow Statements" and IAS 1 "Presentation of Financial Statements" (and more specifically the statement of changes in shareholders' equity) and which are impacted by these changes, are made retrospectively.

- Improvements to IFRSs released in April 2009 regarding the amendment to IAS 38 "Intangible Assets" on the measurement at fair value of an intangible asset acquired in a business combination; this amendment is linked to the revised IFRS 3 applicable for financial years beginning on or after 1 July 2009.

- Amendment to IFRS 7 aimed at improving the information reported in respect of financial instruments (fair value measurement and information on liquidity risk in relation to financial instruments (liabilities)).

- Amendments to IFRIC 9 and IAS 39 “Embedded Derivatives”.

- Amendments to IAS 39 “Eligible Hedged Items”.

- IFRIC 16 “Hedging a net investment in a foreign operation”.

New standards and interpretations which have not been applied

On the other hand, the Group has not applied the following standards and interpretations that came into force on 1 July 2009 and which were only adopted by the European Union after that date:

- Improvement to IFRSs released in April 2009 and more specifically the amendments for which the date of application is after 1 July 2009.

- IFRIC 17 “Distributions of non-cash assets to owners” applicable for financial years starting as of 1 July 2009 with an entry into force in the European Union on 1 November 2009.

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- IFRIC 18 “Transfers of assets from customers” applicable for financial years starting as of 1 July 2009 with an entry into force in the European Union on 1 November 2009.

Furthermore, no standard or interpretation has been applied in advance, whether they were endorsed by the European Union or not and the Group is currently carrying out an analysis of the practical consequences of the new texts and of the effects of applying them in the accounts, namely:

- The amendment to IAS 32 “Classification of Rights Issues” applicable as of 1 February 2010 and endorsed by the European Union.

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

- The revised IAS 24 “Related Party Disclosures”, applicable for financial years beginning on or after 1 January 2011, as yet not endorsed by the European Union.

- IAS 32 “Classification of Rights Issues” applicable for financial years beginning as of 1 February 2010 and endorsed by the European Union on 27 December 2009.

- The Amendment to IFRS 2 “Cash-settled share-based payment of intra-group transactions” applicable for financial years beginning on or after 1 January 2010, and endorsed by the European Union on 27 March 2010.

- The improvement to IFRSs released in April 2010, applicable for financial years beginning on or after 1 January 2010, as yet not endorsed by the European Union.

- IFRIC 19 “Extinguishing financial liabilities with equity instruments”, applicable for financial years beginning on or after 1 July 2010, as yet not endorsed by the European Union.

Accounting procedures chosen by the Group in the absence of specific requirements

As of 30 June 2010, in the absence of applicable IFRS standards or interpretations, the "Cotisation sur la Valeur Ajoutée des Entreprises" or CVAE (Business Contribution on the Added Value), considered by the Group an operating expense that is not within the scope of IAS 12 "Income taxes" and therefore does not give rise to deferred taxes.

3.3 – 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.4 – Significant judgements and estimates

Preparation of the Group's consolidated financial statements 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 constantly updates its estimates and assessments using past experience in addition to other relevant factors related to the economic environment. The close down of the transactions underpinning these estimates and assumptions could result in significant adjustment to the amounts that are recognised during a subsequent financial period because of the uncertainty attached to them.

Judgements

In preparing the financial statements at 30 June 2010, Management has exercised its judgement, particularly with regard to the ability of the Sea Launch Company to honour its contractual commitments towards the Group with respect to the two Sea Launch launchers. (See Note 6 - *Satellites and other property and equipment*)

Estimates

The key estimates relating to the future and the other main sources of uncertainty at the date of closing the accounts are shown below:

- an assessment of the recoverability of accounts receivable (see Note 10 – *Accounts receivable*), exposure to credit risk and risk profile,
- provisions for risk and for employee benefits (see Note 22 – *Provisions*),
- the income tax expense and an assessment of the amounts of deferred tax assets (see Note 21 – *Current and deferred tax*),
- possible impairment of goodwill and other intangible assets (see Note 5 – *Goodwill and other intangible assets*),
- an assessment of satellites' useful lives and their impairment (see Note 6 – *Satellites and other property and equipment*).

3.5 – Periods presented and comparatives

The financial year of EUTELSAT S.A. is twelve months and ends on 30 June.

The functional currency, and the currency used to present financial statements, is the euro.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES

4.1 – Consolidation method

The companies that are controlled directly or indirectly by EUTELSAT S.A. are fully consolidated using the full consolidation method even if the Company does not directly own any equity in these companies. Control is the power to direct financial and operational policies and is presumed to exist where the Group holds directly or indirectly more than 50% of the voting rights. The determination of control takes into account the existence of potential voting rights provided that these are immediately exercisable or convertible.

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

Associated entities over which the Group exerts sizeable/significant influence (generally between 20% and 50% of voting rights), are accounted for using the equity consolidation method. Sizeable/significant influence is defined as the power to take part 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 acquisition and that are not related to operations having an impact on the income statement are recorded in the consolidated reserves for an amount representing the Group's share. Companies are no longer included in the scope of consolidation as of the date when the Group transfers control or significant influence.

Intra-group balances and transactions are eliminated when consolidating.

4.2 – Accounting treatment for business combinations

After standard revision in 2008

Starting on 1 July 2009, business combinations are recognised using the acquisition 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, namely:

- 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 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 the criteria defined under IFRS 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 within the 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:

- Transaction costs formed a part of the acquisition price;
- 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 – Foreign currency transactions

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 transaction.

Monetary assets and liabilities (including payables and receivables) in foreign currency are translated into the functional currency at the end of the period using the closing exchange rate. Resulting foreign-exchange gains and losses are recorded in the income statement throughout the course of the period.

On the other hand, foreign exchange gains and losses arising from the translation of capitalisable advances made to foreign subsidiaries and forming part of the net investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

in the consolidated subsidiary are recognised directly in shareholder's equity under the heading "Cumulative translation adjustment".

The main foreign currency used is the U.S. dollar. The closing exchange rate used is 1.23 USD for 1 euro and the average exchange rate for the period is 1.39 USD for 1 euro.

Translation of foreign subsidiaries' financial statements

Each subsidiary outside the euro area keeps its accounts in the currency that is most representative of its economic environment. Their financial statements are translated into euros using the closing-rate method. All assets and liabilities, including goodwill, are translated into euros using the exchange rate prevailing at the balance sheet date. Income and expenses are translated using a weighted-average exchange rate for the period. The resulting translation adjustment is included on a separate line of shareholders' equity under "Translation adjustments".

4.4 – 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.

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

For the periods ending 30 June 2009 and 2010, no development costs were incurred by the Group.

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

4.5 – 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. If no loan is 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 accounting for the financing structure of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Satellites – Satellite costs include all expenses incurred for commissioning individual satellites and comprise manufacturing, launch and attributable 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 modification to the amount of such an incentive payment with respect to one or more periods is recognised as a satellite cost adjustment. 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 – 17 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.

Assets under construction – Assets under construction primarily consist 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.6 – 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 and intangible fixed assets with finite useful lives, an impairment test is performed only when there is an external or internal indication that their recoverable values may be lower than their net book values (for example, 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 to be generated by an asset or CGU during its useful life and are based upon the medium-term plan approved by Management. 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 the long-term pre-tax interest rates that, in the opinion of the Group, best reflect the time value of money and the specific risks associated with the related assets or CGU.

The fair value net of 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 respectively on the income statement under the headings "Other operating costs" and "Other operating income". An impairment of goodwill cannot be reversed.

As of 30 June 2009 and 2010, the following CGUs have been identified for the purpose of impairment tests:

- Each satellite, i.e. 26 as of 30 June 2010
- investment in the Hispasat Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.7 – 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.

4.8 – 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 upon the objectives determined by Management at the time of purchase. The designation and classification of these instruments are determined at initial recognition.

4.8.1 – 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 UCITS (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 available for sale

Available-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” or “Assets held to maturity” categories. Available-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 the gains and losses resulting from the changes in fair value being recognised under shareholders’ equity. When they are sold or in the event of impairment, the cumulative gains and losses previously entered under shareholders’ equity are recorded in the financial result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

4.8.2 – 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.

4.8.3 – 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 in IAS 39 “*Financial Instruments*”: *Recognition and Measurement*”. (see Note 4.10.5 – *Hedging transactions*)

4.8.4 – Impairment

At each balance sheet date, the Group applies impairment tests to all financial assets in order to determine if there is an indication of impairment. Impairment is recognised in the income statement where there is objective evidence that the asset has depreciated. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

The impairment of equity investments that do not have a list price on an active market that are valued at cost, and of investments in equity instruments classified as available-for-sale financial assets measured at fair value, cannot be reversed.

4.8.5 – Hedging transactions

Hedging transactions involve the use of derivatives. Changes in the fair value of a derivative are used to offset the exposure of the hedged item to changes in fair value.

Derivatives 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 the income statement; (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 hedges.

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" 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.

Where a hedging relationship is put in place with a derivative that has a non-zero fair value (for example, where a new debt is issued and hedged by an interest-rate swap contracted before the date the new debt is issued), the non-zero fair value of the hedging instrument measured on the date the hedging relationship is put in place is amortised over the remaining life of the instrument concerned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When the anticipated transaction leads to the recognition of a non-financial asset or liability, the cumulative changes in the fair value of the hedge previously recognised in shareholders' equity are added to the initial measurement of the asset or liability in question.

4.8.6 – Fair value of financial instruments

Fair value is the amount for which an extinguished asset or liability could be exchanged between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial assets and liabilities traded on an active market (such as with some equity investments, marketable securities and derivatives) is determined on the basis of the list price or the market value on year end closing.

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

4.9 – Cash and cash equivalents

Cash and cash equivalents mainly consist of cash at hand and at bank, as well as short term deposits or investment certificates with original maturities of three months or less, and also UCITS 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 negligible.

4.10 – Shareholders' equity

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.

Granting of stock options

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

4.11 – Revenue recognition

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

These contracts 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 interruptions caused by under-performing transponders. Pursuant to certain contractual termination rights, the agreement can usually be terminated after two years with a one-year notice period and, depending on the type of lease, payment of the difference between the contractual price and the price that would have been paid for a lease with a duration similar

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 receivable will be recovered.

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

4.12 – Deferred taxes

Deferred taxes are the result of timing differences arising between the tax base of an asset or liability and its book value. Deferred taxes are calculated for all fiscal entities and are booked in respect of all timing differences, using the balance sheet liability method unless there are exceptions.

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

- when the deferred tax liability arises from a non tax deductible goodwill amortisation or from the initial recognition of an asset or liability other than in a transaction that is not a business combination and 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 timing of the reversal of the difference and it is probable that the timing 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 timing differences can be charged. However, a deferred tax asset is not recognised if it arises from a deductible timing difference generated by the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, does not affect the accounting or the taxable income or the tax loss.

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

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 as of the closing date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.13 – Earnings per share

EPS is 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.

Diluted earnings per share are calculated using the share repurchase method, based on the assumptions (i) that all potentially dilutive instruments are converted (i.e. assuming the exercise of all outstanding options and the conversion of any financial instruments giving access to the share capital, after taking into account the theoretical impact of these transactions on net income) and (ii) that the expected proceeds from these instruments are received when ordinary shares are issued at the average market rate for ordinary shares during the period.

4.14 – 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 conducted each year and reviewed at intervening 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 closing 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

4.15 – Financial guarantee granted to a pension fund

The Group is now the guarantor for the pension scheme for which commitments had been outsourced prior to the transfer when EUTELSAT was formed. 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 3.19 - *Provisions*, 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.

4.16 – 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: INTANGIBLE ASSETS

The intangible assets item is as follows:

Changes in gross assets

<i>(In thousands of euros)</i>	Intangible assets	Total
30 June 2008	40 768	40 768
Separate acquisitions	4 518	4 518
Disposals	-	-
Transfers	1 708	1 708
30 June 2009	46 994	46 994
Separate acquisitions	6 429	6 429
Disposals	-	-
Transfers	584	584
30 June 2010	54 007	54 007

Changes in accumulated depreciation and impairment

<i>(In thousands of euros)</i>	Intangible assets	Total
Accumulated depreciation at 30 June 2008	(32 783)	(32 783)
Annual allowance	(3 614)	(3 614)
Reversals	-	-
Impairment	-	-
Accumulated depreciation at 30 June 2009	(36 397)	(36 397)
Annual allowance	(4 852)	(4 852)
Reversals	-	-
Impairment	-	-
Accumulated depreciation at 30 June 2010	(41 249)	(41 249)

Net assets

<i>(In thousands of euros)</i>	Intangible assets	Total
Net value at 30 June 2008	7 985	7 985
Net value at 30 June 2009	10 597	10 597
Net value at 30 June 2010	12 758	12 758

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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

<i>(In thousands of euros)</i>	Satellites [1]	Other tangibles	Construction in progress	Total
Gross value at 30 June 2008	2 879 712	153 888	777 608	3 811 208
Change in gross value	(10 632)	-	-	(10 632)
Acquisitions	80 027	20 496	384 822	485 345
Disposals and scrapping of assets	(26 010)	(759)	-	(26 769)
Transfers	613 477	3 528	(618 713)	(1 708)
Gross value at 30 June 2009	3 536 574	177 153	543 717	4 257 444
Change in gross value	(916)	-	-	(916)
Acquisitions	-	27 600	451 390	478 990
Disposals and scrapping of assets	(121 089)	(882)	-	(121 971)
Transfers	254 080	7 530	(262 194)	(584)
Gross value at 30 June 2010	3 668 649	211 401	732 913	4 612 963

Changes in accumulated depreciation and impairment

<i>(In thousands of euros)</i>	Satellites [1]	Other tangibles	Construction in progress	Total
Accumulated depreciation at 30 June 2008	(1 496 482)	(95 367)	-	(1 591 849)
Annual allowance	(346 563)	(21 117)	-	(367 680)
Reversals	-	199	-	199
Impairment	26 010	112	-	26 122
Accumulated depreciation at 30 June 2009	(1 817 035)	(116 173)	-	(1 933 208)
Annual allowance	(242 077)	(22 040)	-	(264 117)
Reversals	121 089	799	-	121 888
Impairment	(7 024)	-	-	(7 024)
Accumulated depreciation at 30 June 2010	(1 945 047)	(137 414)	-	(2 082 461)

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Net assets

<i>(In thousands of euros)</i>	Satellites [1]	Other tangibles	Construction in progress	Total
Net value at 30 June 2008	<u>1 383 230</u>	<u>58 521</u>	<u>777 608</u>	<u>2 219 359</u>
Net value at 30 June 2009	<u>1 719 539</u>	<u>60 980</u>	<u>543 717</u>	<u>2 324 236</u>
Net value at 30 June 2010	<u>1 723 602</u>	<u>73 987</u>	<u>732 913</u>	<u>2 530 502</u>

[1] including satellites subject to finance leases:

<i>(In thousands of euros)</i>	
Gross value	<u>90 616</u>
Net value at 30 June 2010	<u>34 580</u>

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

	Gross value	Net value		
SESAT 2	65 670	31 238	12 transponders	Contract dated March 2004 related to the satellite's remaining useful life
Telstar 12	23 446	3 342	4 transponders	Agreement dated June 1999 related to the satellite's remaining useful life

Changes in satellite gross values at 30 June 2009 are the result of cancelling part of the satellite performance incentive payments for W5, following the incident in June 2008 (see below).

Satellite-related acquisitions and transfers at 30 June 2009 correspond to the delivery into geostationary orbit of the HOT BIRDTM9, W2M, HOT BIRDTM10 and W2A satellites, all launched during the financial year.

Satellite-related acquisitions and transfers at 30 June 2010 correspond to the delivery into geostationary orbit of the W7 satellite launched during the financial year.

The TELECOM 2C and W2 satellites were de-orbited during the financial year ended 30 June 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

W5 satellite

During the night of 16 to 17 June 2008, the W5 satellite suffered an anomaly affecting part of its power supply sub-system, compelling the Group to reduce the number of transponders in service by four. Following an inquiry into the anomaly with Thales Alenia Space, the satellite's remaining in-orbit life was reassessed and reduced by three years.

Following this incident, the Group had carried out an impairment test based on the present value of the future cash flows generated by this satellite, using a discount rate of 7.5%. This had shown no need to adjust the value recognised on the face of the balance sheet.

Corrective action was undertaken during the financial year ended 30 June 2009. This resulted in a new assessment of the satellite's remaining in-orbit life, which was now estimated as having been reduced by one year instead of three years.

The adjustment in gross value (see above) and the reduction in lifetime have been accounted for prospectively by modifying the depreciation charge.

W2M satellite

On 22 January 2009, the W2M satellite suffered a major anomaly which affected its electrical power-supply sub-system. As of the date of this document, this was continuing to make its commercial operation impossible. On 27 February 2009, a claim for the satellite's constructive total loss was sent to the insurers (see. Note 27.2 – *In-orbit insurance and launch insurance*). This event has not affected continuity of service for the Group's customers, but has resulted in Eutelsat recognising impairment corresponding to the full value of the satellite under "Other operating costs". Eutelsat has received the full indemnity as of 30 June 2009.

W75 satellite

At 30 June 2010, the medium-term plan was updated and it became apparent that future revenue flows generated by the W75 satellite were lower than initially expected. This led to the performance of an impairment test. An impairment loss of €5.5 million was recognised under "Other operating costs", based on revised and discounted future cash flows, using a discount rate of 7.5%.

As of 30 June 2010, the "Construction in progress" item mainly included six satellites and five launches compared to five satellites and four launches at 30 June 2009. Two of the five scheduled launches will be undertaken by Sea Launch Limited Partnership, a company that filed for Chapter 11 protection under the U.S. Bankruptcy Code on 22 June 2009. Advances on launch costs already paid amount to €79.9 million. During the first half of the financial year, an initial refinancing plan approved by the courts enabled the company to stay in business, followed by a second refinancing plan approved by the courts during the second half of the financial year. On 27 July 2010, the courts approved Sea Launch Partnership's refinancing plan, enabling the company to be released from the provisions of Chapter 11 of the US Bankruptcy Code. On the basis of the information available at the time of drawing up the accounts, Eutelsat considers that Sea Launch will be in a position to continue to fulfil its contractual commitments towards Eutelsat.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: INVESTMENTS IN ASSOCIATES

At 30 June 2009 and 30 June 2010, the “Investments in associates” item is as follows:

<i>(In thousands of euros)</i>	30 June 2009	30 June 2010
Solaris Mobile	71 878	71 080
Hispasat	144 625	161 848
Total	216 502	232 928

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 in Ireland to provide services in the S band.

This frequency band can distribute television, video and radio services, as well as two way 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.

On 22 June 2009, after definitively observing that its S-band payload on Eutelsat’s W2A satellite was suffering from an anomaly, Solaris sent a submission to the insurers with proof and quantification of the claim, and a request for an insurance indemnity to be paid amounting to the total value of the asset. Owing to the anomaly, the value of the S-band capacity was fully impaired as of 30 June 2009. Given the elements at its disposal, the Company considered that it had the evidence required to recognise an item of accrued income as of the same date, covering the full amount of the losses suffered. During the first half of the financial year ended 30 June 2010, the S band was fully refunded for the amount insured.

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

EUTELSAT has a 50% investment in Solaris and has joint control with its partner.

Eutelsat S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

<i>(In thousands of euros)</i>	<u>30 June 2009</u>	<u>30 June 2010</u>
Value of the equity investment at beginning of period	45 007	71 878
Participation in capital increases	29 750	-
Share of income	(2 879)	(798)
Impact of Income and expenses recognised directly under equity	-	-
Value of the equity investment at end of period	71 878	71 080

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

<i>(In thousands of euros)</i>	<u>30 June 2009</u>	<u>30 June 2010</u>
Non-current assets	3 581	3 840
Current assets	142 472	139 538
Non-current liabilities	-	-
Current liabilities	2 295	1 218
Total net assets	143 756	142 160
Operating income	-	-
Net income	(3 954)	(1 596)

7.2 – Hispasat Group

At 30 June 2009 and 2010, the Group owns, through its subsidiary Eutelsat Services und Beteiligungen GmbH, 27.69% of the Hispasat group, a private unlisted Spanish satellite operator. At 30 June 2008, certain rights related to the stability of the shareholder base were attached to this equity investment. During the financial year ended 30 June 2009, these rights were transferred (see Note 28 – *Related party transactions*).

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

<i>(In thousands of euros)</i>	<u>30 June 2009</u>	<u>30 June 2010</u>
Value of the equity investment at beginning of period	132 162	144 625
Share of income	18 833	18 642
Impact of Income and expenses recognised directly under equity	(6 370)	(1 419)
Value of the equity investment at end of period	144 625	161 848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

<i>(In millions of euros)</i>	30 June 2009	30 June 2010
Intangible rights ⁽¹⁾	27.7	27.7
Service contract ⁽²⁾	1.4	1.2
Investment in Hisdesat	5.0	5.0
Sub-total	34.1	33.9
Hispasat net assets	110.5	127.9
Total	144.6	161.8

⁽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 depreciation life of the other identified intangible assets has been estimated at 15 years.

The following table presents the annual accounts of the Hispasat Group (in accordance with Spanish GAAP):

<i>(In thousands of euros)</i>	31 December 2008	31 December 2009
Non-current assets	514 667	737 778
Current assets	207 930	102 964
Non-current liabilities	254 243	242 054
Current liabilities	77 792	140 537
Total net assets	390 562	458 151
Operating income	137 389	149 316
Net income	47 512	71 469

At 30 June 2009 and 2010, "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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are mainly made up of:

<i>(In thousands of euros)</i>	30 June 2009	30 June 2010
Non-consolidated equity investments ⁽¹⁾	437	457
Long-term loans and advances	1 510	1 712
Total	1 947	2 169

⁽¹⁾ Non-listed investments valued at cost less impairment

- **Non-consolidated equity investments**

The non consolidated equity investments mainly comprise Sitcom Spa common stock with an 11.56% investment with a gross value of € 000 thousand and a investment of 4.63% of TV Files' common stock with a gross value of 2 321 thousand euros. These shares are not listed on an active market and no reliable fair value can be obtained on the basis of information currently available. The relevant amounts, therefore, continue to be recognised on a historical-cost basis.

At 30 June 2009 and 2010, depreciations amount to €7 951 thousand, namely a net value of €370 thousand.

- **Long-term loans and advances**

Long term loans and advances mainly represent loans to unions for a total of €0.8 million and €1.0 million at 30 June 2009 and 2010 respectively, in addition to guarantee deposits paid for the renting of EUTELSAT S.A. premises in Paris for a total of €0.4 million and €0.4 million at 30 June 2009 and 30 June 2010 respectively.

NOTE 9: INVENTORIES

Gross and net inventories amount to € 867 thousand and € 771 thousand at 30 June 2009 and € 484 thousand and € 372 thousand at 30 June 2010. They mainly comprise receive antennas and modems.

The allowance for stock depletion was € 096 thousand and € 112 thousand respectively for the financial periods ended 30 June 2009 and 30 June 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

At 30 June 2009, the net book value of these accounts receivable amounted to €299 500 thousand and the corresponding impairment charge was €24 129 thousand.

As of 30 June 2010, the net book value of these receivables was €299 213 thousand and the corresponding impairment charge was €24 424 thousand.

Accounts receivable at 30 June 2009 and 2010 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 2010 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.

Despite the volatile environment, the Group has not so far observed any significant deterioration in payment times, and the amount of bad debt represents €13 thousand and €1 398 thousand at 30 June 2009 and 30 June 2010 respectively. The temporary and isolated increase observed at 30 June 2009 does not reflect any particular risk with respect to degradation of the balance of payments. The Group considers that recoverable debt represents no particular risk, except for the risk attached to customers in geographical areas deemed to be potentially the most exposed to the effects of the financial crisis. This risk is estimated at approximately 1.9% of the value of accounts receivable at 30 June 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10.1 – Evolution of the allowance for bad debt

<i>(In thousands of euros)</i>	Group total
Value at 30 June 2008	23 798
Annual allowance	10 861
Reversals (used)	1 146
Reversals (unused)	9 384
Translation adjustments and other movements	-
Value at 30 June 2009	24 129
Annual allowance	15 769
Reversals (used)	3 001
Reversals (unused)	12 471
Translation adjustments and other movements	-
Value at 30 June 2010	24 426

10.2 – Analysis of accounts receivable (matured and non-matured)

<i>(In thousands of euros)</i>	30 June 2009	30 June 2010
Non-matured receivables	218 605	204 222
Unimpaired matured receivables	73 547	86 330
<i>Between 0 and 30 days</i>	40 788	66 402
<i>Between 30 and 90 days</i>	19 870	6 143
<i>More than 90 days</i>	12 889	13 785
Matured and impaired receivables	31 477	33 085
<i>Between 0 and 30 days</i>	0	349
<i>Between 30 and 90 days</i>	9 712	11 286
<i>More than 90 days</i>	21 765	21 450
Impairment	(24 129)	(24 426)
Total	299 500	299 212

10.3 – Guarantees and commitments received, which mitigate credit risk

(In thousands of euros)

	30 June 2009		30 June 2010	
	Value of accounts receivable	Value of the guarantee	Value of accounts receivable	Value of the guarantee
Guarantee deposits	52 976	18 895	83 098	29 559
Bank guarantees	36 471	36 471	55 673	46 888
Guarantees from the parent company	30 838	30 838	33 635	33 635
Total	120 286	86 205	172 406	110 081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: OTHER CURRENT ASSETS

Other current assets are as follows:

<i>(In thousands of euros)</i>	30 June 2009	30 June 2010
Prepaid expenses	8 736	3 671
Tax and employee-related receivable	7 913	9 358
Total	16 649	13 029

At 30 June 2009, prepaid expenses mainly comprised €2.6 million of prepaid satellite insurance and €0.8 million of advances on satellite operating costs.

NOTE 12: CURRENT FINANCIAL ASSETS

<i>(In thousands of euros)</i>	30 June 2009	30 June 2010
Hedging instruments ⁽¹⁾	382	24
Other receivables	4 642	4 816
Total	5 024	4 840

⁽¹⁾ see Note 26 – *Financial instruments*

NOTE 13: CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

<i>(In thousands of euros)</i>	30 June 2009	30 June 2010
Cash	40 976	53 380
Cash equivalents	99 415	5 238
Total	140 390	58 618

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 (UCITS) qualifying as “cash equivalents” (see Note 4.9 – *Cash and cash equivalents*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

<i>(In thousands of euros)</i>	<i>Category of financial instruments</i>	Net carrying amount at 30 June 2009				Fair value through equity	Instruments measured at fair value through the income statement	Fair value at 30 June 2009
		Total	Instruments measured at amortised cost	Instruments at cost				
Assets								
Non-current financial assets								
Unconsolidated investments	<i>Available for sale</i>	437	-	437	-	-	437	
Long-term loans and advances	<i>Receivables</i>	1 510	1 510	-	-	-	1 510	
Current financial assets								
Accounts receivable	<i>Receivables</i>	299 500	299 500	-	-	-	2 99 500	
Other receivables	<i>Receivables</i>	4 642	4 642	-	-	-	4 642	
Financial instruments ⁽¹⁾								
Qualified as cash-flow hedges	<i>N/A</i>	191	-	-	191	-	191	
Qualified as trading instruments	<i>Held for trading purposes</i>	191	-	-	-	191	191	
Cash and cash equivalents								
Cash	<i>N/A</i>	40 975	40 975	-	-	-	40 975	
UCITS ⁽²⁾	<i>Fair value option</i>	95 277	-	-	-	95 277	95 277	
Cash equivalents	<i>Receivables</i>	4 138	4 138	-	-	-	4 138	

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

⁽²⁾ Fair value hierarchy: level 1 (reflecting quoted prices).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<i>(In thousands of euros)</i>	<i>Category of financial instruments</i>	Net carrying amount at 30 June 2010				Fair value at 30 June 2010
		Total	Instruments measured at amortised cost	Instruments at cost	Fair value through equity	
Assets						
Non-current financial assets						
Unconsolidated investments	<i>Available for sale</i>	457	-	457	-	457
Long-term loans and advances	<i>Receivables</i>	1 712	1 712	-	-	1 712
Current financial assets						
Accounts receivable	<i>Receivables</i>	299 212	299 212	-	-	299 212
Other receivables	<i>Receivables</i>	4 816	4 816	-	-	4 816
Financial instruments ⁽¹⁾						
Qualified as cash-flow hedges	<i>N/A</i>	-	-	-	-	-
Qualified as trading instruments	<i>Held for trading purposes</i>	24	-	-	-	24
Cash and cash equivalents						
Cash	<i>N/A</i>	53 380	53 380	-	-	53 380
UCITS	<i>Fair value option</i>	-	-	-	-	-
Cash equivalents	<i>Receivables</i>	5 238	5 238	-	-	5 238

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: SHAREHOLDERS' EQUITY*15.1 – Shareholders' equity*

As of 30 June 2010, the share capital comprised 1 013 138 125 ordinary shares with a face value of €0.65 per share.

Movements since 30 June 2009 refer to the exercise of options by employees for a total of 18 961 shares under the “Managers II” plan, 40 374 shares under the “Managers III” plan and 134 506 shares under the “Managers IV” plan.

The other movements involved since 30 June 2009 are cancellation of 40 749 options under the “Partners” plan and 53 831 options under the “Managers I” plan.

As the “Partners” plan reached maturity during the half year period, the balance of the amounts entered in special reserves, namely €48 thousand, has been transferred to the additional paid-in capital account.

15.2 – Dividends

On 9 November 2009, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of €0.27 per share, i.e. a total of €273 495 thousand, taken from net income.

The pay-out proposed to the General Meeting on 8 November 2010 for the financial year ended 30 June 2010, is €63 416 thousand, i.e. €0.26 per share.

*15.3 – Share-based compensation***Stock-option plans**

a) Summary of movements in respect of the stock-option plans

	Shares reserved for future grants	Stock options outstanding	Weighted average strike price (In euros) after distribution
Balance at 1 July 2009	-	312 409	1.46
Authorised	-	-	-
Granted	-	-	-
Exercised	-	193 841	1.53
Cancelled	-	94 580	1.27
Balance at 30 June 2010	-	23 988	1.64

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Description and changes in the stock-option plans

Further to the decision taken by the Ordinary and Extraordinary Shareholder's Meeting on 22 December 2005 to make an exceptional distribution of the reserves by taking part of the distributable reserves and Additional paid-in capital in accordance with the rules of the "Partners" and "Managers" stock-option plans and in compliance with legal and regulatory provisions, the Board of Directors implemented the measures to protect the rights of those holding stock options granted but not yet exercised as of the date of the General Meeting on 22 December, 2005.

Such protective measures generally involve adjusting the subscription conditions, the conversion bases and the original procedures for exchange or grant, in order to account for the effect of the distribution of reserves.

Pursuant to regulatory provisions, the adjustment involved the following measures:

- a downward adjustment to the strike price for options granted but not exercised, and
- an upward adjustment to the number of underlying shares for each option not yet exercised, so that each holder would be able to invest the amount originally foreseen.

It should also be noted that beneficiaries of "Partners" stock options not yet exercised at the date of the General Meeting have benefited from special protection measures, as the downward adjustment of the subscription price (previously fixed at €1.00 for this plan) cannot have the effect of reducing the subscription price to below the face value of the shares (fixed at €1.00).

In actual fact if the formula contained in Article D. 174-12 had been applied, it would have resulted in reducing the subscription price for the shares on option to a figure below 1 euro.

The Ordinary and Extraordinary General Meeting therefore carried a resolution to allocate €0.16 per "Partners" plan option not yet exercised (a total amount of €45 559.36) to a special reserve account for those holding such options, with the amount required being taken from "Additional paid-in capital". The reserve so constituted is released as and when these options are exercised by their holders.

Further to the decision taken by the Ordinary and Extraordinary Shareholder's Meeting on 10 December 2004 to make an exceptional distribution of reserves by taking part of the distributable reserves and Additional paid-in capital in accordance with the rules of the "Partners" and "Managers" stock-option plans and in compliance with legal and regulatory provisions, the Board of Directors implemented the measures to protect the rights of those holding stock options granted but not yet exercised as of the date of the General Meeting on 10 December 2004.

These measures, identical to those described above, led to an adjustment in the strike price and the number of stock options granted but not exercised, and the Ordinary and Extraordinary General Meeting therefore voted a resolution to allocate €0.47 (i.e. 0.57 – €0.10) per "Partners" plan option not yet exercised (a total amount of €734 023.44) to a special reserve account for those holding such options, with the amount required being taken from "Additional paid-in capital". The reserve so constituted is released as and when these options are exercised by their holders.

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The Board of Directors also decided on 12 May 2005 to cancel the conditions for a holding period before exercising options for all stock-option plans existing as of that date, so as not to penalise the holders of options in the event of dividend payment. All options granted are therefore exercisable.

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The following table shows how the stock-option plans have evolved:

Plans	Granted	Exercised	Cancelled	Balance	Strike price (In euros)
<u>Before the pay-out on 10 December 2004</u>					
Partners	4 233 788	(2 515 497)	(156 539)	1 561 752	1.10
Managers	2 010 000	-	-	2 010 000	2.00
Managers II					
- 13/12/02	3 150 180	(58 266)	-	3 091 914	1.79
- 24/02/03	56 000	-	-	56 000	1.79
Managers III					
- 17/12/03	8 011 938	-	-	8 011 938	1.70
- 08/04/04	1 102 000	-	-	1 102 000	1.70
- 28/06/04	325 000	-	-	325 000	2.00
Managers IV	3 000 000	-	-	3 000 000	2.20
Total	21 888 906	(2 573 763)	(156 539)	19 158 604	-

Plans	Granted	Exercised	Cancelled	Balance	Strike price (In euros)
<u>Position on 30 June 2005</u>					
<u>After the pay-out on 10 December 2004</u>					
Partners	4 389 963	(3 545 738)	(191 878)	652 347	1.00
Managers	2 603 627	(97 151)	-	2 506 476	1.54
Managers II					
- 13/12/02	4 063 336	(154 555)	-	3 908 781	1.38
- 24/02/03	72 539	-	-	72 539	1.38
Managers III					
- 17/12/03	10 378 158	-	-	10 378 158	1.31
- 08/04/04	1 427 461	(64 042)	(64 767)	1 298 652	1.31
- 28/06/04	420 985	-	-	420 985	1.54
Managers IV	3 886 033	(113 628)	-	3 772 405	1.70
Total	27 242 102	(3 975 114)	(256 645)	23 010 343	-

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Plans	<u>Granted</u>	<u>Exercised</u>	<u>Cancelled</u>	<u>Balance</u>	<u>Strike price (In euros)</u>
<u>Position on 30 June 2007</u>					
<u>After the pay-out on 22 December 2005</u>					
Partners	4 389 963	(3 925 218)	(216 204)	248 541	1.00
Managers	2 665 914	(2 612 083)	-	53 831	1.48
Managers II					
- 13/12/02	4 198 094	(1 075 221)	-	3 122 873	1.33
- 24/02/03	75 175	(4 927)	-	70 248	1.33
Managers III					
- 17/12/03	10 782 178	(438 087)	-	10 344 091	1.26
- 08/04/04	1 476 126	(115 171)	(64 767)	1 296 188	1.26
- 28/06/04	437 374	-	-	437 374	1.48
Managers IV	4 028 215	(247 741)	-	3 780 474	1.64
Total	28 053 039	(8 418 448)	(280 971)	19 353 620	-

Plans	<u>Granted</u>	<u>Exercised</u>	<u>Cancelled</u>	<u>Balance</u>	<u>Strike price (In euros)</u>
<u>Position on 30 June 2007</u>					
Partners	4 389 963	(4 052 493)	(227 526)	109 944	1.00
Managers	2 665 914	(2 612 083)	-	53 831	1.48
Managers II					
- 13/12/02	4 198 094	(4 135 342)	-	62 752	1.33
- 24/02/03	75 175	(75 175)	-	-	1.33
Managers III					
- 17/12/03	10 782 178	(876 174)	-	9 906 004	1.26
- 08/04/04	1 476 126	(137 444)	(64 767)	1 273 915	1.26
- 28/06/04	437 374	-	-	437 374	1.48
Managers IV	4 028 215	(247 741)	(1)	3 780 473	1.64
Total	28 053 039	(12 136 452)	(292 293)	15 624 293	-

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Plans	<u>Granted</u>	<u>Exercised</u>	<u>Cancelled</u>	<u>Balance</u>	<u>Strike price (In euros)</u>
<u>Position on 30 June 2008</u>					
Partners	4 389 963	(4 094 465)	(227 526)	67 972	1.00
Managers	2 665 914	(2 612 083)	-	53 831	1.48
Managers II					
- 13/12/02	4 198 094	(4 179 133)	-	18 961	1.33
- 24/02/03	75 175	(75 175)	-	-	1.33
Managers III					
- 17/12/03	10 782 178	(10 782 178)	-	-	1.26
- 08/04/04	1 476 126	(1 370 985)	(64 767)	40 374	1.26
- 28/06/04	437 374	-	-	437 374	1.48
Managers IV	4 028 215	(2 620 296)	(40 374)	1 367 545	1.64
Total	28 053 039	(25 734 315)	(332 667)	1 986 057	-

Plans	<u>Granted</u>	<u>Exercised</u>	<u>Cancelled</u>	<u>Balance</u>	<u>Strike price (In euros)</u>
<u>Position on 30 June 2009</u>					
Partners	4 389 963	(4 121 688)	(227 526)	40 749	1.00
Managers	2 665 914	(2 612 083)	-	53 831	1.48
Managers II					
- 13/12/02	4 198 094	(4 179 133)	-	18 961	1.33
- 24/02/03	75 175	(75 175)	-	-	1.33
Managers III					
- 17/12/03	10 782 178	(10 782 178)	-	-	1.26
- 08/04/04	1 476 126	(1 370 985)	(64 767)	40 374	1.26
- 28/06/04	437 374	(437 374)	-	-	1.48
Managers IV	4 028 215	(3 829 347)	(40 374)	158 494	1.64
Total	28 053 039	(27 407 963)	(332 667)	312 409	-

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Plans	<u>Granted</u>	<u>Exercised</u>	<u>Cancelled</u>	<u>Balance</u>	<u>Strike price (In euros)</u>
<u>Position on 30 June 2010</u>					
Partners	4 389 963	(4 121 688)	(268 275)		1.00
Managers	2 665 914	(2 612 083)	(53 831)		1.48
Managers II					
- 13/12/02	4 198 094	(4 198 094)	-		1.33
- 24/02/03	75 175	(75 175)	-		1.33
Managers III					
- 17/12/03	10 782 178	(10 782 178)	-		1.26
- 08/04/04	1 476 126	(1 411 359)	(64 767)		1.26
- 28/06/04	437 374	(437 374)	-		1.48
Managers IV	4 028 215	(3 963 853)	(40 374)	23 988	1.64
Total	28 053 039	(27 601 804)	(427 247)	23 988	-

On 2 July 2001, the shareholders authorised the “Partners” stock-option plan which provided for the grant of stock options to the employees and the members of the Management Board within a period of one month for a maximum of 0.5% of the Company’s share capital. 4 233 788 options were granted at a strike price of €1.1. Half of the options could be exercised immediately. However, if not exercised within one month of the grant date, vesting was deferred until the end of a two-year period after the grant date. The remaining half vested two years after the grant date. The options expire eight years after the grant date.

On 15 October 2001, the shareholders authorised the “Managers” stock-option plan which provided for the issuing of stock options to certain employees and members of the Management Board of the Company within a period of one month, for a maximum of 1% of the Company’s share capital less the number of options already granted under the earlier authorisation. 2 010 000 options were granted at a strike price of €2.0. The options vested four years after the grant date and expire eight years after the grant date.

On 5 November 2002, an Extraordinary Meeting of Shareholders authorised the “Managers II” stock-option plan, which provides for the issuance of stock options to Directors and Officers of the company, senior managers and key personnel of the Company within a period of 38 months for a maximum of 2.7% of the Company’s share capital. 3 206 180 options were granted at a strike price of €1.79. The options vested in portions of one third on 1 July in the three years following the year of grant and expire eight years after that date. The shareholders also authorised a one-year share buy-back programme from shareholders, up to 0.5 % of the share capital and at a fixed price per share based on the net book position on 2 July 2001, i.e. €1.1 per share.

On 30 June 2003, 38 456 shares had been repurchased and, in the financial year ended 30 June 2004, cancelled by the Management Board according to the authorisations given.

At an Extraordinary General Meeting of Shareholders on 25 November 2003, the delegation of authority given to the Management Board on 5 November 2002 was amended in order to allot Company stock options. The Management Board now has authority to implement a programme over the next 26 months to allot stock options or share buy-backs

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to company Directors and Officers, company employees and staff employed by the Group, up to a maximum of 2.37% of the Company's share capital. Under the "Managers III" Plan so authorised, 9 113 938 options were granted at a strike price of €1.7 (the options vested in portions of one third on April 8 in the three years following the year of the grant date and expire eight years later) and 325 000 options were granted at a strike price of €2.0. (The options vested from the Meeting of Shareholders approving the financial statements for the year 2003/2004 and expire eight years later).

On 23 November 2004, the Board of Directors, acting in pursuance of the Company's stock-option programme authorised by the Extraordinary General Meeting of 25 November 2003, decided to introduce the "Managers IV" plan to grant 3 000 000 stock options to key managers and personnel at a strike price of €2.2. The options vested in portions of one third as at 23 November in the three years following the year of grant and expire eight years later.

On 30 June 2006, the authorisation given by the Extraordinary General Meeting of 25 November 2003 expired. As no new authorisation has been given since that date, there were no more shares reserved for future grants as of 30 June 2006.

c) Assumptions used to determine the fair value of the stock-option plans

The remaining contractual life of options outstanding is 2.4 years.

EUTELSAT S.A. uses the Black & Scholes method for measuring the fair value of options, based on the following data:

- calculated volatility of 26.30%
- a risk-free rate of 2.98%
- a cancellation rate estimated at 37.5% over 3 years
- a weighted average unit cost of €1.68 per option

This valuation was done on the date the options were allotted.

Free allocation of EUTELSAT Communications shares

On 1 February 2010, the Board of Directors of the EUTELSAT Communications company (holding more than 50% of EUTELSAT S.A.) approved a new plan for the allocation of free shares to all employees of the EUTELSAT Communications Group, including directors and corporate officers, and decided that the allocation plan should be implemented through the distribution of previously repurchased shares. As regards the EUTELSAT S.A. Group, a total of 633 048 shares was granted to 553 beneficiaries. The allocation of free shares 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 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%);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- on the other part, the grant of 301 248 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.

The above-mentioned performance objectives are those of the EUTELSAT Communications Group.

In accordance with IFRS 2 “Share-based Payments” and IFRIC interpretation 11 IFRS 2 “Group and Treasury Share Transactions”, a free share allocation plan implemented by a parent company for employees of its subsidiaries must be recognised by the subsidiaries as a contribution in equity from the shareholder with the corresponding expense representing services rendered by the beneficiaries.

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

The value of the benefit was estimated at €9.6 million spread over the three-year vesting period. The expense recognised for the period ended 30 June 2010, with a double entry to shareholders’ equity, was €1 311 thousand.

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 its subsidiaries concerned by the free share plan.

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

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

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

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

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15.4 – Change in the revaluation reserves of financial instruments

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

<i>(In thousands of euros)</i>	Total
Balance at 30 June 2009	(33 506)
Changes in fair value within equity	(25 828)
Transfer to the income statement ⁽¹⁾	45 253
Balance at 30 June 2010	(14 081)

⁽¹⁾ Including €15.7 million corresponding to coupons due and matured on the swaps and caps and €29.6 million corresponding to instruments for which hedging relationships were interrupted (see Note 26.2 – *Interest rate risk*).

15.5 – Information on equity management

In order to maintain or adjust share capital structure, the Group can decide to issue new common stock that future issuances of investment securities will give access to when issued by the Company that has either directly or indirectly more than half of the share capital of EUTELSAT S.A. or one of the companies of which the Group owns more than half of the share capital either directly or indirectly.

15.6 – Nature and purpose of the other reserves

“Translation adjustment” is used to record the foreign exchange gains and losses arising from translation into euros of the financial statements of the foreign subsidiaries.

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NOTE 16: FINANCIAL DEBT

16.1 – Non-current portion

At 30 June 2009 and 2010, all debt was denominated in euros.

Since 30 June 2009, the structure of the Group's debt has changed as a result of the refinancing in March 2010 of Eutelsat S.A. debt which was due to mature in November 2011. On 26 March 2010, Eutelsat S.A. issued a 7-year €50 million inaugural eurobond on the Luxembourg Stock Exchange regulated market. The proceeds of the bonds were used by Eutelsat S.A. for early reimbursement of the following credit lines:

- a €50 million term loan repayable at maturity
- a €50 million revolving credit facility, of which €200 million were used.

As a result, the credit facilities entered into in November 2004 for an amount of €1 300 million and a period of seven years with maturity in November 2011 were cancelled early in March 2010.

At 30 June 2010, the Group has access to the following credit facilities:

- a 7-year €50 million Eurobond with a coupon of 4.125 percent per annum, issued at 99.232 percent by Eutelsat S.A., and redeemable at maturity at 100 per cent of their principal amount
- a revolving credit facility for €450 million (unused as of 30 June 2010) entered into by Eutelsat S.A. on 24 March 2010 for a 5-year period.

The amounts drawn on this credit facility bear interest at EURIBOR (or LIBOR for amounts drawn in U.S. dollars) plus a margin of between 0.75% and 2.50% depending on Eutelsat S.A.'s long-term debt rating assigned by Standard & Poor's. A fee for non-use representing 40% of the margin mentioned above is payable. Under the agreement, a 0.25% fee for use is charged if more than 50% of the revolving credit facility is used, and it is only applied to the portion exceeding 50% of the aggregate amount of this credit line.

In addition, under the terms of this credit facility, Eutelsat S.A. is required to maintain a total net debt to *annualised* EBITDA⁵ (as these terms are defined contractually) ratio less than or equal to 3.75 to 1 and this ratio is tested on 30 June and 31 December each year.

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

- grant security interests or guarantees;
- enter into agreements resulting in additional liabilities;
- grant loans and carry out certain types of investments;

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- enter into mergers, acquisitions, asset disposals, or lease transactions (with the exception of those carried out within the Group and expressly provided for in the loan agreement);
- modify the nature of the business of the Company or its subsidiaries.

The eurobond issue and the credit facility allow each lender to request early repayment of all sums due in case of unregulated downgrading at the end of a period of 120 days 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 this company's reference shareholders). This provision does not apply in case of Group restructuring.

The credit agreement entails an obligation to maintain launch-plus-one-year insurance policies for any satellite located at 13° East and, for any satellite located at another orbital position, a commitment not to have more than one satellite not covered by a launch insurance policy.

- An intra-group cash agreement A cash agreement has been created in order to facilitate and optimise the management of cash surpluses. It was put in place in 2005. The agreement is a permanent one and defines the terms and conditions of cash advances and loans between the entities of the "Group of Companies" including EUTELSAT S.A., EUTELSAT S.A. subsidiaries, EUTELSAT Communications Finance and EUTELSAT Communications.

The conditions governing the interest rates of the intra-group loans are aligned with those for drawing on the revolving credit facility.

- A fixed rate loan amounting to €900 000 signed in 2005 by Wins, a subsidiary
- A floating rate loan amounting to €500 000 signed in 2006 by Wins, a subsidiary

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- *Financial information at 30 June 2009 and 2010:*

The non-current portion of the Group's financial liabilities at 30 June 2009 and 2010 breaks down as follows:

<i>(In thousands of euros)</i>	30 June 2009		30 June 2010	
	Fair value	Carrying amount	Fair value	Carrying amount
Eutelsat Communications term loan (Variable rate)	300 000	300 000	383 500	383 500
Eutelsat S.A. revolving credit facility (Variable rate)	200 000	200 000	-	-
Eutelsat S.A. term loan (Variable rate)	650 000	650 000	-	-
Eurobond	-	-	843 000	850 000
Fixed rate loan (Wins Ltd.)	191	191	64	64
Variable rate loan (Wins Ltd.)	390	390	150	150
Sub-total of debt (non-current portion)	1 150 581	1 150 581	1 226 714	1 233 714
Loan set-up fees and premiums		-		(10 955)
Total		1 150 581		1 222 759

The weighted average interest rate on amounts drawn on these revolving credit facilities and intra-group loans for the period ended 30 June 2010 was 1.39% and 2.57% after accounting for the effects of hedging.

The effective interest rate on the €50 million term loan which was repayed during the financial year was 3.68% and 3.83% after taking into account the effects of hedging. The interest rate on the €850 million bond was 4.35%.

At 30 June 2010, the Group has access to the following main credit facilities:

<i>(In thousands of euros)</i>	Amount granted	Amount used	Maturity
Intra-group loans	383 500	383 500	
EUTELSAT S.A. revolving credit facility	450 000	-	24 March 2015
EUTELSAT S.A. term loan	850 000	850 000	27 March 2017
Wins Ltd. fixed rate loan	900	191	31 December 2011
Wins Ltd. floating rate loan	500	432	31 December 2011
Total	1 684 900	1 234 123	

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At 30 June 2010, the debt maturity analysis is as follows:

<i>(In thousands of euros)</i>	30 June 2010	Maturity within one year	Maturity between 1 and 5 years	5-year maturity
Intra-group loans	383 500	383 500	-	-
Eurobond	850 000	-	-	850 000
Wins Ltd. fixed rate loan	191	127	64	-
Wins Ltd. floating rate loan	432	282	150	-
Total	1 234 123	383 909	214	850 000

16.2 – Current portion

Current debts include accrued interest not yet due on debts described in Note 16.1 - Current debts as follows:

<i>(In thousands of euros)</i>	30 June 2009	30 June 2010
Bank overdrafts	2 373	18 139
Accrued interest not yet due	113	9 826
Portion of the loans due within one year (excluding revolving credit)	226	409
Total	2 712	28 374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: OTHER FINANCIAL LIABILITIES

Other financial liabilities are as follows:

(In thousands of euros)

	30 June 2009	30 June 2010
Financial instruments ⁽¹⁾	38 050	10 371
Performance incentives ⁽²⁾	39 729	26 955
Finance leases ⁽³⁾	2 093	90
Other liabilities	48 036	52 999
Total	127 908	90 415
<i>Incl. current portion</i>	<i>76 133</i>	<i>41 251</i>
<i>Incl non-current portion</i>	<i>51 775</i>	<i>49 164</i>

⁽¹⁾ Cf. Note 26 – *Financial instruments*

⁽²⁾ Including interest related to “Performance incentives” amounting to €13 053 thousand at 30 June 2009 and €8 054 thousand at 30 June 2010.

⁽³⁾ At 30 June 2009 and 30 June 2010, amounts of interest related to the finance leases were not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18: FINANCIAL LIABILITIES

18.1 – Breakdown by category

<i>(In thousands of euros)</i>	<i>Category of financial instruments</i>	Net carrying amount at 30 June 2009			Fair value at 30 June 2009
		Total	Instruments measured at amortised cost	Fair value through equity	
Liabilities					
Short term and long-term debt					
	Intra-group loans	300 000	300 000		300 000
	Credit lines <i>At amortised cost</i>	650 000	650 000	-	650 000
	Revolving credit <i>At amortised cost</i>	200 000	200 000	-	200 000
	Fixed rate loans <i>At amortised cost</i>	318	318	-	318
	Floating rate loans <i>At amortised cost</i>	489	489	-	489
	Bank overdrafts <i>N/A</i>	2 373	2 373	-	2 373
Other financial liabilities					
	Non-current <i>At amortised cost</i>	51 775	51 775	-	51 775
	Current <i>At amortised cost</i>	38 083	38 083	-	38 083
Financial instruments ⁽¹⁾					
	Qualified as cash-flow hedges	29 985	-	29 985	29 985
	Qualified as trading instruments	8 065	-	-	8 065
	Accounts payable <i>At amortised cost</i>	38 813	38 813	-	38 813
	Fixed assets payable <i>At amortised cost</i>	72 036	72 036	-	72 036

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

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<i>(In thousands of euros)</i>	<i>Category of financial instruments</i>	Net carrying amount at 30 June 2010			Instruments measured at fair value through the income statement	Fair value at 30 June 2010
		Total	Instruments measured at amortised cost	Fair value through equity		
Liabilities						
Short term and long-term debt						
Intra-group loans						
Bond loan	<i>At amortised cost</i>	383 500	383 500	-	-	383 500
Fixed rate loans	<i>At amortised cost</i>	839 045	839 045	-	-	843 000
Floating rate loans	<i>At amortised cost</i>	191	191	-	-	191
Bank overdrafts	<i>N/A</i>	432	432	-	-	432
Other financial liabilities						
Non-current	<i>At amortised cost</i>	49 164	49 164	-	-	49 164
Current	<i>At amortised cost</i>	30 879	30 879	-	-	30 879
Financial instruments ⁽¹⁾						
Qualified as cash-flow hedges		10 371	-	10 371	-	10 371
Qualified as trading instruments		-	-	-	-	-
Accounts payable	<i>At amortised cost</i>	37 362	37 362	-	-	37 362
Fixed assets payable	<i>At amortised cost</i>	30 424	30 424	-	-	30 424

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. Rent expense amounted to €4 205 thousand and €3 750 thousand for the periods ended 30 June 2009 and 2010 respectively. Future lease payments are shown in the following table:

<i>(In thousands of euros)</i>	Total	Less than 1 year	From 1 to 5 years	More than 5 years
Future payments for operating leases	<u>22 044</u>	<u>4 008</u>	<u>16 032</u>	<u>2 004</u>

19.2 – Finance leases

The Group operates three 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 2010, the three finance leases were pre-paid.

Financial expenses for satellites operated under finance leases amounted to €3 thousand at 30 June 2009 and €27 thousand at 30 June 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20: OTHER PAYABLES AND DEFERRED REVENUES

20.1 – Non-current portion

Other non-current debts only include deferred revenue.

20.2 – Current portion

Other current payables and deferred revenues were as follows at 30 June 2009 and 2010:

<i>(In thousands of euros)</i>	<u>30 June 2009</u>	<u>30 June 2010</u>
Deferred revenues	34 177	45 733
Tax liabilities	19 706	11 621
Social security and payroll liabilities	20 797	22 660
Total	<u>74 680</u>	<u>80 014</u>

NOTE 21: CURRENT AND DEFERRED TAX

Since 1 July 2006, EUTELSAT S.A. had opted for a tax consolidation system with SatBirds 2 SAS as head of Group. According to the tax consolidation agreement, the subsidiary companies had to bear company tax, a social contribution and a annual lump sum tax expense equal to the amount that they would have had to bear if there had been no tax consolidation agreement applying to the Group, and on the understanding that it was the Company at the head of the tax consolidation group that would bear or benefit from any additional tax expense or tax savings resulting from the application of such a system.

The tax consolidation group headed by SatBirds 2 S.A.S. joined the tax consolidation group headed by EUTELSAT Communications S.A. from 1 July 2007 onwards. The tax consolidation arrangements for this group are identical to the one described above.

Since 1 July 2009, 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. and Fransat S.A..

With a view to ensuring financial comparability, the claim or the debt in respect of the Company head of Group for tax consolidation is recorded under “Current tax receivable” or “Taxes payable” on the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21.1 – Income-statement tax balances

“Income tax expense” comprises current and deferred tax expenses of consolidated entities.

The Group’s income tax expense is as follows:

<i>(In thousands of euros)</i>	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
Current tax expense	(158 614)	(149 898)
Deferred tax expense (income)	(10 305)	(30 465)
Total income tax expense	(168 919)	(180 363)

The theoretical income tax expense, based on application to the profit before tax (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:

<i>(In thousands of euros)</i>	30 June 2009	30 June 2010
Income before tax and income from equity investments	489 815	516 928
<i>Standard French corporate tax rate</i>	<i>34,43%</i>	<i>34,43%</i>
Theoretical income-tax expense	(168 643)	(177 978)
Permanent differences and other items	(276)	(2 385)
Corporate tax expense in the income statement	(168 919)	(180 363)
<i>Actual corporate tax rate</i>	<i>34%</i>	<i>35%</i>

As of 30 June 2010, the tax rate amounted to 35%. The discrepancy between the tax rates is mainly due to corporate losses which do not generate any deferred taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2009 and 30 June 2010 were as follows:

<i>(In thousands of euros)</i>	30 June 2009	Net income for the period	Recognised in equity	30 June 2010
<i>Basis of deferred tax assets</i>				
Provisions for impairment of assets	15 155	(1 190)	-	13 965
Bad-debt provisions	16 466	1 514	-	17 980
Financial guarantee granted to the pension fund	1 388	388	-	1 776
Capitalised salaries and performance incentives	3 412	(638)	-	2 774
Provisions for risks and liabilities	1 827	(39)	-	1 788
Accrued liabilities	4 100	76	-	4 176
Pension provision	2 062	238	-	2 300
<i>Sub-total (a)</i>	<i>44 410</i>	<i>349</i>	<i>-</i>	<i>44 759</i>
<i>Basis of deferred tax liabilities</i>				
Exceptional depreciation	(64 346)	(27 687)	-	(92 033)
Financial instruments	12 969	(2 715)	(6 692)*	3 562
Capitalised interest	(4 224)	561	-	(3 663)
Finance leases	(1 224)	169	-	(1 055)
Other	(3 005)	(1 143)	-	(4 148)
<i>Sub-total (b)</i>	<i>(59 830)</i>	<i>(30 815)</i>	<i>(6 692)**</i>	<i>(97 337)</i>
<i>Total = (a)+(b)</i>	<i>(15 420)</i>	<i>(30 466)</i>	<i>(6 692)</i>	<i>(52 578)</i>
<i>Reflected as follows in the financial statements:</i>				
Deferred tax assets	2 753			2 912
Deferred tax liabilities	(18 173)			(55 490)
<i>Total</i>	<i>(15 420)</i>			<i>(52 578)</i>

* This amount does not include the changes in respect of equity investments amounting to €3 thousand for the period.

** This amount does not include the change in shareholders' equity of equity investments with regard to translation adjustments amounting to €858 thousand.

Deferred tax assets and liabilities break down as follows:

<i>(In thousands of euros)</i>	Deferred tax assets	Deferred tax liabilities
Due within one year	-	3 563
Due after one year	2 912	(59 053)
Total	2 912	(55 490)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22: PROVISIONS

<i>(In thousands of euros)</i>	30 June 2009	Allowance	Reversal		30 June 2010
			Used	Unused	
Financial guarantee granted to a pension fund	4 033	1 128	-	-	5 161
Retirement indemnities	6 099	855	(320)	-	6 634
Post-employment benefits ⁽¹⁾	1 226	451	(81)	-	1 596
<i>Total post-employment benefits</i>	<i>11 358</i>	<i>2 434</i>	<i>(401)</i>	<i>-</i>	<i>13 391</i>
Litigation ⁽²⁾	9 171	4 955	(235)	(2 374)	11 517
Other	1 456	1 344	(756)	-	2 044
Total provisions	21 985	8 733	(1 392)	(2 374)	26 952
Incl. non-current portion	11 359	2 434	(401)	-	13 391
Incl. current portion	10 627	6 299	(991)	(2 374)	13 561

(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

EUTELSAT S.A., as a result of the transfer by the IGO of its operational business as of 2 July 2001, 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 underfunding of the plan. During the year ended 30 June 2005, as a result of the significant decline in long-term interest rates, the guarantee was called for an amount of €2.3 million. This amount was valued on the basis of the Trust’s projections of future market developments. At 30 June 2005, no payments had yet been made.

In November 2005, an agreement was reached with the Trust to spread payment of the amount called as follows: €4.46 million when the agreement is signed, and a further €4.46 million at 30 June 2006, 2007, 2008 and 2009. It was agreed that the Trust would carry out a new valuation at 30 June 2007 and that, depending on the results of that valuation, subsequent contributions could be revised downwards or upwards. A valuation subsequently made in November 2007 confirmed the present level of contributions. At 30 June 2009, the last payment amounting to €4.46 million was made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The actuarial valuation performed on 30 June 2009 and 2010 used the following assumptions:

	<u>30 June 2009</u>	<u>30 June 2010</u>
Discount rate	5,50%	4,50%
Expected rate of return on assets	4,00%	4,00%
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	age 61	age 61

As of 30 June 2009 and 2010, the position was as follows:

Comparative summary:

<i>(In thousands of euros)</i>	30 June				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Present value of benefit obligations wholly or partly funded	140 889	152 792	133 436	134 182	163 947
Fair value of plan assets	(135 378)	(138 358)	(145 847)	(147 983)	(151 615)
Net financing	5 511	14 434	(12 411)	(13 801)	12 332
Actuarial differences and other gains / (losses) - amortised	8 270	(3 937)	20 070	17 834	(7 171)
Net (asset)/liability recognised in the balance sheet	13 781	10 497	7 659	4 033	5 161

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

<i>(In thousands of euros)</i>	<u>30 June 2009</u>	<u>30 June 2010</u>
Present value of the obligations at beginning of period	133 436	134 182
Service cost of the period	-	-
Finance cost	7 280	7 302
Actuarial differences : (gains)/losses	(3 450)	27 515
Benefits paid	(3 084)	(5 052)
Present value of the obligations at end of period	134 182	163 947

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

<i>(In thousands of euros)</i>	<u>30 June 2009</u>	<u>30 June 2010</u>
Fair value of plan assets at beginning of period	145 847	147 983
Expected return on plan assets	5 923	5 862
Actuarial differences : gains/(losses)	(5 163)	2 822
Contributions paid	4 460	-
Benefits paid	(3 084)	(5 052)
Fair value of plan assets at end of period	147 983	151 615

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 €0.8 million and €8.7 million at 30 June 2009 and 2010 respectively.

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

<i>(In thousands of euros)</i>	<u>Twelve-month period ended 30 June 2009</u>	<u>Twelve-month period ended 30 June 2010</u>
Service cost for the period	-	-
Finance cost	7 280	7 302
Expected return on plan assets	(5 923)	(5 862)
Actuarial (gains)/losses	(523)	(312)
Net expense (net gains) recognised in the income statement	834	1 128

Reconciliation of assets and obligations recognised in the balance sheet:

<i>(In thousands of euros)</i>	<u>30 June 2009</u>	<u>30 June 2010</u>
Provision at beginning of period	7 659	4 033
Net expense (net gains) recognised in the income statement	834	1 128
Contributions paid	(4 460)	-
Provisions at end of period	4 033	5 161

History of experience and changes in assumptions:

<i>(In thousands of euros)</i>	<u>30 June 2010</u>
Gain/loss between expected return and actual return on plan assets	(2 822)
History of experience regarding the value of the obligations: (gains)/losses	(1 268)
Impact of changes in assumptions	28 783
	<u>(27 515)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 French Act entitled “*Loi de Financement de la Sécurité Sociale*” for 2008 introduced a special contribution by the employer of 25% of the retirement indemnity for any compulsory retirement before 31 December 2008 and of 50% after that date. As for the previous *lois de financements*, this new obligation has been treated as a change to the actuarial assumption.

The actuarial valuations performed at 30 June 2009 and 2010 were based on the following assumptions:

	<u>30 June 2009</u>	<u>30 June 2010</u>
Discount rate	5.50%	4.50%
Salary increases	2.50%	2.50%
Inflation rate	2.00%	2.00%
Mortality table	TF/TH00-02	TF/TH04-06
Retirement age	age 65	age 65
Type of retirement	Voluntary retirement:	Voluntary retirement
Rate for employer’s contributions	52%	52%

Staff turnover per age bracket is based on the history of experience within EUTELSAT S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 30 June 2009 and 2010, the position was as follows:

Comparative summary:*(In thousands of euros)***30 June**

	2006	2007	2008	2009	2010
Present value of obligations not financed	3 425	3 876	6 390	7 125	7 940
Past-service cost (amortised)	1 354	1 290	1 225	1 160	1 095
Actuarial differences and other gains/(losses) amortised	674	610	(1 588)	(2 186)	(2 401)
Liability recognised on the balance sheet	5 453	5 776	6 027	6 099	6 634

Reconciliation between the present value of the obligations at beginning and end of period:*(In thousands of euros)***30 June 2009****30 June 2010**

Present value of the obligations at beginning of period	6 390	7 125
Service cost for the period	431	457
Finance cost	348	387
Actuarial differences and other (gains)/losses	646	291
Benefits paid	(690)	(320)
Present value of the obligations at end of period	7 125	7 940

Net expense recognised in the income statement:*(In thousands of euros)***Twelve-month
period ended
30 June 2009****Twelve-month
period ended
30 June 2010**

Service cost for the period	431	457
Finance cost	348	387
Amortisation of past service cost	(65)	(65)
Actuarial (gains)/losses	48	76
Net expense recognised in the income statement	762	855

Reconciliation between the amount recognised on the balance sheet at beginning and end of period:*(In thousands of euros)***30 June 2009****30 June 2010**

Provision, beginning of period	6 027	6 099
Net expense recognised in the income statement	762	855
Benefits paid	(690)	(320)
Provision, end of period	6 099	6 634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

History of experience and changes in assumptions:

<i>(In thousands of euros)</i>	30 June 2010
History of experience regarding the value of the obligations: (gains)/losses	(407)
Impact of changes in assumptions	698
	291

b) Supplementary schemes

The Group also has a supplementary defined-contribution funded plan for its employees 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. The employer's contributions paid for this purpose were €1 467 thousand and €1 384 thousand at 30 June 2009 and 2010 respectively.

The directors and corporate officers of EUTELSAT S.A. have a supplementary defined-benefits plan, which is financed by quarterly contributions to the fund managers. The present value of the obligations at 30 June 2009 and 2010 respectively was €675 thousand and €424 thousand, and the fair value of the assets was €767 thousand and €361 thousand. At 30 June 2010, the Group was recognising a liability of €63 thousand.

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 during the course of the year were €762 thousand and €843 thousand at 30 June 2009 and 2010 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 depreciation and amortisation, excluding impairment of assets, other operating income and charges), financial expense, cash flow for investment in tangibles and equity interests and Group consolidated net debt (net debt includes all financial debt and all liabilities from long-term agreements, less cash and cash equivalents and marketable securities (less bank credit balances)).

Internal reporting is a presentation of the Group's consolidated income statement at the parent entity level, i.e. EUTELSAT Communications, 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, share attributable to non-controlling interests and the share attributable to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23.1 – Segment reporting

<i>(In thousands of euros)</i>	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
Revenues	940 541	1 047 224
Total operating costs	(198 429)	(219 429)
EBITDA	742 112	827 795
Depreciation and amortisation:	(294 271)	(313 419)
Other non-operating income (expenses), net	23 801	(5 825)
Operating income	471 642	508 551
Total interest	(101 801)	(118 892)
Income tax expense	(127 987)	(143 239)
Other financial expenses	2 177	18 248
Net income before revenue from equity investments and non-controlling interests	244 030	264 667
Income from equity investments	15 954	17 844
Net income	259 984	282 511
Non-controlling interests	(12 636)	(13 010)
Group share of net income	247 348	269 501
Tangible investments and equity investments (cash flow)	296 984	494 362
Net debt (including finance leases)	2 326 484	2 424 372
	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
<u>Net income reconciliation</u>		
Net result for Eutelsat Communications Group	259 984	282 511
Holding contribution, net	83 132	74 743
Intra-group transactions, net	(6 266)	(2 845)
Net result for Eutelsat SA Group	336 850	354 409
<u>Net debt reconciliation</u>		
Net debt for Eutelsat Communications Group	2 326 484	2 424 372
Holding contribution to group net debt	(1 611 646)	(1 614 142)
Intra-group loan	300 000	383 500
Net debt for Eutelsat SA Group	1 014 838	1 193 730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23.2 – Information per geographical zone

Group revenues by geographical zone, based on invoice addresses, for the twelve-month periods ended 30 June 2009 and 2010 are as follows:

<i>(In thousands of euros and as a percentage)</i>	Twelve-month period ended 30 June 2009		Twelve-month period ended 30 June 2010	
	Amount	%	Amount	%
<i>Region</i>				
France	125 531	13.3	146 737	14.0
Italy	147 121	15.6	170 118	16.2
United Kingdom	105 527	11.2	87 874	8.4
Europe (other)	337 067	35.8	360 406	34.4
Americas	94 328	10.0	116 790	11.1
Middle East	74 053	7.9	101 623	9.7
Other (*)	58 267	6.2	65 154	6.2
Total	941 894	100.0	1 048 702	100.0

(*) Including €1.8 million and €4.0 million in indemnity payments for late delivery for the period ended 30 June 2009 and 30 June 2010 respectively.

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

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NOTE 24: FINANCIAL RESULT

The financial result breaks down as follows:

<i>(In thousands of euros)</i>	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
Interest expense (banks) ⁽¹⁾	(45 906)	(36 736)
Other interest expense ⁽²⁾	25 635	12 479
Loan set-up fees	(246)	(5 432)
Commitment fees and other similar charges	(1 335)	(1 563)
Changes in financial instruments ⁽³⁾	(19 202)	(30 921)
Provisions for risks and liabilities	(834)	(1 128)
Foreign-exchange losses ⁽⁴⁾	(20 849)	(12 404)
Financial expenses	(62 737)	(75 705)
Changes in financial instruments ⁽³⁾	327	792
Interest income	3 542	1 518
Provision on financial assets	208	-
Reversals	-	-
Foreign-exchange gains ⁽⁴⁾	22 803	29 752
Financial income	26 880	32 062
Financial result	(35 857)	(43 643)

⁽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 2009 and 2010 by €0.6 million and €15.7 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 €26.9 million at 30 June 2009 and €18.5 million at 30 June 2010. They are highly dependant on the progress and number of satellite construction programmes during the financial year.

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

Interest rates used to determine the amount of interest expense eligible for capitalisation were 4.1% and 3.6% for the financial years ended 30 June 2009 and 30 June 2010 respectively. “Other interest expense” also includes interest related to in orbit satellite performance incentives, representing a €0.9 million net decrease in expenses and a €0.7 million net increase in expenses for the periods ended 30 June 2009 and 30 June 2010 respectively.

⁽³⁾ Gains or losses in the fair value of the financial instruments mainly include changes in the fair value of the non-qualifying derivative instruments in a hedging relationship for the periods ended 30 June 2009 and 30 June 2010 and disqualifications/transfers of hedging instruments (see Note 26.2 – *Interest rate risks*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

⁽⁴⁾ Foreign-exchange options' contracts are put in place with the objective of hedging future sales in dollars. Changes in the time value of these options (excluded from the hedging relationship) have a direct effect on the result. The intrinsic value of options exercised during the year, taking into account that the hedged item has also affected the result for the year, has similarly been recognised directly under income or expense (no net change in equity due to these options). Changes in the intrinsic value of options 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:

<i>(In thousands of euros)</i>	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
	<hr/>	<hr/>
Net result on instruments measured at fair value per result on the option (cash equivalents)	(64)	75
Net result on instruments valued at fair value per result (non-qualifying derivatives for hedges and components excluded from hedging relationships)	(17 835)	343
Financial income on assets valued at amortised cost (loans and long term advance payments and other receivables)	-	-
Interest expense on loans (excluding hedging effect)	(46 537)	(21 079)
Reversals and (depreciation) of financial assets (accounts receivable)	351	918

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NOTE 25: EARNINGS PER SHARE

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

	30 June 2009	30 June 2010
Net income	336 850	354 409
Income from subsidiaries attributable to non-controlling interests, before taking into account the dilutive instruments in the subsidiaries	638	(780)
Net earnings used to compute basic earnings per share	337 488	353 629
	30 June 2009	30 June 2010
Net income	336 850	354 409
Income from subsidiaries attributable to non-controlling interests, after taking into account the dilutive instruments in the subsidiaries	638	(780)
Net earnings used to compute diluted earnings per share	337 488	353 629

Reconciliation between the number of shares used to compute basic and diluted earnings per share is provided below, as of 30 June 2009 and 2010 respectively:

	30 June 2009	30 June 2010
Restated weighted average number of shares used to compute non-diluted basic earnings per share	1 012 314 895	1 013 028 074
Number of additional shares that would result from the exercise of outstanding stock options ⁽¹⁾	227 093	18 759
Restated weighted average number of shares used to compute diluted earnings per share ⁽¹⁾	1 012 541 988	1 013 046 833

⁽¹⁾ At 30 June 2009 and 2010, only EUTELSAT S.A. had issued dilutive instruments. (See Note 15.3 – *Share-based compensation*). The incremental number of additional shares which could be issued upon the exercise of outstanding stock options is computed using the average market price during the related period.

As EUTELSAT S.A. is not listed, Management estimated the average market price based on the latest valuations and the latest transactions between shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26: FINANCIAL INSTRUMENTS

The Group has exposure to market risks, particularly with regard to forex and interest rate risk. 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 manage such exposure. The Group does not engage in financial transactions whose associated risk can be quantified at their outset, i.e. the Group never sells assets it does not possess or does not know it will subsequently possess.

26.1 – Foreign-exchange risk

The Group's functional currency is the euro and the Group is therefore primarily exposed to fluctuations in the value of the U.S. dollar. As a means of preserving the value of assets, commitments and forecast transactions, the Group consequently enters into contracts whose value fluctuates in line with changes in the euro/dollar exchange rate. In particular, the Group hedges future U.S. dollar revenues by means of financial instruments such as options contracts, forward currency transactions and foreign currency deposits. These instruments are traded over-the-counter with first-rate banking counterparties.

Purchase commitments relate to construction contracts for satellites and to launch contracts. They generally mature after three years and payments are made according to a pre-determined payment schedule. Commitments to sell relate to contracts denominated in US dollars.

During the financial year ended 30 June 2010, the Group only sold synthetic forwards with a knock-in option.

The net position in terms of controlling foreign-exchange risk at 30 June 2010 is as follows:

(In thousands of euros)

Assets	150 309
Liabilities	15 300
Net position before risk management	135 009
Off-balance-sheet position (forward plus knock-in option (Europe))	154 837
Net position after risk management	(19 828)

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

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26.2 – Interest rate risk

Interest rate risk management

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

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

For hedging the €50 million Term Loan facility entered into in November 2004:

- A pay fixed/receive floating interest rate swap put in place in November 2004 for a notional amount of €50 million over seven years (i.e. until maturity of the facility), terminated on 1 April 2010.

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

- An interest rate swap (pay EURIBOR 3 month/ receive EURIBOR 1 month “Basis swap” put in place in November 2007 for a period of six months up until 30 June 2008. This interest rate swap pay EURIBOR 3 month/ receive EURIBOR 1 month has been used three times.
 - o 11 June 2008 for a 6-month period until 31 December 2008,
 - o 21 November 2008 for a 6-month period until 30 June 2009,
 - o 15 May 2009 for a one-year period until 30 June 2010

These three basis swap transactions are combined with the pay fixed rate swap designed to hedge the €50 million Term Loan.

In respect of the €50 million revolver arranged in November 2004, of which amounts have been drawn down for €200 million and reimbursed on the refinancing date (see Note 16 - *Financial debt*).

- A pay fixed/receive floating interest rate swap put in place in February 2007 for a notional amount of €250 million over four years until maturity of the revolver (€50 million), terminated on 1 April 2010.
- Purchase of a cap in March 2007 in return for the payment of a €2 million premium for a notional amount of €200 million over four years until maturity of the €50 million revolving credit facility.

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

Refinancing the syndicated credit facility on 26 March 2010 (see Note 16 – *Financial debt*) resulted in the hedging relationship of financial instruments being interrupted. The financial instruments became entirely ineffective as a result of the extinction of the financial liability with respect to IAS 39 “Financial Instruments: Recognition and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Measurement". Consequently, changes in fair value within equity were recognised in the income statement.

Furthermore, on 1 April 2010, both pay fixed/receive floating interest rate swaps were terminated in return for the settlement of a termination indemnity of €25 443 thousand for the swap covering the €50 million term loan and a termination indemnity of €12 572 thousand for the swap covering the €250 million drawn down out of the €50 million revolving credit facility.

Sensitivity to interest rate risk

Given how interest rates have evolved due to the financial crisis, the fair value of the Group's financial instruments has fallen substantially, and this has been recognised within income.

Considering the full range of financial instruments available to the Group at 30 June 2010, an increase of ten basis points (+ 0.10%) over EURIBOR would not affect interest expense in the income statement.

26.3 – Counterparty risk

Counterparty risk includes issuer risk, execution risk in connection with derivatives or monetary instruments and credit risk related to liquidity and forward investments. The Group minimises its exposure to issuer, 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.

At 30 June 2010, EUTELSAT S.A's banking syndicate comprised 4 financial and credit institutions.

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

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

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

26.4 – Liquidity risk

The Group manages liquidity risk by using a tool enabling it to monitor and manage its recurring requirements and liquidity needs. This tool accounts for 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, bond issues, revolver lines of credit from banks, and satellite leases.

69 % of Group debt will mature in March 2017.

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

30 June 2009	Balance-sheet value	Total contractual cash flows	06/2010	06/2011	06/2012	06/2013	06/2014	More than 5 years
Intra-group loans.	(300 000)	(319 980)	(9 990)	(309 990)	-	-	-	-
Term loan Eutelsat S.A.	(650 000)	(672 794)	(9 432)	(9 432)	(653 930)	-	-	-
Eutelsat S.A. revolver loan	(200 000)	(210 794)	(3 598)	(3 598)	(203 598)	-	-	-
Wins Ltd. Loan	(807)	(876)	(267)	(389)	(220)	-	-	-
Eutelsat S.A. foreign exchange derivatives*	(286)	(286)	(286)	-	-	-	-	-
Qualifying Eutelsat S.A. interest rate derivatives*	(29 700)	(29 700)	(10 138)	(12 708)	(6 854)	-	-	-
Non-qualifying Eutelsat S.A. interest rate derivatives*	(8 065)	(8 065)	(2 934)	(3 407)	(1 724)	-	-	-
Bank overdrafts	(2 373)	(2 373)	(2 373)	-	-	-	-	-
Total financial debt	(1 191 231)	(1 244 868)	(39 018)	(339 524)	(866 326)	-	-	-
Other financial liabilities	(89 858)	(94 710)	(42 145)	(10 144)	(6 988)	(5 596)	(3 980)	(25 857)
Total financial liabilities	(1 281 089)	(1 339 578)	(81 163)	(349 668)	(873 314)	(5 596)	(3 980)	(25 857)
Qualifying Eutelsat S.A. interest rate derivatives*	191	191	3 636	(2 289)	(1 156)	-	-	-
Non-qualifying Eutelsat S.A. interest rate derivatives*	191	191	3 636	(2 289)	(1 156)	-	-	-
Financial assets	6 589	6 589	6 589	-	-	-	-	-
Cash	40 975	40 975	40 975	-	-	-	-	-
UCITS	95 277	95 277	95 277	-	-	-	-	-
Cash equivalents	4 138	4 138	4 138	-	-	-	-	-
Total financial assets	147 361	147 361	154 251	(4 578)	(2 312)	-	-	-
Net position	(1 133 728)	(1 192 217)	73 088	(354 246)	(875 626)	(5 596)	(3 980)	(25 857)

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

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30 June 2010	Balance-sheet value	Total contractual cash flows	06/2011	06/2012	06/2013	06/2014	06/2015	More than 5 years
Intra-group loans.	(383 878)	(385 675)	(385 675)	-	-	-	-	-
Bond.	(850 000)	(1 086 672)	(35 063)	(35 063)	(35 063)	(35 063)	(35 063)	(911 357)
Wins Ltd. Loan	(623)	(623)	(409)	(214)	-	-	-	-
Eutelsat S.A. foreign exchange derivatives*	(10 372)	(10 372)	(10 372)	-	-	-	-	-
Qualifying Eutelsat S.A. interest rate derivatives*	-	-	-	-	-	-	-	-
Non-qualifying Eutelsat S.A. interest rate derivatives*	-	-	-	-	-	-	-	-
Bank overdrafts	(18 139)	(18 139)	(18 139)	-	-	-	-	-
Total financial debt	(1 263 012)	(1 501 481)	(449 658)	(35 277)	(35 063)	(35 063)	(35 063)	(911 357)
Other financial liabilities	(80 043)	(83 212)	(31 103)	(6 988)	(5 596)	(3 980)	(2 765)	(32 780)
Total financial liabilities	(1 343 055)	(1 584 693)	(480 761)	(42 265)	(40 659)	(39 043)	(37 828)	(944 137)
Qualifying Eutelsat S.A. interest rate derivatives*	-	-	-	-	-	-	-	-
Non-qualifying Eutelsat S.A. interest rate derivatives*	24	24	24	-	-	-	-	-
Financial assets	7 009	7 009	4 840	-	-	-	-	2 169
Cash	53 380	53 380	53 380	-	-	-	-	-
UCITS	-	-	-	-	-	-	-	-
Cash equivalents	5 238	5 238	5 238	-	-	-	-	-
Total financial assets	65 651	65 651	63 482	-	-	-	-	2 169
Net position	(1 277 404)	(1 519 042)	(417 279)	(42 265)	(40 659)	(39 043)	(37 828)	(941 968)

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

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26.5 – Key figures at 30 June 2010

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 2009 and 30 June 2010. The instruments are valued by the Group's bank counterparties, and the valuation is verified/validated by an independent expert.

<i>(In thousands of euros)</i>	Contractual or notional amounts	Fair value 30 June 2009	Change in fair value during the period	Impact on income (excluding coupons)	Impact on equity
Synthetic forward transaction with knock-in option (EUTELSAT S.A.)	14 150	(286)	(286)	(128)	(158)
Forex options (EUTELSAT S.A.)	0	-	(1 589)	64	(1 653)
Total forex derivatives	14 150	(286)	(1 875)	(64)	(1 811)
Swap (EUTELSAT S.A.)*	650 000	(24 548)	(57 743)	-	(57 744)
Swap (EUTELSAT S.A.)*	650 000	-	217	-	217
Swap (EUTELSAT S.A.)*	650 000	225	225	-	225
Swap (EUTELSAT S.A.)**	250 000	(13 442)	(20 940)	(12 237)	(8 702)
Cap (EUTELSAT S.A.)(*)	200 000	382	(6 574)	(6 574)	-
Total interest rate derivatives		(37 383)	(84 815)	(18 812)	(66 004)
Total derivatives		(37 669)	(86 691)	(18 875)	(67 815)
Equity interests					(3 982)
Total					(71 797)

* Combined swaps

** Swap qualifying as a hedge for €100 million since 1 April 2008

(*) CAP qualifying as a hedge for €100 million since 1 January 2009

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<i>(In thousands of euros)</i>	Contractual or notional amounts	Fair value 30 June 2010	Change in fair value during the period	Impact on income (excluding coupons)	Impact on equity
Synthetic forward transaction with knock-in option (EUTELSAT S.A.)	154 837	(10 371)	(10 086)	75	(10 161)
Total forex derivatives	154 837	(10 371)	(10 086)	75	(10 161)
Swap (EUTELSAT S.A.)* ⁽¹⁾	650 000	Disposal	(895)	(25 443)	24 548
Swap (EUTELSAT S.A.)*	650 000	-	(225)	-	(225)
Swap (EUTELSAT S.A.)** ⁽¹⁾	250 000	Disposal	870	(4 403)	5 273
Cap (EUTELSAT S.A.) ^(*)	200 000	24	(358)	(358)	-
Total interest rate derivatives		24	(608)	(30 204)	29 596
Total derivatives		(10 347)	(10 694)	(30 129)	19 435
Equity interests					(10)
Total					19 425

* Combined swaps, unqualified since 26 March 2010.

** Swap qualifying as a hedge for €100 million since 1 April 2008, unqualified since 26 March 2010.

(*) CAP qualifying as a hedge for €100 million since 1 January 2009, unqualified since 26 March 2010.

⁽¹⁾ Including termination indemnities settled.

At 30 June 2010, the cumulative fair value of financial instruments is negative at €10 347 thousand. This figure includes €24 thousand recognised under “Current financial assets” (see Note 12 – *Current financial assets*) and €10 371 thousand recognised within “Other current financial liabilities” (see Note 17 – *Other financial liabilities*).

At 30 June 2009 and 2010, the changes in fair value recognised within financial result in respect of financial instruments amounted to a net expense of €18 875 thousand and €30 129 thousand respectively.

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Breakdown of financial instruments qualifying for hedge accounting as of 30 June 2009 and 30 June 2010:

<i>(In thousands of euros)</i>	Contractual or notional amounts	Fair value 30 June 2009	Change in fair value during the period	Impact on income (excluding coupons)⁽¹⁾	Impact on equity
Synthetic forward transaction with knock-in option (EUTELSAT S.A.)	14 150	(286)	(286)	(128)	(158)
Forex options (EUTELSAT S.A.)	0	-	(1 589)	64	(1 653)
Total forex derivatives	14 150	(286)	(1 875)	(64)	(1 811)
Swap (EUTELSAT S.A.)*	650 000	(24 548)	(57 743)	-	(57 743)
Swap (EUTELSAT S.A.)*	650 000	-	217	-	217
Swap (EUTELSAT S.A.)*	650 000	225	225	-	225
Swap (EUTELSAT S.A.)**	100 000	(5 376)	(8 376)	327	(8 703)
Cap (EUTELSAT S.A.) ^(*)	100 000	191	191	191	-
Total interest rate derivatives		(29 508)	(65 486)	518	(66 004)
Total derivatives		(29 794)	(67 361)	454	(67 815)
Equity interests					(3 982)
Total					(71 797)

* Combined swaps

** Swap qualifying as a hedge for €100 million since 1 April 2008.

^(*) CAP qualifying as a hedge for €100 million since 1 January 2009.

⁽¹⁾ The ineffective portion of the hedges was not significant and has not been isolated.

<i>(In thousands of euros)</i>	Contractual or notional amounts	Fair value 30 June 2010	Change in fair value during the period	Impact on income (excluding coupons)⁽¹⁾	Impact on equity
Synthetic forward transaction with knock-in option (EUTELSAT S.A.)	154 837	(10 371)	(10 086)	75	(10 161)
Total forex derivatives	154 837	(10 371)	(10 086)	75	(10 161)
Swap (EUTELSAT S.A.) ⁽²⁾	650 000	Disposal	(895)	(25 443)	24 548
Swap (EUTELSAT S.A.)*	650 000	-	(225)	-	(225)
Swap (EUTELSAT S.A.) ^{**} (2)	100 000	Disposal	348	(4 925)	5 273
Cap (EUTELSAT S.A.) ^(*)	100 000	12	(179)	(179)	-
Total interest rate derivatives		12	(951)	(30 547)	29 596
Total derivatives		(10 359)	(11 037)	(30 472)	19 435
Equity interests					(10)
Total					19 425

* Combined swaps, unqualified since 26 March 2010.

** Swap qualifying as a hedge for €100 million since 1 April 2008, unqualified since 26 March 2010.

^(*) CAP qualifying as a hedge for €100 million since 1 January 2009, unqualified since 26 March 2010.

⁽¹⁾ The ineffective portion of the hedges was not significant and has not been isolated.

⁽²⁾ Including termination indemnities settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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; changes recognised in equity for such swaps correspond to changes in fair value excluding coupons (“clean fair value”).
- The coupon on the purchased cap (when the cap is active) is directly recognised under income and the same applies to changes in the time value of the cap (not included in the hedging relationship). The items recognised in equity correspond to changes in the intrinsic value not including the accrued coupon of the cap.

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						
	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	(10 318)	(10 318)	-	-	-	-	-
- Interest-rate risk hedges	-	-	-	-	-	-	-
Net total at 30 June 2010*	(10 318)	(10 318)	-	-	-	-	-

* Excluding equity investments for a negative amount of € 763 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27: OTHER COMMITMENTS AND CONTINGENCIES

As of 30 June 2010, 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 standing with the exception of the following items:

27.1 – Purchase commitments

At 30 June 2010, future payments under satellite construction contracts amounted to €374 million, and future payments under launch agreements amounted to €266 million. These commitments are spread over six years.

The Group also has commitments with suppliers for the acquisition of assets and provision of services related to monitoring and control of its satellites.

Future payments in respect of such acquisition of assets and provision of services at 30 June 2009 and 30 June 2010 are scheduled as follows:

<i>(In millions of euros)</i>	<u>30 June 2009</u>	<u>30 June 2010</u>
2010	58	-
2011	36	79
2012	15	21
2013	7	16
2014 and thereafter ^(*)	5	13
2015 and thereafter	-	47
Total	<u>121</u>	<u>176</u>

^(*) for the period reported in respect of the financial year ended 30 June 2009

The above total includes €2 million for purchase commitments entered into with related parties (see Note 28 “*Related parties*”).

The Group may seek to benefit from penalty payments related to incidents affecting the functioning of its operational satellites.

27.2 – In-orbit insurance and launch insurance

As of 30 June 2010, the Group's existing L+1 insurance (launch + 1 year) and in-orbit insurance policies have been taken out with insurance syndicates of 27 insurers and 22 insurers respectively, generally with ratings of between AA- and A+. Counterparty risk is therefore limited and, if any of the insurers should default, that entity's share of the insurance cover could be taken on by a new player.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

a) In-orbit insurance

The Group's in-orbit insurance programme expired on 26 November 2009. It was replaced by a new 12-month programme entered into with a group of 22 insurers with a cancellation option at 30 June 2010. The programme was defined by the Group with a view to minimising, at an acceptable cost, the impact on its balance sheet and income of losing one or more satellites. This programme comes in two parts (French "Tranches"): one covers losses in excess of €80 million up to a maximum of €90 million and the other covers losses ranging from €50 million to €80 million. These insurance policies were underwritten by 18 and 4 insurance companies respectively. Under this programme, 16 of the satellites belonging to the Group (excluding the EURO BIRDTM4A (former W1), ATLANTIC BIRDTM1, W75 (former EURO BIRDTM4), W5 and W2M satellites) are covered by insurance. The only reservation is a limitation of insurance cover for the W4 and W6 satellites as a result of incidents caused by technical problems already identified.

The general insurance policy taken out against damage under this programme covers any cumulative partial or total constructive losses of the 16 satellites insured, up to a ceiling of €75 million per satellite, subject to a total maximum claim or claims each year of €90 million. The Group's satellites covered under this policy are insured for their net book value.

Recent satellites: HOT BIRDTM9, ATLANTIC BIRDTM4A (former HOT BIRDTM10) and W2A (C and Ku Bands) are included in this policy as of the date of maturity of their previous policy L +1 year.

The cancellation option at 30 June was exercised. A new in-orbit insurance programme was taken out for one year starting on 1 July 2010. The programme design remains unchanged: one covers losses in excess of €80 million up to a maximum of €500 million, and the other covers losses ranging from €50 million to €80 million. The amount of insurance cover per satellite was increased from €175 million to €223 million and there are no more exclusions regarding insurance cover for the W4 and W6 satellites due to incidents caused by already identified technical problems.

b) Launch insurance

In April 2008, the Group took out L+1 (launch + 1 year) insurance for maximum cover of €200 million per satellite, covering the seven satellites under construction (HOT BIRDTM9, HOT BIRDTM10, W2M, W2A, W7, Ka-Sat and W3B).

This policy is valid for a period of three years, i.e. until 1 June 2011, and provides the necessary flexibility to assign any type of launcher to any of the seven satellites insured.

The Group subsequently took out additional policies to cover the entire net book value of the satellites.

In June 2009, the brokerage mandate was extended to upcoming satellites ordered by end of 2011 (W3C, ATLANTIC BIRDTM7 and, more recently, W5A and W6A).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reminder:

On 22 January 2009, the W2M satellite suffered a major anomaly. On 27 February 2009, a submission was sent to the insurers with proof of the loss and quantification of the claim.

Constructive total loss was acknowledged by all the insurers. An insurance indemnity of €120.5 million representing the total sum insured was therefore paid to Eutelsat in June 2009 and recognised under “Other operating income”.

The agreement with the insurers also provides for the fact that if, after all, the satellite could be brought into commercial service at some time in the future, part of the revenues (10% or 28.75% as the case may be) would be returned to the insurers, subject to a total repayment ceiling of €30 million.

Any revenues would be computed annually from 1 July 2009 but the first annual payment of the insurers’ portion would not be paid to them before August 2012, under the suspensive condition of it still being possible to operate the satellite commercially as of 1 July 2012 (see Note 6 – *Satellites and other property and equipment*).

27.3 – Commitments received

See Note 10 – *Accounts receivable*.

27.4 – Litigation

The Group is involved in a number of suits in the normal course of business. Expenses arising from litigation, estimated as probable by the Company and its advisers, have been provisioned sufficiently to cover the expected costs of such litigation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 28: RELATED-PARTY TRANSACTIONS

Related parties consist of the direct and indirect shareholders who have control or exercise 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, over the companies in which the Group has an equity interest that it consolidates by using the equity method, and the “principal senior managers”.

The Group considers that the notion of “principal senior managers” in the context of the governance of EUTELSAT covers the members of the administrative and management bodies, namely the Chairman, the CEO, the Deputy CEO and the other members of the Board of Directors.

28.1 – Related parties that are not principal senior managers

Amounts due by or owed to related parties and included on the balance sheet as of 30 June 2009 and 2010 within current assets and liabilities are as follows:

<i>(In thousands of euros)</i>	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
Gross receivables (including unbilled revenues) ⁽¹⁾	13 710	13 300
Liabilities (including accrued invoices) ⁽²⁾	23 967	628
Liabilities for social contributions ⁽³⁾	300 012	383 878

⁽¹⁾ including € 039 thousand and € 860 thousand for equity interests as of 30 June 2009 and 30 June 2010 respectively.

⁽²⁾ including €40 thousand and €0 thousand for equity interests as of 30 June 2009 and 30 June 2010 respectively.

⁽³⁾ see Note 16 – *Financial debt*.

Transactions with related parties included in the income statements for the periods ended 30 June 2009 and 2010 are as follows:

<i>(In thousands of euros)</i>	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
Revenues ⁽¹⁾	46 451	44 741
Operating costs, selling, general and administrative expenses ⁽²⁾	3 405	3 131
Financial result	(9 204)	(4 990)

⁽¹⁾ including € 510 thousand and € 928 thousand for equity interests as of 30 June 2009 and 30 June 2010 respectively.

⁽²⁾ including € thousand and €0 thousand for equity interests as of 30 June 2009 and 30 June 2010 respectively.

For the year ended 30 June 2010, no related party accounts individually for more than 10% of revenues.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In addition, as of 30 June 2007, the Group and a related party had signed an agreement whereby, if certain conditions were met, the Group could receive €25 million in return for transferring certain rights within an equity interest.

All the necessary conditions were fulfilled by July 2008, including completion of a transaction triggering effective payment of the €25 million which was recognised within “Other operating income” for the period.

The Group also obtained a put option vis-à-vis the related party, with no limitation on validity, exercisable twice each year in respect of the equity interest concerned.

28.2 – Compensation paid to the principal senior managers

<i>(In thousands of euros)</i>	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
Compensation excluding employer’s charges	874	1 152
Short-term benefits: Employer’s charges	323	450
Total short-term benefits	1 197	1 602
Post-employment benefits ⁽¹⁾	10% of annual salary at end of career	12% of annual salary at end of career
Share-based payment	N/A	See below

⁽¹⁾ see Note 22.2 – *Post-employment benefits, b) Supplementary schemes.*

Share-based payment

During its meeting of 1st February 2010, the Board of Directors of EUTELSAT Communications approved a new free share allocation plan (see Note 15.3 – *Share-based compensation*) and decided on a free allotment of 36 122 shares in Eutelsat Communications to the members of the EUTELSAT S.A. 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 officers.

The value of the benefit granted has been estimated at €454 thousand, spread over a three-year vesting period. The expense recognised for the financial year ended 30 June 2010, with a double entry to shareholders’ equity, was €61 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29: STAFF COSTS

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

<i>(In thousands of euros)</i>	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
Operating costs	28 702	30 780
Selling, general and administrative expenses	43 209	49 000
Total ⁽¹⁾	71 911	79 780

⁽¹⁾ Including €1 311 thousand at 30 June 2010 for expenses related to share-based payments.

The average number of employees is as follows:

	Twelve-month period ended 30 June 2009	Twelve-month period ended 30 June 2010
Operations	251	253
Selling, general and administrative	354	386
Total	605	639

As of 30 June 2010, the Group has 661 employees, compared with 610 as of 30 June 2009.

Compensation paid to the Directors and Officers of EUTELSAT S.A. employed by the Group is €1 176 thousand for the financial year ended 30 June 2010. The members of the Board do not receive Directors' fees.

The Group has a corporate savings plan (*plan d'épargne d'entreprise* or *PEE*) reserved for EUTELSAT S.A. employees with more than three months of service, funded by voluntary contributions from the employees.

Via EUTELSAT S.A., the Group has an employee incentive scheme (*accord d'intéressement*), which was set up for a three-year period and is based on objectives renewable each year.

Eutelsat S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 30: SCOPE OF CONSOLIDATION

The list of companies included in the scope of consolidation is as follows:

Company	Country	Consolidation method	% voting rights as of 30 June 2010	% interest as of 30 June 2010
- EUTELSAT VAS S.A.S.	France	FC	100,00%	100,00%
- Tooway Management S.A.S	France	FC	100,00%	100,00%
- Tooway S.N.C	France	FC	90,00%	90,00%
- Fransat S.A.	France	FC	100,00%	100,00%
- EUTELSAT do Brasil S.A. ⁽¹⁾	Brazil	FC	100,00%	100,00%
- EUTELSAT Italia S.r.l.	Italy	FC	100,00%	100,00%
- Skylogic Italia S.p.a.	Italy	FC	100,00%	100,00%
- EUTELSAT Services und Beteiligungen GmbH	Germany	FC	100,00%	100,00%
- EUTELSAT VisAvision GmbH	Germany	FC	100,00%	100,00%
- EUTELSAT Inc.	United States	FC	100,00%	100,00%
- EUTELSAT America Corp.	United States	FC	100,00%	100,00%
- EUTELSAT Broadband Corp.	United States	FC	100,00%	100,00%
- EUTELSAT UK Ltd	United Kingdom	FC	100,00%	100,00%
- Eutelsat Polska spZoo	Poland	FC	100,00%	100,00%
- Skylogic Polska spZoo	Poland	FC	100,00%	100,00%
- Skylogic Mediterraneo S.r.l	Italy	FC	100,00%	100,00%
- Skylogic Eurasia	Turkey	FC	100,00%	100,00%
- Skylogic Espana S.A.U.	Spain	FC	100,00%	100,00%
- Eutelsat Madeira Unipessoal Lda	Madeira	FC	100,00%	100,00%
- Wins Ltd ⁽¹⁾	Malta	FC	70,00%	70,00%
- Hispasat S.A. ⁽¹⁾	Spain	EM	27,69%	27,69%
- Solaris Mobile Ltd ⁽¹⁾	Ireland	EM	50,00%	50,00%

FC: Full consolidation

EM: Equity method

⁽¹⁾ Companies with financial years ending on 31 December.

NB: The other companies' financial year ends on 30 June.

These subsidiaries were fully consolidated using financial statements as of 30 June 2010.

NOTE 31: EVENTS AFTER THE BALANCE-SHEET DATE

None

Eutelsat S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 SA	222	23%	210	49%	222	51%	190	100%
Other subsidiaries	185	19%	116	27%	12	1%	-	-
Other due care and services directly linked to the statutory audit task								
Eutelsat SA	232	24%	11	3%	205	47%	-	-
Other subsidiaries	251	26%	25	6%	-	-	-	-
Sub-total	890	92%	362	85%	439	100%	190	100%
Other services, when appropriate								
Legal, tax, social	81	8%	66	15%	-	-	-	-
Information technology	-	-	-	-	-	-	-	-
Internal audit	-	-	-	-	-	-	-	-
Others (to be specified if more than 10% of statutory audit fees)	-	-	-	-	-	-	-	-
Sub-total	81	8%	66	15%	-	-	-	-
TOTAL	971	100%	428	100%	439	100%	190	100%