



eutelsat
COMMUNICATIONS

A French *Société anonyme* with a Board of Directors
and a share capital of 215,692,592 euros
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MANAGEMENT REPORT OF THE BOARD OF DIRECTORS
ON THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006



TRANSLATION FOR CONVENIENCE PURPOSES ONLY - NOT LEGALLY BINDING

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We submit to you a management report on the activity of Eutelsat Communications (the Company) and the Eutelsat Group¹ for the year ended June 30, 2006.

We are also presenting to you the company and consolidated financial statements for the year ended June 30, 2006. The consolidated statements show the intra-group relations with our subsidiaries and affiliated companies.

This report was adopted by the Board of Directors at its meeting on September 1, 2006.

1 Introduction

With a market share of 30% in Extended Europe², the Group, along with SES Global, is the European leader in satellite services. It operates a fleet of 23 satellites in geostationary orbit (GEO) and supplies capacity for video services, professional data networks and value added services. With its fleet of satellites located from 15° West to 70.5° East, the Group covers the entire European continent, the Middle East and North Africa ("Extended Europe"), Sub-Saharan Africa and a large section of the Asian and American continents, potentially giving the Group access to 90% of the world's population.

Users of the Group's capacity include the leading European and international media and telecommunications operators, such as:

- private and public broadcast companies, including the European Broadcasting Union (EBU), RAI, France Télévisions, Deutsche Welle, BBC, Mediaset, TVN, TF1, RTL, RTVE, ARD, ZDF, NHK, Discovery Channel, CCTV, Eurosport and Euronews;
- major digital pay television operators, such as Sky Italia, Télévision par Satellite (TPS), the Canal+ group, BSkyB, Multichoice Africa, Cyfra+, Polsat, Digiturk, NTV+;
- international corporations such as Renault, Shell, Total, General Motors, Volkswagen, Euronext, Reuters, Schlumberger, Sony;
- corporate network service providers and network operators such as Hughes Network Systems, Algérie Télécom, Orascom, AT&T, Plenexis, Caprock, Siemens Business Services, Atrexx and Bentley Telecom;
- satellite service operators such as the intergovernmental organisation ARABSAT, Nilesat and Noorsat in the Middle East.

The Group offers its services to broadcasters and network operators, both directly or through distributors. The distributors include the leading European suppliers of telecommunications services, such as France Télécom (GlobeCast), Telespazio, British Telecom, Deutsche Telekom and Belgacom.

¹ Eutelsat Group or the Group means Eutelsat Communications and all the companies controlled directly or indirectly by Eutelsat Communications

² Extended Europe includes western Europe, central and eastern Europe, Russia and central Asia and the Middle East along with North Africa and Sub-Saharan Africa.

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In a highly competitive Fixed Satellite Service (FSS) sector, our Group consolidated its positions and continued to expand into new markets during the year ended June 30, 2006.

The strong performance of our Group is reflected in:

- o a substantial increase in our consolidated revenues, which totalled 791.1 million euros at June 30, 2006, up 5.4% over the previous year; and
- o continued very strong profitability, since the Group's EBITDA margin was 77.9% at June 30, 2006 while the Group's consolidated EBITDA³ amounted to 616.5 million euros, an increase of 6.5% over the company's pro forma consolidated EBITDA at June 30, 2005.

Over the same period, the Group's consolidated net debt⁴ was reduced from 3,156.9 million euros at June 30, 2005 to 2,228.5 million euros, primarily because of the Company's public offering and the acquisition of the ATLANTIC BIRD™¹ satellite for 48 million euros. The ratio of Net Debt/EBITDA was 3.6 at June 30, 2006 compared with a Debt to EBITDA ratio of 5.5 at June 30, 2005.

You are reminded that the Company, which was formed in February 2005 under the name SATBIRDS SAS, is a holding company whose principal asset is its 95.2% indirect stake in Eutelsat S.A. Its business is the operational, financial and strategic direction of the Eutelsat Group.

1.1 Key events during the year

In the 2005/2006 financial period, the Group continued to implement its strategy to strengthen its positions in the countries of the European Union with the premium orbital positions of 13° East and 28.5° East, and to optimise the Group's space segment resources through the development of major video orbital positions dedicated to direct broadcasting ("*Direct to Home*" or "DTH"), particularly in the emerging markets, along with continued growth in Value Added Services, which represent more than 5,000 terminals in service worldwide.

Consolidating its commercial position from the prime HOT BIRD™ neighbourhood, the Group signed a contract early in the year for the direct renewal of the capacity currently used by Sky Italia and for the allotment of additional capacity with a minimum of 10 transponders over a 10-year period.

As part of its strategy to strengthen its positions, particularly in Europe, the Group continued to secure and replace its fleet, particularly at the premium HOT BIRD™ orbital position at 13° East, with the HOT BIRD™^{7A} and HOT BIRD™⁸ satellite programmes. The HOT BIRD™^{7A} satellite came on stream on April 22, 2006, while HOT BIRD™⁸ was successfully launched on August 5 of this year. It is scheduled to begin commercial service in October 2006.

³ EBITDA is defined as the operating result before depreciation and amortisation and excludes impairment of assets. EBITDA is not an aggregate defined by accounting principles and does not constitute a measure of financial performance. It should not be compared to operating income, net income or cash flow from operating activities. Similarly, it should not be used as an indicator of profitability or liquidity. Nor should EBITDA be considered as an indicator of past or future operating results. EBITDA is calculated differently from one company to another, and accordingly the information given in this document about EBITDA should not be compared to EBITDA information reported by other companies.

⁴ Net debt includes all bank debt and all liabilities from long-term lease agreements, less cash and cash equivalents and marketable securities (net of bank credit balances) (See Notes 14, 15 and 16 of the Eutelsat Communications consolidated financial statements attached hereto).

In addition, the Group acquired the ATLANTIC BIRD™ 1 satellite in December 2005 for 48 million euros and launched an investment programme to refurbish its space segment with orders for the W2M and HOT BIRD™ 9 satellites and future orders for the W7 and W2A satellites.

Finally, the Company's initial public offering on December 2, 2005 was a major turning point in the recent history of the Eutelsat Group.

1.2 Selected information concerning the Group

The Group ranks third in the world in the Fixed Satellite Services market, benefiting from a number of solid strengths, particularly:

- its leadership on the European market for satellite audiovisual programme transmission, as the Group is the leading operator in this market in terms of the number of channels transmitted and transponders leased;
- its large portfolio of attractive orbital positions, which is the result of a strategy of active management of licences for orbital positions; in particular, the Group has two flagship orbital positions at 13° East and 28.5° East, which are particularly well suited for transmissions to the countries of the European Union and benefit from a very large user base of installed antennas, and six major positions for video services (7/8° West, 5° West, 7° East, 16° East, 25.5° East, 36° East) under development;
- its portfolio of services, combining visibility and growth; two-thirds of it based on video services, which form a stable revenue stream; in addition, a large segment of data services and value added services allows the Group to benefit from the growing demand for the Internet in geographical regions with little or no service from terrestrial networks;
- its significant growth potential, both in the video services market, driven by the sharp increase in the number of channels transmitted in the emerging markets and the launch of high-definition television (HDTV) in Europe, and in the data and value added services market, which is characterised by the significant growth of high-speed exchanges, a segment in which satellites are a the preferred transmission medium, particularly in areas with little or no service from terrestrial networks;
- its fleet of satellites, one of the Group's strategic assets, which has been deployed and renewed recently so that the satellites have an average age of 5 years as of June 30, 2006, and which offers great flexibility in configuration, onboard redundancy, significant back-up capacities and excellent operational reliability;
- one of the best financial performances in the Fixed Satellite Service (FSS) sector, both in terms of revenue growth and profitability, as demonstrated by its EBITDA margin;
- Substantial and predictable cash flows because of the structure and size of its backlog, which represented nearly 4 billion euros at June 30, 2006, the equivalent of more than five times the level of revenues for the year ended June 30, 2005.

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1.3 Extract from the consolidated income statement of Eutelsat Communications

IFRS	Eutelsat Communications		
	(in thousands of euros)	Three-month period ended June 30, 2005	<i>2005 Pro forma unaudited 12- month period (*)</i>
Revenues	188,680	750,402	791,070
Operating expenses	(52,300)	(171,159)	(174,550)
Amortisation and depreciation	(73,038)	(306,843)	(285,805)
Operating income.....	62,647	187,705	303,709
Financial income	(55,785)	(198,428)	(179,570)
Net income before taxes	6,928	(10,408)	129,958
Consolidated net income ...	(7,322)	(44,950)	40,234
Net income, Group share ...	(12,552)	(52,305)	30,420

(*) Please note that the Company's 12-month financial year closed on June 30. We also remind you that the financial and accounting information provided in this report for the year ended June 30, 2005 covers only a three-month period (April-June 2005). The year ended June 30, 2006 is the first full financial year for the Company.

The pro forma financial information was prepared from the financial statements of Eutelsat Communications prepared in accordance with IFRS for the three months ended June 30, 2005 and the consolidated financial statements of Eutelsat S.A. under IFRS for the 12 months ended June 30, 2005. The pro forma financial information includes the pro forma adjustments identified as the most significant made to the income statement and the consolidated balance sheets of Eutelsat Communications for the year ended June 30, 2005. These adjustments are intended to show, without being representative however, the Group's financial position and the results it would have recorded if:

- o the acquisition of 85.65% of the Eutelsat Group completed on April 4, 2005 and the additional acquisition of 7.67% on June 30, 2005 had been completed on July 1, 2004;
- o the "A" and "B" senior debt, the revolving credit, the second-lien line and the senior PIK contracted on April 4, 2005 for the successive acquisitions of the Eutelsat Group had been set in place on July 1, 2004.

Moreover, no pro forma adjustment was made for the interest rate hedging instruments (swap, tunnel and cap purchased) set up in April 2005 by the Group at the time when the aforementioned debts were contracted to show what would have been the balance sheet and income statement impact if those hedging instruments had been in place on July 1, 2004. These adjustments were made on the basis of the estimates and assumptions used by the Group's Management.

The pro forma financial information may not show what would have been the Group's financial position, results, changes in capital and cash flows if the Group had acquired Eutelsat and set in place the related financing as of July 1, 2004.

2 Overview of the Group's markets

2.1 The Fixed Satellite Services (FSS) Industry

With a global market share of 13%, and a 30% share in Extended Europe as of December 31, (Source: EuroConsult), the Group is the third largest operator in the world and is, with SES GLOBAL, the leading European operator in the Fixed Satellite Services sector, which is an integral part of the satellite telecommunications industry and, more generally, the telecommunications market (Source: EuroConsult - 2006).

FSS operators operate geostationary (GEO) satellites positioned in orbit in space about 36,000 kilometres above the earth in the equatorial plane. At this altitude, a satellite revolves around the earth at the same speed as the earth rotates on its axis, which enables it to remain in a fixed position in space in relation to a given point on the earth's surface. This allows the transmission of signals to an unlimited number of fixed terrestrial antennas permanently pointed towards the satellite. Because of its altitude, a GEO satellite can, in theory, cover up to one third of the earth's surface.

GEO satellites are therefore one of the most effective means of communications to ensure transmission from one fixed point to an unlimited number of fixed points, as required by television services for example. GEO satellites are also suitable for connecting a number of sites over vast geographical regions (private business networks, point of sale activities), ensuring extended coverage for GSM networks and Internet access in geographical regions that have little or no service from terrestrial networks (for example at sea or in shadow zones), or establishing or restoring communication networks for emergency situations (civil safety, humanitarian operations).

Once a satellite is in service at a given orbital position, the FSS operators lease the transmission capacity (i.e. the transponders) to customers: distribution platform operators, television station operators, telecommunication services operators and Internet service providers. The transponders are the onboard equipment on the satellites that receive, amplify and retransmit the signals received.

The FSS sector uses several types of frequency bands (C band, Ku band, Ka band), but the Group's fleet consists primarily of transponders operating in Ku band, which are particularly suitable for services such as direct broadcast because of the smaller receiving antennas.

The FSS sector has grown significantly over the last forty years. Since the creation of the International Telecommunications Satellite Organisation (Intelsat) in 1964, many countries have set up satellite systems to provide national or regional telecommunications services. Analogue television broadcasting by satellite starting in the 1980's, and then the rapid development of digital television channels in the 1990's, have greatly contributed to the growth of this industry.

The FSS sector has a number of specific characteristics, including:

- major barriers to entry, particularly the significant investment needed to operate a fleet of satellites and have access to orbital positions;
- generally high visibility over revenues, primarily because of long-term contracts (particularly for video services);
- generally high operating margins and a high proportion of fixed costs (resulting in strong operating leverage);
- the existence of new vectors of growth, including HDTV and new applications related to broadband Internet access.

According to EuroConsult, the FSS sector generated worldwide revenues of USD 7.6 billion in 2005, nearly USD 3 billion of which in Extended Europe.

Demand for satellite capacity grew 6% over the year in Extended Europe, according to EuroConsult. Demand for satellite capacity depends on a number of factors, including:

the increase in the number of television channels,

deregulation of certain geographical markets,

technological innovations, which reduce access costs for satellite services,

the development of new applications that require more satellite capacity, such as HDTV and broadband Internet services, and

economic growth in general.

In addition, certain events, such as major sporting occasions such as the Olympic Games and the Football World Cup or special news events, can periodically drive up demand.

EuroConsult believes that, in the medium term, total world demand for satellite capacity will continue to rise at an average annual rate of 3.6% between 2005 and 2011.

The satellite capacity offer is determined by the existing capacity and the scheduled launch of new satellites. On the basis of EuroConsult data, world capacity rose at an average annual rate of 5.7% between 2000 and 2004, while demand climbed 1.5% per year over the same period. This trend resulted in a decline in the transponder utilisation rate worldwide (from 75% in 2000 to 64% in 2004). As a result, in recent years FSS operators have tended to slow down or suspend their deployment plans because of overcapacity on certain markets.

The Group believes that this effort to streamline the satellite offer has resulted today in the appearance of a better balance between supply and demand in Extended Europe, particularly in central and eastern Europe, North Africa and the Middle East. This improvement in the supply and demand equation should allow prices to firm up in these regions. However, the Group believes that this positive trend is limited by rate pressures from some small or medium-sized satellite service operators and by the excess capacity in the market, following consolidation of certain operators.

2.2 Principal trends in the sector

Growth of the video services market

According to EuroConsult, demand for capacity for video service transmission should continue to rise at an average annual rate of 3.9% between 2005 and 2011. This growth is expected to be driven primarily by:

- **The growth in the number of television channels.** According to Euroconsult, the number of television channels transmitting by satellite has risen from about 9,300 worldwide in 2001 to about 15,800 in 2005, and is expected to double over the next ten years. In addition, according to EuroConsult, the number of TV channels in Extended Europe is expected to rise from about 5,500 in 2006 to more than 9,000 in the next ten years. This increase in the number of channels is particularly driven by the development of programme offerings in the emerging countries of central and eastern Europe, North Africa and the Middle East. Moreover, lower costs for accessing satellite capacity stimulate the expansion of thematic and community channels.
- **The development of High Definition Television (HDTV).** Transmission of HDTV programmes requires higher satellite capacity than traditional digital television. In MPEG 2 compression mode (the standard currently used by traditional television), a high-definition channel requires 5 times more capacity for transmission than in standard format. In MPEG 4 mode, a high-definition channel will require capacity 2 to 2.5 times greater than the same standard definition channel in MPEG 2. Also, the continuing development of HDTV will require additional capacity to guarantee simultaneous transmission in both standard and high definition format (simulcast) of television channels for a certain period of time.

High-definition TV continued to expand in the United States and in Asia-Pacific in the financial year ended June 30, 006. After an experimental phase lasting about five years, with low penetration in these markets, HDTV is now a high-growth segment.

After a period of experimentation in 2005 in Extended Europe, several high-definition channels were launched during the year ended June 30, 2006, primarily because of a more favourable development context ("HD Ready" standards and label in place, new compression standards, major sporting events).

Despite some difficulties in obtaining receiving equipment (decoders), a number of pay TV operators launched HDTV channels and HDTV offers during the year, taking advantage of the Football World Cup in Germany, a major event that allowed heavy promotion of HD equipment to consumers. As a result, Premiere in Germany, TPS and CanalSat in France, Sky Italia in Italy and BSkyB in the United Kingdom, along with Poverkhnost in Ukraine, launched their first HDTV commercial programmes during the year. At June 30, 2006, the Group was broadcasting 12 HDTV channels over the HOT BIRD, W3A and W4 satellites. In its September 2006 study, EuroConsult estimated that more than 40 HDTV channels could be broadcast in western Europe by the end of 2006, nearly 156 channels in 2010 and about 436 channels in 2015. These projections represent an average annual growth rate of 29% between 2006 and 2015. The progressive deployment of HDTV should drive up demand for satellite capacity and become a major growth vector for video services.

- **The growth of Digital Terrestrial Television ("DTT").** Initially launched in certain countries in western Europe, notably the UK, Spain, Switzerland, Germany, France and Italy, DTT is beginning to expand in Europe. In the first quarter of 2006, more than 20 million households had decoders (primarily to receive free channels), representing a 19% rise since the end of 2005 (Source: Dataxis). The advent of DTT gives satellite operators an opportunity to supply capacity to the head-ends of terrestrial networks. Moreover, satellites can provide additional coverage for direct reception via parabolic antennas for households located in the shadow areas of terrestrial re-broadcasting transmitters.

- ***The introduction of additional services on digital broadcast platforms.*** A large number of satellite broadcast platforms offer or intend to offer interactive services (home shopping services, betting, Video on Demand ("VOD")). The expansion of the interactive service offer should generate an increase in the demand for satellite capacity.
- ***Optimisation of the compression rates for television signals.*** In the 1990's, with the development of the DVB standard, video applications underwent a transition from the analogue broadcast format to the digital format. On average, this format allows the broadcast of about ten channels per transponder, compared with only one in analogue format. With continued technological innovations, such as the development and dissemination of the MPEG-4 compression standard, operators will be able to broadcast up to twice as many channels per transponder. As a result, the number of channels is expected to rise significantly with the development and deployment of the DVB-S2 standard and to reduce satellite capacity access costs.

Growth in data networks and IP services

The FSS industry has benefited from steady growth in demand for capacity for Internet applications. According to EuroConsult, the number of Internet users worldwide is expected to increase to 3 billion by 2015 (compared with about 1,050 million in 2005), including nearly 628 million broadband Internet services users. In addition, demand for satellite capacity for broadband services for businesses and consumers should record average annual growth of 13% and 24% respectively between 2005 and 2011 (Source: EuroConsult).

Satellite Internet access services include:

- Connection to the Internet backbone (IP Trunking) to allow Internet Service Providers (ISPs) to connect to the Internet backbone;
- Connection to an Internet local loop (IP access) for businesses and local authorities. This system allows them to connect remote sites within a private and secure virtual network, particularly in regions with little or no service from terrestrial solutions (DSL lines or cable);
- IP data broadcast (IP broadcast) for broadcasting multimedia content.

The Group believes that the market for satellite broadband services should be driven by declining prices for user terminals and by improvements in the quality of the service offerings.

2.2.3 Recent development of services to government

According to EuroConsult, this market segment, which largely correspond to the demand for satellite services from the defence and security departments, grew by 20% in Extended Europe ⁵ in 2004 and 2005.

This type of service is characterised by a certain volatility insofar as these are short-term contracts (one year), mainly because of the development of alternative military satellite capacity and because such applications are closely tied to changes in the international context, particularly the occurrence of geopolitical conflicts and natural disasters.

⁵ Including the demand for military satellite capacity

2.3 Competition

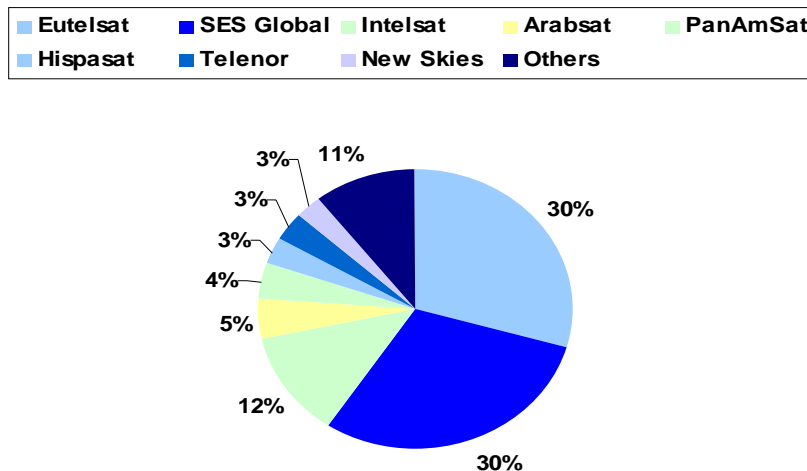
The Group has to face major competition from international, national and regional satellite operators and from terrestrial network operators (cable, fibre optic, DSL, microwave broadcasting and VHF/UHF) for numerous transmission services and value added services, particularly broadband access

Satellite operators

The Group's principal competitors are the other major FSS operators, primarily SES Global and Intelsat-PanAmSat.

According to EuroConsult, the market share of the top three FSS operators, i.e. SES Global, Intelsat-PanamSat and the Eutelsat Group, represented approximately 62% of the sector's total revenues as of December 31, 2005.

Based on revenues at December 31, 2005, the Group is the third largest operator in the world according to EuroConsult and, alongside SES Global, the leader in Extended Europe. The following graphic shows the market share of the operators in Extended Europe as of December 31, 2005 (Source: EuroConsult)



The Group believes that only SES Global and PanAmSat offer lines of services comparable to the Group's offer. The other FSS operators compete with the Group only for certain services.

- **SES Global.** SES Global S.A. is the Group's main competitor. SES Global primarily provides video services in the European and North American markets. This company also provides broadband Internet services and capacity for professional data networks. SES Global is present in Europe through SES Astra, NewSkies and Sirius. SES Astra's 13 satellites broadcast over 1,300 radio or television programmes to over 107 million homes (source: SES Astra 2006). By buying GE Americom in November 2001, SES Astra gained access to the U.S. market. SES Global is also present in Asia and Latin America through its holdings in regional satellite service operators (particularly Asiasat, Star One and Nahuelsat). In addition, in May 2006, SES Global announced that it had finalised the acquisition of New Skies Satellites, operating primarily in the Internet services market (IP trunking solutions and high-speed IP) and audiovisual distribution. NewSkies offers transatlantic links, and inter-regional links in Asia and Latin America. SES Global is listed for trading on Eurolist of Euronext Paris and in Luxembourg.

- **Intelsat-PanamSat.** Intelsat Ltd. has worldwide geographical coverage and provides a more limited range of services than the other FSS operators. In June 2006, Intelsat announced the definitive acquisition of PanAmSat. After the merger, these companies have a fleet of 53 satellites, making the new entity the largest satellite operator in the world. With the acquisition of Panamsat, which supplies satellite capacity for the transmission of audiovisual programmes to major television networks and cable operators in North and South America, Intelsat is becoming a leader in the transmission of these programmes to these markets. Intelsat-PanamSat primarily competes with the Group in Africa and the Middle East and, to a lesser extent, in Europe.

The Group also competes with a large number of regional and national satellite operators. Some of these operators also provide international connections in addition to providing communications services for their domestic markets. Some countries have national satellite communications systems, which also compete with the Group. Competition from these regional and national operators is essentially based on price and some of them enjoy advantages (tax or regulatory, for example) in their national markets. For most of these services, the Group believes that it is not in direct competition with satellite mobile service operators (particularly Inmarsat). Inmarsat does, however, compete with the Group for value added marine services (D Star).

2.3.2 Terrestrial communications services

Satellite transmission is to a certain extent in competition with alternatives offered by terrestrial networks.

Fibre optic networks are highly suited to transmitting high volumes of point to point traffic (video or data) at a relatively low cost, which may encourage some customers to use these networks rather than a satellite connection.

For broadband Internet access or for television broadcasts, satellite transmission is also in competition with cable, DSL technologies and DTT. These networks can offer their services in urban and suburban areas at more competitive rates than satellite operators. In the future, the continuing deployment of this type of network in terms of both capacity and coverage, could reduce opportunities for satellite operators. However, as demonstrated by the group's activity during the year, terrestrial network operators continue to use satellites to expand their coverage and supply the head-ends of their networks (cable, DSL and DTT).

Moreover, as shown by the performance of the Group's value added services and video services, satellite transmission today has several competitive advantages over terrestrial networks. In effect, satellites offer (i) coverage over vast geographical areas at a low marginal cost, in contrast to terrestrial networks, and (ii) transmission of point to multipoint signals that is largely independent of the terrestrial infrastructure with particularly high transmission speeds.

In addition, terrestrial networks can complete satellite transmission services by offering in many cases the return channel necessary for interactive services (Internet access, Video on Demand, interactive television).

1 3 Description of Services offered by the Group during the year

3.1 A Balanced Portfolio of Services

The Group has a particularly well-balanced portfolio of services, combining visibility and growth.

In application terms, Video services constitute the Group's main business. They represent nearly 67% of its consolidated revenues for the year ended June 30, 2006. The Group is also present in the Data and Value added Services market (21.4% of revenues as of June 30, 2006). Finally, the Group offers Multi-usage leases, which represent 8.8% of revenues for the year ended June 30, 2006.

The table below gives a summary of the applications and services offered by the Group.

Video Services (66.8% of revenues in 2006)	Data Services (21.4% of revenues in 2006)	Multi-usage leases (8.8% of revenues in 2006)
<ul style="list-style-type: none"> • Broadcasting <ul style="list-style-type: none"> - Television and Radio Channel Transmissions, direct to homes equipped with satellite dishes (DTH) - Distribution of Television or Radio Stations to cable operator network head-ends and DTT terrestrial DTT retransmitters • Professional Video Networks: <ul style="list-style-type: none"> - Point to point connections for routing TV channels to the dedicated teleport so that they can access a direct broadcast satellite - Carrying reports and live retransmissions of events to television channel production studios. - Permanent connections constituting a mesh network for programme exchanges between television channels 	<ul style="list-style-type: none"> • Professional Data Networks <ul style="list-style-type: none"> - VSAT communications/data exchange networks - Connection to the Internet backbone for Internet Service Providers (ISPs) - Providing capacity for members of networks offering IP access solutions for companies and local authorities • Value Added Services <ul style="list-style-type: none"> - IP access solutions (D STAR/D-SAT/IP Broadcast/Skypeplex Data), including mobile solutions (ships, trains, aircraft) and extending the mobile telephone network (GSM) - Mobile Communications Services (EutelTracs/EMSAT) 	<ul style="list-style-type: none"> • Leasing capacity to other satellite operators • Providing capacity for services to governments

3.2 Analysis of Business Activity During the Year

3.2.1 Applications with Strong Growth

Due to the great expansion of our services, the growth in revenues for the year ended June 30, 2006, comes to 5.4% at 791.1 million euros. When one-off revenues are excluded, annual growth is 4.6%, at 773.7 million euros. With comparable rates of exchange and excluding one-off revenues, the rate of progression is 3.9%.

This performance demonstrates the quality of the strategy implemented by the Group, which aims to consolidate its leading position in the countries of the European Union and to optimise use of its orbital resources through the development of new major video positions and expanding our value added services. Thus, as of June 30, 2006, the Group was broadcasting over 2,100 television channels, an increase of over 400 new channels for the year, over half of which come from countries in central and eastern Europe, Russia, the Middle East and Africa. At the same time, our D-STAR service has seen nearly 30% growth in the number of terminals, led by sustained demand for high speed services in Europe and in emerging countries in areas with poor terrestrial coverage, this in spite of the negative consequences of the W1 satellite incident. Finally, the 14.5% growth in Multi-usage leases has confirmed the Group's ability to exploit the business opportunities in this segment.

This performance confirms the solidity and distinctive nature of Eutelsat's service portfolio within the Fixed Satellite Services Industry. It offers an insight into our revenues from long-term contracts (generally over 10 years), signed with a portfolio of high quality customers.

Revenue by Application			
In millions of euros	2005 proforma 12-month period ⁶	Financial Year ended June 30, 2006	% change
Video Services	511.3	528.6	+3.4%
Data and Value Added Services	161.7	169.1	+4.6%
<i>Data Services</i>	<i>137.3</i>	<i>139.2</i>	<i>+1.4%</i>
<i>Value Added Services</i>	<i>24.4</i>	<i>29.9</i>	<i>+22.4%</i>
Multi-usage leases	60.8	69.7	+14.6%
Other income	5.9	6.3	+6.8%
Subtotal	739.7	773.7	+4.6%
One-off revenues ⁷	10.7	17.4	-
Total	750.4	791.1	+5.4%

3.2.1.1 Video Services (66.8% of annual revenue):

The growth in these services was mainly due to an increase in the number of television channels broadcast by Eutelsat. This went from 1,712 channels as of June 30, 2005, to 2,121 channels as of June 30, 2006. The increase in this business during the year is characterised by the following points:

⁶ Unaudited. Eutelsat Communications consolidated pro forma revenues are Eutelsat S.A.'s consolidated revenues for the period ended June 30, 2005.

⁷ One-off revenues are made up of satellite late delivery penalties and service outage penalties.

- Consolidation of existing premium positions for broadcast services:

In the countries of the European Union, covered by the HOT BIRD™ and EUROBIRD™ 1 positions, the number of channels broadcast by Eutelsat went up by 16.7% year-on-year, from 1,051 to 1,227 television channels, mainly due to the expanded number of programmes broadcast by our leading customers such as Sky Italia, BSkyB and TPS;

The launch of the HOT BIRD™ 7A broadcast satellite took the broadcasting capacity at our HOT BIRD™ position up to 102 transponders and allowed the replacement of the HOT BIRD™ 1 satellite. This replacement has completed one of the major phases in the analogue to digital transition at this orbital position. At June 30, 2006, only four television channels were being broadcast in analogue mode at 13° East.

- Development of new premium positions for broadcast services

The Group's performance has also benefited from the sustained dynamic of the digital broadcast market in central and eastern Europe, the Middle East, and Northern and Sub-Saharan Africa, regions served by our major orbital broadcast positions at 7°/8° West, 7° East, 16° East, 25.5° East and 36° East.

The number of channels broadcast by Eutelsat at these television orbital positions rose by 37.9%; increasing from 544 channels as of June 30, 2005 to 750 channels as of June 30, 2006:

In the Middle East, the Group benefited from the rapid expansion of broadcasting activities by Nilesat, the Egyptian satellite operator, and Noorsat, a provider of broadcast services based in Bahrain. These new direct broadcast services ("Direct-to-Home" – DTH) to homes in the Middle East are provided by our satellites EUROBIRD™ 2 at 25.5° East and ATLANTIC BIRD™ 2 at 8° West, and have now been consolidated by the ATLANTIC BIRD™ 4 satellite, which was brought into service at 7° West on July 1, 2006.

In Russia and Ukraine, the Group has benefited from the expansion of the services offered by NTV Plus, the leading Russian pay TV provider, and Poverkhnost, the main Ukrainian pay TV provider, and has leased additional capacity at the 36° East orbital position. This orbital position also hosts the growing African channel Multichoice.

In central and eastern Europe, the W2 satellite at 16° East consolidated its position in the very active digital television market by signing new contracts with the broadcasters SBB (Serbia), DCS (Romania), Digitalb (Albania), and Bikam (Bulgaria).

In Turkey, the W3A satellite at 7° East benefited from sustained expansion of the number of programmes transmitted by Digiturk and the growth of its subscriber base. Digiturk is the leader in pay TV in that country.

- The Switchover from Analogue to Digital: Together with the entry into service of the HOT BIRD™ 7A satellite, which enabled new digital demand to be addressed at this premium position, the contracts referred to above at other major video positions enabled us to more than absorb one of the last phases in the switchover from analogue to digital. As of June 30, 2006, Eutelsat's fleet was broadcasting only 12 analogue television channels compared to 15 in the previous year. Four of these are broadcast by HOT BIRD™ satellites, one by ATLANTIC BIRD™ 2 for contribution links within France, and seven national French channels are transmitted by ATLANTIC BIRD™ 3 at 5° West. This satellite broadcasts national French channels to over 1.6 million of the homes that cannot receive signals in the shadow zones of the French terrestrial network.

- The Roll-Out of Digital Terrestrial Television (DTT): The ATLANTIC BIRD™ 3 satellite also supported the deployment of DTT networks in France and Italy. In France, 28 television channels are now distributed via terrestrial DTT retransmitters, compared to 8 television channels as of June 30, 2005.

- **The Commercial Launch of High Definition Television (HDTV).** The 2005-2006 financial year also saw the launch of the first High Definition Television (HDTV) channels on the Eutelsat fleet, especially in the Italian and French markets, and also in the eastern European markets (Russia and Ukraine). Today, Eutelsat satellites are broadcasting 12 High Definition channels (on the HOT BIRD™, W4 and W3A satellites), 8 of which are in commercial service and four are promotional.

- **High Demand for Professional Video Networks:** During the year just ended, Video Services also benefited from high demand from professional video network operators for live retransmissions and programme exchanges between broadcasters, particularly during the 20th Winter Olympic Games in Turin and the 2006 Football World Cup, from customers such as the EBU (European Broadcasting Union). This segment represented over 15% of the Group's revenues as of June 30, 2006.

3.2.1.2 Data and Value Added Services (21.4% of annual revenue):

The strong commercial dynamic of our value added services has also allowed us to compensate for the limited growth in Data Services (+ 1.4%) during the year. The latter is the result of the conversion of some short-term contracts into long-term contracts, providing increased visibility over revenues, and the technical incident that affected the W1 satellite on August 10, 2005.

As part of its strategy to maximise revenue per transponder, and exploiting a strongly increasing demand for broadband services in Europe and Africa, where terrestrial networks are not in great use, Eutelsat has continued its balanced policy for the development of value added services. The Group targets niche markets where competition with terrestrial network technologies is low.

The evolution of the Data Services and Value Added segment during the year is as follows:

Sustained growth in income from Value Added Services (+ 22.4%) thanks to continuing deployment of the D-STAR terminals, which went up by 29% year--on-year.

As of June 30, 2006, 5,300 terminals are in service, used by business enterprises and local authorities for Internet access or to operate private virtual networks in regions with little or no service from terrestrial networks. In Europe, the number of terminals in service is 2,484, up by 55%, and in Africa, 1,565 terminals, up by 53%. In the Middle East and central Asia, where the installed base was down to 1,023 as of December 31, 2005 compared to 1,297 terminals as of June 30, 2005, there was an increase during the last six months to reach an installed base of 1,153 at the end of the financial year. The decrease recorded for this region during the first two quarters is due to the incident affecting the W1 satellite.

Take-off of maritime services: these provide Internet access and GSM extension to cruise ships, fishing vessels, super yachts, ferries, and oil and gas platforms. Contracts have been signed with Grandi Navi Veloci, Superfast Ferries, Radio Holland and Ship Equip.

New contracts with integrators such as Globe Cast (to support the growth of Equant in Africa), Telespazio, HNS, ATT, Algérie Telecom and Schlumberger, which provide satellite broadcast capacity to private enterprise networks, and companies such as Reuters.

3.2.1.3 Multi-Usage Leases (8.8% of annual revenue):

The strong growth of these services demonstrates the Group's ability to seize opportunities for short- and medium-term contracts with suppliers of government services or other satellite operators. This high level of activity is the result of a high rate of renewal for one-year contracts by suppliers of government services, renewal of part of the capacity leased by a satellite operator in the Middle East, and a more favourable euro/dollar exchange rate.

3.2.1.4 Other Income and Non-Recurring Income (3% of annual revenue):

“Other Income”, which brought in 6.3 million euros as of June 30, 2006, is derived mainly from (i) the sale or lease of terminals and equipment for business networks and mobile services and (ii) financing from the European Union and others for certain research programmes.

“One-off revenues” amounted to 17.4 million euros as of June 30, 2006, compared to 10.7 million euros as of June 30, 2005, including compensation for late delivery and service interruptions on the ATLANTIC BIRD™ 1 satellite following completion of negotiations with the ALS SpA Group regarding acquisition of this satellite.

3.3. Other information on our commercial activities during the year

3.3.1 Distribution of Revenues by Geographic Area

The table below shows the distribution of Eutelsat S.A.'s revenues by geographical area. It is based on the billing addresses of its direct customers for the 12-month periods ended June 20, 2005 and 2006:

<i>(in millions of euros and as a percentage)</i>	<i>Pro forma unaudited 12-</i>		<i>12-month period ended</i>	
	<i>month period 2005</i>		<i>June 30, 2006</i>	
<i>Region</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
United Kingdom	130.7	17.4	129.1	16.3
Italy	108.5	14.5	126.5	16.0
France	121.3	16.2	110.2	13.9
Other Europe	258.7	34.5	262.7	33.2
The Americas	60.1	8.0	69.0	8.7
Middle East	36.2	4.8	52.0	6.6
Other (*)	34.9	4.6	41.6	5.3
Total	750.4	100.0	791.1	100.0

(*) including € 9.7 million in compensation for late delivery and service interruptions for the period ended June 30, 2005, and € 17.4 million in compensation for late delivery and service interruptions for the period ended June 30, 2006.

It should, however, be noted that this table does not show the geographical origin of the end users of our capacity, mainly to the large presence of client-distributors in our client portfolio.

3.3.2 Revenue and Distribution Policy

An important part of the Group's revenues is generated by capacity allotment agreements with telecom operators such as France Telecom, British Telecom, Telespazio and Deutsche Telekom.

In addition, although these operators use a part of the Group's capacity and services for their own needs, they are acting mainly as distributors of the Group's satellite capacity and services (client-distributors) to end users such as television channels or broadcast platforms.

As of June 30, 2006, the Group had a network of 76 distributors, 20 of whom are former Signatories⁸ (notably Télécom, Telespazio, British Telecommunications and Deutsche Telekom) and about 56 partners (including Cable & Wireless, Hughes Network Systems and Orascom). The Group's revenues from its distribution network came to 538.9 million euros as of June 30, 2006, representing 68.1% of the Group's consolidated revenues.

As of June 30, 2005 and 2006, the Group's top four client-distributors (France Telecom/Globecast, British Telecom, Telespazio and Deutsche Telekom) represented 50.4% and 44.6% of the Group's consolidated revenue, respectively.

This network of distributors is designed to allow the Group to optimise its sales performance, particularly to:

benefit from the presence of its distributors in their respective markets and their large user bases, thereby facilitating market penetration;

make use the distributors' substantial resources, ensuring a quality interface with users and potential clients. For example, the Group's distributors in many cases have sales offices in various countries and are able to provide technical and commercial assistance as well as technical support to users of the Group's satellite capacity;

offer custom integrated communications solutions, particularly by integrating the Group's capacity with other communications methods, such as terrestrial networks;

limit the costs associated with training and motivating a sales force; and

limit its commercial exposure, as these client distributors assume the risks associated with selling satellite capacity.

The Group is trying to optimise the goals of its network of distributors in terms of load-rate and backlog levels, by giving priority to long term contracts with its distributors.

However, it should be noted that there were some changes in the year; some end users of our capacity, and particularly broadcast platform operators, are now tending to sign contracts direct with the Group when the time comes to renew their contracts for the capacity they already lease, or to meet additional needs. For example, in July 2005, Sky Italia, the leading operator of pay TV in Italy, signed a framework agreement with the Group for the additional lease of a minimum of 10 transponders for a 10-year period and direct renewal with the Group of the existing capacity allotment agreements for 16 transponders, as and when their agreements with the client distributors expire.

In addition, thanks to its teleport in Rambouillet and using the experience acquired by its subsidiary Skylogic during the 20th Winter Olympic Games in Turin in setting up and managing video platforms, the Group is now able to offer its clients and end users services associated with the provision of satellite capacity.

3.3.3 Client Portfolio

The Group's client base includes both client distributors, who sell on satellite capacity to end users, and users who use the Group's satellite capacity for their own needs.

⁸ Signatories are telecommunications operators or administrations designated by the States prior to the transformation of the EUTELSAT Intergovernmental Organisation on July 2, 2001

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In terms of utilisation of the Group's satellite capacity, it should be noted that none of the Group's end users individually represented more than 10% of the Group's revenues as of June 30, 2006. As of June 30, 2006, the largest users were Sky Italia, the European Broadcasting Union (EBU), Groupe Canal+, BskyB, RAI, Mediaset, TPS and Digiturk.

As of June 30, 2006, the Group's top 10 customers, 8 of which are distributors, represented 60.6% of the Group's revenues:

Customers	Revenue per Customer (in millions of euros)	Revenue per Customer (as a percentage)
France Télécom/Globecast	100.9	12.8
British Telecom	99.1	12.5
Telespazio	93.2	11.8
Deutsche Telekom	59.2	7.5
Artel/Spacekink/Arrow Head	40.8	5.2
Arabsat	23.4	3.0
Belgacom	17.3	2.2
Digiturk	16.4	2.1
Entreprise P&T Luxembourg	15.6	2.0
European Broadcasting Union (EBU)	13.9	1.7
Total for top 10 customers	479.8	60.6
Others	311.3	39.4
Total consolidated revenues as of June 30, 2006	791.1	100.0

3.3.4 Backlog

The Group's backlog represents future revenues from contracts for the allotment of capacity for a period of six months or longer (including contracts for satellites still being manufactured). These capacity allotment agreements can be entered into for the entire operating life of a satellite. The backlog varies over time based on the progressive recognition of the revenues from these contracts and the signing of new contracts.

As of June 30, 2006, the Group's backlog represented 4 billion euros, which is five times the revenues for the year ended June 30, 2006. This compares to 3.1 billion euros as of June 30, 2005.

This 29% increase in the backlog between June 30, 2005 and June 30, 2006 is mainly the result of signing a long-term contract with Sky Italia, the completion of new contracts especially in emerging markets (Russia, central and eastern Europe, the Middle East) in the course of the year, and the successful entry into service of the HOT BIRD 7A satellite on April 20, which allowed us to activate a certain number of video contracts, especially with SRG SSR (Société Nationale de Télédiffusion Suisse), Telekom Srbija (Serbia) and TVN (Poland).

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As of June 30, 2006, approximately 92% of the backlog concerned Video Services (compared to 85% as of June 30, 2006).

As of June 30, 2006, 85% of the Group's backlog came from leases signed for the entire operating life of the satellite in question. The long duration of these Eutelsat S.A. contracts is mainly due to the fact that a large amount of its capacity is used by broadcast platform operators, which have on-going requirements for long-term capacity. The average remaining duration of the contracts that the backlog represents as of June 30, 2006 (weighted for the amount involved) was 7.7 years (compared to 7 years as of June 30, 2005), providing a high degree of visibility over the Group's prospects.

Breakdown of the backlog by year as of June 30, 2006 is as follows:

Year ended June 30	Backlog
	(unaudited, in millions of euros)
2007	648.8
2008	570.1
2009	528.8
2010 and later	2,221.7
Total.....	3,969.4

The largest part of the Group's backlog is made up of contracts that can be terminated by payment of a penalty. The backlog does not take into account any terminations and penalties that may occur. Long-term capacity agreements may generally be terminated after two years, subject to an additional one year's notice and payment of a penalty for early termination. The amount of the early termination penalty is based on the time the lease has already run and on how much time it has left. During the year, no capacity allotment agreement was terminated with payment of a penalty for early termination.

4 Changes in the Satellite Fleet During the Year

4.1 Utilisation rate

The Company operates 462 transponders in stable orbit as of June 30, 2006, compared to 474 transponders as of June 30, 2005, after the incident that affected the W1 satellite on August 10, 2005, and entry into service of the HOT BIRD™ 7A satellite in April 2006.

It should be noted that after ATLANTIC BIRD™ 4 (formerly HOT BIRD™ 4) was brought into service at the 7° West orbital position in July 2006, the Group is operating 477 transponders in stable orbit as of September 1, 2006, from 17 orbital positions.

The utilisation rate, or fill factor, represents the total percentage of allotted satellite capacity expressed as a percentage of the total operational satellite capacity.

The utilisation rate of our satellite fleet as of June 30, 2006 was 80.7%. This means that on June 30, 2006, 373 transponders were in use, compared to 343 transponders in use as of June 30, 2005.

This high figure is explained by the consolidation of the company's prime orbital positions (13° East and 28.5° East), for which the utilisation rates exceed 95% as of June 30, 2006 and also by the success of the Company's strategy in developing its major video positions in France, central and eastern Europe, the Middle East, North and Sub-Saharan Africa (5° West, 7°/8°, 7° East, 16° East, 25.5° East and 36° East), orbital positions which produced most of the growth in terms of the number of television channels over the year.

4.2 The Satellite Fleet

As of June 30, 2006, the Group operates a fleet of 23 satellites located at 16 orbital positions between 15° West and 70.5° East, providing coverage of North and South America, Europe, Africa, the Middle East, central and southern Asia, China and the Indian sub-continent.

The main characteristics of the Group's satellite fleet are as follows:

- a set of orbital positions serving geographical areas covering both mature markets and markets in full expansion;
- a fleet ranking as one of the youngest among major satellite operators, with an average age of 5 years⁹ (excluding the inclined orbit satellite) as of June 20, 2006.
- great technical flexibility, particularly with antennas with steerable beams on satellites or several beams with different coverages so that the areas covered can be adapted and reconfigured to meet customer needs, respond to geographical market factors or reconfigure coverage areas if a satellite is repositioned to a new orbital position;
- connectivity between transponders and the potential areas of geographical coverage, enabling us to meet changes in customer demand, and
- redundancy of the on-board equipment.

The table below describes the Group's fleet as of June 30, 2005.

⁹ Average weighted by the number of transponders (equivalent of 36 MHz).

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Satellite	Orbital position	Type of Transponder (C-Ku-Ka Band)	Number of Transponders in operation	Launch Date	Estimated End of Operating Life in Stable Orbit as of June 30, 2006 (calendar year)
HOT BIRD™ 1 ¹⁰	13° E	Ku	16	March 1995	3Q 2006
HOT BIRD™ 2	13° E	Ku	20	Nov. 1996	1Q 2010
HOT BIRD™ 3 ¹¹	13° E	Ku	20	Sept. 1997	3Q 2012
HOT BIRD™ 6	13° E	Ku/Ka	28/4	Aug. 2002	4Q 2017
HOT BIRD™ 7A	13° E	Ku	34	March 2006	3Q 2024
EUROBIRD™ 1	28.5° E	Ku	24	March 2001	3Q 2018
EUROBIRD™ 2	25.5° E	Ku	16	Oct. 1998	2Q 2013
EUROBIRD™ 3	33° E	Ku	20	Sept. 2003	3Q 2014
W1 ¹²	10° E	Ku	14	Sept. 2000	2010 ¹³
W2 ¹⁴	16° E	Ku	27	Oct. 1998	1Q 2010
W3A	7° E	Ku/Ka	42/2	March 2004	2Q 2022
W4	36° E	Ku	31	May 2000	2Q 2017
W5	70.5° E	Ku	24	Nov. 2002	1Q 2018
W6 ¹⁵	21.5° E	Ku	28	Apr. 1999	3Q 2012
SESAT™ 1	36° E	Ku	18	Apr. 2000	3Q 2011
ATLANTIC BIRD™ 1	12.5° W	Ku	19	Aug. 2002	3Q 2017
ATLANTIC BIRD™ 2	8° W	Ku	26	Sept. 2001	1Q 2018
ATLANTIC BIRD™ 3	5° W	Ku/C	27/10	July 2002	3Q 2019
ATLANTIC BIRD™ 4 ¹⁶	7° W	Ku	15	Feb. 1998	4Q 2011
<i>Telecom 2D</i> ¹⁷	8° O	Ku	11	Aug. 1996	4Q 2006
<i>Telstar 12</i> ¹⁸	15° W	Ku	4	Oct. 1999	4Q 2011
<i>Express A3</i> ¹⁹	11° W	Ku	5	June 2000	3Q 2007
<i>Sesat 2</i> ²⁰	53° E	Ku	12	Dec. 2003	1Q 2016

¹⁰ The traffic from HOT BIRD™1 was transferred to HOT BIRD™ 7A after the latter was brought into service in April 2006.

¹¹ There will be early relocation of this satellite to 9.8° East after HOT BIRD™ 8 is brought into service.

¹² Because of the incident which occurred on August 10, 2005, the power of this satellite and its estimated lifetime were reduced by half. See Note 4 to the attached consolidated financial statements.

¹³ Subject to how the satellite performs.

¹⁴ Satellite initially designed for 24 transponders

¹⁵ Satellite initially designed for 24 transponders

¹⁶ Following the successful launch of HOT BIRD™ 7A, HOT BIRD™ 4 was relocated to the 7° West orbital position on July 1, 2006 under the name of ATLANTIC BIRD™ 4.

¹⁷ Owned by France Telecom. Expected end of lease: 4Q 2006

¹⁸ Owned by Loral Skynet. Expected end of lease: 4Q 2011

¹⁹ Owned by Russian Satellite Communications Company (RSCC). Expected end of lease: 3Q 2007.

²⁰ Owned by Russian Satellite Communications Company (RSCC). Expected end of lease: 1Q 2016.

The dates for the end of operational lifetimes in stable orbit, shown in the above table as of June 30, 2006 are the Group's estimates. The Group carries out an annual review of the remaining estimated lifetimes of the in-orbit satellites (see Note 5 to the attached consolidated financial statements for more information).

4.2.1 Group-owned in-orbit Satellites

The Group owns 19 geostationary satellites.

4.2.1.1.HOT BIRD™ Satellites

As of June 30, 2006, with 102 Ku-band transponders operated over Europe (excluding four Ka-band transponders on HOT BIRD™ 6), the satellites in the HOT BIRD™ series form one of the largest satellite broadcasting systems in the world, providing full coverage for Europe, all of the Middle East and part of Africa and Asia. According to Euroconsult, the 13° East orbital position is the premier position in Europe for broadcasting consumer television and radio in terms of channels, reaching over 110 million homes in Europe, North Africa and the Middle East. Depending on the customer's broadcasting requirements, the HOT BIRD™ satellites provide large widebeam coverage or more focused superbeam coverage for smaller areas.

The HOT BIRD™ neighbourhood of satellites was strengthened during the year by bringing the HOT BIRD™7A satellite into service. The mission of this satellite is to replace the HOT BIRD™ 1 satellite (soon to be taken out of orbit) and allow the early redeployment and relocation of HOT BIRD™ 4, which has been located at 7° West since July 1, 2006. **Positioned at 7°West under the name ATLANTIC BIRD™ 4 since 1 July 2006, this satellite has made it possible to reinforce satellite capacity available at this major video location for countries in the Middle East.**

It should be noted that due to the excellence of the technical launch parameters, the estimated operating lifetime of the HOT BIRD™ 7A satellite has been extended to 18 years.

4.2.1.2 EUROBIRD™ Satellites

From its orbital position at 28.5° East, the EUROBIRD™ 1 satellite provides broadcasting and telecommunications services to over 9 million homes, located mostly in the United Kingdom and Ireland. As for the HOT BIRD™ satellites, the high broadcast power of EUROBIRD™ 1 makes it a suitable satellite for broadcasting television programmes to homes equipped with dish antennas.

After four years of operating at 13° East (under the name HOT BIRD™ 5), EUROBIRD™ 2 was relocated in March 2003 to 25.5° East, where it provides direct broadcast services to the Middle East.

Launched in September 2003 and positioned at 33° East, EUROBIRD™ 3 is the Group's first satellite specifically designed for bidirectional broadband Internet services. This satellite is also used to provide capacity for video services and professional data networks. Four high power beams cover Europe and a large part of Turkey.

4.2.1.3 W Satellites

The W satellites have wider coverage and greater power than the previous generation of satellites, and provide increased flexibility because of their steerable beam antennas. They are operated at the 7° East, 10° East, 16° East, 21.5° East, 36° East et 70.5° East orbital positions, and provide bandwidth options and coverage suitable for transmitting audiovisual programmes, professional data networks and value added services in Europe, Asia and Africa.

The W5 satellite, launched in November 2002, is located at 70.5° East. It has contributed to the development of the geographical coverage of the fleet and serves the Far East and a large part of China and South Asia.

The W3A satellite, launched in March 2004, is located at 7° East. It offers capacity in the Ku band for pan-European coverage. W3A is one of the Group's most sophisticated satellites, combining Ku and Ka band frequencies and on-board multiplexing (Skyplex). It serves audiovisual transmission, telecommunications and broadband markets in Europe, Africa, the Middle East and Turkey (where it is used by Digiturk, the leading satellite television platform in Turkey).

The W4 satellite is located at 36° East, a major video position currently under development. It covers Europe (including Russia and Ukraine) and Africa, and the broadcast platforms that use it include Multichoice Africa, NTV+ in Russia and PoverKhnost in Ukraine.

The W6 satellite, positioned at 21.5° East, is used to develop markets for the Middle East and North Africa.

The W1 satellite is located at 10° East. This satellite experienced a technical incident on August 10, 2005, which led to a service interruption of several hours. On August 11, service was reestablished for most of our customers under acceptable operating conditions. The result of this breakdown was a loss of half the satellite's available power and an estimated half of its remaining operating lifetime. After this incident, the Group performed an assessment of the damage and re-evaluated the discounted future cash flow generated by this satellite, before taking into account the insurance compensation. Based on this, the Group recorded an impairment in the value of W1 of 30.4 million euros, which was reduced to 24.9 million euros in the second half of the 2005/2006 financial year to reflect the reimbursement of in-orbit incentive payments. At the date the consolidated financial statements for the year ended June 30, 2006 were drawn up, the Group was not aware of any items that might change this evaluation (see Note 5 to the attached consolidated financial statements).

4.2.1.4 SESAT 1 Satellite

The SESAT™ 1 satellite is located at 36° East. It enables us to offer a large number of telecommunications services, particularly satellite IP services and specialised data services (EutelTRACS). Located at the 36° East orbital position (which it shares with the W4 satellite), SESAT™ 1 covers a vast geographical area extending from western Europe to Siberia and offers a spotbeam for Africa and the Middle East. SESAT™ 1 offers direct connectivity between Europe and Asia for a wide variety of telecommunications services.

4.2.1.5 ATLANTIC GATE™

As of June 30, 2006, using three satellites, Atlantic Bird 1 (12.5° West), ATLANTIC BIRD™ 2 (8° West) and ATLANTIC BIRD™ 3 (5° West), ATLANTIC GATE™ provides capacity for video, IP and data applications for intercontinental links between North and South America, Europe, the Middle East and Africa. ATLANTIC GATE™ also enables Internet content and service providers to use intercontinental links, with a choice of gateway for direct access to the Internet backbone.

Atlantic Bird 1 is designed to provide a wide range of telecommunications services from 12.5° West, such as professional data networks, professional video links, the transmission of audiovisual programmes and connections to the Internet backbone. This satellite covers Europe, the Middle East and part of the United States, as well as South America, and was acquired by the Group from ALS SpA in December 2005, thereby bringing to an end the negotiations entered into with ALS SpA, as described in Note 4.2 to the attached consolidated financial statements.

ATLANTIC BIRD™ 2 is located at 8° West. It is designed to provide a wide range of telecommunications services, such as professional data networks, professional video links, the transmission of audiovisual programmes and connections to the Internet backbone. ATLANTIC BIRD™ 2 provides wide coverage of Europe and of North and South America. It has a steerable beam covering the Middle East and central Asia, and allows direct connections from these geographical areas to Europe and to North and South America. ATLANTIC BIRD™ 2 in particular offers a direct connection between the United States and the Middle East (as far as Afghanistan).

ATLANTIC BIRD™ 3, located at 5° West, was launched in July 2002. It provides coverage in Ku band for Europe, Africa, the Middle East and the East Coast of North America. It also provides C band coverage for Africa, Europe and some parts of North and South America.

In France it transmits domestic television channels (TF1, Groupe France Télévisions, M6, Arte, Canal+) to about 1.6 million homes that cannot receive them ordinarily due to unsatisfactory terrestrial reception. ATLANTIC BIRD™ 3 has also been used since March 2005 to broadcast terrestrial digital channels to the head-ends of DTT re-broadcasters in France, and carries the 28 television channels for DTT as of June 30, 2006. The Group acquired this satellite from France Télécom in July 2002.

Since July 1, 2006, ATLANTIC BIRD™ 4 (formerly HOT BIRD™ 4), which is equipped with 15 transponders and is located at 7° West, has been providing direct broadcast services for coverage of the Middle East.

4.2.2 Leased capacity on third party satellites

As well as operating its own satellites, the Group also uses satellite capacity on four satellites owned by others, which allows it to expand its coverage for Europe, part of North and South America and Africa. These satellites are:

Telecom 2D

This satellite, located at the 8° West orbital position, is owned by France Télécom. Under a contract signed with France Télécom on June 14, 1999, the Group exclusively operates the 7 Ku band transponders on this satellite until the end of its operational life (planned for the third quarter of 2006). After that time, the Group's customers on this satellite will be transferred to the ATLANTIC BIRD™ 2 satellite and these transponders will be operated by the Group in inclined orbit.

Telstar 12

This satellite, located at the 15° West orbital position, is owned by Loral Skynet. It covers Europe, North and South America and the Caribbean. Under an agreement signed with Loral Skynet on December 10, 1999, the Group operates and markets four Ku band transponders on Telstar 12 until the end of its operating life in stable orbit for services between Europe and North and South America, in exchange for the use by Loral Skynet of the orbital position assigned to Eutelsat S.A.

Express A3

This satellite, located at the 11° West orbital position, is owned by Russian Satellite Communications Company ("RSCC"). Under an agreement signed with RSCC on May 18, 2001, the Group uses five Ku band transponders on Express A3 until the end of its operational life (scheduled for the third quarter of 2007). This satellite covers Europe and the Mediterranean Basin, and is primarily used for professional video contribution links and professional data networks.

Sesat 2

Thanks to a very flexible configuration of fixed and directional beams on a satellite launched by RSCC in December 2003, the Group has a high-power Ku band capacity over Europe, Africa, the Middle East and central Asia, which can provide telecommunications services, and in particular professional high-speed data networks and broadcasting over 12 Ku band transponders. This satellite has a total of 24 transponders, 12 of which are used by the Group and marketed under the name Sesat 2 for the life of the satellite (contractual guarantee of 12 years minimum) under an agreement signed on March 16, 2004; capacity on the other transponders is marketed by RSCC in Russia under the name Express AM 22.

4.2.3 Deorbited Satellite

In January 2006, the Eutelsat II-F2, which had been operated in inclined orbit at the 48° East orbital position, was deorbited after more than 15 years of service.

4.2.4 Satellite launched after June 30, 2006

Equipped with 64 transponders, the HOT BIRD™ 8 satellite commissioned from EADS Space was successfully launched by the ILS corporation from the Baikonur site in Kazakhstan on August 5, 2006. The satellite's mission is to enhance-orbit redundancy at the 13° East position and to replace the HOT BIRD™ 3 satellite (20 transponders), which will be relocated to a new orbital position.

This satellite is scheduled to begin commercial service in October 2006. Its operational life is expected to exceed 15 years.

4.2.5 Satellites on Order

The Group ordered two satellites during the financial year.

W2M has been ordered from a consortium of EADS Space and the ISRO (the Indian Space Agency). W2M is designed to operate 26 Ku band transponders, and this capacity can be increased to 32 transponders depending on the modes of operation, for a nominal operating life of 15 years. Scheduled for launch in the second quarter of 2008, the satellite's mission is to increase redundancy for clients at the orbital positions of the W satellites, particularly at the 10° East orbital position or at 16° East.

Like the other W satellites, W2M will have great flexibility. In fact, in addition to a high power fixed beam covering Europe, North Africa and the Middle East, it will also be equipped with a steerable beam which, depending on market requirements, can be redirected in orbit, particularly towards Africa and central Asia.

HOT BIRD™9 was ordered in May 2006 from EADS Space. Like the HOT BIRD™8 satellite, HOT BIRD™9 is designed to operate with 64 transponders and will be located at the HOT BIRD™ orbital position. Scheduled for launch in 2008, it can be used to replace any of the satellites in the HOT BIRD™ constellation, thereby completing the redundancy programme for clients at this premium orbital position. The order for the HOT BIRD™9 satellite, together with the successful launch of the HOT BIRD™8 satellite in August 2006, will allow HOT BIRD™3 to be redeployed to another orbital position.

4.2.6 Satellites on Order

After the decisions taken by the Board of Directors approving these programmes, the Group issued an RFP for the procurement of W7 and W2A, W7 is intended to replace the SESAT 1 satellite at the 36° East orbital position, and W2A is intended to replace the W2 satellite at the major video orbital slot of 16° East.

On July 28, 2006, the Group signed a preliminary contract for 15 million euros with Alcatel Space for procurement of the W2A satellite. It should be noted that the Group has an option under the terms of this preliminary contract to add an S band facility to the primary mission of this satellite to allow the broadcast of audiovisual content to mobiles. As of the time of this report, no decision has been taken by the Group in relation to exercising this option, which has to be exercised by October 15, 2006.

4.2.7 Failures and losses of equipment

The theoretical operational life of the Group's satellites in stable orbit is generally between 12 and 15 years. While the Group believes that the operational life of its satellites should not, in principle, be less than the theoretical operational life, the actual operational life could nevertheless be lower. The Group believes that its satellite fleet is generally in good operating condition and believes, subject to future orbiting performance, that their operational life could be prolonged beyond initial estimates. However, some of the Group's satellites have experienced equipment failures and are currently operating with their redundant equipment.

The W1 satellite experienced an interruption in service lasting several hours on August 10, 2005. Due to the flexibility of its fleet and the technical expertise of its staff, the Group was able to reestablish service for all its clients under acceptable conditions on August 11, but this incident resulted in a major slowdown in the growth of our D-Star™ value added services in the Middle East and had an impact on the provision of our Data services.

In addition, this breakdown resulted in the loss of half of the satellite's available power and an estimated halving of its remaining operational life. After this incident, the Group performed an assessment of the damage and re-evaluated the discounted future cash flow generated by this satellite before taking into account the insurance compensation. Based on this, the Group recorded an impairment in the value of W1 of 30.4 million euros, which was reduced to 24.9 million euros during the second half of the 2005/2006 financial year in reflection of the reimbursement of in-orbit incentive payments. As of the date the consolidated financial statements for the year ended June 30, 2006 were drawn up, the Group was not aware of any items that might change this evaluation (see Note 5 to the attached consolidated financial statements). The Group then filed a claim with its insurers for compensation for the damage suffered by this satellite .

4.2.8 TCR – Telemetry, Command and Ranging

The Group's fleet is operated from two main control centres located at the Group's headquarters in Paris. The first control centre is responsible for satellite telemetry and telecommand (Satellite Control Centre) and the second is responsible for communications control and for access to the space segment from the customers' earth stations (Communications Control Centre). All software used to control the satellite platforms and communication payload has been developed by companies in accordance with the Group's specifications. The Group monitors its satellites and communications 24 hours a day and 365 days a year, and as of June 30, 2006 employed about 70 specialist technicians and engineers at its control centres.

4.2.8.1 Activities of the Satellite Control Centre

As of June 2006, the Group controlled the 19 satellites it owned. Telecom 2D is controlled by France Télécom. Telstar 12 is controlled by Skynet, and Express A3 and Sesat 2 are controlled by RSCC. Control of ATLANTIC BIRD™ 1 is outsourced to Telespazio. ISO 9001 Certification was obtained for activities performed from the Satellite Control Centre.

The Group's engineers regularly make minor positioning adjustments on each of the satellites controlled by the Group, and perform east-west and north-south station-keeping manoeuvres. It is also possible, if necessary, to modify the orbital position of a satellite so that it can serve new markets or supply back-up capacity in orbit to another satellite.

Day-to-day operations on the satellites, including configuration of the payload and management of electrical power and propulsion systems, are controlled (via the TCR station network) from the Satellite Control Centre.

In September 2004, the Group acquired the Rambouillet teleport from France Télécom. This is the main TCR site used by the Group. The Rambouillet site also houses the back-up centres for the Satellite Control Centre and the Communications Control Centre, and is also used for the positioning in orbit of new satellites in the Group's fleet.

LEOP (Low Earth Orbital Phase) operations were successfully performed from Rambouillet for the first time in March and April 2004 for the W3A satellite, and more recently for HOT BIRD™7A in March/April, 2006 and for HOT BIRD™ 8 (since August 2006).

The Group has signed long-term service agreements with four operators to make available the land signal transmission and receiving stations and for satellite telemetry and monitoring operations. These contracts also cover the operation and maintenance of the Group's equipment installed on their sites. Under these contracts, the Group has extended control and supervision rights. These services are provided from TCR

stations located in Sintra in Portugal, Dubna in Russia, Redu in Belgium, and Fucino in Italy. The stations and control centres are all interconnected by a network of protected and redundant voice/data lines. The network and the location of the sites were selected so that operations could be continued even if any one of the sites were unavailable.

4.2.8.2. Activities of the Communications Control Centre

In addition to its principal site in Paris and its Rambouillet site, the Group has service agreements for communications systems control with the operators of eight additional monitoring sites worldwide (São Paulo, Brazil for Latin America; Hamilton, Ontario, Canada for North America; Makarios in Cyprus for the eastern Mediterranean; Dubna, Russia; Hartebeesthoek, South Africa; Singapore for the Far East; Padukka, Sri Lanka; and Dubaï in the United Arab Emirates for the Middle East). Each site provides, in the region for which it is responsible, the facilities required for the supervision and coordination of the radio frequencies transmitted by certain Group satellites, and for verification of signal quality and content. These service agreements also provide for the site operators to ensure the operation and maintenance of the Group's equipment installed on their sites. The Group's principal site and back-up site have a dedicated connection and can be operated independently.

From its Communications Control Centre in Paris, the Group has access to a network of more than 20 receiving/transmitting facilities, and to systems to monitor access to the space segment and communications for its entire fleet and its customers.

4.3 Policy of the Group for Insuring its Satellite Fleet

4.3.1 "Launch Plus One Year" Insurance Policy

Following the launch of the HOT BIRD™ 7A satellite during the year and the forthcoming launch of the HOT BIRD™ 8 satellite, the Group has taken out two "Launch Plus One Year" insurance policies for these satellites. These insurance policies cover the net book value of the satellites; as entered in the Group's books, representing construction costs for the satellites, launch costs, and launch insurance policy costs, as well as the capitalised costs of the satellite procurement programmes.

4.3.2 Policy for Insuring In-orbit Lives

After the expiration of the annual in-orbit insurance programme set up during the previous year, in November 2005, the Group signed a new annual insurance programme in respect of in-orbit lives for all the satellites it owns (excluding HOT BIRD™ 1, ATLANTIC BIRD™ 1 and W1).

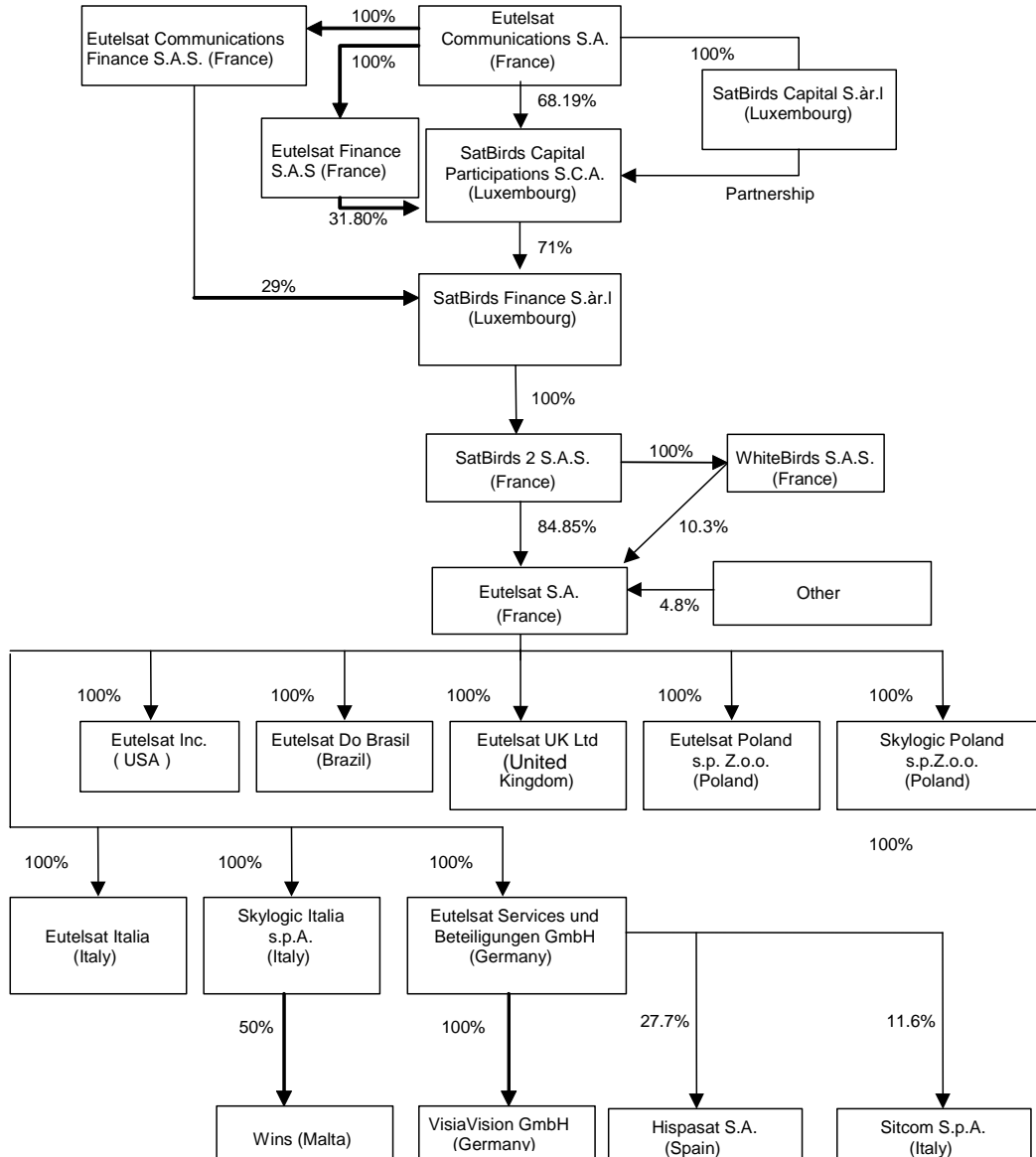
For a period of 12 months, this programme covers the cumulative total or partial loss of satellites over and above a cumulative annual amount of 80 million euros, up to a maximum limit of 470 million euros in cumulative losses for the whole fleet for the duration of the policy. It should be noted that the amount of such losses is capped at 165 million euros per satellite. The satellites are insured for their net book value.

In addition, this insurance policy excludes deemed total losses and total losses resulting from technical problems already identified on the insured satellites.

This new insurance programme has led to an increase in the level of risk retention (capped in any event at an annual cumulative amount of 80 million euros), offset by a reduction in the annual cost compared to the Life in Orbit insurance programme in place prior to November 2005.

5 Activities of Subsidiaries and Equity Interests

As of June 2006, the Company directly or indirectly owns 18 subsidiaries and has equity interests in the Hispasat and Sitcom companies. The organisation chart below shows the Group structure as of June 30, 2006.



5.1 Subsidiaries

Except for Eutelsat S.A. (France), Skylogic Italia (Italy), VisiaVision GmbH (Germany), and de Wins (Malta), our other subsidiaries have no commercial or technical operations. The financial information (revenues and net results in the annual financial statements) for the various subsidiaries are drawn up based on local accounting standards for the latest financial year for the subsidiaries shown above.

5.1.1 Subsidiaries and Equity Interests

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o *Eutelsat Communications Finance SAS (France)*

This simplified stock corporation is 100% owned by Eutelsat Communications and was set up in June 2006 with head offices at 70 rue Balard, 75015 Paris, to collect monies received from refinancing from the Revolving and Senior Loans signed by Satbirds Finance Sàrl. All its assets and liabilities were transferred to SatBirds Finance Sàrl on June 18, 2006. Eutelsat Communications Finance SAS (France)'s sole business is holding an indirect interest in Eutelsat S.A. As of June 30, 2006, no revenues were reported and its net results are a loss of 14,362 euros.

o *Eutelsat Finance SAS (France)*

This simplified stock corporation is 100% owned by Eutelsat Communications and was set up in December 2005 with head offices at 70 rue Balard, 75015 Paris, to collect monies received from financing resulting from the IPO of Eutelsat Communications to allow early repayment of the PIK and Second Lien Loans signed by SatBirds Capital Participations Sàrl and SatBirds Finance Sàrl. All of its assets and liabilities were transferred to SatBird Capital Participations Sàrl in December 2005. Eutelsat Finance SAS's sole business is holding an indirect interest in Eutelsat S.A. As of June 30, 2006, no revenues were reported and its net results are a loss of 22,232 euros.

o *SatBirds Capital Participations S.C.A. (Luxembourg)*

SatBirds Capital Participations S.C.A. is a share partnership under Luxembourg law, with head offices at 1, Allée Scheffer, L-2520 Luxembourg, Grand Duchy of Luxembourg. The purpose of SatBirds Capital Participations is to acquire holdings in other companies. SatBirds Capital Participations was registered on March 11, 2005, and its sole business is holding an indirect interest in Eutelsat S.A. As of March 31, 2006, the date on which its last financial year ended, no revenues were reported and its net results were a loss of 216.7 million euros.

On July 18, 2006, and after its conversion on the same date to a joint stock corporation, Satbirds Capital Participations SA was merged and absorbed by SatBird Finance S.A.

o *SatBirds Capital S.à.r.l. (Luxembourg)*

SatBirds Capital S.à.r.l. is a limited liability corporation under Luxembourg law with head offices at 1, Allée Scheffer, L-2520 Luxembourg, Grand Duchy of Luxembourg. SatBirds Capital's purpose is to acquire holdings in other companies. SatBirds Capital Sàrl was registered on March 11, 2005. It is a managing partner in SatBirds Capital Participations. SatBirds Capital Sàrl's sole business since July 18, 2006 has been holding a minority interest in Satbird Finance SA since July 18, 2006. As of March 31, 2006, the date on which its last financial year ended, no revenues were reported and its net results were a loss of 17,517 euros.

o *SatBirds Finance S.à.r.l. (Luxembourg)*

SatBirds Finance S.à.r.l. is a limited liability corporation under Luxembourg law with head offices at 1, Allée Scheffer, L-2520 Luxembourg, Grand Duchy of Luxembourg. SatBirds Finance's purpose is to acquire holdings in other companies. SatBirds Finance Sàrl was registered on March 11, 2005 and its sole purpose is holding a minority interest in Eutelsat S.A. As of March 31, 2006, the date on which its last financial year ended, no revenues were reported and its net results were a loss of 194.6 million euros.

On July 18, 2006, SatBirds Finance Sàrl was converted into a joint stock corporation named SatBird Finance SA and was absorbed by SatBird Capital Participations S.A.

o *SatBirds 2 S.A.S. (France)*

SatBirds 2 S.A.S. is a simplified stock corporation under French law, with head offices at 70 rue Balard 75015 Paris, registered in the Paris Business and Company Registry as number 481 046 175. Satbirds 2's purpose is acquiring holdings in other companies. SatBirds 2's sole business is holding an indirect interest in Eutelsat S.A. Satbirds 2 S.A.S.'s most recent financial period lasted for 3 months (April-June 2006). As of June 20, 2006, no revenues were reported and its net results were a loss of 4.5 million euros.

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o *WhiteBirds S.A.S. (France)*

WhiteBirds S.A.S. is a simplified stock corporation under French law, with head offices at 70 rue Balard 75015 Paris, registered in the Paris Business and Company Registry as number 479 520 834. WhiteBirds' purpose is acquiring holdings in other companies. WhiteBirds was registered on November 17, 2004 to hold a 10.3% interest in the share capital of Eutelsat S.A as of June 30, 2006. WhiteBirds S.A.S.'s most recent financial period lasted for 3 months (April-June 2006). As of June 20, 2006, no revenues were reported and its net results were a loss of 2.9 million euros.

o *Intra-Group loans between SatBirds Capital Participations, SatBirds Capital, SatBirds Finance, SatBirds 2 and WhiteBirds*

Some intra-group loans were extended between some of the Company's subsidiaries (SatBirds Capital Participations S.C.A., SatBirds Capital Sàrl, SatBirds Finance Sàrl, SatBirds 2 S.A.S. and WhiteBirds S.A.S.) to finance Eutelsat S.A. share acquisition operations during the previous year.

On the date of this report, there are no contractual relations generating significant cash flows except for (i) cash flow generated in the framework of the execution of Eutelsat S.A. share acquisition operations, (ii) cash flow generated in the framework of intra-group service agreements or (iii) the transfer within the Group of intra-group loans made following the early repayment of the PIK, Second Lien and Senior Loans during the year.

5.2 Eutelsat S.A. (France)

As of June 30, 2006, after the acquisition operations described in note 4 to the attached consolidated financial statements, the Company indirectly owns 95.2% of the capital of Eutelsat S.A., the main operating company in the Eutelsat Group, through which it has control of the nine subsidiaries and sub-subsidiaries of Eutelsat S.A. as well as some indirect holdings, such as Hispasat.

Eutelsat S.A. is a joint stock corporation. Its head offices are at 70 rue Balard 75015 Paris. Eutelsat S.A. is the Group's main operating company. As of June 30, 2006, its revenue²¹ came to 754.9 million euros and its net results showed a profit of 270.5 million euros.

5.2.1 Representation and Promotion of Eutelsat S.A. Business

In the framework of its international growth, Eutelsat S.A. has subsidiaries whose main business is to promote the Company's products and services and to represent Eutelsat S.A. These subsidiaries are located in the United States, the United Kingdom, Poland and Brazil.

Eutelsat Inc. (United States) – This company is responsible for promoting Eutelsat S.A.'s services and satellite capacity in the United States. As of June 30, 2006, Eutelsat Inc. had revenues of 2,370,576 euros and its net results were a profit of 174,136 euros.

Eutelsat Do Brasil (Brazil) – Eutelsat Do Brasil is responsible for promoting and marketing our capacity and services in Latin America. In addition Eutelsat Do Brasil has obtained landing rights from the Brazilian authorities allowing it to offer satellite capacity for the needs of the Brazilian market, thanks to the W1, ATLANTIC BIRD™1 and ATLANTIC BIRD™2 satellites. As of June 30, 2006, this company reported revenues of 182,890 euros and its net results were a net loss of 9,163 euros.

Eutelsat UK Ltd. (United Kingdom): This company is responsible for promoting Eutelsat S.A.'s business in Great Britain and Ireland. As of June 30, 2006, the company had revenues of 518,793 euros and its net results were a profit of 24,994 euros.

Eutelsat Poland s.p.Z.o.o. (Poland): Created in January 2004, this Company's purpose is to promote Eutelsat's services in Poland and central Europe. As of June 30, 2006, the company reported revenues of 1,263,138 euros and its net results were a profit of 42,195 euros.

Skylogic Poland s.p.Z.o.o. (Poland): Created in January 2004, Skylogic Poland s.p.Z.o.o. is a shell corporation with no activity as of June 30, 2006.

Eutelsat Italia (Italy) – Eutelsat Italia is a shell corporation with no activity as of June 30, 2006.

5.2.2 Other Subsidiaries

Skylogic (Italy) - Skylogic SpA is wholly owned by our subsidiary Eutelsat S.A. (which is 95.2% owned by our Company). Skylogic is responsible for operating and marketing a digital platform in Turin, including Internet access by the D-STAR™ satellite developed by Eutelsat, acquired from Eutelsat S.A. on December 1, 2004, under an asset transfer agreement (which included the associated contracts). As of June 30, 2006 (closing date for the period), the revenues (based on the annual financial statements) of Skylogic came to 35,940,618 euros. Its net results after tax showed a loss of 935,155 euros, due to investments and marketing efforts made by this company as part of its planned growth to meet the constant increase in demand for its services, particularly in Europe and Africa. As of June 30, 2006, Skylogic has 37 employees.

Wins (Malta) - 51% owned by Skylogic Italia SpA, in partnership with the Maltese operator MALTASAT, this company is responsible for marketing the D-STAR service in the Mediterranean Basin to cruise ships and ferries, particularly to provide telephone services (GSM). This company, which was created in September 2005, had its first commercial success with the equipping of the ships of the GNV company. As of June 30, 2006, the company had revenues of 89,675 euros and reported a loss of 266,052 euros, due to the expenditure involved in launching its services.

²¹ Non-consolidated revenues based on the annual financial statements as of June 30, 2006, including billing to subsidiaries, holdings or affiliated companies but excluding revenues from subsidiaries, holdings or affiliated companies of Eutelsat S.A.

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Eutelsat Services und Beteiligungen GmbH (Germany) – It will be recalled that Eutelsat S.A. acquired a company in April 2002, which was renamed Eutelsat Services und Beteiligungen GmbH (Eutelsat GmbH) and which is 100% owned. Eutelsat GmbH holds a 27.7% interest in the Spanish operator Hispasat and has a role in promoting and representing Eutelsat S.A. in Germany. As of June 30, 2006, its revenues were 2,269,595 euros and its net results showed a profit of 119,732 euros.

VisaVision GmbH (Germany) – 100% owned by Eutelsat GmbH and created in 2004, VisaVision GmbH is responsible for promoting the KabelKiosk service in Germany. This service consists of providing satellite capacity and associated dedicated services for a range of channels (including ethnic channels) marketed by regional cable operators to the general public. It should be noted that in the framework of the commercial contract signed by the group with ARENA, a subsidiary of the German cable operator Unity, VisaVision GmbH is responsible for setting up the technical broadcast platform and promoting Arena's TiViDi service (which offers about ten channels) and rebroadcasting the German Football Championship in its broadcast audience area of over 2 million homes. As of 30 June 2006, this company's revenues were 1,980,061 euros and its net results showed a loss of 523,087 euros, mainly due to the major efforts involved in launching its business activities.

5.3 Holdings

○ Hispasat S.A. (Spain)

As of June 30, 2006, the Group indirectly owned 27.69% of the voting rights in the Hispasat Group, a private unlisted Spanish satellite operator, 21.15% of which was acquired on December 28, 2001, and 6.54% of which was acquired on April 8, 2002. As of June 30, 2006, the Group is unaware of any facts relating to Hispasat that could have an impact on the value of this holding as entered in the Group's financial statements. The table below gives a summary of the annual figures for the Hispasat Group as of December 31, 2005 (latest figures published by Hispasat):

<i>(In thousands of euros)</i>	December 31, 2005
Assets	612,143
Shareholders' Equity	291,522
Operating Income	99,692
Net Results	8,320

○ Sitcom SpA (Italie)

As of June 30, 2006, the Group indirectly owned 11.6% of the voting rights in Sitcom SpA. Created in 1997, Sitcom SpA is an operator and producer of audiovisual programmes and television channels in Italy. The channels operated by Sitcom are broadcast mainly in Italy over the Sky Italia network.

6 Consolidated Financial Statements for the Period Ended June 30, 2006 – Financial Information

6.1 Accounting and Financial Standards – IFRS Standards

Eutelsat Communications has a financial year of 12 months, ending on June 30. Due to the fact that the Company was created on 25 February 2005 and that its first fiscal year lasted 33 days and ended on 31 March 2005, the consolidated financial statements at June 30, 2005 cover a period of three-months.

According to European Union Regulation 1602-2002 on the application of International Financial Reporting Standards, the Company decided to use IFRS to draw up its consolidated financial statements from its creation.

In accordance with regulation 1602-2002 of the European Union regarding the application of international accounting standards, the Company elected to prepare its consolidated financial statements under the combined framework commonly referred to as IFRS. The financial statements at 30 June 2006 have therefore been prepared in accordance with the IFRS as adopted by the European Union and effective as of that date. They have been prepared on a historical cost basis, except for certain items for which the standards require measurement at fair value. The IFRS framework rules include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The Group has not applied any standards or interpretations in advance and, in particular, none of the following standards, which have already been published but whose application is only compulsory for financial periods commencing after 31 December 2005:

- IFRIC 6 "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment".
- the amendment to IASC 39 "Hedging Cash Flows for an Intra-Group Transaction".
- the amendment to IASC 21 "Effects of Changes in Foreign Exchange Rates" relating to net investments in subsidiaries.
- the amendment to IASC 39 "Financial Instruments: Recognition and Measurement" and IFRS 4 "Insurance Contracts – Financial Guarantee Contracts".
- the amendment to IAS 19 "Employee Benefits", applicable from 1 January 2006 and which allows immediate recognition within equity of actuarial gains and losses recognised during the period. At this stage, the Group has continued to recognise actuarial gains and losses according to the corridor method, as was the case at 31 December 2005.

Additionally, the Group is not concerned by IFRS 6 "Exploration for and Evaluation of Mineral Resources", the amendments to IFRS 1 "First-Time Adoption" and IFRS 6 "Exploration for and Evaluation of Mineral Resources" relating to the presentation of comparative information, nor by the IFRIC interpretation "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds".

Finally, the Group has not opted either for advance application of the following standards, amendments of standards and interpretations (adopted or in the course of being adopted by the European Union):

- IFRS 7 "Financial Instruments – Disclosure", whose date for first-time adoption is 1 January 2007;
- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies", applicable for fiscal years commencing after March 2006, i.e. for Eutelsat Communications the period commencing on 1 July 2006. The provisions contained in this text would not have been applicable at 30 June 2006.

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- Amendments to IAS 1 "Presentation of Financial Statements", appendices on capital, for which application is compulsory from 1 January 2007.
- IFRIC 8 "Scope of IFRS 2", whose application is compulsory for periods opened after 1 May 2006: this text has not been approved by the European Union.
- IFRIC 9 "Reassessment of Embedded Derivatives", applicable for financial periods opened after 1 June 2006; this text has not been approved by the European Union.

The Eutelsat Communications Group is currently, however, analysing the practical consequences of these new texts and the impact of their application on the financial statements.

Interpretation IFRIC 4 "Determining Whether an Arrangement Contains a Lease", applicable for fiscal years commencing after 1 January 2006. The Group has made a preliminary analysis of its contracts with respect to this interpretation and has concluded that application of IFRIC 4 as from 1 July 2006 would have no impact on its consolidated financial statements.

The consolidated financial statements include full consolidation of the Company's financial statements and those of any subsidiaries more than 50% owned. The companies over which Eutelsat Communications has a significant influence are evaluated using the equity method.

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

Companies	Countries	Consolidation Method	% of voting rights as of June 30, 2006	% owned as of June 30, 2006
SatBirds Capital Participations S.A.	Luxembourg	Full Consolidation (FC)	100.00%	100.00%
SatBirds Capital Sàrl	Luxembourg	FC	100.00%	100.00%
SatBirds Finance S.A.	Luxembourg	FC	100.00%	100.00%
Eutelsat Communications Finance	France	FC	100.00%	100.00%
Eutelsat Finance S.A.S.	France	FC	100.00%	100.00%
SatBirds II S.A.S.	France	FC	100.00%	100.00%
WhiteBirds	France	FC	100.00%	100.00%
Eutelsat S.A.	France	FC	95.15%	95.15%
- Eutelsat do Brasil S.A.	Brazil	FC	100.00%	95.15%
- Eutelsat Italia	Italy	FC	100.00%	95.15%
- Skylogic Italia s.r.l.	Italy	FC	100.00%	95.15%
- Eutelsat Services und Beteiligungen GmbH	Germany	FC	100.00%	95.15%
- Visavision GmbH	Germany	FC	100.00%	95.15%
- Eutelsat Inc.	United States	FC	100.00%	95.15%
- Eutelsat UK Limited	United Kingdom	FC	100.00%	95.15%
- Eutelsat Polska s.p.z.o.o.	Poland	FC	100.00%	95.15%
- Skylogic Polska s.p.z.o.o.	Poland	FC	100.00%	95.15%
- Wins Ltd	Malta	FC	50.00%	47.58%
- Hispasat	Spain	Equity Method	27.69%	26.35%

FC: Full Consolidation

Hispasat's financial year ended December 31. Hispasat's evaluation by the equity method was performed based on the Hispasat Group's financial statements as of June 30, 2006. The financial year for SatBirds Capital Participations S.C.A., SatBirds Capital Sàrl and SatBirds Finance Sàrl ended on March 31. The most recent financial period for SatBirds 2 S.A.S. and WhiteBirds S.A.S. had a duration of three months (April to June 2006) and ended on June 30. The full consolidation of these subsidiaries was performed based on the financial statements closed at June 30, 2006.

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6.3 Consolidated simplified Balance Sheet for Eutelsat Communications

ASSETS	June 30, 2005	June 30, 2006
2 Fixed assets including		
Consolidated goodwill	728,672	750,714
Intangible fixed assets	918,688	875,237
Satellites and other property and equipment, net	1,834,001	1,749,597
Prepayments for assets under construction	236,341	310,116
Investments in associates	111,425	117,461
TOTAL NON-CURRENT ASSETS	3,868,823	3,824,818
3 Current assets including		
Accounts receivable	212,183	213,716
Other current assets	29,828	19,889
Financial instruments	1,499	62,613
Cash and cash equivalents	37,043	264,055
TOTAL CURRENT ASSETS	281,924	564,487
TOTAL ASSETS	4,150,747	4,389,305
LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 2005	June 30, 2006
Shareholders' Equity including		
Share capital	278,733	215,692
Additional paid-in capital	-	907,485
TOTAL SHAREHOLDERS' EQUITY	378,402	1,210,280
Non-Current Liabilities		
Long-term bank debt	2,921,550	2,445,850
Other payables	115,587	76,048
Deferred tax liabilities	316,304	302,985
TOTAL NON-CURRENT LIABILITIES	3,459,144	2,933,699
Current Liabilities including		
Current bank debt	77,811	29,757
Current other debt	54,892	19,498
Other current payables and deferred revenues	79,002	80,140
TOTAL CURRENT LIABILITIES	313,201	245,326
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,150,747	4,389,305

Details of the Eutelsat Communications consolidated balance sheet at June 30, 2005 and June 30, 2006 are shown in the attached consolidated financial statements.

Operations affecting Eutelsat Communications' capital during the period are described in section 9.6.3. below.

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6.3 Consolidated Simplified Income statement for Eutelsat Communications

IFRS	Eutelsat Communications		
(in thousands of euros)	Three-month period ended June 30, 2005	<i>Unaudited pro forma 12-month period (*) 2005</i>	12-month period ended June 30, 2006
Revenue	188,680	750,402	791,070
Operating Costs	(19,351)	(69,022)	(72,664)
Selling, general and administrative expenses	(32,949)	(102,137)	(101,886)
Depreciation and amortisation	(73,038)	(306,843)	(285,805)
Other Operating Costs	(695)	(84,695)	(27,006)
Operating Income	62,647	187,705	303,709
Financial Result	(55,785)	(198,428)	(179,570)
Net Income before Tax	6,928	(10,408)	129,958
Income Tax Expense	(14,250)	(34,542)	(89,724)
Net Income (Loss)	(7,322)	(44,950)	40,234
Group Share	(12,552)	(7,355)	30,420
Share applicable to minority interests	5,230	(52,305)	9,814

(*) The pro forma financial information was prepared based on the IFRS financial statements for the three months ended June 30, 2005 for Eutelsat Communications and the IFRS consolidated financial statements for Eutelsat S.A. for the 12 months ended June 30, 2005. The pro forma financial information includes the pro forma adjustments identified as the most significant made to the income statement and the consolidated balance sheet for the period ended June 30, 2005 for Eutelsat Communications. These adjustments are intended to show, without being representative, the Group's financial situation and the result it would have recorded if:

- The acquisition of 85.65% of the Eutelsat Group carried out on April 4, 2005, and the additional acquisition of 7.67% on June 30, 2005, had taken place on July 1, 2004.
- The "A" and "B" senior debt, the revolving credit, the second lien line of credit and the senior PIK loan taken out on April 4, 2005 for the subsequent acquisitions of the Eutelsat Group had been put in place on July 1, 2004.

In addition, the interest rate hedging instruments (Swaps, tunnels and purchased caps) put in place in April 2005 by the Group when it took out the debts described above were not subject to pro forma adjustment to show what the impact would have been on the balance sheet and income statement if these hedging instruments had been put into place on July 1, 2004. These adjustments were performed based on the estimates and assumptions used by the Group's Management.

The pro forma financial information cannot show what the financial situation, results, variations in shareholders' equity and cash flow of the Group would have been if it had performed the acquisition of Eutelsat and set up the associated financing on July 1, 2004.

6.3.1 Operating Costs

Operating costs mainly include staff costs and other costs associated with monitoring and operating the satellites, as well as in-orbit insurance premiums for the satellites:

Staff costs. These comprise salaries and the payments by the employer for employees responsible for supplying, operating and maintaining the satellites (including French mandatory profit-sharing by Group employees).

Satellite Operating and Control Expenses. These costs are the cost of operating the earth stations and equipment costs, which include telemetry, monitoring, positioning, managing the payload, maintaining the software and equipment at the satellite control centres, as well as traffic supervision and management. The amount of these costs depends on the number of satellites and families of satellites operated and any satellite repositioning, as well as the number and type of services offered.

These costs also include costs for subcontracting telemetry operations, monitoring and tracking a certain number of satellites in orbit. In addition, Eutelsat S.A. has signed service contracts for monitoring the satellite communications systems with eight providers.

Satellite In-Orbit Insurance Premiums. Satellite In-Orbit insurance generally takes effect when the launch insurance policy expires (generally one year after the satellite is launched). When the Group takes out launch insurance for coverage in orbit, the premiums for the periods after the first anniversary of the launch date are treated as in-orbit insurance costs. Almost all the satellites in orbit belonging to the Group are insured for amounts structured in tranches. Depending on the selected risk management policy, and general market conditions for space insurance, the costs for these insurance premiums can vary from one year to the next (see Section 4.3 (Policy of the Group for Insuring its Satellite Fleet).

Operating costs also include a portion of operating tax ("*taxe professionnelle*"), which is split for recording purposes between operating costs and selling, general and administrative expenses (based on the corresponding staff size).

During the year ended June 30, 2006, operating costs went up by nearly 5.3% compared to the pro forma figures for the year ended June 30, 2005, rising from 69 million euros at June 30, 2005 (unaudited pro forma 12-month period) to 72.7 million euros at June 30, 2006. It should be noted that in the course of the previous year, the release of a professional tax provision had led to significant reduction in operating costs to 69 million euros as of June 30, 2005 (unaudited pro forma 12-month period).

During the year ended June 30, 2006, the rise in staff costs and procurement costs, associated with our in-orbit procurement programme, as well as the growth in our business and a consecutive increase in the professional tax, partly offset by a reduction in the costs of the In-Orbit insurance programme after its introduction in November 2005 (see section 4.3.2 above for more details about this insurance programme).

6.3.2 Selling, general and administrative expenses

Selling, general and administrative expenses comprise:

- commercial and administrative staff costs (including mandatory French profit-sharing);
- marketing costs, such as advertising costs and costs for co-marketing with distributor clients and users;
- general costs for the leasing of premises, and also outside studies and logistics;
- costs related to the development and marketing of new products;
- a portion of the operating taxes (including a share of the professional tax);
- and provisions for trade receivables and other receivables.

Particularly due to the pursuit of a rigorous policy of cost control and a high rate of recovery of outstanding trade receivables (one-off income), as a result of efforts made during the year in relation to these outstanding amounts, this line has been slightly reduced to 101.9 million euros during the period ended June 30, 2006.

Operating costs and Selling, general and administrative expenses rose by nearly 2% to 174.5 million euros as of June 30, 2006. Reclassified after the release of the provision for the professional tax (4.4 million euros) during the year ended June 30, 2005, total operating costs and selling, general and administrative expenses would have decreased by nearly one million euros, which is an indication of the Group's rigorous cost control.

6.3.3 Depreciation and Amortisation and other Operating Costs

Details of this item are described in Notes 5 and 6 to the attached consolidated financial statements.

Depreciation and amortisation mainly relates to the depreciation of satellites and terrestrial installations, as well as amortisation of "Customer Contracts and Relationship " assets. The latter represents an amount of 44 million euros per year.

It is the Group's largest expense.

The Group's tangible fixed assets mainly consist of the satellites and terrestrial installations. The capitalised costs of the satellites include (i) the costs for building and launching the satellites, (ii) the launch insurance premiums (which generally include in-orbit coverage up to the first anniversary of the launch date), (iii) associated capitalised interest costs (iv) the current value (at the time of launch) of the incentives payable to the manufacturer throughout the satellite's operation, subject to compliance with the technical and contractual specifications, as well as (v) the costs directly associated with monitoring the supply programmes (costs for studies, employee salaries and consultants' fees).

The satellites are depreciated on a straight-line basis over their operating lifetime in stable orbit, generally between 10 and 16 years, except for the latest satellites launched, W3A and HOTBIRD 7A. At least once a year, the Group reviews the remaining operational life of its satellites, based on forecast use and a technical assessment of their operation. When there is a change in the operational life, future depreciation charges are calculated based on the new remaining operational life of the satellite.

The Group's fixed assets also include the 28 transponders for which it has long-term lease contracts, under which its subsidiary Eutelsat S.A. has access to the capacity of all or part of the transponders on satellites belonging to a third party, the risks and benefits associated with ownership being transferred to it. These contracts are for the Sesat 2, Express A3, Telstar 12 and Telecom 2D satellites. The capitalised amount is based on the actual value of the leases. The capitalised capacity costs are amortised over the life of the contract.

As of June 30, 2006, depreciation and amortisation was 286.8 million euros.

"Other Operating Costs" for 27 million euros mainly includes the impairment of the value of the W1 satellite which had been estimated at 31.4 million euros as of December 31, 2005. To take into account the reimbursement by the constructor of part of the in-orbit incentive for this satellite, this amount was reduced to 24.9 million euros during the second half of the year.

6.4 Revenues from Operations

Operating income corresponds to revenues minus operating costs, selling, general and administrative expenses and allowances for depreciation, amortisation and other operating costs.

As of June 30, 2006, operating income was 303.7 million euros and represents 38.4% of revenues compared to 187.7 million euros on June 30, 2005 (unaudited pro forma 12-month period) or 25% of revenues (unaudited pro forma 12-month period). It should be noted that operating income for the unaudited pro forma 12-month period ended June 30, 2005 included an 84 million euro impairment charge for the ATLANTIC BIRD™ 1 satellite.

Apart from this item, growth in operating income was 11.8%, which demonstrates the Group's fine sales performance and its rigorous cost control policy.

6.5 Financial Result

The financial result shows a total expense of 179.5 million euros at June 30, 2006, 133.7 million euros of which is interest costs, compared to an expense of 198.4 million euros as of June 30, 2005, 159.6 million euros of which was interest costs.

It reflects the structure of the Group's debt prior to its initial public offering in December 2005, as well as the costs of restructuring the Group's debt associated (i) with the early repayment of the PIK and Second Lien loans (39.2 million euros) after the Company's IPO and (ii) refinancing the Senior Loan in June 2006 (35.4 million euros). It also includes earnings of 30.1 million euros following transfer of the financial instruments for managing the debt from Satbirds Finance to Eutelsat Communications.

6.5.1 Liquidity and Financial Resources of the Group

During the financial year ended June 30, 2006, the Group considerably reduced its net consolidated indebtedness, particularly as a result of the Company's IPO. The Group also renegotiated the existing loan agreements (apart from the agreement signed in November 2004 for Eutelsat S.A.). The Group's liquidity requirements mainly include the following:

- financing the construction and launch of satellites;
- servicing its debt;
- financing its working capital requirements.

The Group's main financial resources are composed of the cash flows generated by the operating activities of Eutelsat S.A. The Group has additional financial resources in the form of the lines of credit it has been granted.

6.5.2 Changes in the Group's Net Indebtedness²²

6.5.3 Net Indebtedness as of June 30, 2005

The following discussion is basically devoted to a review of the Group's financial resources as of June 30, 2005. The reader is asked to refer to Note 14 to the Company's historical consolidated financial statements (attached) for the financial year ended June 30, 2005.

As of June 30, 2005, the Group's total net indebtedness came to 3.1569 billion euros, and mainly included: (i) 1.943 billion euros in loans drawn down in the framework of the Senior Loans (as this term is defined below) and the Second Lien Loan (as this term is defined below), (ii) 300 million euros granted under the terms of the PIK Loan, (iii) 798 million euros for Eutelsat S.A.'s bank debt, (iv) 148.5 million euros of debt associated with the ATLANTIC BIRD™ 1 satellite and (v) 37 million euros of cash in hand and investment securities (net of bank credit balances).

Except for the debt associated with the ATLANTIC BIRD™ 1 satellite, net financial indebtedness came to 3.0084 billion euros as of June 30, 2005.

As of June 30, 2005, almost all the Group's net financial debt incurred interest at variable rates (usually EURIBOR plus margins)²⁴. The Group's average weighted interest rate was 5.5% for the 3-month period ended June 30, 2005. In addition the Group had 887 million euros available under its various lines of credit.

The table below describes the Group's main credit facilities as of June 30, 2005:

(in millions of Euros)	Amount Granted	Amount Used	Maturity
PIK Loan	300	300	May 1, 2014
Second Lien Loan	475	475	October 4, 2013
Tranche A Senior Loan	750	585	April 4, 2012
Tranche B Senior Loan	875	875	April 4, 2013
Revolving line of credit	150	8	April 4, 2013
Eutelsat S.A. revolving line of credit	650	70	November 24, 2011
Eutelsat S.A. bullet loan	650	650	November 24, 2011
Eutelsat S.A. fixed rate bullet loan	78	78	December 24, 2006
Total	3,928	3,041	

²² The Group's net indebtedness includes all its bank debts as well as the debts associated with satellite finance leases, less its cash in hand and investment securities (see Notes 14, 15 and 16 to the attached consolidated financial statements).

²⁴ Except for 77.7 million euros bearing interest at a fixed rate. These amounts do not include any hedging instruments put in place by the Group.

6.5.4 Group's Net Indebtedness as of June 30, 2006

As of June 30, 2006, the Group's net financial debt was 2.228 billion euros, and mainly includes: (i) 1.615 billion euros in borrowings drawn from the Refinancing Loan and (ii) 850 million euros for Eutelsat S.A.'s bank debt. As of June 30, 2006, almost all the Group's debt incurs interest at a variable rate (usually EURIBOR plus margins)²⁵.

In addition, the Group has 750 million euros still available under its various lines of credit.

The table below describes the Group's main credit facilities as of June 30, 2006:

<i>(in millions of euros)</i>	Amount granted	Amount used	Maturity
"Refinancing" bullet Loan	1,615	1,615	June 19, 2013
Eutelsat Communications Revolving Loan	300	0	June 8, 2013
Eutelsat S.A. Revolving Loan	650	200	November 24, 2011
Eutelsat S.A. bullet Loan	650	650	November 24, 2011
Eutelsat S.A. Fixed Rate bullet Loan	27	27	December 24, 2006
Total	3,242	2,492	

The weighted average interest rate for drawdowns on the revolving lines of credit is 3.2% for the period ended June 30, 2006. The effective interest rates for the Eutelsat S.A. "Refinancing" loan and the bullet loan are 4.44% and 3.74% respectively as of June 30, 2006.

An increase of ten base points (0.1%) over the Euribor interest rate has an impact of 2.46 million euros on the consolidated income statement based on the amounts recognised at June 30, 2006.

Changes in the Group's net indebtedness over the year are the result of (i) the Group's IPO in December 2005, the net income from which came to 839 million euros and was all allocated to early repayment of the PIK Loan and the Second Lien Loan and (ii) the cancellation of debt related to the ATLANTIC BIRDTM1 satellite after acquisition of this satellite in December 2005.

6.5.4.1 Description of the financial instruments in place during the financial year ended June 30, 2006

6.5.4.1.1 Eutelsat S.A. Lines of Credit

On November 24, 2004, Eutelsat S.A. signed a seven-year syndicated loan agreement for 1.3 billion euros which includes (i) a fixed term bullet loan of 650 million euros, and (ii) a revolving line of credit for 650 million euros intended to refinance existing debt and the Company's financing needs in general.

²⁵ Except for 26.5 million euros bearing interest at a fixed rate. These amounts do not include any hedging instruments put in place by the Group.

The amounts drawn on this line of credit incur interest at the EURIBOR rate (or LIBOR) for drawdowns denominated in US dollars), plus a margin of between 0.25% and 0.75%, based on the long-term rating issued by Standard & Poor's for Eutelsat S.A. Eutelsat S.A. has set in place hedging instruments for part of the money drawn on this credit line.

Under the terms of this line of credit, Eutelsat S.A. is required to maintain a total net debt to EBITDA ratio (a contractually defined ratio) of at least 3.75 to one, this ratio being verified at June 30 and December 31 each year. (See Note 13 to the Company's consolidated financial statements for more information). As of June 30, 2006, drawdowns on this facility came to a total of 850 million dollars.

Additionally, Eutelsat has an amortisable bilateral loan with Banca OPI with a remaining balance of 26.5 euros as of June 30, 2006. This line of credit expires in December 2006.

6.5.4.1.2 The PIK Loan and Second Lien Facility

o **The PIK Loan**

On March 30, 2005, SatBirds Capital Participations SCA signed a loan agreement (the "PIK Loan") for 300 million euros bearing interest at 6-month EURIBOR plus 8.25%. The interest on the PIK Loan is, at the borrower's discretion, payable either in cash or by capitalising the interest charge. In addition, under the terms of the PIK Loan, SatBirds Capital Participations SCA was unable to (i) pay out dividends or any other form of distribution (except for dividends in shares), (ii) redeem or buy back Company shares or those of any direct or indirect parent company (iii) repay any subordinate debt early.

The PIK Loan was a bullet loan with a maturity date of May 2, 2014, but could be repaid early between October 1, 2005, and October 1, 2006, in exchange for payment of a premium of 0.5% of the face value.

After the Company's IPO, the PIK bullet Loan (Floating Rate Senior PIK Loan Facility Agreement) for 300 million euros set up on March 30, 2005, for its subsidiary SatBirds Capital Participations, due on May 1, 2014, was repaid early on December 6, 2005.

o **The Second Lien Loan**

On April 4, 2005, SatBirds Finance Sàrl signed a Second Lien Loan Agreement ("Second Lien Loan") for 8 years 6 months for a maximum principal of 475 million euros (a bullet loan). The money drawn down on the Second Lien Loan incurs interest at EURIBOR plus a fixed margin of 4.25%. The Second Lien Loan can be repaid early (in whole or in part) before April 4, 2006 in exchange for payment of a premium of 2% of the repaid amount.

Like the PIK Loan, the Second Lien Loan (Second Lien Line of Credit), on which a total amount of 475 million euros has been drawn, set up on April 4, 2005 at the level of the SatBirds Finance Sàrl subsidiary for 8 years 6 months, was repaid early on December 6, 2005, after the lenders agreed to a 100% repayment of this loan.

o **The Senior Loan**

On April 4, 2005, SatBirds Finance Sàrl signed a senior loan agreement ("Senior Loan") which provided for three lines of credit: (i) "A" loans for 7 years up to a maximum principal of 750 million euros (bullet loans), (ii) "B" loans for 8 years for a maximum principal of 875 million euros (bullet loans), and (iii) a revolving 7 year loan with a maximum principal of 150 million euros.

The unused balances on the "A" component of the Senior Loans (about 165 million euros as of June 30, 2006) were to be mainly used to finance Eutelsat S.A. share acquisition operations. The unused balances on the revolving loan (about 142 million euros as of June 30, 2006) could also be used to finance the purchase of Eutelsat S.A. shares, some of

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SatBirds Finance Sàrl's debt costs, as well as some organisational costs, some taxes and some recurring expenses for the Group's companies (except for Eutelsat S.A. and its subsidiaries).

The amounts drawn on these Senior Loans incur interest at the EURIBOR rate plus a margin, which is adjusted each quarter based on the Total Net Indebtedness to EBITDA ratio. This margin was between 1.25% and 2.25% for the A and revolving loan components of the Senior Loan, and between 2% and 2.75% for the B component of the Senior Loan.

SatBirds Finance Sàrl could repay (in whole or in part) the Senior Loans early with no penalty.

o ***The Refinancing Loan***

The refinancing of SatBirds Finance's Senior lines of credit was undertaken in June 2006 by Eutelsat Communications. Eutelsat Communications signed a loan agreement with a group of banks on June 8, 2006 to set up a syndicated loan of 1.915 billion euros for a period of 7 years, which is broken down into two parts:

- Tranche A: a long-term bullet loan of 1.615 billion euros to be repaid at EURIBOR plus a margin, fixed between 75 and 162.5 base points, depending on the net consolidated debt to consolidated EBITDA ratio.

- Tranche B: a revolving line of credit of 300 million euros. Drawdowns of a maximum of 6 months are repaid at EURIBOR plus a margin of between 75 and 162.5 base points, depending on the net consolidated debt to consolidated EBITDA ratio.

The "Refinancing" loan agreement of June 8, 2006 does not involve any guarantee by Eutelsat Communications subsidiaries or any pledge of assets as collateral for the loan. This loan agreement includes some restrictive clauses, subject to the usual exceptions in loan agreements. (See Note 14 to the attached consolidated financial statements for more information on the restrictive conditions and limitations applying to this loan agreement). The agreement provides for the possibility that each lender party to the agreement to ask for early repayment of all the monies owed if there is a change in control of Eutelsat Communications and Eutelsat S.A., or if there is concerted action.

In addition, Eutelsat Communications has agreed to directly or indirectly retain 95% of the capital and voting rights in Eutelsat S.A. for the duration of the loan.

Finally, these lines of credit are accompanied by the following financial commitments, based on the Group's consolidated financial statements presented according to IFRS:

- "Leverage Ratio" – consolidated net debt/consolidated EBITDA at or below 5.5 for the half-yearly and yearly periods defined in the agreement, the first of which is June 30, 2006.

- "Interest Cover Ratio" – consolidated EBITDA/interest payable (due and payable) at or above 2.75 (if the Leverage Ratio is over 3.5).

In addition, hedging for the interest owed is required for a period of at least three years, for at least 50% of the drawdown of the Term Loan line of credit. For this purpose, on June 19, 2006, the SatBirds Finance Sàrl transferred to Eutelsat Communications the hedging instruments set in place for the above loan.

Upon receipt of the funds from Tranche A of the Refinancing Loan on June 19, 2006, Eutelsat Communications proceeded to the early repayment of all the Senior Loan and the revolving Loan taken out on April 4, 2005 by SatBirds Finance Sàrl:

- o The 7-year "A" line with a maximum principal of 750 million euros (642.3 million euros of which had been used as of June 19, 2006)
- o The 8-year "B" line with a maximum principal of 875 million euros (used in full as of June 19, 2006).

- The 7-year revolving loan with a maximum principal of 150 million euros (106.5 million euros of which had been used as of June 19, 2006).

The issue costs incurred for setting up the "Refinancing" syndicated loan of 1.915 billion euros, which represents almost one year of margin applicable based on a Net Debt/EBITDA leverage ratio between 3.5 and 4, were spread over the term of the loan.

The outstanding costs as of June 30, 2006 were charged to the book value of the loans. As of June 30, 2006, they showed a balance of 19.1 million euros.

6.5.4.1.3 Financial Instruments

The Group is exposed to market risks, particularly in terms of foreign currency and interest rate risks. The Management takes an active approach towards handling these risks, for which the Group uses a number of derivative financial instruments. The goal is to reduce, where deemed appropriate, fluctuations in income and cash flows resulting from changes in interest rates and exchange rates. The Group's policy is to use derivative financial instruments to manage such risk exposure. The Group does not undertake any financial transaction whose conclusion presents a risk that cannot be quantified, in other words, it would not sell assets it did not possess without knowing whether it would possess them in the future.

6.5.4.2 Foreign Currency Risk

The euro is the Group's benchmark currency, although it is exposed mainly to variations in the dollar exchange rate. Therefore, it has signed various agreements, the value of which varies based on changes in the euro/dollar exchange rate, to preserve the value of its assets, commitments and advance transactions. The Group uses financial instruments such as option agreements and forward exchange contracts and foreign currency deposit agreements to hedge some future revenues in dollars. These financial instruments are negotiated on a continuous basis with first-rate banking counterparties. In addition, some suppliers' contracts (satellites or launching services) are denominated in US Dollars. During the 2005 and 2006 financial years, the Group only used euro call/dollar put foreign currency options.

6.5.4.2 Interest Rate Risk

The Group manages its exposure to changes in interest rates by apportioning its debt between fixed and variable rate facilities. The Group has set in place the following interest rate hedging instruments:

- A tunnel (purchase of a ceiling and sale of a floor) for three years for a face value of 1.7 billion euros to hedge the financing loans for Eutelsat Communications.
- And, at various moments, for two additional years (years 4 and 5) a pay fixed/receive variable swap for 850 million euros and the purchase of a cap for a nominal amount of 850 million euros, intended to serve as a partial hedge of Eutelsat Communications' credit facilities.
- A pay fixed/ receive variable swap for the long-term portion of the bullet loan of 650 million euros of its subsidiary Eutelsat S.A.
- And a tunnel (purchase of a ceiling and sale of a floor) for five years for a nominal amount of 450 million euros serve as a partial hedge for the revolving 650 million euro credit line of its subsidiary Eutelsat S.A.

On June 19, 2006, at the same time as the Refinancing Loan was put in place (see above), the hedging instruments of the subsidiary SatBirds Finance Sàrl were transferred to Eutelsat Communications S.A. to manage that company's interest rate risk.

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During the 2005 and 2006 financial years, the amount of the variations in fair value recorded in the financial results for the financial instruments is an expense of 14.3 million euros and a gain of 40.8 million euros, respectively.

6.6 Consolidated Net Results

As of June 30, 2006, the consolidated net results show a profit of 40.2 million euros compared to a loss of 44.9 million euros during the unaudited pro forma 12-month period ended June 30, 2005.

The marked increase in the consolidated net results is due to the significant increase in EBITDA²⁶ during the year (up by 37.7 million euros), a reduction in the depreciation charge (down by 21 million euros), a reduction in "other operating costs" (which includes 24.9 million euros for impairment of the W1 satellite during the year compared to 84 million euros the previous year for impairment of the ATLANTIC BIRDTM1 satellite), and a reduction in net financing charges of 18.8 million euros, in spite of the significance of one-off charges associated with restructuring the Group's debt for a total of 74.6 million euros. All these improvements, however, were partially offset by an increase in the tax expense of 55.2 million euros.

EBITDA is defined as the operating result before depreciation and amortisation and excludes impairment of assets. EBITDA is not an aggregate defined by accounting principles and does not constitute a measure of financial performance. It should not be compared to operating income, net income or cash flow from operating activities. Similarly, it should not be used as an indicator of profitability or liquidity. Nor should EBITDA be considered as an indicator of past or future operating results. EBITDA is calculated differently from one company to another, and accordingly the information given in this document about EBITDA should not be compared to EBITDA information reported by other companies.

7 Financial Information – Company Financial Statements for the Period Ended June 30, 2006

7.1 Accounting and Financial Principles

The annual financial statements as of June 30, 2006, were drawn up in compliance with the provisions of the Code of Commerce (Articles L.123-12 to L123-28) and regulation 99-03 of the Accounting Regulation Committee (CRC). The conventions below were applied in adherence to the principle of prudence, according to the basic rules of (i) continuity of operations (ii) keeping financial years independent of each other, (ii) consistency in accounting methods from one financial year to the next and (iv) in compliance with the general rules for drawing up and presenting annual financial statements.

7.2 Activities and Highlights of the Company during the Year

Created in April 2005 in the form of a simplified stock corporation under the name of SATBIRDS S.A.S., the partnership adopted the form of a joint stock corporation on August 31, 2005. It is now managed by a Board of Directors with 8 members. It should be noted that the Company acts as a holding company: its role is therefore to manage the operating, financial and strategic activities of the Eutelsat Group. The main highlights for the Company during the year were its Initial Public Offering on the stock exchange on December 6, 2005, and the refinancing of its subsidiaries' debt, for which the Company obtained a line of credit (the Refinancing Loan) for 1.915 billion euros.

7.3 Extracts from the Company's Balance Sheet and Income Statement as of June 30, 2006

Details of the Company's Balance Sheet and Income statement for the financial year ended June 30, 2006 are presented in the Company financial statements attached to this report.

7.3.1 Simplified Balance Sheet as of June 30, 2006 – Company Financial Statements

ASSETS		
(in thousands of euros)	June 30, 2005	June 30, 2006
Financial Assets	264,492	2,675,879
Total long-term assets	264,492	2,675,879
Total current assets	8,997	32,828
Prepaid expenses and others	-	27,079
TOTAL ASSETS	273,489	2,735,786
LIABILITIES AND SHAREHOLDERS' EQUITY		
	June 30, 2005	June 30, 2006
Share capital (215,692,592 ordinary shares with a par value of 1 euro per share as of June 30, 2006)	278,733	215,693
Additional paid-in capital	-	907,486
Legal reserve	-	79,219
Retained earnings	(1)	(13,218)
Result for the year	(13,217)	(3,236)
Total Shareholders' Equity	265,514	1,106,804
Bank debt	-	1,617,087
Other bank debt	-	7,846
Total bank debt	-	1,624,933
Total operating debt	7,974	4,049
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	273,489	2,735,786

As of June 30, 2006, financial assets were composed mainly of the following:

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- Financial holdings, i.e. 1,300,237 shares in SatBirds Capital Participations S.C.A.
- "Intercompany Loan" for SatBirds 2 S.A.S., purchased on June 19, 2006 with a face value of 539,664,258 euros from SatBirds Finance Sàrl as part of the debt refinancing activity as of the same date, as well as 1,093,253 euros in accrued interest.
- A receivable resulting from the release by SatBirds Capital Participations S.C.A. of two convertible bond issues for a total amount of 13,700,054 euros, and 252,654 euros in interest earned as of June 30, 2006.
- Company shares being held as of June 30, 2006 under a liquidity agreement with the Société Générale relating to 3,377 shares for a total of 40,483 euros.

Changes in shareholders' equity over the year are described in detail in Note 6.1 to the Company financial statements in Annex 2.

The Company's indebtedness is the result of the Company signing a refinancing loan for 1.615 billion euros and a revolving loan for a total of 300 euros.

For more information about these operations see Note 7 – Indebtedness contained in the Company financial statements in Annex 2 and in section 6.5 of this report above.

7.3.2 Simplified Income Statement as of June 30, 2006 – Company Financial statements

(in thousands of euros)	Three-month period ended June 30, 2005	12-month period ended June 30, 2006
Revenues.....	-	1,198
Release of provision and reclassification of costs	-	19.240
Total Operating Income	-	20,438
Other purchases and external charges.....	13,218	21,385
Income tax, other taxes and assimilated.....	-	3
Salaries and other benefits	-	1,357
Total Operating Charges	13,218	23,258
Operating Income	(13,218)	(2,820)
Financial Income	-	1,702
Financial Expenses.....	-	2,130
Financial Result	-	(428)
Exceptional Result	-	12
NET INCOME.....	(13,217)	(3,236)

The Company's net income shows a loss of 3.2 million euros, which is mainly due to the operating costs borne by the Company in its capacity as a holding company and to the bank charges associated with the refinancing activity in June 2006.

8 Prospects for the Company

For the 2007-2009 period, Eutelsat Communications intends to pursue its strategy:

- to consolidate the Group's position as leader in the countries of the European Union, and
- to optimise the use of its orbital resources through the development of major television positions and the expansion of our value-added services particularly in emerging markets.

In anticipation, the Group is updating the objectives it announced on February 17, 2006, when its earnings for the first six months of the financial year ended June 30, 2006, were published.

Revenue objective for 2006-2007 is above 800 million euros. This objective is consistent with the Group's initial target of more than 4.5% Compound Annual Growth Rate (CAGR) for the next three fiscal years (2006-2007 to 2008-2009), which was based on the initial revenue target of 769 million euros for 2005-2006. The Group expects a CAGR above 4.5% for fiscal years 2007-2008 and 2008-2009.

Given the performance achieved to date, the ongoing efficiency of its strict cost control policy, the Group is raising its profitability objective to 77% for fiscal 2006-2007, as expressed by the consolidated EBITDA margin. For financial years 2007-2008 and 2008-2009, the EBITDA margin objective is maintained above 76%.

Annual capital expenditure should be 250 million euros on average over the fiscal years 2006-2009. In fiscal year 2005-2006, only 231 million euros were spent compared to the originally estimated 320 million euros. Beyond 2009, on an annualised basis, the Group considers that approximately 260 million euros per year should be invested in order to progressively renew its fleet, which is expected to comprise 572 transponders in operation by June 30, 2009.

Finally, at its meeting held on September 1, 2006, the Board of Directors decided to distribute the amount of 0.54 euro per share for the financial year ended June 30, 2006. This distribution will be categorised as a reimbursement of additional paid-in capital.

For subsequent financial years, the Group intends to establish an attractive distribution policy.

These objectives are based in particular on the following assumptions: (i) continued growth in satellite demand due to the anticipated development of HDTV channels, in the number of digital television channels in the major video positions and in the demand for value-added services both in the countries of the European Union and in emerging markets over the 2007-2009 period at satisfactory rate conditions, (ii) maintenance of the existing operational capacity of the Group's fleet, (iii) absence of any incidents involving one of the satellites in orbit, (iv) the successful launch of the new satellites mentioned earlier within the planned time frames, (v) pursuit of a policy to control operational costs and their fluctuations, (vi) maintenance of the general conditions of the space insurance and space industry market.

The forward-looking objectives, statements and information summarised above are based in particular on the data, assumptions and estimates cited earlier and considered by Eutelsat Communications to be reasonable on the date of this report. The reader is cautioned that these forward-looking statements are dependent on circumstances or facts that are to occur in the future. These statements are not historical data and must not be interpreted as guarantees that the facts and data cited will occur or that the objectives will be attained. By their nature, these data, assumptions and estimates, as well as all of the elements taken into consideration to determine these forward-looking objectives, statements and information could prove to be wrong or may not materialise and may change or be modified due to uncertainties tied in particular to the economic, financial, competitive and regulatory environment.

Additionally, some of these data, assumptions and estimates come from or are based in full or in part on assessments or decisions of the corporate bodies of Eutelsat Communications, which could change or be modified in the future. Furthermore, the materialisation of certain risks described in the chapter "Principal Risks" later on in the prospectus could have an unfavourable impact on the Group's activities and on the

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achievement of the forward-looking objectives, statements and information cited. Therefore, Eutelsat Communications does not make any commitment or give any guarantees concerning the forward-looking objectives, statements and information given in this section.

9 Corporate governance

Eutelsat Communications was initially founded as a simplified business association [*société par actions simplifiées*] on February 25, 2005. During the meeting held on August 31, 2005, the partners decided to modify the Company's mode of governance by adopting the form of a joint stock company [*société anonyme*] with a Board of Directors in order to take the Company public.

On June 30, 2006, the Company's administration was therefore entrusted to a Board of Directors made up of 8 directors and one advisor or non-voting board member [*censeur*]. Please be advised that pursuant to the provisions of Article 148 of the decree of March 23, 1967, during its meeting on August 31, 2005, the Board of Directors decided to combine the duties of Chairman of the Board and Chief Executive Officer.

As a result, Mr. Giuliano Berretta, Chairman of the Board of Directors assumed responsibility for the Company's general management.

During the meeting held on December 22, 2005, the Board of Directors decided to appoint Mr. Jean-Paul Brillaud Deputy Managing Director, at the proposal of Mr. Berretta. Furthermore, during the same meeting, the Board of Directors decided to appoint Mr. Christian Ruisse, Executive Secretary of EUTELSAT IGO, statutory *censeur*, pursuant to the provisions of the Articles of Association and the Letter of Understanding signed by the Company and EUTELSAT IGO.

Additionally, during the meeting held on December 22, 2005, the Board of Directors adopted its Rules of Procedure, as well as a Code of Conduct concerning the operations managed by holders of privileged information in the Group.

The Board of Directors decided, pursuant to the recommendations of the Bouton and Vienot reports, to select and propose to the meeting of shareholders the election of three independent directors.

On June 30, 2006, two independent directors were approached and indicated their acceptance of this proposal. They were Mr. Frank DANGEARD, President and CEO of THOMSON, who has been attending the meetings of the Board of Directors as a guest (without voting rights) since February 16, 2006, and Lord John BIRT, former CEO of the BBC. The identification and selection process for the third independent director is continuing.

9.1 Composition and mission of the Board of Directors

9.1.1 Composition of the Board of Directors

The Board of Directors of our Company is composed of 8 directors and one *censeur* elected by the meeting of shareholders of August 31, 2005, for a term of six years, ending at the end of the General Meeting of Shareholders called upon to approve the financial statements for the financial year ending June 30, 2011.

The censor, who attends the Board meetings without voting rights, was appointed on December 22, 2005, by the Board of Directors for a term of six years expiring at the end of the General Meeting of Shareholders called upon to approve the financial statements for the financial year ending June 30, 2011.

9.1.2 The mission of the Board of Directors

Specifically, pursuant to the provisions of Article L.225.35 of the Code of Commerce, the Board of Directors is responsible for determining and implementing the Company's policies. Subject to the powers expressly reserved for General Meetings of Shareholders, the Board of Directors may deal with any issues related to the orderly operation of the Company.

It should be noted that in addition to the powers set forth by law and pursuant to the provisions of the Articles of Association, a certain number of operational decisions or commitments are subject to the prior approval of the Board of Directors. These decisions can be classified as follows:

Operations affecting the company's Articles of Association: any operation that results in an increase of the Company's capital or in a modification of the company's Articles of Association is subject to the prior approval of the Board of Directors.

Strategic operations: the company's 5-year Strategic Plan, as well as any acquisition of securities of another company or any operations or mergers substantially affecting the structure of the company or its strategy are subject to the prior approval of the of the Board of Directors. Likewise, all investments in the capital of another Company of more than €50 million, or €25 million if this operation is not included in the Strategic Plan, also require this approval.

Financial investments and commitments: The Group's annual budget is submitted for the prior approval of the Board of Directors at the start of each financial year. Additionally, all investment expenses over €50 million (or €25 million if not included in the annual budget) are subject to the prior approval of the Board of Directors. Finally, any borrowing or financing contract that increases the company's debt by more than €50 million and that is not provided for in the annual budget must have the prior approval of the Board of Directors. Finally, any decisions concerning the sale, loan, lease or transfer of the Group's assets (excluding operations of a commercial nature) or any disinvestment decisions involving an amount greater than €50 million not included in the annual budget must have the prior approval of the Board of Directors.

General management of the company: the Board of Directors is responsible for defining the criteria for the independence and selection of the independent directors, and its prior consent is required for any hiring or dismissal of a Group manager whose compensation package is one of the six highest of the Group.

Other subjects: Any buyback or merger plans that may involve the company, any offer to purchase other Companies paid for in full or in part with shares of the Company, any draft reference documents and prospectuses intended for investors (including draft financial announcements intended for the public)

9.1.3 Meetings of the Board of Directors

The Board of Directors meets as often as the interest of the Company or the Group so requires.

Barring any urgency, notice of meetings of the Board of Directors and the associated documentation are sent to the members of the Board of Directors at least 5 days before the planned meeting of the Board of Directors.

The Board of Directors met 15 times during the financial year, due, in particular, to the heavy workload connected with the Company's initial public offering.

9.2 Information communicated to the Board of Directors

In accordance with the relevant provisions of the Articles of Association and the Rules of Procedure of the Board of Directors, the Board's documentation is sent to its members no later than 5 days before Board meetings are held. If an urgent meeting of the Board of Directors is called, the documentation is sent as soon as possible.

9.2.1 The Strategic Plan

For each financial year, the Board of Directors examines the Group's 5-year Strategic Plan. This Strategic Plan sets the Group's strategic objectives and defines the tools necessary to meet these objectives, as well as the Group's financial and business projections. The Strategic Plan for the period from the 2006-2007 financial year to the 2010-2011 financial year was approved on June 28, 2006.

9.2.2 Investment decisions

In accordance with the provisions of the Rules of Procedure, it is up to the Board of Directors to approve the Strategic Plan and any investment expenses exceeding the pre-set thresholds (cf. above). Thus, based on a file prepared by the Group's general management, investment decisions, particularly investments related to the satellite fleet or to external growth operations, are analyzed in depth by the Board of Directors, which evaluates their advisability by ensuring these investments are suited to the Company's strategic objectives.

It should be noted that the investment plans are also incorporated in the Group's annual consolidated budget examined by the Board of Directors during its normal work cycle.

In this regard, we remind you that our Board of Directors approved the launch of 4 new satellite programmes during the financial year, namely the HOT BIRD 9, W2M, W2A and W7 satellites.

9.2.3 Tracking of the Company's business

The management provides the members of the Board of Directors with a quarterly business report that includes the Group's earnings and financial indicators (revenues by application, debt, cash position and costs, etc.) so that the Board of Directors is informed about business developments, particularly technical or commercial developments and budget tracking.

During each financial year and within the regulatory time frames, the Board of Directors draws up the management planning documents. Likewise, at the end of the first six months of each financial year and at the annual close of a financial year, the Board of Directors prepares the Company's semiannual and company financial statements, as well as the associated reports.

9.2.4 Other information sent to the Board of Directors

Finally, pursuant to the provisions of the Articles of Association and its Rules of Procedure, the Board of Directors is informed whether any statutory thresholds have been crossed or of planned operations concerning the subjects within its purview such as plans to acquire other companies, for example.

9.3 Role & Composition of the Committees of the Board of Directors

Our Board of Directors decided to create two specialised committees responsible for advising it in their respective fields of competence:

The Selection and Compensation Committee: Chaired by Mr. Sayer, the Committee is also made up of Messrs. Fink, Collatos and Marini –Portugal.

This Committee is in charge of looking into and making any recommendations to the Board of Directors concerning (i) the compensation of the Chairman and CEO and the Deputy Managing Director, (ii) the establishment of stock option plans within the Group (iii) the allocation of director's fees to the members of the Board of Directors, (iv) the selection of the independent Board members.

The Audit Committee: This Committee is in charge of looking into and making any recommendations to the Board of Directors concerning the selection and compensation of the Company's Auditors, the Company's internal audit programmes and for preparing and examining the company's half-year and full-year financial statements. This Committee may also decide to have any audit of the Group's activities or operations performed. On June 30, 2006, the Audit Committee had not been activated.

More information concerning the activity of the Board of Directors is provided in the President's report prepared pursuant to Article L. 225-68 concerning the activities and work of the Board of Directors, which is appended to this report.

9.4 Information concerning the members of the Board of Directors

In accordance with the provisions of law No. 2003-706 of August 1, 2003, amending law No. 2001-420 of May 15, 2001, related to the new economic regulations, it is our duty to inform you of the total compensation (including benefits in-kind) paid to the members of the Company's corporate bodies during the financial year ended June 30, 2006 (See the Notes to the financial statements for more information).

9.4.1 Fees paid to the members of the Board of Directors

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Your Company did not pay any fees to the members of its Board of Directors during the financial year ended June 30, 2006.

However, on June 30, 2006, our subsidiary Eutelsat S.A. paid the members of its Board of Directors the gross amount of € 152,423 for the period from September 24, 2004 to June 30, 2005, as directors' fees.

9.4.2 List of offices held and jobs performed in any French companies by the members of the Board of Directors as of June 30, 2006 (excluding Eutelsat Communications)

Name	Office	Offices and jobs held outside the company
G. Berretta	President CEO	Eutelsat S.A.
P. Sayer	Director	Chairman of the EURAZEO Executive Board, President of EURAZEO PARTNERS SAS, Chairman of the Supervisory Board of FRAIKIN GROUPE, Chairman of the Board of Directors of AFIC and Vice Chairman of the Supervisory Board of ANF, permanent representative on the Supervisory Board of Groupe Lucien Barrière, permanent representative on the management board of CoIACE SARL, Director of IPSOS, REXEL, Eutelsat S.A., Ray Holding SAS, Ray Acquisition SAS, Managing General Partner of PARTENA and Manager of Société Civile Investco 1 Bingen
G. Saada	Director	Member of the Eurazeo Executive Board, Permanent Representative on the Board of Directors of CEGID and LT Participations, director of Eutelsat S.A.
L. Marini- Portugal	Permanent Representative	Director of Investments at Eurazeo and Permanent Representative of BlueBirds II Participations on the Board of Directors of Eutelsat S.A.
B. Collatos	Director	Director of Eutelsat S.A.
G. Fink	Director	Director of Eutelsat S.A.
B. Valentin	Permanent Representative	Permanent representative of CB Luxembourg III on the Board of Directors of Eutelsat S.A.
H. Lepic	Permanent Representative	Permanent representative of GSCP 2000 Eurovision Holding on the Board of Directors of Eutelsat S.A.
C. Roisse	<i>Censeur</i>	<i>Censeur</i> on the Board of Directors of Eutelsat S.A.

9.5 Information concerning the compensation of the corporate officers

The total compensation (including variable items and in-kind benefits) paid during the financial year to the Company's corporate officers comes to € 247,333.31.

The total compensation (including variable items, equity interests, profit-sharing and in-kind benefits) paid during the financial year to the corporate officers by the Group comes to € 1,480,504.21 broken down as follows:

<i>(in euros)</i>	Eutelsat Communications	Eutelsat S.A.
Mr. Giuliano Berretta Chairman and CEO	247,333.31	781,912.17
Mr. Jean-Paul Brillaud COO	0	451,258.73

The Company did not make any retirement and similar pension commitments to its managers.

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Furthermore, Mr. Berretta has an additional supplemental retirement plan with defined benefits with Eutelsat S.A. conditional upon his retirement from Eutelsat S.A. Eutelsat S.A.'s commitment in this regard is funded through provisions for pensions.

Finally, under certain conditions, Mr. Berretta may receive compensation in the amount of one million euros if his corporate appointment ends.

9.6 Information concerning the Company's capital stock

9.6.1 Information concerning the Company's capital stock

Following the initial public offering, which closed on December 6, 2005, and as of the date of this report, to the Company's knowledge, the Company's capital stock breaks down as follows:

Shareholder	Number		Number	
	Shares	%	Voting rights	%
Companies controlled by Eurazeo	54,951,502	25.48	54,951,502	25.48
..... <i>BlueBirds II Participations SAS</i>	<i>35,096,813</i>	<i>16.27</i>	<i>35,096,813</i>	<i>16.27</i>
..... <i>Redbirds Participations SAS</i>	<i>19,854,689</i>	<i>9.21</i>	<i>19,854,689</i>	<i>9.21</i>
Nebozzo S.àr.l. ⁽¹⁾	33,295,037	15.44	33,295,037	15.44
CB Luxembourg III S.àr.l. ⁽²⁾	25,196,325	11.68	25,196,325	11.68
GSCP 2000 Eurovision Holding S.àr.l. ^{(2) (3)}	15,346,070	7.11	15,346,070	7.11
Belgacom S.A.	4,680,118	2.17	4,680,118	2.17
Entreprise des Postes et Telecoms (Luxembourg)	2,395,886	1.11	2,395,886	1.11
Management and employees	1,654,889	0.77	1,654,889	0.77
Other shareholders and the public ⁽⁴⁾	78,172,765	36.24	78,172,765	36.24
Total	215,692,592	100	215,692,592	100

(1) Controlled jointly by Spectrum Equity Investors and Texas Pacific Group.

(2) Director of Eutelsat Communications.

(3) Controlled by Goldman Sachs PIA.

(4) The category "Other shareholders and the public" includes certain minority shareholders of Eutelsat Communications such as RTV Slovenija (Republic of Slovenia) and the shares held by the public and traded on the Euronext Paris market.

There are no different voting rights for the principal shareholders.

9.6.1.1 Eurazeo

With nearly € 5 billion in diversified assets and a market capitalisation of €4.3 billion, Eurazeo is one of the leading European publicly traded investment companies. Backed by 150 years of history, Eurazeo implements a strategy as investor and majority operator or leading shareholder primarily in unlisted companies. Its team of 15 professionals focuses on significant investment opportunities, favouring LBO acquisition opportunities. The value of the investment is then optimised through financial engineering know-how and industrial expertise. Over the last three years, Eurazeo has been one of the most active investors in France. It is the majority shareholder of Fraikin (2003), the French leader in utility vehicle leasing, and became a shareholder of Eutelsat S.A. in 2003. Additionally, together with Carlyle, Eurazeo acquired Terreal (2003), one of the European leaders in the terra cotta tile and brick market. Furthermore, together with CDR and Merrill Lynch, Eurazeo acquired Rexel, the world leader in the professional distribution of electrical equipment and the largest European LBO in 2004. Likewise, in 2005, Eurazeo acquired B&B, a budget hotel chain present in France and Germany. Finally, in 2006, Eurazeo acquired Europcar, the world leader in vehicle leasing.

9.6.1.2 Spectrum Equity Investors

Spectrum Equity Investors ("Spectrum") is a private equity firm specialising in investments in the media and information and communication services throughout North America and Europe. Founded in 1994, Spectrum is based in Boston, Massachusetts, New York, New York, and Menlo Park, California, and manages four billion dollars in assets. Its significant investments include Loews Cineplex Entertainment, CBD Media, Consolidated Communications, Patriot Media, RiskMetrics and NEP. Spectrum acquired its interest in Eutelsat S.A. in 2004 through Nebozzo, an investment vehicle it controls jointly with Texas Pacific Group.

9.6.1.3 Texas Pacific Group

Texas Pacific Group ("TPG") is one of the largest venture capital companies in the world. It manages more than USD 14 billion in assets and it has more than USD 6 billion in available equity capital. Over the last decade, it has completed more than 70 transactions in various industries. The companies held in its portfolio bring in more than USD 57 billion in revenues. TPG, which was one of the first international private equity firms to establish itself in Europe, is now a leader in the European private equity market. Its European investments include Debenhams, TIM Hellas, Mobilcom, Findexa, Spirit Group, Gemplus and Grohe. TPG acquired its interest in Eutelsat S.A. in 2004 through Nebozzo, an investment vehicle controlled jointly with Spectrum.

9.6.1.4 Cinven

Cinven is one of the most prominent and successful investors in the European capital investment market. The Company has completed transactions amounting to a cumulative total of more than €50 billion.

From its offices in London, Frankfurt and Paris, Cinven focuses exclusively on creating value in European companies with an enterprise value of more than €500 million and that are leaders in their market or have the potential to become leaders.

Founded in 1977, the Company has been a fully independent business since 1995. Its latest fund, which closed at €4.4 billion in April 2002, is one of the largest sources of private equity dedicated solely to European LBOs. Cinven's recent investments include Amadeus (€4.4 billion), Partnerships in Care (€800 million), Numericable (€528 million), World Directories (€2.1 billion) and Vendex (€2.5 billion).

9.6.1.5 Goldman Sachs PIA

Goldman Sachs PIA ("GSPIA"), a subsidiary of the Goldman Sachs Group, is a major player in private equity. This company manages the GS Capital Partners fund, a USD 5.25 billion fund raised in July 2000, and GS Capital Partners V fund, a USD 8.5 billion fund raised in April 2005. Since 1986, GSPIA has invested

over USD 17 billion in more than 500 companies in various industries and in various parts of the world, and it has become one of the world's largest private equity companies. GSPIA is present in the United States, in Europe and in Asia with 100 specialists worldwide. GSPIA invested in Eutelsat S.A. in December 2004 through GSCP 2000 Eurovision Holding S.à.r.l. ("GSCP Eurovision"). In addition to Eutelsat S.A., GSPIA has made a number of investments in the telecommunications and media sectors (Kabel Deutschland, Cablecom, Neuftelecom, Iliad and Sportfive in Europe, as well as Voicestream, IPC Media and Yankees Entertainment Network in the United States), and in industrial conglomerates (Messer Griesheim, Legrand and Cognis) in Europe.

9.6.1.6 Belgacom S.A.

Belgacom is the main telecommunications company in Belgium and the market leader in numerous areas such as fixed telephone services, wireless communication services and Internet and high-speed data transmission services.

9.6.1.7 Entreprise des Postes et Télécoms (Luxembourg)

Entreprise des Postes et Télécommunications Luxembourg (P&T Luxembourg) is an independent public establishment organised under Luxembourg law and a legal entity. It was established by law on August 10, 1992. P&T Luxembourg provides postal services, postal financial services and telecommunications services. The telecommunications services include fixed telephony, wireless telephony, public phones, the Internet, high-speed Internet access, UMTS networks and the distribution of satellite television programmes.

9.6.2 Information concerning thresholds crossed or changes in the control of the Company

Following the initial public offering, which closed on December 6, 2005, all of the shareholders' agreements that existed prior to this date became null and void. As a result, no shareholder, acting alone or with others, holds more than 50% of the Company's voting shares, as per the provisions of Articles L. 233 and following of the Code of Commerce.

Pursuant to the provisions of Article 12 of our Articles of Association, we were notified and the Board of Directors was informed that the following statutory thresholds were crossed:

- Notification on June 20, 2006, by FRANKLIN RESOURCES, acting both in its own name and on behalf of its affiliates, that it held 4,403,875 shares representing 2.05% of our Company's capital.
- Notification on June 20, 2006, by ING BANK NV, acting in its own name and on its own behalf, that it held 4,301,453 shares, representing 1.99% of our Company's capital.

9.6.3 Restrictions concerning sales of shares or securities granting rights to the Company's capital

The information provided below in sub-sections 9.6.3.1 and 9.6.3.2 is information known by the Company on June 30, 2006 and is taken from the *Document de base* and our Prospectus approved by the Financial Markets Authority (AMF) on September 7 and November 28, 2005, respectively.

9.6.3.1 Orderly exit agreement signed by the principal shareholders

As part of the initial public offering on December 6, 2005, the principal shareholders of the Company (BlueBirds II Participations S.à.r.l. and RedBirds Participations S.A. (companies controlled by Eurazeo), Nebozzo S.à.r.l. (controlled jointly by Spectrum Equity Investors and Texas Pacific Group), GSCP 2000 Eurovision Holding S.à.r.l. (controlled by Goldman Sachs PIA) and Cinven Buyout III S.à.r.l.) signed an agreement whereby they agree, for a period ending on November 6, 2006, that sales of their shares in the Company will be carried out in an orderly fashion. This agreement provides that:

- the signatories will not sell any Company securities on the market;

- any sale of Company securities by a signatory may only be made as part of a secondary public offering and/or through private placement or a sale of a block representing at least 2% of the Company's capital and, in some cases, 1%. If one of the shareholders wishes to sell securities in accordance with the conditions set forth in the agreement, the other signatories will be offered the option of selling jointly all or part of their securities in proportion to their stake in the Company's capital;
- at the end of a sale, all the signatories, whether or not they have effectively sold securities as part of the sale contemplated, will sign holding commitments for the Company securities in favour of the financial institutions in charge of the operation, whose duration will be equal to or, with the agreement of these signatories, longer than 2 weeks;
- the signatories will not sell any Company securities during the financial statement publication periods defined by Eutelsat Communications in its internal operating rules and during which the directors must refrain from carrying out transactions involving the Company securities;
- The *Autorité des Marchés Financiers* [AMF] will be informed of any sale within 8 trading days following its completion.

The orderly sale agreement does not constitute a concerted action.

9.6.3.2 Commitment to hold shares by the corporate officers and individuals who were shareholders of the Company on November 27, 2005

Furthermore, individuals who were shareholders of the Company on November 27, 2005, agreed as part of the initial public offering, not to offer, sell, pledge or transfer in any way all or part of the shares of the Company they hold, including those resulting from the direct or indirect exercise of share subscription warrants, for a period of 18 months ending on June 6, 2007, without the prior consent of the Overall Coordinator and Principal Bookkeeper. This commitment involves 100% of the securities for the first 6 months, two-thirds of the securities for the second six-month period and one-third of the securities for the last six-month period, subject to certain exceptions.

Holders of share subscription warrants are also subject to certain liquidity restrictions

9.6.3.3 Other restrictions on sales of shares or securities granting rights to the capital

During the meeting held on December 22, 2005, the Board of Directors approved a Code of Conduct regarding holding privileged information applicable to the members of the Board of Directors and to the employees and corporate officers of the Group, as well as to related persons according to the regulations of the *Autorité des Marchés Financiers*. This Code of Conduct sets the periods during which the persons concerned are prohibited from exercising securities granting rights to the Capital or from selling and transferring Company shares for a 3-week period prior to the release of periodic financial information and ending 48 hours following the publication of this information.

9.6.4 Operations that affected the capital during the financial year

Please note, however, that during the meetings held on November 27, 2005 and November 29, 2005, the Board of Directors decided on:

- o **A capital increase through a public offering** intended to repay the Group's financial debt. After filing its *document de base* on September 7, 2005, and a prospectus registered on November 28, 2005, by the *Autorité des Marchés Financiers*, the Company went public on December 2, 2005, at a subscription price of €12.00 per share, resulting in gross issue income of €860 million, including €71.7 million in capital and €788.3 million in issue premiums. The expenses connected with this operation were charged against the issue premium and totalled €27.1 million, including €17.6 million in brokers' compensation and €9.5 million in legal and administrative costs.
- o **A capital increase** at the time of the initial public offering **reserved for employees and former employees enrolled in the corporate savings plan** of Eutelsat S.A. at a subscription price of €9.60 per share, through the application of a 20% discount on the price offered to the public and for a maximum of one million shares.

- **An allocation of bonus shares to the employees** of the Group at a rate of 341 shares per beneficiary, the number of beneficiaries being set at 439, and targeting any employee who was not a shareholder of the company on November 29, 2005. The final acquisition period for shares was set at 2 years following this date and is accompanied by a requirement that the employee should still be working for the Group. The beneficiaries must also hold these shares for 2 years following the effective acquisition date.

The main operations that affected our capital stock during the financial year are as follows:

- September 21, 2005: Closure of the share consolidation operations decided on by the General Meeting of Shareholders held on August 31, 2005
- October 15, 2005: Acquisition of shares from institutional shareholders of Eutelsat S.A. according to the terms and conditions applicable to the shareholders who sold their securities to Eutelsat Communications at the time Eutelsat S.A. was acquired
- December 6, 2005: Capital increase through the issue of 71,666,667 new shares with a par value of €1 at the price of €12 per share on the EUROLIST A market (Euronext Paris)
- December 14, 2005: Capital increase through the issue of 600,000 shares with a par value of €1 following the exercise of 1,200,000 share purchase warrants by Mr. Berretta, Chairman & CEO
- December 15, 2005: Capital increase through the issue of 196,099 shares with a par value of €1 at the price of €9.60 as part of a capital increase reserved for employees
- April 27, 2006: Capital increase through the issue of 65,690 new shares with a par value of €1 as compensation for the contribution by CB III SARL of 51,331 shares of Eutelsat S.A., valued at €2.57 per share

On June 30, 2006, our Company's capital totalled €215,692,592 divided into 215,692,592 shares with a par value of €1 each. We invite you to refer for more information to Note 12 to the consolidated financial statements attached to this report.

9.6.5 Concerning stock options or stock purchase plans

The Company did not offer any stock option or stock purchase plans during the financial year ended June 30, 2006.

A total of 4,443,334 stock options were exercised during the financial year in our subsidiary Eutelsat S.A.

During the financial year, Mr. Giuliano Berretta, Chairman & CEO, exercised 538,306 Managers 1 stock options at the exercise price of €1.48, resulting in the issue of 538,306 new shares. Additionally, Mr. Jean-Paul Brillaud, Deputy Managing Director, exercised 284,975 Managers 1 stock options resulting in the issue of 284,975 new shares of our subsidiary Eutelsat S.A. at the exercise price of €1.54 per option.

All of the shares held by Messrs. Berretta and Brillaud after they exercised these stock options were sold to Satbirds 2 SAS pursuant to commitments to sell.

9.6.6 Concerning the other securities granting rights to capital

On June 30, 2005, the shareholder bodies delegated competence to the Chairman of the Board of Directors in order to proceed with one or more issues of shares with equity warrants (the "ABSAs") reserved for the managers and corporate officers of the Group and limited to a maximum immediate or future capital increase of €6,660,000, subject to the prior authorisation of the Board of Directors.

During its meeting held on July 15, 2005, the Board of Directors authorised the Chairman to issue 835,200 ABSA1s (allotted in full to Mr. Berretta, Chairman & CEO) and 882,380 ABSA2s (including 187,710 ABSAs allotted to Mr. Brillaud, Deputy Managing Director) with the following characteristics:

- ABSA1: unit price of €1.378
- ABSA2: unit price of €1.54
- 2.7 share subscription warrants (the "BSAs") per ABSA
- 1 BSA giving the right to subscribe to 1 Company share

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This issue was carried out on August 2, 2005, fully paid up in cash, and the difference between the unit subscription price of the ABSAs and the par value of the securities was recorded as an issue premium. The share purchase warrants were detached from the shares as soon as the ABSAs were issued.

During its meeting held on August 31, 2005, the Board of Directors decided that as of September 21, 2005, in order to take into account the consolidation of shares decided on by the General Meeting of August 31, 2005, two BSAs would give the right to purchase 1 Company share for a unit purchase price of two euros. The table below summarises the developments related to BSAs during the financial year:

<i>Type</i>	BSAs issued	BSAs exercised	Shares issued	Subscription price per share in euros	Expiration date
BSA 1	2,255,040	1,200,000	600,000	2	3/31/2008
BSA 2	2,382,426	-	-	2	8/2/2015
Total	4,637,466	1,200,000	600,000		

9.6.7 Concerning the additional acquisition of Eutelsat S.A. shares

Commitments to buy granted by the corporate officers and certain managers of the Group

In exchange for the grant of the ABSA 1 and ABSA 2 shares, the corporate officers and key executives signed commitments to buy and sell with the Company concerning the Eutelsat S.A. shares resulting or that may result from exercising the stock options granted by Eutelsat S.A. in connection with the different "Managers" plans (see Note 4.2 to the attached consolidated financial statements), or a total of almost 18.3 million Eutelsat S.A. shares, with the following characteristics:

Commitment to sell:

- Granted by each of the managers and officers to Eutelsat Communications
- Exercise price per share on June 30, 2006: €2.70 (subject to adjustments intended to take into account operations involving the capital or the equity capital of Eutelsat S.A.)
- Exercise period: for 3 months after the end of the fiscal lock-in period applicable to each of the tranches of shares concerned

Commitment to buy:

- Granted by Eutelsat Communications
- Exercise price determined based on a valuation of Eutelsat S.A. at 8.5 times the Group's consolidated EBITDA, minus the consolidated net debt of Eutelsat S.A. (or plus the net cash position)
- Exercise period: for each of the share tranches concerned, 1 month after the end of the exercise period of the corresponding commitment to sell

Pursuant to the provisions of the commitments to sell described above, the corporate officers and certain key managers of Eutelsat S.A., who benefited from shares issued as a result of the exercise of "Manager 1" options sold Satbirds 2 SAS a total of 1,597,100 Eutelsat S.A. shares during February 2006, including 538,306 shares sold by Mr. Berretta, Chairman & CEO (for a price of €2.70 per share) and 284,975 shares sold by Mr. Brillaud, Deputy Managing Director (for a price of €2.64 per share).

9.6.7.1 Liquidity offer

Through its subsidiary Satbirds 2 SAS, the Company offered to buy back the shares of all the beneficiaries of options granted under the "Partners" and "Managers 1" plans in December 2005 (Liquidity Offer) at the unit price of €4.27 per Eutelsat S.A. share.

The Liquidity Offer was closed on December 10, 2005. It must be stressed that this buyback offer expressly excluded the shares options exercised as part of the "Manager 1" Plan by certain beneficiaries who granted a commitment to sell their shares to the Company and its subsidiaries on July 15, 2005.

9.6.7.2 Future liquidity offers

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We remind you that the Company committed itself toward the employee shareholders of Eutelsat S.A. or beneficiaries of Eutelsat S.A. stock options (excluding the corporate officers and managers who made commitments to sell – see subsection 9.6.6 above) to set up a liquidity mechanism for their Eutelsat S.A. securities in case Eutelsat Communications went public

Therefore, the Company's Board of Directors decided, during its meeting held on June 28, 2006, to set up a liquidity offer in the form of a cash offer to purchase Eutelsat S.A. shares intended for the employees of the Group holding Eutelsat S.A. shares.

The liquidity offer will be opened twice a year for the 15 to 20 day periods determined by the Board of Directors, and will expire in 2010. The price will be determined with reference to the price of the Eutelsat Communications share and by taking into account all of the Group's net bank debt not included in the Eutelsat S.A. sub-Group.

Please refer to Note 12.4 to the attached consolidated financial statements for more information.

10 Other Information Presented

10.1 Research and Development

Research and development activities mainly involve multimedia activities. No development costs were capitalised as of June 30, 2006.

10.2 Table of Results for the last five financial periods

As required by Article 148 of Decree No. 67-236 of March 23, 1967, a table showing our Company's results over each of the last five financial periods (see Annex 3) has been attached to this report; the first period shown is the one in which the Company was set up.

10.3 Non-deductible Charges and Expenses during the year ended June 30, 2006

No non-deductible charges and expenses were reported during this year by the Company.

10.4 Agreements referred to in Article L.225-38 of the Code of Commerce

In application of the provisions of Article L. 225-38, the Board has authorised the creation of a tax integration agreement with Eutelsat Communications Finance S.A.S. and Eutelsat Finance S.A.S.

In addition, we hereby inform you that during the year the Company signed service agreements with other companies in the Group, particularly Eutelsat S.A., in accordance with the provisions of Article L.225-40 of the Code of Commerce.

10.5 Share Purchases by the Company

The company did not directly carry out any purchases of its shares during the year ended June 30, 2006. However, the Company did sign a liquidity agreement with the Société Générale. According to this, the liquidity agent acquired a total of 3,377 shares in the name of and on behalf of the Company on June 30, 2006. The result of this liquidity agreement for the year ended June 30, 2006, is a profit of 12,000 euros.

10.6 Employee holdings in the Company Share Capital

More information is given in Note 12 to the attached Company financial statements and in the special report by the Board of Directors drawn up in application of the provisions of Article L.225-177 of the Code of Commerce.

Holdings of employees or company officers in the Company's share capital represent 1,654,889 shares (0.77% of the share capital) as of June 30, 2006.

10.7 Dividend Policy

Because it was only recently created, we inform you that the Company has not paid out any dividends in the past year.

10.8 Allocation of Results

We inform you that the Board of Directors, at its meeting on September 1, decided to allocate the net results for the year which give a loss of 3,235,692 euros to the negative carried forward accounts which then will increase to 16 453 690.90 euros. In addition, the Board of Directors proposes to allocate such negative carried forward account to the share premium accounts. As a consequence, the negative carried forward account will be reduced to 0 euro and the share premium account will be reduced to 891 032 205.48 euros

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In addition, we inform you that, in accordance with the distribution target announced at the time of the Company's IPO, on September 1, the Board Decided to propose to the General Meeting of Shareholders to be held on November 10, the distribution of an overall amount of 116,474,000 euros, representing 54 euro cents per share, taken from the Company's "Additional Paid-In Capital" which will be reduced to 774 558 205.80 euros.

10.9 Powers granted to the Board of Directors by General Meetings of Shareholders

The table below gives a summary of the powers granted to the Board by the Company's General Meeting of Shareholders on October 6, 2005;

Powers given to the Board by the Combined Ordinary and Extraordinary General Shareholders' Meeting	Maximum Amount of the Capital Increase (in euros)	Powers granted for²⁷
1. Power given to the Board to increase the capital while maintaining shareholders' preferential subscription rights.	120 million	26 months
2. Power given to the Board to increase the capital, suspending shareholders' preferential subscription rights, and making a public offering.	120 million ^(*)	26 months
3. Power given to the Board to increase the number of shares to be issued in the event of a capital increase under the issuing circumstances referred to in points 1 and 2	15% of the amount of the initial issue ^(*)	26 months
4. Power given to the Board to increase the capital by including reserves, profits, premiums or other amounts allowed to be capitalised	100 million ^(*)	26 months
5. Power given to the Board to increase the capital to repay the contributions in kind given to the Company (Article L. 225-147)	10% of the share capital	26 months
6. Capital increase to benefit members of a savings plan	2 million ^(*)	26 months
Maximum number of shares available for subscription/allocation		
7. Allocation of Company share subscription options or purchasing option	6 million ^(**)	38 months
8. Free allocation of new or existing Company shares	6 million ^(**)	38 months

(*) Up to the overall par ceiling specified in point 1, i.e. 120 million euros.

(**) These two amounts are not cumulative. The maximum number of shares for points 7 and 8 is a total of 6 million shares.

²⁷ Starting on the date of the Extraordinary General Meeting of Shareholders of October 6, 2005

10.10 Environmental Information

The Group believes that its business as operator of fixed satellite communications services does not pose any significant risks to the environment. In fact, its business as a satellite operator does not involve any manufacturing process posing a serious threat to the environment, rare or non-renewable resources, natural resources or bio-diversity. The Group's assets are in fact mainly satellites in geostationary orbit 36,000 kilometres from the earth.

In the absence of any regulations or applicable legislation relating to de-orbiting manoeuvres, the Group adheres to the principles discussed at an international level by the Inter-Agency Space Debris Coordination Committee and the United Nations Committee on the Peaceful Uses of Outer Space.

For the purposes of its business, the Group also operates earth stations with antennas to receive and broadcast radio signals to its the satellite fleet. All these facilities obey current environmental legislation, especially in terms of the laws applying to the radiation of radio signals.

11 Events after the balance sheet date

11.1 Launch of the HOT BIRD 8 satellite

Equipped with 64 transponders, this satellite ordered from EADS Astrium was successfully launched on August 5, 2006 by ILS from the Baikonur (Kazakhstan) site. This satellite's mission will be to complete the programme for securing the orbital resources positioned at 13° East and to replace the HOT BIRD™ 3 (20 transponders) early, and to relocate it to a new orbital position. The start-up of commercial service for the HOT BIRD™ 8 should occur in October 2006.

11.2 Procurement of the W2A satellite

On July 28, 2006, the Group signed a preliminary contract with Alcatel Space for 15 million euros for the procurement of the W2A satellite. It should be noted that as part of this preliminary contract, the Group has an option to add an S band mission to the primary mission of this satellite in order to make it possible to broadcast audiovisual content to mobile phones. As of the date of this report, the Group has not decided whether it will exercise this option. If it so decides, the exercise must take place before October 15, 2006.

11.3 Organisation of the Eutelsat Communications Group

The Company has begun its efforts to simplify the Group's organisation chart. One of the steps in this process, which was completed after the closing date, is the (i) conversion of the subsidiaries SatBirds Finance Sarl and SatBirds Capital Participations SCA into *sociétés anonymes* organised under Luxembourg law and (ii) the merger by absorption of SatBirds Capital Participations SCA by SatBirds Finance SA on July 18, 2006. Furthermore, Eutelsat Finance SAS will be dissolved without liquidation during the first quarter of the financial year ending on June 30, 2007.

11.4 Proposed schedule for releasing financial information

The dates given below are given for guidance purposes only and may be changed at any time by the Company.

- *November 8, 2006: Publication of sales figures for the 1st business quarter*
- *November 10, 2006: General Meeting of Shareholders*
- *February 15, 2007: Publication of second-quarter sales figures and six-month earnings*
- *May 4, 2007: Publication of third-quarter sales figures*
- *July 2007: Publication of annual sales figures*
- *September 2007: Publication of earnings for the financial year ending June 30, 2007*

12 Principal risks for the Group

The Group's risks can be divided into three categories:

- Risks related to changes in the satellite telecommunications market
- Risks related to the Group's fleet of satellites and the investments associated with deployment
- Financial and other risks

This section summarises the principal risks to which the Group may be exposed in the context of its businesses. The risks described are presented as illustrations and are not exhaustive. These risks, or other risks not identified on the date of this report, or considered by the Group to be insignificant on the date of this report, could have a negative impact on the businesses, financial position, results or growth prospects of the Group. Moreover, it should be noted that some of the risks described in this report or certain risks not mentioned here may be triggered or occur because of external factors or events of *force majeure* and those risks are independent of the Group's actions.

12.1 Risks related to changes in the satellite telecommunications market

The Group's business is sensitive to changes in demand by video service users.

The audiovisual industry is a market that is sensitive to changes in advertising budgets and household spending, which are in turn affected by the overall economy. In recent years, television channels, broadcast platform operators and cable operators have had financial difficulties because of a decline in their advertising revenues and a general economic slowdown. Some have filed for bankruptcy or have had to restructure. The Group cannot be certain that the audiovisual industry, which forms a significant percentage of its user base, will not be affected again by a deterioration in the economic context that would drive down demand or generate additional pressures on prices. Such a deterioration could have a significant negative impact on the Group's business, financial position and earnings.

The consolidation of satellite broadcast platform operators and/or cable operators that has already occurred in Spain, Poland and Italy continues in Europe, in particular the merger currently being finalised between TPS and Canal+ in France. We remind you that TPS is one of the major users of the Group's capacity at the HOT BIRD orbital position.

This merger could mean that the new entity as constituted would transfer the assigned capacity to a competitor of the Group or expand its operations with a competitor of the Group to meet any additional capacity needs.

The continuation of the trend toward consolidation could also offer broadcast platform operators or cable operators greater negotiating room with satellite operators or their distributors, thus creating additional price pressures. This type of consolidation could then have a substantial negative impact on the Group's business, financial position and earnings. The implementation of new technical broadcast standards, which has led, and could lead in the future, to an increase in the signal compression rate, has reduced and could further reduce transponder demand for a given number of channels. If this reduction is not offset by an increase in the number of channels transmitted, total demand for transponders could decline, which could have an unfavourable impact on the business, financial position and earnings of the Group.

The Group's expansion depends particularly on the prospects for growth in demand for satellite services. This demand may not become a reality, or the Group may be unable to meet the demand.

The growth of the Group depends particularly on the prospects for growth in the demand for video services, which is partially driven by the expected development of direct broadcasting (*Direct To Home* – DTH) in the emerging countries and in high definition television ("HDTV"), particularly in Europe. This demand may not arise. In addition, the Group may not be in a position to make the investments necessary

at the right time to meet this demand. In particular, as HDTV uses more satellite capacity than the current satellite broadcast standard, the Group might not be able to invest in additional satellites at the appropriate time or in the proportion that will allow it to meet market demand. If the demand for video services does not increase, or if the Group is unable to meet this demand, this could have a material and negative impact on its business, financial position and results.

The development of value added services (particularly IP access solutions) is another vector in the Group's strategy. This development will depend in part on the continued growth in the demand for high-speed Internet services, which is not certain and is hard to predict. Demand for high-speed Internet services could decline or stop growing as rapidly as it has in recent years. In addition, even if this demand continued to grow, the Group cannot be certain that this growth will generate increased demand for satellite services. Moreover, the Group may not be able to provide the high-speed Internet services to meet market demands. If the demand for satellite high-speed Internet services does not expand as expected, or if the Group is not in a position to meet this demand satisfactorily, this could have a significant negative impact on its business, financial position and results.

The growth of the Group's businesses also depends on its capacity in the various frequency bands requested by customers. Available capacity is insufficient for certain frequency bands, and this shortage could have a material negative effect on the Group's ability to satisfy its customers that need this band capacity.

The Group is exposed to risks resulting from the international character of its customers and its activities.

The Group provides satellite telecommunications services to customers in about 150 countries, and could expand into other countries. As a result, the Group is exposed to geopolitical, economic and other risks related to the international nature of its commercial operations. Rate, tax, regulatory and customs policies governing the services provided by the Group, commercial practices in certain countries, or their political or economic instability, could prevent the Group from implementing its growth strategy and, therefore, have a negative impact on its business, financial position and earnings.

In addition, if the Group had to file legal action against its customers or commercial partners outside the European Union, it might be difficult for it to assert its rights, which could have a significant unfavourable impact on its business, financial position and results.

The Group records a significant percentage of its revenues in Multi-usage leases, which depend heavily on the international political and economic context.

In recent years, the Group has generated a significant percentage of its revenues (8.8% of Group revenues for the financial year ended June 30, 2006 in the multiple-use services segment. This segment includes direct or indirect provision of services to governments, particularly in the United States. Obtaining and/or renewing contracts allocating capacity for this segment depends to a large extent on the international political and economic climate. Therefore the Group cannot be certain that it will be able to generate revenues from these contracts. Any failure to obtain new contracts, any termination, non-renewal, or renewal of such contracts under less favourable terms could have a significant detrimental effect on the Group's business, financial situation and results.

The Group is dependent on several major customers.

The Group generates a significant portion of its revenues from a small number of customers who are mostly telecommunications operators. As of June 30, 2006, the Group's ten biggest customers represented 60.1% of its revenues. The Group's top four customers for the financial year ended June 30, 2006 were France Télécom, British Telecommunications, Telespazio and Deutsche Telekom. Any of the Group's major customers could decide (i) to terminate their contracts, (ii) not to renew them, or (iii) to renew them with conditions, particularly price conditions that are less favourable for the Group, which could have a significant detrimental effect on the Group's business, financial situation and results. In addition, major customers could have financial difficulties, which could result in payment delays or unpaid invoices, and which could also have a significant negative impact on the Group's business, financial position and earnings.

The Group must face heavy competition from satellite operators and terrestrial network operators.

The Group must face heavy competition from international, national and regional satellite operators. The Group's main competitors are the other major international satellite operators, such as SES Global, which recently acquired New Skies Satellites, and Intelsat which recently acquired PanamSat. These rivals offer more satellite capacity or greater geographical coverage than the Group, and may have more substantial financial resources. The Group also competes with regional or national satellite operators, some of which enjoy advantages (tax or regulatory, for example) in their domestic market. Intensified competition among satellite operators could lead to increased price pressures, which could have a material negative effect on the business, financial position and results of the Group.

The Group also competes with terrestrial network operators (cable, fibre optic, DSL, microwave broadcast and VHF/UHF transmission, particularly digital) for many transmission and value added services, particularly for high-speed IP access, and also for the transmission of audiovisual programmes (ADSL TV, DTT). These terrestrial networks generally offer transmission capacities at prices significantly lower than the price offered by satellite operators. The acceleration of this competition could generate increased pricing pressures on telecommunications and satellite broadcast services. In addition, any improvement or expansion in the geographical presence of terrestrial network operators could lead Group customers to choose the telecommunications solutions offered by these operators, and make it more difficult for the Group to retain or expand its customer portfolio. Finally, certain technological innovations that may be developed in the future with alternatives to satellites could make satellite technology obsolete. More intense competition with terrestrial network operators could, therefore, have a significant negative impact on the Group's business, financial position and earnings.

12.2 Risks related to the Group's fleet of satellites and the investments associated with deployment

The Group might be unable to adhere to its schedule for the launch or activation of its new satellites.

The Group plans to launch four new satellites (HOT BIRD™ 9, W2M, W2A and W7) by June 30, 2009. These satellites are intended to continue the service provided by certain satellites currently in operation, and the HOT BIRD™ 9 satellite will reinforce the back-up capacity for the HOT BIRD™ satellites and increase the number of marketable transponders. It is possible that the schedule for the launch of these new satellites may not be kept or that the launches will fail. A significant delay or launch failure for one of these satellites would hurt the Group's ability to meet its contractual commitments to ensure continuity of service for its clients and end users and to meet its growth targets. Any significant delay or launch failure for one of these satellites could also have a material unfavourable effect on the Group's business, financial position and results.

Delays for any reason in the Group's satellite deployment plan caused by launch failures or delays may prevent the Group from finding new commercial opportunities and thus weaken its ability to achieve its growth strategy, which could have a significant negative impact on its business, financial position and results.

The satellites operated by the Group could break down or malfunction in orbit.

Satellites are sophisticated devices and sensitive to the external environment. Once in orbit, malfunctions may occur for various reasons and lead to a decrease in their remaining operational life and/or a permanent or intermittent reduction in a satellite's transmission capacity, which could have a significant detrimental effect on the Group's business, financial situation and results.

Some satellites in orbit have had equipment breakdowns that resulted in a loss of transmission capacity and/or a reduction in their remaining operational life. For example, in 1999 the HOT BIRD™ 4 and EURO BIRD™ 2 satellites suffered a deterioration of some of their solar panels. The ATLANTIC BIRD™ 3 satellite suffered the loss of 6 battery cells out of a total of 108 cells during the March-April 2004 eclipse period, which led to, for precautionary reasons, a reduction in the number of transponders in use during annual eclipse periods. In addition, since its activation, the ATLANTIC BIRD 1 satellite has lost two transponders and experienced several service interruptions. In August 2005, the W1 satellite had a

malfunction that affected one of its two solar panels, resulting in a substantial reduction of its power that led to a reduction in the transmission capacity of 14 transponders and a shorter residual life span. The Group cannot guarantee that current satellite breakdowns will not get worse or will not lead to the loss of a satellite, or that equipment breakdowns will not occur in the future. If this happens, the Group can only obtain limited compensation from the manufacturer or from insurance, subject to certain conditions.

Moreover, if a satellite malfunctions while in orbit, the Group cannot guarantee that it will be able to ensure continuity of service for its customers by using redundant equipment or the back-up capacity of another satellite, particularly due to the loss of available satellite capacity appropriate for the needs of the customers concerned. If there is a malfunction in orbit, the Group could find it difficult to retain its customers (who may terminate or renegotiate their capacity allotment agreement) and may not be able to sign new contracts allocating capacity with satisfactory terms. Such breakdowns or malfunctions could have a significant negative effect on the Group's business, financial position and results.

Finally, the Group leases capacity on four satellites owned by third parties, which are recorded as assets on its consolidated balance sheet. If these satellites should break down or malfunction, the Group cannot guarantee that it would be able to obtain indemnification and equivalent capacity under comparable conditions. The Group cannot guarantee that any dispute arising from these breakdowns or malfunctions will be settled in its favour. In addition, the Group may be exposed to the risk of the bankruptcy of the owners of these satellites, which could result in the termination or suspension of its capacity leasing agreements. Such situations could cause impairment of these assets in the Group's consolidated financial statements and have a significant negative impact on its business, financial position and results.

The Group has not obtained insurance coverage for all the satellites in orbit that it owns, and these policies may not protect it against damages suffered by its satellites.

The Group has currently implemented a programme of orbit lifetime insurance covering 15 of the satellites it owns for their net book value. These policies cover partial losses, and/or any loss considered total, of the insured satellites, under certain conditions. Despite partial or full coverage by insurance, a breakdown or loss of one or more of the Group's satellites could have a significant detrimental effect on the Group's business, financial situation and results.

The in-orbit insurance policies taken out by the Group contain standard exclusion clauses, as well as specific exclusion clauses, relating to possible breakdown risks for particular satellites. In case of losses resulting from an incident or involving a piece of equipment excluded from these policies, the damage suffered would not be indemnified. In addition, some partial losses or losses considered total may not be fully indemnified under the current insurance programme. Moreover, this insurance programme does not protect against certain types of damage or loss, such as lost opportunities, business interruptions, activation delays and lost revenues. Finally, the insurance company may dispute the causes of the breakdowns or malfunction, or the amount of the losses suffered by the Group. The Group cannot guarantee that, in the event of breakdowns or proven malfunction of one of the satellites covered under past insurance programmes, such as the W1 satellite, in particular, or current insurance, that the insurance will indemnify the Group within a reasonable period or for the amount claimed as reparation by the Group. A dispute by the insurers concerning the causes of the breakdowns or malfunction, or the amount of the loss suffered by the Group, could significantly delay payment of the claim or could result in a significant decrease in the amount of the indemnification. A lack of indemnification or a late or partial indemnification for the losses suffered could have a significant unfavourable effect on the business, financial position and results of the Group.

The Group has also taken out civil liability insurance for its orbiting satellites, covering losses caused to third parties by its space activities as a satellite operator. This policy may not be enough to cover the damage caused to third parties. In addition, in the future the Group may not be able to renew its civil liability insurance at terms acceptable to the Group, or may not be able to renew it at all, which could have a significant detrimental effect on the Group's business, financial situation and results.

Technological changes could make the Group's satellite telecommunications system obsolete.

The telecommunications industry is subject to rapid technological advances. If the Group is not able to adapt to these advances quickly and effectively, its satellite telecommunications system could become obsolete. As a result, the Group's competitive position could be weakened, particularly if its competitors are

able to adopt these new technologies. If the Group's satellite telecommunications system were to become obsolete, the demand for its services could be reduced, which could have a significant detrimental effect on the Group's business, financial situation and results.

The Group is dependent on several major suppliers.

The number of manufacturers able to design and build satellites according to the technical specifications and standards of quality required by the Group is small, as is the number of agencies able to launch such satellites. The small number of these suppliers may reduce the Group's ability to negotiate and could mean that it obtains less favourable financial terms. In addition, this small number of suppliers may make it difficult for the Group to implement its deployment programme according to the desired schedule. In addition, the Group is exposed to the risk that its suppliers will have operational or financial difficulties, that they will file for bankruptcy or be involved in legal proceedings related to intellectual property rights. The limited number of suppliers could thus have a material negative impact on the business, financial position and results of the Group.

12.3 Financial and other risks

The Group has a significant level of debt.

The Group has a significant debt. As of June 30, 2006, the Group's net consolidated debt was 2,228.5 million euros and primarily represented: (i) 1.615 billion euros in loans drawn under the Refinancing Credit; (ii) 300 million euros granted under the Revolving Credit; and (iii) 850 million euros in Eutelsat S.A. bank debt.

The Group's high debt level could have the following consequences: (i) make it difficult for the Group to meet its debt service commitments; (ii) limit the Group's ability to obtain loans or raise additional equity capital; (iii) increase the vulnerability of the Group in an unfavourable economic or sector context; (iv) limit the cash available to finance working capital requirements, (v) investment or development expenditures because of the large portion of the Group's cash devoted to repayment of the principal and interest on its debts; (vi) limit the Group's ability to adapt to changes in its competitive and technological environment; and (vii) limit the Group's ability to make certain kinds of investments.

All the consequences relating to the Group's significant debt, particularly those described above, could affect the Group's ability to meet its debt obligations and could, therefore, have a serious unfavourable effect on the Group's business, financial position and earnings.

To service its debt, the Group will need major capital resources that it may not be able to obtain. The Group's ability to access the capital required depends on many factors, some of which are outside the Group's control.

The Group's ability to pay the interest on its debt, and to repay or refinance it, as well as its ability to abide by all its obligations associated with its debt and to finance its investments and working capital will depend on Eutelsat S.A.'s future results, and particularly on its ability to generate cash flow. If the Group were unable to abide by the obligations associated with its debt, it could be forced to refinance or restructure its debt, or even raise additional capital. The Group's ability to restructure or refinance its debt will depend on several factors, including some that are beyond its control. Any refinancing of its debt may be at less favourable terms, which could reduce the Group's operating and financial flexibility. In addition, the contracts associated with existing or future debt could prevent the Group from carrying out such restructuring or refinancing operations. Moreover, current and future shareholders in the Company have no obligation to contribute in any way at all to the Group's financing. The Group's inability to continue to service its debt or to refinance it at commercially acceptable terms could have a significant detrimental effect on the Group's business, financial situation and results. In addition, the Group's ability to execute its strategy and generate cash flow depends on economic, financial, competitive, legal, regulatory, commercial and other factors, which are beyond its control and which would affect its future performance. If the Group's operating cash flow is not adequate to cover its investment costs and service its debt, it may be forced to carry out one of the following operations: (i) delay or reduce its investment expenditures; (ii) sell off its assets; (iii) abandon commercial or external growth opportunities (particularly acquisitions); (iv) obtain loans or additional equity capital, or even (v) restructure or refinance all or part of its debt. The

Group might not be able to conduct any one of these operations, or be unable to complete them in a timely manner or under satisfactory economic conditions, which could have a significant unfavourable impact on its business, financial position and results.

Any increase in the interest rate could result in an increase in the Group's cost of debt.

The amounts due for the current loans bear interest at a variable rate plus a margin. The Group has set up hedging operations to cover the interest rate risk for a portion of the amounts drawn from these lines of credit for a specific period of time. However, as of this date, the Group does not hedge its entire exposure to the rate risk. As a result, an increase in the applicable reference interest rates could have a material negative effect on the Group's business, financial position and results.

A change in the Group's debt rating could affect the cost and terms of its debt and its capacity to obtain financing.

The Group's debt instruments are rated by the independent ratings agencies Moody's Investor Service and Standard & Poor's. These ratings affect the cost and terms of the Group's lines of credit. Future ratings downgrades, if they occurred, would probably affect the Group's ability to obtain financing and the conditions associated with that financing. The Group cannot guarantee that it will be able to take measures enabling it to strengthen or maintain its ratings, or that the agencies will consider that the measures taken by the Group for this purpose are adequate. In addition, factors beyond the Group's control, such as those associated with its business sector as well as the geographical regions in which where it operates, may affect its rating by these agencies. As a result, the Group cannot guarantee that its debt rating will not be downgraded in the future, which could have a significant unfavourable effect on its business, financial position and results.

The Company is a holding company which depends on its subsidiaries to have the resources necessary to pay dividends. The distribution capacity of its subsidiaries may be subject to certain limitations.

The Company is a holding company, which does not have operating assets and has only a limited ability to generate revenues. The Company therefore relies on its subsidiaries to have the necessary resources to pay any dividends or for any other form of distribution to shareholders.

The company holds its interest in Eutelsat S.A. via several intermediate entities. The payment of dividends, distributions of any kinds or granting of loans or advances by Eutelsat S.A., the Group's main operating company, is subject to various constraints. In particular, Eutelsat S.A. has the right to distribute only legally available monies consisting of its net results and reserves as shown in the certified financial statements. The amounts that can be distributed by Eutelsat S.A. could be substantially affected by its expenses, whether or not these result in disbursements, particularly by any impairment of the assets recorded in its financial statements. In the past, Eutelsat S.A. recorded significant impairment of its assets, and it may have to do so in the future. The fact that the Company is a holding company and that the distribution capacity of its subsidiaries is subject to certain constraints could, therefore, have a significant detrimental effect on its financial position, earnings and distribution capacities.

The Group could face new demands for financing related to the financial guarantee it gives to the Closed Pension Fund of the IGO.

Before the formation of Eutelsat S.A., the IGO managed a pension fund (the "Closed Pension Fund") for its agents. The rights of the beneficiaries of the Closed Pension Fund were fixed, and the management of this fund and the corresponding assets was assigned to a trust (which was also assigned to manage the corresponding pension commitments). Under the contribution treaty signed on July 2, 2001, Eutelsat S.A. assumed the unlimited financial guarantee made by the IGO to cover any insufficiency in the Pension Fund financing. Any insufficient financing in the Closed Pension Fund could create new obligations for the Group pursuant to the financial guarantee, which could have a significant unfavourable impact on the Group's business, financial position and results.

The Group is exposed to foreign exchange risk

A portion of the Group's business is conducted outside Europe. Most of the Group's customers pay for their services in euros, and the Group presents its financial results in euros. However, some of the Group's

customers pay in U.S. dollars, and because developing its business outside Europe is a key part of its strategy, this proportion could increase as the Group expands its business to countries located outside the euro zone. This geographical expansion could increase the exchange risk of the euro against the U.S. dollar for the Group. Fluctuations in the exchange rate could result in a price increase for the Group's capacity and services when they are paid for in currencies other than the euro. These fluctuations could then reduce the demand by customers paying in currencies other than the euro. Even in the absence of fluctuation in demand, fluctuations in exchange rates could have an impact on the Group's revenues because a portion of these revenues is in a currency other than the euro. In addition, Group customers located in developing countries could have difficulties in obtaining euros or U.S. dollars (particularly due to exchange controls), which could significantly affect their ability to pay in euros or in U.S. dollars, and thereby expose the Group to additional exchange risks. Finally, the Group's contracts with U.S. suppliers (including contracts signed with launching agencies) are denominated in U.S. dollars. The Group generally negotiates forward contracts or call options in U.S. dollars to hedge its payment obligations when a satellite is delivered or after it is launched. However, the Group also has contracts with suppliers that are payable in U.S. dollars for which it does not hedge the risk.

All the foreign exchange risks described above could have a material negative effect on the Group's business, financial position and earnings.

Tax risks

In January 2005, the French tax authorities began accounting audit procedures with regard to our subsidiary Eutelsat S.A. for the financial years ending June 30, 2002, 2003 and 2004. Upon completing this audit, the administration notified Eutelsat S.A., by a letter dated December 19, 2005, that it was proposing to adjust its taxable income for the financial year ended June 30, 2004. The administration rejected the tax deductibility of the capital loss on the sale of Hispasat shares to the German subsidiary because of the valuation used for shares (see note 19.3 of the consolidated financial statements attached).

The total amount of adjustments, declared in December 2005 to our subsidiary Eutelsat S.A., of 69.9 million euros, was reduced to 56 million euros, late interest and tax deduction at source included, following written correspondence between Eutelsat S.A. and the tax authorities. The correspondence and discussion phase with the authorities is still ongoing.

The Group rejects the cogency of these adjustments and, in light of the items in its possession on the date the company financial statements were closed, has not declared a provision for risk in this regard.

Any decisions, whether administrative or legal that can confirm the cogency of this adjustment and, overall, any review, change or modification of the Group's tax situation may mean additional assessments, late interest and/or penalties and may therefore have an unfavourable impact on the financial situation of the Group's results.

Risk on stocks

As of June 30, 2005, the Group held no treasury shares (apart from 3,377 shares held as at June 30, 2006 as part of a liquidity agreement entered into with Société Générale) or equity interests in public traded companies and, therefore, does not incur any significant risks in this regard.

Eutelsat S.A. is subject to the provisions of the Amended Convention of the EUTELSAT IGO and Eutelsat Communications is governed by the provisions of the Letter-Accord.

The Articles of Association of Eutelsat S.A. stipulate that the Amended Convention of the EUTELSAT IGO, adopted on May 20, 1999, is a "reference document" for conducting the activities of Eutelsat S.A. In addition, the reciprocal rights and obligations of Eutelsat S.A. and the EUTELSAT IGO are defined in an agreement (the "Arrangement") dated July 2, 2001. The rights of EUTELSAT IGO under the Arrangement are intended to allow the IGO to ensure that Eutelsat S.A. complies with the Basic Principles defined in the Amended Convention, particularly the supply of audiovisual services in compliance with the relevant international agreements, including the provisions of the European Convention on Trans-frontier Television and national regulations, Pan-European coverage by the satellite system, and respect for the principles of non-discrimination and fair competition in the definition of its strategy and the performance of its operational activities. In particular, Eutelsat S.A. must inform the EUTELSAT IGO in the event of major changes in its operational, technical, commercial or financial policy which could affect its respect for the

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Basic Principles, and it must obtain the prior written approval of the EUTELSAT IGO if it intends to proceed to a voluntary liquidation, including a merger or consolidation with another entity.

Following the acquisition of Eutelsat S.A. by Eutelsat Communications, Eutelsat Communications and the EUTELSAT IGO signed a letter-accord dated September 2, 2005 (the "Letter-Accord") under the terms of which the Company made certain commitments to the EUTELSAT IGO, particularly stipulating that the Group must maintain consolidated debt that is not contrary to market practices and healthy management of the Group, and maintain a minimum equity capital in Eutelsat S.A. that reflects the healthy financial managements of Eutelsat S.A. and protects its ability to respect the basic Principles.

The assessment made by the EUTELSAT IGO of the operations and strategy of Eutelsat S.A concerning the respect for the Basic Principles and the Group's financial policy could differ from the Group's assessment. Implementing the recommendations or demands of the EUTELSAT IGO could reduce the Group's flexibility and reactivity in conducting its business, managing the structure of its debt and equity, and its distribution policy, and could have a significant negative impact on the Group's business, financial position and results.

The Group provides satellite telecommunications services in a highly regulated environment.

The satellite telecommunications industry in which the Group operates is highly regulated. Change in policy or regulations at the international level within the framework of the International Telecommunications Union, in the European Union, in France, or in the other countries in which the Group operates, could have a significant detrimental effect on its businesses and its development, particularly if such changes increase the cost and regulatory requirements associated with supplying the Group's services. Such changes could have a significant unfavourable effect on the business, financial position and results of the Group.

In particular, the Group must be able to continue to benefit from assignments of existing frequencies at the orbital positions at which it operates or the positions to which it may need to redeploy satellites. It must also be able to obtain new frequency assignments, at the same or new orbital positions, for the future growth of its activities. The loss of the existing frequency assignments or a failure to obtain new frequency assignments within the time frames of the Group's development plan could have a material negative impact on the Group's business, financial position and earnings.

Moreover, in supplying its services, particularly its audiovisual services, the Group is subject to regulatory requirements governing broadcasts (broadcast content) and land-based stations pursuant to the provisions of the legislation under which the Group must operate and the provisions of the European Convention on Trans-frontier Television. Compliance with such regulations could result in substantial investments of time and resources. In addition, the Group cannot guarantee that it will be able to obtain or maintain the necessary licences, and this could delay or prevent the Group from providing services to customers in the countries in question or from implementing its development strategy, and thus have a significant detrimental effect on its business, financial position and results. In addition, a change in the applicable regulations could limit or make it impossible to obtain or maintain the licences necessary for the Group's current operations or its growth strategy, and this could have a material negative impact on the Group's business, financial position and results.

Finally, certain States could decide to impose a system of taxes on satellite operators for receiving satellites transmissions over their territory. Such a development could have a significant negative effect on the Group's business, financial position and results.