

EUTELSAT COMMUNICATIONS
a Joint Stock Company with a Board of Directors
and a share capital of €215,692,592
Registered office: 70 rue Balard,
75015 Paris
Companies Registry Number: 481 043 040 R.C.S. PARIS

REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF
EUTELSAT COMMUNICATIONS DRAWN UP IN ACCORDANCE WITH THE PROVISIONS OF
ARTICLE L. 225-68 OF THE COMMERCIAL CODE

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Dear shareholders,

In accordance with the provisions of Article L.225-68 of the Commercial Code, I am pleased to present this report to you regarding the preparation and organisation of the work performed by the Board of Directors of Eutelsat Communications in the financial year ended on 30 June 2006 and the internal control procedures implemented within the Eutelsat Group.

For the purpose of this report, please note that the term "Company" means Eutelsat Communications, and "Group or Eutelsat Group" refers to Eutelsat Communications and all its subsidiaries and holdings.

1. INTRODUCTION

During the financial year ended on 30 June 2006 there has been a great deal of upheaval in the organisation and structure of the Eutelsat Group and in the role of the Company.

It should be recalled here that our Company was set up on 25 February 2005 as a simplified stock company in order to acquire Eutelsat SA, the 3rd operator worldwide and European leader in Fixed Satellite Communications Services, by means of incorporating subsidiaries to manage holdings.

It was initially controlled by a shareholding group and the role of the company was to manage the holding of such shareholders in the Eutelsat Group. However, after the changes in its governance adopted at the shareholders meeting held on 31 August 2005 and its launch on the stock exchange on 6 December 2005, our Company's role became completely different.

In fact, since then, none of the shareholders of our Company, either acting alone or jointly, hold the direct or indirect control of our Company, according to the provisions in Article L. 225-33 of the Commercial Code.

In addition, since then the Company has undertaken the operational, financial and strategic management, of the Eutelsat Group.

It should in fact be mentioned that in order to fulfil the good corporate governance principles, the Company endeavours to comply with the recommendations in the Viénot II and Bouton reports. These principles are the basis of the Internal Regulations of the Company's Board of Directors approved on 22 December 2005.

It should be pointed out that on 22 December 2005 the Board of Directors approved a code of conduct related to insider information. This code of conduct is not only applicable to all the employees and company managers of the Group but also to the members of the Board of Directors.

2. CORPORATE GOVERNANCE OF THE COMPANY

It should be recalled that the corporate governance of our Company was completely changed according to a resolution adopted by the General Shareholders' Meeting held on 31 August 2005. In fact, the General Shareholders' Meeting adopted a decision to become a joint stock company with a Board of Directors for the launch of the Company on the stock exchange, which took place on 6 December 2006.

2.1. 2.1. Composition of the Board of Directors

After the resolutions were adopted by the General Shareholders' Meeting, the Board of Directors has been composed of eight directors, elected for a term of office of 6 years that expires at the General Shareholders' Meeting when a decision will be adopted to approve the accounts for the financial year ended on 30 June 2011.

In addition, in accordance with the provisions in the Agreement signed by the Company with EUTELSAT IGO on 22 December 2005, the Board of Directors adopted a resolution to appoint the Executive Secretary of EUTELSAT IGO as Scrutiniser (with no voting rights) on the Board of Directors.

On 30 June 2006, the Board of Directors was composed as follows:

Name	Title	Other duties or authority held in the French companies
G. Berretta	Chairman Managing Director	Chairman and Managing Director of Eutelsat SA
P. Sayer	Director	Chairman of the Board of Directors of EURAZEO, Chairman of EURAZEO PARTNERS SAS, Chairman of the Monitoring Board of FRAIKIN GROUP, Chairman of the Board of Directors of AFIC and Vice-Chairman of the Monitoring Board of ANF standing representative on the Monitoring Board of the Lucien Barrière Group, standing representative on the management board of CoIACE Sarl, Director of IPSOS, REXEL, Eutelsat SA, Ray Holding SAS, Ray Acquisition SAS, Joint Associate manager of PARTENA and Manager of the Civil Company Investco 1 Bingen
G. Saada	Director	Member of the Board of Directors of Eurazeo, standing representative on the Board of Directors of CEGID and LT Participations, director of Eutelsat SA
L. Marini-Portugal	Standing representative	Investment Manager of Eurazeo, standing representative of BlueBirds II, Participations on the Board of Directors of Eutelsat SA
B. Collatos	Director	Director of Eutelsat SA
G. Fink	Director	Director of Eutelsat SA
B. Valentin	Standing representative	Standing representative of CB Luxembourg III on the Board of Directors of Eutelsat SA
H. Lepic	Standing representative	Standing representative of GSCP 2000 Eurovision Holding on the Board of Directors of Eutelsat SA
C. Roisse	Scrutiniser	Scrutiniser on the Board of Directors of Eutelsat SA

2.2. Sole post of Chairman and Chief Executive Officer

We would like to inform you that, in accordance with the provisions in Article 148 of the decree of 23 March 1967, the Board of Directors adopted a resolution at its meeting held on 31 August 2005 to accumulate the duties of the Chairman of the Board of Directors and the Chief Executive Officer. Therefore, Mr. Giuliano Berretta, Chairman of the Board of Directors will also undertake duties of the general management of the Company.

2.3. Independent Directors

Pursuant to the good corporate governance practices, the Board of Directors has undertaken a process to select 3 independent directors, in other words, directors with no conflicts of interest or business relationship with the Eutelsat Group that could influence their good judgement as a director.

On 30 June 2006, two independent directors were proposed who notified that they accepted such position. They were Mr. Frank DANGEARD, Chairman and Managing Director of THOMSON, who, since 16 February 2006, has attended the Board of Directors Meeting as a guest (with no voting rights) and Lord John BIRT, former Managing Director of the BBC. The process for identifying and selecting the third independent director is still underway.

The Board of Directors will submit these candidatures for approval at the next Ordinary General Shareholders' Meeting of the Company.

At the end of this selection process and providing they are approved by the General Shareholders' Meeting, there will be three independent directors of the 12 members, or one quarter of the members of the Board of Directors.

The Board considers that its future structure, which will imply independent directors being appointed with the directors performing the duties of the General Management of the Group or representing significant shareholders, will be a factor to ensure suitable corporate governance.

2.4. Conflicts of interest

On 30 June 2006, except for the employment contract signed between Mr. Berretta and Eutelsat SA, there are no employment contracts or service agreements with any other directors of the Company or any of its subsidiaries that grant advantages of any kind whatsoever. Please refer to section 9 of the company's management report for further information.

2.5. Duties of the Board of Directors

The Board of Directors is mainly responsible for applying the provisions in Article L.225.35 of the Commercial Code to determine the guidelines for the Company and to ensure that they are duly implemented. Except for the authority expressly reserved for the General Shareholders Meetings, the Board of Directors may deal with all issues related to the good running of the Company or the Eutelsat Group.

It should be mentioned that within its authority stipulated by law and application of the provisions in the Internal Regulations of the Board of Directors, a certain number of operational decisions or commitments are subject to a previous agreement by the Board of Directors. Such decisions may be grouped according to the following classification:

- ***Transactions affecting the Articles of Association:*** all transactions resulting in an increase in the capital of the Company or a modification of its Articles of Association must be subject to a prior agreement by the Board of Directors.
- ***Strategic transactions:*** the Group's Five-Year Strategic Plan and any acquisition of shares in another company or any operations or mergers with a material effect on company's structure or its strategy are subject to prior approval by the Board of Directors. Similarly, any investment transactions in the capital of another company that exceeds 50 million Euros or 25 million Euros if this transaction is not included in the Strategic Plan.
- ***Investments and financial undertakings:*** the Group's consolidated annual budget is subject to prior approval by the Board of Directors at the beginning of each financial year. In the same way, all expenditure not included in the annual budget that exceeds 50 million Euros (or 25 million Euros in the event that this transaction is not included in the annual budget) is also subject to prior approval by the Board of Directors. Lastly, any loan or financing agreement that results in an increase in the Group's indebtedness by more than 50 million Euros that is not included in the annual budget is subject to prior approval by the Board of Directors. Similarly, any decision for assignments, loans, leases or transfers of the assets of the Group (apart from transactions of a commercial nature) or investment decisions that exceed 50 million Euros and are not included in the annual budget, are subject to prior approval by the Board of Directors.
- ***General management of the Group :*** the Board of Directors is responsible for defining the criteria for independence and selection of independent directors and its prior agreement is required for any recruitment or dismissal of a manager in the Group when his/her remuneration is among the six highest salaries in the Group.
- ***Other Issues:*** any plan for purchase or merger related to the company, any purchase offer of other companies, when the payment thereof is partly or fully made by means of shares of

the Company, all drafts of reference documents, documents offers aimed at investors (including financial communication projects for the public).

2.6. Board of Directors Meetings

The Board of Directors holds meetings as often as required in the interest of the Company or Group.

The Board of Directors held 15 meetings during the year due to the heavy workload related to the launch of the company on the stock exchange.

Except in urgent situations, the summons for the Board of Directors Meetings are sent to the members of the Board at least 5 days prior to the date planned to hold the Board of Directors Meeting.

2.7. Information notified to the Board of Directors

Pursuant to the pertinent provisions in the Internal Regulations of the Board of Directors, the documents to be submitted at its meeting are sent to its members at least 5 days before the date the Board meeting will be held. In the case of an urgent Board of Directors meeting, the documents are sent in a shorter time.

2.7.1 The Strategic Plan

Each financial year the Board of Directors examines the Group's Five-Year Strategic Plan. The Strategic Plan is designed to determine the Company's strategic objectives and to decide not only on the tools needed to achieve these objectives but also the financial and business forecasts for the Group. The Strategic Plan for the financial year 2006-2007 until the financial year 2010-2011 was approved on 28 June 2006.

2.7.2 Investment decisions

Pursuant to the provisions in the Internal Regulations, the Board of Directors is responsible for approving, on the one hand, the Strategic Plan and, on the other hand, all expenditure for investments that exceed the predetermined thresholds (see above). Therefore, based on a dossier drawn up by the general management of the Group, the investment decisions, in particular those investments related to the fleet of satellites or transactions for external growth, are subject to an in-depth examination by the Board of Directors, which studies the suitability by checking whether these investments are in line with the strategic objectives of the Group.

It should be noted that the investment projects are also included in the consolidated annual budget of the Group examined by the Board of Directors within the normal course of its work.

Within this scope, we remind you that the Board of Directors approved the launch of 4 new satellite programmes in the financial year, which were satellites HOT BIRD™9, W2M, W2A and W7.

2.7.3 Monitoring the Company's business

The Management submits a quarterly business report to the Board of Directors, setting out the Group's profits or losses and financial indicators (turnover by application, indebtedness, cash flow and costs, etc.) to enable the Board of Directors to be correctly informed of how the business has evolved, particularly at a technical or commercial level, and a follow-up of the budget.

Each year, in accordance with statutory dates for submission, the Board of Directors draws up the management forecasts. In addition, at each half-year close and at the end of the financial year, the Board of Directors prepares the Company's half-year and full-year financial statements together with the related reports.

2.7.4 Other information notified to the Board of Directors

By applying the provisions in the Articles of Association and its Internal Regulations, the Board of Directors is notified of any statutory thresholds that have been exceeded or any plans for transactions concerning matters related to its authority such as projects for purchase or share swap offers made by other companies.

2.8. Setting up specialised committees of the Board of Directors

The Board of Directors has set up two Committees, each responsible for submitting recommendations and comments to the Board of Directors in its particular area of competence.

- **Selection and Remuneration Committee:** This committee is chaired by Mr. Sayer, and Messrs Fink, Collatos and Marini-Portugal are also members. This committee is mainly in charge of studying and providing recommendations to the Board of Directors related to (i) the remuneration paid to the Chairman and Managing Director, the Chief Executive Officer, (ii) implementation of subscription, purchase or assignment of stock options in the Group or (iii) paying attendance fees to the members of the Board of Directors, (iv) selecting the independent directors.
- **The Audit Committee:** This committee is mainly in charge of studying and providing recommendations to the Board of Directors related to the selection and remuneration of the Company's Auditors, the auditing schedule of the Company's auditors and preparing and examining the half-yearly or annual accounts of the Company and the Group. This Committee may also decide that an audit must be carried out on any of the business activities or transactions of the Group. Up to 30 June 2006, this Audit Committee has not taken any action.

3. THE GENERAL MANAGEMENT OF THE EUTELSAT GROUP

We would like to remind you that on 22 December 2005, the Board of Directors adopted a resolution to appoint Mr. Jean-Paul Brillaud as Deputy Chief Executive Officer, proposed by Mr. Berretta.

In his position as Deputy Chief Executive Officer, Mr. Brillaud has the same powers of attorney and management authority as Mr. Berretta. We should point out that Mr. Brillaud also exercises his powers of attorney as Chief Executive Officer of Eutelsat SA.

It should be mentioned that on 22 December 2005 the Board of Directors adopted a resolution to appoint a Group Executive Committee which includes, along with Messrs. Berretta and Brillaud, Mr. Claude Ehlinger, Financial Manager of Eutelsat SA and Mr. Philippe Mc Allister, Head of the Legal Department of Eutelsat SA.

Mr. Ehlinger is also a manager of the companies Satbirds Finance Sàrl and SatBirds Capital Sàrl.

Mr. Philippe Mc Allister also performs the duties of Secretary of the Board of Directors of 'Eutelsat Communications and Eutelsat SA and is a manager of the companies Satbirds Finance Sàrl and SatBirds Capital Sàrl, Chairman of the companies Eutelsat Communications Finance SAS and Eutelsat Finance SAS.

The aim of the Group Executive Committee is to provide the Managing Director with the required assistance to achieve the targets of the Group.

The Board considers that the identity (i) of the directors between Eutelsat Communications and Eutelsat SA, to the extent that all the directors of the Company are also directors of 'Eutelsat SA, (ii) the authority and duties exercised by Messrs Berretta et Brillaud and the strengthening of the General Management of the Group, is a guarantee for decisions of the company bodies of the subsidiaries are coherent and for the suitable performance of the operational, financial, strategic decisions adopted by the Board of Directors of Eutelsat Communications within the Group and very particularly within Eutelsat SA, the main operational subsidiaries of the Group.

4. INTERNAL CONTROL PROCEDURES

The internal control procedures are primarily designed to overcome, as far as possible, the intrinsic risks of the Company in relation to its professional activities or business environment

The Group's main business is operating and marketing a geostationary satellite system positioned at an altitude of more than 36,000 kilometres for broadcasting and communications purposes. Since 30 June 2006, capacity has been marketed on 23 satellites positioned between 15° West and 70.5° East.

It is important to distinguish, firstly, between the internal control procedures designed to ensure the security of the Company's business activities, i.e. procedures related to the management of satellite risks (see section 4.1) and other risks for the Company (see section 4.2) and, secondly, internal control procedures related to preparing the accounting and financial information (under the regulations currently in force) concerning the business activity of the Company and its subsidiaries (see section 4.3).

We would like to remind you that the role of the Company is the operational, financial and strategic steering of the Eutelsat Group. In this respect, it should be borne in mind that the operational business activities of the Group, in particular satellite activities, are performed by Eutelsat SA. The operational procedures described below in section 4.1 are performed by Eutelsat SA and its subsidiaries.

4.1. Procedures related to the management of satellite risks

4.1.1 Procedures related to the protection and integrity of the satellite fleet

The purpose of these procedures is to ensure the continuity of the telecommunications service provided to our customers and end-users.

The management and control of the satellite system is the responsibility of the Technical Department, which is in charge of controlling the satellites, and the Operations Department, which is in charge of controlling the quality of the signals the satellites send and receive.

These activities are carried out from two control centres of Eutelsat SA, which have back-up facilities in order to cover for them in the event of any operational unavailability or interruption. Drills are regularly performed involving evacuation of the main control centres and recovery by the back-up facilities.

These control centres are responsible for monitoring, according to the recommendations and technical procedures applicable to the different satellites, in order to safeguard the satellites and the continuity of operation of the signal for the needs of the customers of the Group.

Operational procedures for the control centres, especially the control centre responsible for control of the satellite fleet, are drawn up in written form and cover the manoeuvres and configuration changes needed in a nominal situation as well as in a situation where there is a technical incident or crisis situation. These procedures are periodically reviewed and tested and activated to ensure *inter alia* that the controllers are kept continuously up-to-date.

Any incidents of any kind that affect one of the satellites or signals transmitted (e.g. a technical failure or interruption of the signal) is dealt with internally by the Technical and Operations Departments by applying escalation procedures. These procedures ensure that internal expertise is immediately available as well as the expertise of the satellite manufacturer, whenever necessary. All incidents affecting either a satellite or the control system are duly logged and monitored under the authority of the person responsible for ensuring service quality with the aim of identifying the causes of the incident and proposing and implementing the required corrective measures.

Any material incident that could affect the quality or continuity of the telecommunications service is:

- Notified to the members of the General Management of the Group,
- Reviewed internally at Eutelsat SA by its technical experts, and
- Where appropriate, reviewed by a panel of independent experts, depending on the nature of the incidents that have occurred.

4.1.2 Monitoring the security project and the certification process for Eutelsat's satellites

During 2004-2005, a security audit was carried out on the satellite control facilities in compliance with

ISO 17799 ("Code of Practice for Information Technology Management"). The audit took into account all major changes in architecture due to expansion of the fleet and the technological changes (communication protocols, operating systems, etc.). The level of security was judged as "good" by the auditors, who nevertheless issued a series of recommendations to eliminate areas of vulnerability identified during the course of their audit. The teams involved have undertaken various actions designed to fulfill these recommendations. A significant part of the most important actions had been completed by 30 June 2006. The remaining actions will be completed by the end of 2006.

In 2007, a new security audit will be performed on the satellite control facilities. At the same time, a check will be carried out on correct implementation of the recommendations expressed in the course of the previous audit.

In parallel to the control system security project, the teams involved in satellite control embarked on an ISO 9001 certification process for their activities. Certification was obtained in 2005 covering the area of activity of "control and operation of the satellites, satellite launch and orbiting operations, the satellite ground control system, definition, development, procurement, deployment, operation and maintenance".

4.1.3 Respective contributions of the Departments of Eutelsat SA involved directly or indirectly in managing the satellites

Apart from all the technical reviews and procedures under the responsibility of the Technical Department or the Operations Department, other departments are also involved, as follows:

The Commercial Department: This Department is in charge of the marketing capacity on the satellites of the fleet and handling customer relations.

The Commercial Department mainly deals with all the technical requests from the Company's customers (commercial and technical) and work with the Operations and with Missions & Programmes Departments to check the requests and the technical solutions that the customers can be offered to provide for their needs regarding satellite performance levels.

The Finance Department: In conjunction with the Technical Department, this Department is particularly responsible for managing the risks related to the Company's business activities. This is carried out by taking out in-orbit or launch insurance policies or, should there be a definitive partial loss of a satellite's capacity or a permanent reduction in its expected operational lifetime, by performing tests on the value of the relevant satellites on a case-by-case basis.

4.2. Procedures related to management of other risks of the Group

4.2.1 Launch of the projected continuity plan for the activities of Eutelsat SA

At the start of 2006, our subsidiary Eutelsat S.A. launched a programme to implement a continuity plan for its business activities, in order to reduce the strategic, economic and financial risks in the event of prolonged unavailability of its registered office.

Under the responsibility of the IT Systems Department, this continuity plan for the business activities is aimed at defining the conditions for the continuity of commercial, financial and administrative, legal, corporate communications, IT systems management and human resources activities. The aim of the plan is also to secure critical computer software so that they can be taken over quickly and to determine how relevant employees will regroup at the Rambouillet back-up site.

Activities directly linked to management of the satellite fleet (in particular satellite and communications control centre activities) are not included within the scope of this plan as they are already covered by specific security procedures (see section 4.1. of this report).

The objectives of this programme are as follows:

- 1) To identify the risks that could physically affect the main Balard site,

- 2) To assess the areas of vulnerability and the potential consequences of risk scenarios on the job/task performance and mode of operation of departments and divisions other than the Technical Department and the Operations Department,
- 3) To identify the consequences for the IT systems and current IT architecture, integrating the existing back-up measures,
- 4) To propose the measures necessary for continuing activities during the critical period and the measures to be implemented to render the continuity plan possible,
- 5) To implement the technical solutions chosen (building and IT infrastructures),
- 6) To define the principles for performing critical activities in degraded mode and to specify the organisational framework required (crisis management unit, staff needing to regroup at the back-up site at Rambouillet),
- 7) To draft detailed procedures for the continuity plan/take-over of activities.

The first phase of this programme, which is related to Objectives numbered 1 to 4 above, was successfully completed during the first half of the 2006 calendar year. It resulted *inter alia* in the identification of critical activities, the choice of crisis scenarios and the selection of technical and organisational solutions to be adopted. Technical steps have already been taken as a result of the recommendations made as the programme has advanced.

The second phase was begun in June 2006 and concerns Objectives Numbers 5 to 7, insofar as these are related to the most critical activities of Eutelsat SA. The different stages of the plan involve a great deal of meetings with the different players concerned in the performance of the various jobs and tasks, with the agreement of the General Management and the members of the Management Committee of Eutelsat SA.

Once the procedures have been drafted, the technical infrastructures deployed and when the continuity plan teams have been trained, the plan will be tested periodically by means of simulation drills.

4.2.2 Procedures related to security at the Balard and Rambouillet sites

The audit report on security of the facilities at the Balard and Rambouillet sites was provided in October 2005. The report highlighted there were no major risks that could imply a significant impact on the security level required for the Balard and Rambouillet sites.

The written procedures governing access control, security guards and video-surveillance have, however, been strengthened after the report was issued, in order to fulfil the recommendations to be quickly implemented so as to provide more effective protection against identified risks.

The General Management pays regular attention to risk control in terms of the security of the sites, and suitable measures are adopted immediately these become necessary.

4.3. Internal control procedures related to processing accounting and financial information

In addition to determining internal control procedures for its main business activity, the Group has significantly developed control procedures for processing accounting and financial information, not only at the level of the operational subsidiaries but also its holding management subsidiaries.

The main accounting and financial information is mainly concerned with commercial business, investments, operating costs and financial investments. Liaison between the various departments ensures a higher level of control over this information.

In addition, monthly reporting procedures are also carried out under the supervision of the Deputy Managing Director. These reports take into account information on the Group's different activities provided by the various operational departments of Eutelsat SA (Commercial Department, Multimedia

Department, etc.) after due reconciliation with the necessary bookkeeping and legal documents.

We would like to inform you that as the Company does not have enough suitable staff, it has entered into a service agreement with Eutelsat SA by virtue of which Eutelsat SA performs its administrative support work (legal, finance, etc.).

Within this scope, all the services rendered by Eutelsat SA are in accordance with the control and implementation procedures defined by Eutelsat SA.

4.3.1 Control of the procedures of the holding management subsidiaries

Eutelsat SA and its subsidiaries and holdings are held by the Company through a certain number of holding management subsidiaries.

These holding management subsidiaries do not have an operational role. Some of these subsidiaries provided various funds received within the scope of acquiring Eutelsat SA and its subsidiaries by Eutelsat Communications, the launch of Eutelsat Communications on the stock exchange and the refinancing that took place in June 2006.

The control of the commitments and procedures by these subsidiaries is essentially based on the applicable legal provisions or the articles of association

Therefore, within the group of these subsidiaries, all commitments of any kind whatsoever of an amount exceeding €3,000 must, depending on the case, (i) be approved by the General Shareholders' Meeting or the sole partner of these subsidiaries or (ii) be approved by the Management Board of Satbirds Capital Sàrl composed of two managers "A" and 2 managers "B". No decision by the Management Board may be taken without an agreement of at least one manager "A" and 1 manager "B".

In addition, any decision adopted related to a commitment for an amount less than €3,000 must be subject to a procedure with two signatures.

It should be noted that Messrs. Ehlinger and Mc Allister are both "managers B" of Satbirds Capital Sàrl.

Finally, it should be pointed out that any transactions carried out by these subsidiaries resulting in an assignment, loan or granting a guarantee on their assets must first be approved by the General Management of the Group or, if need be, the Board of Directors of Eutelsat Communications and by the Management Board of Satbirds Capital Sàrl.

4.3.2 Procedure for drawing up the consolidated financial statements

At each close (annual and half-year) a report on the consolidation of each subsidiary is reviewed by the head of the accounts department to verify that the accounting principles and methods of the Group are being correctly applied.

In addition, each time the Company's accounts are closed, the Board of Directors holds a meeting to examine and approve the financial statements in the presence of the Company's auditors

As part of their audit at each close, the Eutelsat Communications' auditors make sure that the accounting principles and procedures applied by the Company are appropriate and that the accounts drawn up by the Board of Directors present a fair and faithful image of the financial position and business activity of the Company and the Eutelsat Group

4.3.3 Management of duties and authorisation levels within the Group

Authorisation and responsibility rules were validated and distributed to the various operational or representative subsidiaries and those promoting the activities of Eutelsat SA and have been applied by Eutelsat SA since 2005.

These rules encompass the required types of responsibility and authorisation levels when a subsidiary is set up and subsequently during its day-to-day life, with, if need be, a distinction between the thresholds applied for certain duties.

These rules cover all legal, litigation-related, budget-related, financial and accounting aspects, as well as commitments undertaken with suppliers, customers and employees.

However, during the financial year 2005/2006, certain adjustments to their content were deemed necessary for some operational subsidiaries.

The Management of Eutelsat SA therefore held a meeting with the management staff of each subsidiary in order to adapt the rules to reflect more closely the volume of the subsidiary's business. The head of each subsidiary also undertook to bring the internal procedures of such subsidiary into line with the provisions contained in these rules.

4.3.4 Managing delegation of powers of attorney

In principle, all the agreements and documents implying a commitment for the Company are subject to the signature of the Chairman and Managing Director or the Chief Executive Officer.

However, in special cases and for certain specific operations, powers of attorney or signature authority is granted by the Chairman and Managing Director to certain persons in the Group.

These delegations of powers of attorney or signature are prepared by the Legal Department, which ensures that they are properly followed up and kept up-to-date.

The Chairman and Managing Director and the Deputy Managing Director are authorised to sign all commitments with no limit on the amount involved or on the nature of the expense, providing the legal requirements and the Internal Regulations of the Company are duly fulfilled.

4.3.5 Procedure for management and monitoring agreements signed by the Company with its suppliers or financing sources

Drawing up, negotiating and monitoring supplier and financing agreements is carried out by Eutelsat SA by applying a service agreement entered into between the Company and Eutelsat SA.

Therefore, before being signed, the supplier agreements are subject to a contractual review by means of a procedure of being stamped by the managers concerned and formal approval by the Chairman and Managing Director or the Deputy Managing Director.

In addition, as far as the financing agreements are concerned, they are approved by the Board of Directors according to the provisions in the Internal Regulations of the Board of Directors.

4.3.6 Procedure for management and monitoring of the agreements signed with customers

Agreements with the Group's customers are entered into by Eutelsat SA or its subsidiaries by means of a standard form document drawn up by the Legal and the Commercial Department of Eutelsat SA.

Any modification in these standard agreements is subject to a prior examination by the Legal Department of Eutelsat SA before being signed by the authorised persons.

The Commercial Director of Eutelsat SA is authorised to severally sign sales agreements for up to €150,000 per annum. Where sales agreements are for amounts between €150,000 and €250,000 per annum, the signature of the Company's Legal Counsel is also required. Above €250,000 per annum, only the Chairman and Managing Director (or the Deputy Managing Director) are authorised to sign them.

The Manager of the Multimedia Department is authorised to sign agreements up to €1,000,000. Above this figure, the agreements must be signed by the Chairman and Managing Director (or by the Deputy Managing Director).

The processes leading up to the signing the capacity allotment agreements are complex and result in the billing of customers.

At the request of the Company's Management, the selling process, which is deemed one of the key processes by the general management of the Group, was last year subject to an in-depth audit. The objectives of this audit, which was carried out internally, were as follows:

- 1) To identify and comprehend the operational processes involved in the invoices issued to customers,
- 2) To highlight the risk factors that, in certain circumstances, would not allow the appropriate revenues to be billed in full and/or the information generating the billing procedure to be of a reliable and comprehensive nature,
- 3) To issue recommendations to the General Management, if need be, designed to obtain reasonable assurance that the reservations and/or uses of satellite capacity are being correctly billed,
- 4) Finally, to monitor the implementation of the recommendations approved.

A number of audits aimed at assessing the relevance of the internal procedures that were defined as a result of the initial audit and the application thereof were performed during the first half of 2006 by Eutelsat SA. On the basis of the conclusions of these additional audits, certain modifications were made to the internal procedures to reinforce the reliability of the processes contributing to the recognition of revenues.

Capacity allotment agreements are subject to monthly and quarterly reports prepared drawn up jointly by the Commercial and Financial Departments.

4.3.7 Purchasing procedures

Procedures have been determined to guarantee that all commitments to order goods or provide services are preceded by a duly authorised purchase order.

The authorisation procedure that must precede all purchases is as follows:

- 1) Validation by the General Management of a budget envelope per project/activity as part of the annual budget of Eutelsat SA approved by its Board of Directors.
- 2) Followed by validation by the Manager of the Department responsible for the purchase order.

The invoices received are systematically compared with the appropriate agreement (or with the order) after the commitment to purchase has been duly authorised.

The payment of the invoices is subject to the agreements of the various departments concerned in the purchasing process, in compliance with the principles of internal control related to the rules for separation of each duty involved.

All payments are based on the principle that two signatures are required. If certain pre-determined amounts are exceeded, the signature of the Chairman and Managing Director or the Deputy Managing Director is also required.

It should be noted that, as far as agreements for the procurement of satellites and launchers are concerned, such programmes are approved beforehand by the Board of Directors as part of its review

of the Company's activities and capital expenditure decisions of the Group. The agreements related to such programmes are governed by a specific procedure (technical, legal and financial) before being signed by the Chairman and Managing Director or by the Deputy Managing Director of Eutelsat SA.

4.3.8 Management of the main financial risks of the Group

The Group has implemented, at the level of its operational subsidiary Eutelsat SA, a pooled cash flow management system. Within the scope of the service agreements entered into by Eutelsat SA and the various companies in the Group (including the Company), the Treasury Department of Eutelsat SA manages exchange and interest rate risks on behalf of all the subsidiaries in the Group.

In order to cover with these risks the Group uses a certain number of financial derivatives. The aim is to reduce, whenever it is deemed that this is necessary, the fluctuations in income and cash flows after variations in the interest and exchange rates. The policy of the Group is aimed at using the financial derivatives to handle this exposure to risks. The Group does not perform any financial transactions implying a risk that cannot be quantified at the time it is carried out, in other words, it does not sell assets without owning them or being sure it will own them in the future.

Exchange rate risk

The Euro is the benchmark currency of the Group; however it is exposed to fluctuations in the exchange rates of the dollar. Therefore, it enters into various agreements, the value of which varies depending on the evolution in the euro/dollar exchange rate in order to maintain the value of the assets, commitments and planned transactions. The Group uses financial instruments such as option contracts, term exchanges and currency deposits to cover certain future income in dollars. These financial instruments are traded by mutual agreement with top ranking banking counterparts. In addition, certain supplier agreements (satellites or launch services) are carried out in US dollars. During the financial year 2006, the Group only used exchange rate option purchases (Call euro / Put dollar US).

Interest rate risks

The Group covers its exposure to interest rate variations by allotting its debts between fixed and variable rates. In order to cover its debts, the Group has implemented the following interest rate hedging instruments:

- A tunnel (cap purchase and floor sale) over three years for a nominal amount of €1,700 million in order to cover financing facilities of Eutelsat Communications.
- And, with different start dates, for two additional years (years 4 and 5), a fixed payment swap rate transaction paying and variable recipient for an amount of €850 million and a cap purchase for a nominal amount of €850 million to partially cover the financial facilities of Eutelsat Communications.
- A fixed payment swap transaction and variable recipient for the long term credit part *in fine* of €650 million of its subsidiary Eutelsat SA.
- A tunnel (cap purchase and floor sale) over five years for a nominal amount of €450 million in order to partially cover the revolving credit facility of €650 million of its subsidiary Eutelsat SA.

On 19 June 2006, at the same time as the refinancing credit was undertaken, the hedging instruments for interest rate risks of the subsidiary SatBirds Finance Sàrl were transferred to Eutelsat Communications.