

EUTELSAT COMMUNICATIONS S.A.

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EUTELSAT COMMUNICATIONS S.A.

BALANCE SHEETS

(in thousands of euros)	Notes	30 June	
		2007	2008
ASSETS			
<u>Long-term assets</u>			
Financial assets	3	2 482 917	2 442 280
Total long-term assets		2 482 917	2 442 280
<u>Current assets</u>			
Accounts receivable		1 084	-
Other receivables.....	5	80 408	44 784
Cash and marketable securities	6	19 171	4 787
Total current assets		100 663	49 571
Prepaid expenses.....	4	20 938	16 702
TOTAL ASSETS		2 604 518	2 508 553

The Notes are an integral part of the annual financial statements

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BALANCE SHEETS

(in thousands of euros)	Notes	30 June	
		2007	2008
LIABILITIES AND SHAREHOLDERS' EQUITY			
Common stock (219 641 955 ordinary shares as of 30 June 2008 with a nominal value of €1 per share).....		217 401	219 642
Additional paid-in capital.....		776 135	662 566
Legal reserve		79	79
Retained earnings		1	1
Result for the year		(20 081)	(4 610)
Regulated provisions.....		-	16
		973 535	877 693
Total shareholders' equity	7		
Provisions for risks.....		-	13
Provisions for expenses		238	184
		238	197
Total provisions for risks and expenses			
Loans and bank debt	8	1 625 430	1 627 407
Other bank debt.....		-	-
		1 625 430	1 627 407
Total bank debt			
Accounts payable		3 974	2 003
Tax and employee-related payable.....	9	1 338	1252
Fixed assets payable.....		-	-
Other payables		3	-
		5 315	3 255
Total operating debt			
Deferred revenues		-	-
		2 604 518	2 508 553
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2 604 518	2 508 553

The Notes are an integral part of the annual financial statements

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INCOME STATEMENTS

(in thousands of euros)	Notes	Twelve-month period ended 30 June 2007	Twelve-month period ended 30 June 2008
Revenues.....		1 422	1 812
Costs eligible for capitalisation		-	-
Grants received		-	-
Release of provisions and reclassification of costs		-	135
Other income		-	-
Total operating income		1 422	1 947
Purchase of goods and changes in inventories		-	-
Other purchases and external expenses.....		11 126	5 410
Taxes and assimilated		23	62
Wages	10	1 106	1 263
Social charges		499	403
Depreciation, amortisation and provisions.....		2 749	2 837
Other charges		700	380
Total operating charges		16 204	10 355
Operating result		(14 782)	(8 408)
Financial income.....		61 042	38 323
Financial expenses		66 487	65 011
Financial result.....	11	(5 444)	(26 688)
Exceptional income.....		100	258
Exceptional charges		34	198
Exceptional result	12	66	60
Mandatory employee profit-sharing.....		-	-
Income tax	13	(79)	(30 426)
NET INCOME		(20 081)	(4 610)

The Notes are an integral part of the annual financial statements

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STATEMENTS OF CASH FLOWS

(in thousands of euros)

	Notes	Twelve-month period ended 30 June 2007	Twelve-month period ended 30 June 2008
<u>Cash flows from operating activities</u>			
Net income		(20 081)	(4 610)
Adjustments for non-cash items:			
Capital (gain) / loss on disposal of assets		(4)	
Depreciation, amortisation and provisions		2 986	2 781
Other non-operating items		83 763	25 633
Changes in operating assets and liabilities:			
Accounts receivable		(287)	1 082
Other current assets		3 469	(27 957)
Accounts payable		850	(1 969)
Other payables		(7 429)	(87)
Net cash flows provided by operating activities		63 267	(5 127)
<u>Net cash flows used in investing activities</u>			
Acquisitions of intangible assets			
Acquisitions of satellites and other property and equipment			
Proceeds from sale of assets			
Changes in other long-term assets		(75)	
Equity investments and other movements in financial investments		170 136	75 901
Net cash flows used in investing activities		170 061	75 901
<u>Net cash flows provided by (used in) financing activities</u>			
Changes in capital		2 673	150
Distribution		(116 476)	(126 713)
Dividends received			36 035
Additional long-term and short-term debt			
Reimbursements of long-term and short-term debt			
Changes in borrowing		(79 000)	65 079
Interest paid		(56 192)	(61 384)
Interest received		3 656	1 674
Changes in other debt			
Net cash flows provided by (used in) financing activities		(245 339)	(85 158)
Increase (decrease) in cash and cash equivalents		12 011	(14 384)
Cash and cash equivalents, beginning of year		31 182	19 171
Cash and cash equivalents, end of year		19 171	4 787

The Notes are an integral part of the annual financial statements

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1: PRESENTATION

1.1 – Business description

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

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

1.2 – Key events during the period

- The offers to purchase shares and/or exchange them for new shares in Eutelsat Communications that was made to Group employees during the year ended 30 June 2008 resulted in the purchase of 72 735 Eutelsat S.A. shares for €378 thousand and the contribution of 152 693 Eutelsat S.A. shares as a consideration for issuing 48 721 shares in Eutelsat Communications.
- Liquidity offer for the historical shareholders in Eutelsat S.A.

In parallel to the offers made to the employees of the Group in the form of a cash offer to purchase shares and/or exchange them for new shares in Eutelsat Communications, an identical offer was made to the historical shareholders of Eutelsat S.A. This operation resulted in the acquisition of 500 000 Eutelsat shares for €2 575 thousand and the contribution of 6 523 050 Eutelsat S.A. shares as a consideration for issuing 1 980 853 shares in Eutelsat Communications.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

2.1 – Basis of presentation

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

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

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

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

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

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

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.2 – Use of estimates

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

2.3 – Financial assets

Stock is recorded in the balance sheet at its acquisition value less incidental expenses.

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

2.4 – Cash and marketable securities

Cash and marketable securities consist mainly of cash on hand and at bank, and deposit certificates with original maturities of three months or less.

2.5 – Receivables and debt

Receivables and debt have been evaluated at their nominal value.

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

2.6 – Apportionment of loan set-up costs

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

2.7 – Shareholders' equity

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

Under French law, Eutelsat Communications S.A. is obliged to allocate 5% of its net annual result (after deduction of balances brought forward in the red, if any) to a legal reserve. This minimum contribution is no longer mandatory if and when the legal reserve represents at least 10% of the share capital. The legal reserve can only be distributed upon the winding-up of the Company. As of 30 June 2008, the legal reserve is €79 thousand.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.8 – Provisions

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

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

NOTE 3: FINANCIAL ASSETS

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

	30 June	
	2007	2008
Equity interests.....	2 481 329	2 440 650
Other investments in securities.....	142	1 679
Loans and other financial assets.....	1 446	1
Total gross book values.....	2 482 917	2 442 331
Less : provisions	-	(51)
Total net carrying amounts	2 482 917	2 442 280

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

	Other equity interests	Other investments in securities	Loans and other financial assets	Total
Net carrying values as of 1 July 2007.....	2 481 329	142	1 446	2 482 917
Acquisitions	39 157	18 083	16 638	73 878
Revaluation	-	-	-	-
Reimbursement (of capital contribution) and disposals	(79 836)	(16 545)	(18 083)	(114 464)
Depreciation, amortisation and provisions	-	(51)	-	-
Net carrying values as of 30 June 2008.....	2 440 560	1 628	1	2 442 280

3.1 – Equity interests

“Equity interests” comprises:

- Eutelsat Communications Finance shares:

- 500 000 shares in Eutelsat Communications Finance for an amount of €2 481 324 395.

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- 3 700 shares subscribed for when the Company was formed.
 - 100 000 shares subscribed for at the time of the cash increase of 19 June 2006.
 - 252 544 shares received as a result of the merger between SatBirds Finance and Eutelsat Communications Finance.
 - The €58.7 million of additional paid-in capital distributed by Eutelsat Communications Finance to Eutelsat Communications following the decision of the sole shareholder on 4 October 2006 was considered as repayment of a capital contribution. The value of the Eutelsat Communications Finance shares reduces accordingly.
 - 143 756 shares received on the occasion of the capital increase of 15 June 2007, subscribed for in full by offsetting the cost against an outstanding repayment.
 - The €97.5 million of additional paid-in capital distributed by SatBirds Finance to Eutelsat Communications following the General Meeting of 25 September 2006 was considered as repayment of a capital contribution. The value of “Equity interests” reduces accordingly.
 - The €45.5 million of additional paid-in capital distributed by SatBirds Finance to Eutelsat Finance following the General Meeting of 25 September 2006 was considered as a repayment of a capital contribution, and by being dissolved into Eutelsat Communications the value of “Equity interests” reduces accordingly.
 - - The €79.8 million of additional paid-in capital distributed by Eutelsat Communications Finance following the decision of Eutelsat Communications, its sole shareholder, on 30 October 2007 was considered as repayment of a capital contribution. The value of the Eutelsat Communications Finance shares reduces accordingly.
 - All distributions of additional paid-in capital have been treated in the accounts as repayment of a capital contribution. These have been reported as a reduction in the value of the shares, as following implementation of the Group’s legal structure it was envisaged that most of the additional contributions would be recognised as additional paid-in capital to make it easier for liquidity to rise to the head company in the Group. This can be achieved by distributing amounts recognised as additional paid-in capital, irrespective of whether or not a distributable profit is recognised in the books of the Group’s subsidiaries.
- Eutelsat S.A. shares:
- 7 248 478 shares in Eutelsat SA for an amount of €38 690 161 (excluding acquisition costs of €467 000), including:
- 3 216 183 shares derived from the liquidity offer of October 2007, as follows:
 - the Company’s share exchange offer to employees, former employees, *mandataires sociaux* (Company officers) and historical shareholders resulted in the acquisition of 3 216 183 Eutelsat S.A. shares with a value of €16 570 977 for a contribution of 991 332 new shares in Eutelsat Communications.

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- The buying-back of 572 735 Eutelsat S.A. shares from minority interests and institutional shareholders for an amount of €2 953 222.

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

3.2 – Other investments in securities:

“Other investments in securities” comprises:

- the treasury stock held as of 30 June 2008 under a liquidity agreement for €873 thousand, corresponding to 46 473 shares.
- the SICAV de trésorerie (short-term marketable securities) held under the liquidity agreement as of 30 June 2008 for €806 thousand, corresponding to 370 SICAV BNP Paribas.

3.3 – Loans and other financial assets

“Loans and other financial assets” comprises the cash account related to the liquidity agreement on treasury stock for €1 thousand.

NOTE 4: PREPAID EXPENSES AND OTHERS

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

	30 June	
	2007	2008
Prepaid expenses	4 536	3 053
Expenses to be accrued over several years and expenses to be apportioned.....	16 402	13 649
Translation adjustments for assets.....	-	-
Total	20 938	16 702

Prepaid expenses are mainly composed of the hedge acquisition price (see Note 8) of €2 897.7 thousand. The initial amount (€7 846 thousand) was reduced to €6 443 thousand in October 2006 when the definitive price was fixed, and is spread over the entire duration of the hedge (approximately four years).

To take account of the financial instruments sold during the year, part of this acquisition cost was charged to expenses for the year ended 30 June 2007.

Expenses for the loan set-up costs relate to an initial amount of €19 240 thousand and are accrued over 7 years, which is the lifetime of the loan taken out in June 2006. Loan set-up costs amount to €13 649 thousand at 30 June 2008.

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NOTE 5: OTHER RECEIVABLES

At 30 June 2007, “Other receivables” consisted mainly of input VAT for €691 thousand and debit customer balances for €79 636 thousand.

At 30 June 2008, “Other receivables” consists mainly of a tax receivable amounting to €20.5 million, input VAT for €434 thousand and debit customer balances for €23.8 million.

All other receivables are not later than one year.

NOTE 6: CASH AND MARKETABLE SECURITIES

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

	30 June	
	2007	2008
Cash	339	85
Liquidity agreement reimbursement	28	-
Deposit certificates (including accrued interest)	18 804	4 702
Total	19 171	4 787

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NOTE 7: SHAREHOLDERS' EQUITY

7.1 - Statement of changes in shareholders' equity

<i>(In thousands of euros)</i>	Carried forward	Movements affecting capital		Allocation	Distribution	Other	Balance
		increase	reduction	of the result	of dividends	movements	30/06/2008
Share capital	217 401	2 241					219 642
Issue costs	776 135	72	(133)	(20 081)	(126 713)		629 280
Share premium		33 285					33 285
Legal reserve	79						79
Retained earnings (-)	-						-
Retained earnings (+)	1						1
Result 30/06/07	(20 081)			20 081			-
Regulated provisions						16	16
TOTAL	973 535	35 598	(133)	-	(126 713)	16	882 303
				Shareholders' equity before result			882 287
				Net result for the year			(4 610)
				Total Shareholders' equity			877 693

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7.2 – Share capital

During the year ended 30 June 2007, as a result of the exercise of stock warrants (BSAs) recorded during the period, the Company created 1 708 490 shares with a nominal value of €1 each, including 548 362 shares resulting from the exercise of BSA 1s and 1 160 128 resulting from the exercise of BSA 2s.

During the year ended 30 June 2008, as a result of the exercise of stock warrants (BSAs) recorded during the period, the Company created 77 968 shares with a nominal value of €1 each, including 51 979 shares resulting from the exercise of BSA 1s and 25 989 resulting from the exercise of BSA 2s.

The offers to exchange shares during the year ended 30 June 2008 had the following impact on the capital:

- The offers made to Group employees during the year ended 30 June 2008 to exchange their Eutelsat S.A. shares for new shares in Eutelsat Communications resulted in the contribution of 152 693 Eutelsat S.A. shares as a consideration for issuing 48 721 shares in Eutelsat Communications.
- In parallel to the offers made to the employees of the Group to exchange their shares for new shares in Eutelsat Communications, an identical offer was made to the historical shareholders of Eutelsat S.A. This operation resulted in the contribution of 6 523 050 Eutelsat S.A. shares as a consideration for issuing 1 980 853 shares in Eutelsat Communications.

Finally, the Board of Directors meeting of 18 December 2007 acknowledged the issue and definitive vesting of 133 331 free shares to the benefit of 391 Group beneficiary employees for a nominal amount of 1 euro each (see Note 7.3).

The share capital increased accordingly from €217 401 082 to €219 641 955.

The share capital at 30 June 2008 is made up as follows:

	Number			Nominal value		
	At beginning of period	Created during the period	Consolidated during the period	At end of period	At beginning of period	At end of period
Shares.....	217 401 082	2 240 873	-	219 641 955	1 €	1 €

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7.3 – Other securities giving access to capital

a) ABSAs

All the BSAs detached from the 835 200 ABSA1s and 882 380 ABSA2s (2.7 BSAs per ABSA) issued to the key managers of Eutelsat S.A by the Group in August 2005 and fully paid-up in cash had been exercised as of 31 October 2007.

It will be remembered that the subscription conditions (€ 1.9240 per share) and the conversion rate (2 BSAs for 1.03951 shares) were adjusted in November 2006 in accordance with the legal provisions protecting stock-warrant beneficiaries, following the decision of the Ordinary and Extraordinary General Meeting of Shareholders to make a distribution by taking the required amount from “Additional paid-in capital”.

The following tables describe movements in respect of the BSAs and the status of shares:

Situation at 30 June 2007 after the distribution of 10 November 2006

<i>Type</i>	BSAs issued	BSAs exercised	Shares issued	Subscription price per share in euros	Expiry date
BSA 1	2 255 040	2 255 039	1 148 362	1.9240	31/03/2008
BSA 2	2 382 426	2 232 412	1 160 128	1.9240	02/08/2015
Total	4 637 466	4 487 451	2 308 490		

Situation at 30 June 2008

<i>Type</i>	BSAs issued	BSAs exercised	Shares issued	Subscription price per share in euros	Expiry date
BSA 1	2 255 040	2 255 040	1 148 362	1.9240	31/03/2008
BSA 2	2 382 426	2 382 426	1 238 096	1.9240	02/08/2015
Total	4 637 466	4 637 466	2 386 458		

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b) Free allotment of shares

On 25 November 2005, an allotment of free shares was proposed to the Group's employees in November 2005, with each beneficiary being granted 341 shares. The free shares were granted to all employees employed on an indefinite contract as of 29 November 2005 and effectively being paid on such a basis by their employer at the time of the decision to grant the shares, and who had been working within the Eutelsat Communications Group for at least three months. The vesting period for definitive acquisition of the shares was fixed at two years, reckoned from 29 November 2005. Beneficiaries were required to keep their shares for a further period of two years after the effective date of acquisition.

On 18 December 2007, 133 331 shares were issued and definitively vested to the benefit of 391 beneficiaries. These shares are for a nominal amount of 1 euro each. The Company noted the subsequent capital increase of 133 331 euros taken from "Additional paid-in capital".

During the financial year ended 30 June 2007, there was an allocation of free shares to the Group's employees as a result of a decision by the Board of Directors on 10 May 2007. The offer concerned 181 825 new shares. The qualifying period for definitive acquisition of the shares was fixed at two years after this date, with a requirement that the employee should still be working for the Group. Beneficiaries meeting these conditions are subject to a further requirement to keep their shares for an additional period of two years after the effective date of acquisition.

On 25 July 2007, the Board of Directors decided to introduce a plan for the allocation of free shares to all employees of the Group, including the *mandataires sociaux* (Company officers) representing a total of 474 831 free shares. Allotment of these free shares will become absolute provided the beneficiaries are still with the Group in two years time and will be available after a further period of two years has expired after the effective date of acquisition. It should be noted that definitive acquisition of the free shares granted under this plan is subject to the achievement of certain performance objectives over a two-year period.

7.4 – Additional paid-in capital

The share premium account (additional paid-in capital) was reduced (i) by €133 thousand following the issue and definitive free grant of 133 331 shares (see above), and (ii) by €126 713 thousand as a result of the decision by the General Meeting of 9 November 2007 to distribute €0.58 per share by taking the corresponding amount from this account. Prior to this distribution, the loss for the year ended 30 June 2007 of €20 081 thousand had been charged to additional paid-in capital.

Conversely, there was a €72 thousand increase under this heading as a result of the exercise of BSAs.

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NOTE 8: INDEBTEDNESS

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

	30 June	
	2007	2008
Bank debt (one year or more)	-	-
Bank debt (five years or more)	1 615 000	1 615 000
Accrued interest.....	10 430	12 407
Total	1 625 430	1 627 407

On 19 June 2006, the Company refinanced the debt contracted by its subsidiary SatBirds Finance in the course of the previous period. This was reimbursed and replaced by two new credit facilities, namely “Term Loan” and “Revolving Credit Loans”, which are not secured by collateral. The main characteristics are as follows:

These credit facilities are subject to restrictive clauses (with the usual exceptions contained in loan agreements) limiting the capacity of the Group’s companies, in particular to:

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

The agreement allows each lender to request early repayment of all sums due if there is a change of control of the Company and of Eutelsat S.A. or in the event of concerted action.

The Company must hold, directly or indirectly, 95% of the capital and voting rights of Eutelsat S.A. for the entire duration of the loan.

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

The credit facilities are linked to the following financial covenants, calculated on the basis of the Group’s consolidated financial statements presented in reflection of IFRS.

Leverage Ratio: consolidated net debt/consolidated EBITDA less than or equal to 5.5 for the half-year and full-year periods defined in the agreement, with the first being 30 June 2006; this ratio is then gradually reduced to 5.25 at 31 December 2008, to 5 at 31 December 2009, to 4.75 at 31 December 2010 and then to 4.5 at 31 December 2011.

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Interest Cover Ratio: Consolidated EBITDA/interest payable (due and paid) greater than or equal to 2.75 (if Leverage Ratio greater than 3.5).

In addition, interest rate hedging is required for a minimum period of three years to limit exposure to interest rate risk for no less than 50% of the amounts drawn under the Term Loan facility.

On 19 June 2006, the SatBirds Finance subsidiary accordingly transferred to the Company the interest rate hedge put in place for the previous loan (see Note 4).

NOTE 9: TAX AND EMPLOYEE-RELATED PAYABLE

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

	30 June	
	2007	2008
State: accrued liabilities	4	29
Output VAT	177	134
Staff: accrued liabilities	856	856
Social charges payable.....	301	233
	1 338	1 252

All tax and employee related-payable is not later than one year.

NOTE 10: COMPENSATION OF SENIOR STAFF

In order not to disclose individual remuneration, the compensation paid to senior staff cannot be divulged.

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NOTE 11: FINANCIAL RESULT

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

	Period ended 30 June	
	2007	2008
Interest expense	(66 484)	(64 948)
Interest income	5 877	2 264
Income from investments	55 165	36 035
Provisions on investments	-	(51)
Foreign-exchange losses	(3)	-
Realised foreign exchange gains	-	7
Other	-	5
	(5 444)	(26 688)

The interest expense corresponds to the loans taken out on 19 June 2006 (see Note 8), net of the interest received on the hedges.

For the year ended 30 June 2007, income from investments consists mainly of the penalty payments received on the occasion of the early reimbursement of loans to subsidiaries and related interest, and for the year ended 30 June 2008 to an advance payment in respect of dividends from the subsidiary Eutelsat Communications Finance.

NOTE 12: EXCEPTIONAL RESULT

The exceptional result comprises the following:

(In thousands of euros)

	Period ended 30 June	
	2007	2008
Loss on repurchase of treasury stock	(22)	(182)
Proceeds from disposal of financial assets	4	-
Gain on repurchase of treasury stock	97	258
Exceptional depreciation and amortisation	-	(16)
Allocation to provisions for risks	(13)	-
	66	60

NOTE 13: TAX CONSOLIDATION

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

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

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At 30 June 2007, Eutelsat Communications carried forward a tax loss of €19.4 million generated in the course of the year, and recognised tax due in respect of Eutelsat Communications Finance of €79 thousand.

Since 1 July 2007, the scope of the tax consolidation group has been extended to include the sub-subsidiaries WhiteBirds France S.A.S, SatBirds 2 S.A.S., Eutelsat S.A. and Eutelsat TV S.A.S.

At 30 June 2008, the tax expense in respect of the tax consolidation group is €96.5 million and the amount due by the sub-subsidiaries under the tax consolidation agreement is €126.9 million, showing a profit of €30.4 million.

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

NOTE 14: MARKET RISK

The Company has exposure to market risks, in particular with regard to interest rate risk. Exposure to such risks is actively managed by Management, and for this purpose the Company employs a certain number of derivatives, the objective of which is to limit, where appropriate, exposure of revenue and cash flows to interest rate risk. The Company's policy is to use derivatives to manage exposure to such risks. The Company does not engage in financial transactions whose associated risk cannot be quantified at their outset, i.e. the Company never sells assets it does not possess or does not know it will subsequently possess.

The Company manages its exposure to fluctuations in interest rates by setting up interest rate hedges for the entire duration of the bullet-loan facility. Following the refinancing process in 2005/2006 of the debt related to the acquisition of Eutelsat S.A., the Company set up the following interest rate hedges:

- a tunnel (purchase of a cap and sale of a floor) until 29 April 2008 for a notional amount of €1 700 million to hedge the bullet-loan facility. The notional amount of this tunnel was reduced on 12 April 2007 from €1 700 million to €1 615 million so that it would be the same as the exact amount borrowed. This partial sale generated a termination indemnity of € 1 275 thousand for Eutelsat Communications.

- a forward pay fixed/receive variable swap for €850 million and a purchase of a forward cap for a notional amount of €850 million to hedge the bullet-loan facility, both covering an additional two years (between 29 April 2008 and 29 April 2010). The Company also undertook a partial sale on 12 April 2007, using these financial instruments to reduce the notional amount of € 1 700 million to € 1 615 million (i.e. reducing each one from €850 million to €807.5 million) and generating a termination indemnity for the Company of €925 thousand.

At end-September 2006, a new forward interest-rate hedge (April 2010 to June 2013) was put in place: a pay fixed/receive variable interest rate swap for €1 615 million to hedge the long-term Eutelsat Communications bullet loan.

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Financial counterpart risk:

Counterpart risk includes issuer risk, execution risk in connection with derivatives or monetary instruments, and credit risk related to liquidity and long-term investments. The Company minimises its exposure to issuer risk and its exposure to execution and credit risk by acquiring only financial products with first-rate financial institutions or banks. Exposure to these risks is closely monitored and maintained within predetermined limits. The Company does not foresee any loss that would result from a failure by its counterparts to respect their commitments under the agreements concluded. The risks to which the Group is exposed are confined neither to the financial sector nor to a particular country.

Key figures at 30 June 2008:

The following table analyses the contractual or notional amounts and fair value of the Group's derivatives at 30 June 2008 by type of contract.

(In thousands of euros)

<u>Instrument</u>	<u>Contractual or notional amounts</u>	<u>Fair values at 30 June 2008</u>
Swap	807 500	29 143
Purchase of cap	807 500	18 609
Swap	1 615 000	42 612
		90 364

NOTE 15: OTHER COMMITMENTS AND CONTINGENCIES

15.1 – Guarantees granted

Debt with banks has been contracted without real guarantees. According to the agreement, the guarantees of the lender are at least the same as for other creditors with unguaranteed and unsubordinated debt (with the exception of preferred creditors under the law).

15.2 – Other commitments given

In accordance with the loan agreements and as mentioned in Note 8, Eutelsat Communications has undertaken to perform or not to perform certain actions.

This commitment cannot be quantified.

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NOTE 16: RELATED-PARTY TRANSACTIONS

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

Amounts included in current assets and current liabilities, due by or owed to related parties on the balance sheet are as follows (in thousands of euros):

	At 30 June	
	2007	2008
Gross receivables (including unbilled revenues)	80 103	23 815
Liabilities (including accrued invoices)	686	301

Current assets comprise trade receivable balances, current accounts with customers and unbilled revenues, but do not take into account any allowances for bad debts.

Transactions with related parties included in the income statement are as follows (in thousands of euros):

	Period ended	
	30 June 2007	30 June 2008
Revenues.....	1 422	1 812
Operating charges	1 493	1 008
Financial result	55 441	37 728

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

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NOTE 17: FINANCIAL INFORMATION RELATED TO SUBSIDIARIES AND EQUITY INVESTMENTS

The table below presents the list of investments held by Eutelsat Communications in subsidiaries and other companies as of 30 June 2008 (in thousands of euros):

	<u>Capital</u>	<u>Other components of equity as of 30 June (local accounts)</u>	<u>Percentage of ownership</u>	<u>Last financial period ended</u>	
				<u>Revenues (local accounts)</u>	<u>Net income (local accounts)</u>
Eutelsat Communications Finance RCS No. 490416674 Paris Headquarters in Paris (period ended 30/06/2007)	5 000	3 071 608	100%	-	211 050

The table below provides aggregated information for all investments held by Eutelsat Communications in subsidiaries and other companies at 30 June 2008 (in thousands of euros):

	<u>Gross book value of the investments</u>	<u>Provision for impairment</u>	<u>Loans and advances</u>	<u>Guarantees granted</u>	<u>Dividends received</u>
Investments in subsidiaries and other companies	2 401	-	5	-	35 164

NOTE 18: EVENTS AFTER THE BALANCE-SHEET DATE

None