

EUTELSAT COMMUNICATIONS

Société Anonyme with a Board of Directors
with share capital of EUR 226,972,338
Registered office: 70 rue Balard,
75015 Paris
Registered with the Paris Registry of Trade and Companies
under number 481 043 040



REPORT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

OF EUTELSAT COMMUNICATIONS

IN ACCORDANCE WITH ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE

Report from the Chairman of the Board of Directors of Eutelsat Communications in accordance with Article L. 225-37 of the French Code of Commerce

In accordance with Article L. 225-37 of the French Commercial Code, this report provides information on the preparation and organisation of the work carried out by the Board of Directors of Eutelsat Communications during the fiscal year ended 30 June 2015, and on the internal control and risk management procedures implemented by the Eutelsat Group.

For the purposes of this report, “Company” refers to Eutelsat Communications and “Group” or “Eutelsat Group” refers to Eutelsat Communications and all companies controlled by it within the meaning of Article L. 233-3 of the French Commercial Code.

1 GOVERNANCE OF THE COMPANY

> 1.1 REFERENCE CODE

The Company complies with the guidelines in the Afep-Medef Corporate Governance Code of June 2013 (hereinafter the "Reference Code"). Whenever the Company's practices differ from the recommendations in the Reference Code, this is mentioned in the relevant paragraphs of this report.

> .1.2 LACK OF CONTROL OR CONCERTED ACTION

To the Company's knowledge, as of 30 June 2015, none of the shareholders of Eutelsat Communications either directly or indirectly, by themselves or with others, exercises control within the meaning of Articles L. 233.3 et seq. of the French of Commercial Code.

> 1.3 DUTIES OF THE BOARD OF DIRECTORS

Pursuant to the provisions of Article L. 225.35 of the French Commercial Code in particular, the Board of Directors is responsible for directing the Company's business activities and ensuring that this framework is properly implemented. Subject to the powers expressly reserved for General Shareholders Meetings, the Board of Directors can address any matter that affects the Company or the Eutelsat Group functioning properly.

Pursuant to the Board's Internal Rules, certain decisions taken by the Chief Executive Officer require prior approval from the Board of Directors. These decisions can be broken down as follows:

- **Medium term operations:** the medium-term plan aims to establish the Group's objectives and define the resources required to achieve these objectives, together with the Group's financial and business activity forecasts.

The Group's five year plan, as well as any operation that has a significant impact on the Company's structure or strategy, is subject to prior approval from the Board of Directors.

- **Investments and financial commitments:** the Group's consolidated Annual Budget, which establishes the financial and budgetary objectives for the coming year and which is included in the medium term plan, is subject to prior approval from the Board of Directors at the beginning of each fiscal year.

The annual budget for the 2015-2016 fiscal year was approved by the Board of Directors on 18 June 2015.

Similarly, any capital expenditure or transaction involving the purchase of or investment in the share capital of another company for an amount exceeding 50 million Euros, if the relevant operation is included in the Group's Annual Budget or in its Strategic Plan, or 25 million Euros, if not included in the Group's Annual Budget, is subject to prior approval from the Board of Directors.

Prior approval from the Board is also required for any loan, credit facility, financing or refinancing agreement that is not expressly included in the Group's Annual Budget. This authorisation is not required for any transaction or group of transactions for an amount less than 100 million Euros in any given fiscal year and for up to two transactions and/or groups of transactions in any given fiscal year. Finally, prior Board approval is also required for any loan or disposal of company assets, or for any other form of transfer of assets in excess of 50 million Euros that is not expressly included in the Group's Annual Budget. Accordingly, the Board of Directors and the Audit Committee were required to take action in relation to refinancing part of Eutelsat Communications' debt.

- **Interim and annual financial statements:** the interim and annual financial statements and the consolidated financial statements are settled by the Board of Directors.
- **Group Senior Management:** prior approval from the Board of Directors is required before an executive manager who will be one of the six highest paid in the Group can be recruited or dismissed.
- **Monitoring the Group's business activities:** Management submits to the Board a monthly report on the Group's operations, which includes its results and financial indicators (turnover by business sector, summary income statement, debt position, cash flow and costs, etc.) to give the Board a clear understanding of how the business has evolved, particularly on a technical or commercial level, and enable it to monitor the budget.

> 1.4 COMPOSITION OF THE BOARD OF DIRECTORS

The composition of the Board of Directors as of 30 June 2015 is shown in the table below:

Name	Date of first appointment/co-optation	Term of office expires at the close of the General Meeting called to examine the financial statements for the fiscal year ended
Miriam BENSALAH CHAQROUN	08 November 2012	30 June 2016
Lord BIRT	10 November 2006	30 June 2015
Jean-Paul BRILLAUD	08 November 2011	30 June 2015
Michel de ROSEN (Chairman)	10 November 2009	30 June 2016
Bpifrance Participations, represented by Jean d'ARTHUYS	17 February 2011	30 June 2018
Bertrand MABILLE	10 May 2007	30 June 2017
Ross McINNES	06 February 2013	30 June 2018
Elisabetta OLIVERI	08 November 2012	30 June 2016
Carole PIWNICA	09 November 2010	30 June 2016

> 1.5 INDEPENDENT DIRECTORS

As of 30 June 2015, five of the Board's nine members were independent directors, namely Miriem Bensalah Chaqroun, Lord Birt, Elisabetta Oliveri, Carole Piwnica and Ross McInnes. The independence criteria adopted by the Board are those recommended in the Reference Code.

In addition, there are no business links between the directors and the Company.

> 1.6 GENDER REPRESENTATION

Three women sit on the Board of Directors, representing 33% of the directors.

> 1.7 DIRECTORS' TERM OF OFFICE

The directors' term of office is four years as provided for by the by-laws.

> 1.8 EMPLOYEE REPRESENTATION ON THE BOARD OF DIRECTORS

As part of a policy aimed at improving communication between the Group's management and employees, the Company entered into an agreement with its operating subsidiary Eutelsat SA and the Eutelsat SA Works Council on 8 November 2007. This agreement is designed to give Eutelsat SA's Works Council greater visibility regarding the Company's operations and decisions.

Accordingly, in addition to establishing a procedure for informing the Eutelsat SA Works Council when the Company undertakes operations that are likely to affect Eutelsat SA's operations or perimeter, the two Eutelsat SA Works Council representatives on the Eutelsat SA Board of Directors attend Eutelsat Communications' Board meetings and have access to the same information as the directors.

> 1.9 BOARD MEETINGS AND INFORMATION COMMUNICATED TO THE BOARD OF DIRECTORS

The Board of Directors met nine times during the fiscal year (eleven times in the previous fiscal year). The average annual attendance rate of directors at meetings held during the fiscal year was 89.9% (compared to 90.9% in the previous fiscal year). Each director's attendance rate is shown below:

Directors	Attendance rate
Miriam BENSALAH CHAQROUN	77.8%
John BIRT	88.9%
Jean-Paul BRILLAUD	77.8%
Michel de ROSEN (Chairman)	100.0%
Bpifrance Participations, represented by Jean d'ARTHUYS	88.9%
Bertrand MABILLE	88.9%
Ross McINNES	100.0%
Elisabetta OLIVERI	77.8%
Carole PIWNICA	88.9%

> 1.10 CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS

The Board of Directors' Internal rules require each Director to declare conflicts of interest and, where these cannot be avoided, they must be dealt with in a fully transparent manner. A director who has a conflict of interest may not participate in the discussions or vote regarding the issue at hand.

In the event of an ongoing conflict of interest, the Board's Internal Rules require that the director concerned resigns from office.

As of 30 June 2015, there is no employment or service contract between the Company's directors and the Company or any of its subsidiaries that grants benefits of any kind.

In accordance with the provisions of article L. 225-38 of the French Commercial Code, the auditors are informed of related party transactions.

> 1.11 ASSESSMENT OF THE BOARD OF DIRECTORS

The Board of Directors has worked on the areas of improvement suggested by the external firm which assessed the Board during the previous fiscal year. Accordingly it was proposed to the shareholders to appoint a new female independent director. If this appointment were adopted it would increase the number of directors from nine to ten of which 40% would be women and 60% would be male independent directors. The Council is also considering whether or not to split the Governance, Selection and Remuneration Committee into two committees.

During the 2014-2015 fiscal year the Board carried out its own self-assessment, the conclusions of which were presented to the Board on 30 July 2015 by the Chairperson of the Governance, Selection and Remuneration Committee.

> 1.12 BOARD OF DIRECTORS AND COMMITTEES

During the 2014-2015 fiscal year the Board was assisted in its work by two committees: the Governance, Selection and Remuneration Committee and the Audit Committee.

Governance, Selection and Remuneration Committee

This Committee is mainly responsible for studying and providing recommendations to the Board as appropriate regarding (i) the selection or, in the event of vacancies, the appointment of new directors; (ii) the remuneration of the Chief Executive Officer and the Deputy Chief Executive Officer; (iii) the introduction of stock-option plans, or plans for performance-based share allocation within the Group; (iv) the allocation of attendance fees to Board members, and (v) the recruitment or dismissal of any executive who is amongst the six highest paid in the Group.

As of 30 June 2015, the Governance, Selection and Remuneration Committee consisted of three members, namely Lord Birt, Jean d'Arthuys (BpiFrance Participations) and Carole Piwnica who has chaired the Committee since 17 January 2011. As of 30 June 2015, the majority of the members (two out of three) were independent directors in accordance with the Reference Code; the independent directors being Lord Birt and Carole Piwnica.

The Committee met five times during the fiscal year (eight times in the previous fiscal year). The attendance rate for Committee members at meetings was 100% (compared to 96.9% in the previous fiscal year).

The Committee was called upon to make recommendations to the Board of Directors on the following topics in particular:

- introducing a new long-term incentive plan;
- assessing the directors' independence pursuant to the independence criteria set forth in the Reference Code;
- assessing the gender balance on the Board of Directors;
- compensation for corporate officers, and
- assessing the Board's performance.

Audit Committee

The Audit Committee's task is to (i) assist the Board of Directors by reviewing the Company's draft interim and annual financial statements (individual and consolidated financial statements), (ii) make recommendations on the draft consolidated Annual Budget proposed by the Management, prior to it being examined by the Board, (iii) make recommendations to the Company's Senior Management and the Board of Directors regarding the principles and methods for ensuring the accounting and financial information produced is reliable and accurate, (iv) ensure that the internal controls applied within the Group are properly implemented, (v) make recommendations to the Board and Company's Senior Management regarding the appropriate method for handling any risk likely to affect the Group's operations and (vi) oversee the appointment/reappointment of statutory auditors.

As of 30 June 2015, the Audit Committee consisted of Bertrand Mabilie and three independent directors: Elisabetta Oliveri, Lord Birt and Ross McInnes, with the latter chairing the Committee and meeting the financial competence criteria established by the French Commercial Code.

The Group's Chief Financial Officer attended all Audit Committee meetings along with employees from the cash management and accounting departments.

The Committee met five times during the fiscal year (compared to four times in the previous fiscal year). The annual attendance rate was 68.8%.

The attendance rate for each Committee member is shown in the table below:

Name	Attendance rate
Ross McINNES (Chairman)	100.0%
John BIRT	100.0%
Elisabetta OLIVERI	40.0%
Bertrand MABILIE	60.0%

Given that some members of the Audit Committee live abroad, Committee meetings are held the day before Board meetings; documents and files are nevertheless sent to members in good time for them to acquaint themselves with said documents in advance.

As part of its mission, the Audit Committee regularly communicates with the Company's statutory auditors and the latter attend Audit Committee meetings when the interim and annual financial statements are being examined before being settled by the Board of Directors.

The Audit Committee communicates regularly with the Risk Management Department as part of the latter's duties. Exposure to risks and off-balance sheet commitments are presented by the Group's Chief Financial Officer.

Finally, the Audit Committee also reviewed the audit plan for the Internal Audit during the fiscal year, as well as the objectives being pursued

During the second half of the fiscal year, the Audit Committee was called upon to examine refinancing the Company.

> 1.13 OBSERVER

Pursuant to the provisions of (i) the Letter of Agreement signed on 2 September 2005 between the Company and Eutelsat IGO and (ii) the Company's by-laws, the Executive Secretary of Eutelsat IGO sits as an observer on the Board of Directors.

> 1.14 SEPARATING THE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As Jean-Martin Folz resigned as Chairman of the Board of Directors on 16 September 2013 to comply with the new rules governing the total number of directorships dictated by the Reference Code, the Board of Directors decided (in accordance with the legal provisions and regulations (articles L. 225-51-1, R. 225-26 and R. 225-27 of the French Commercial Code)) to combine the roles of Chairman of the Board and Chief Executive Officer. The Board of Directors thus appointed, for the duration of his office as director, Michel de Rosen as Chairman and Chief Executive Officer. When making this appointment, the Board of Directors noted that it had been decided to separate the roles in 2009 to ease the transition following the departure of the previous Chairman. In addition, the Board of Directors considers that having a majority of independent directors ensures there is a balance of power and thus avoids the risk of conflicts of interest.

2. EUTELSAT GROUP SENIOR MANAGEMENT

Michel de Rosen and Michel Azibert, Deputy Chief Executive Officer, comprise the Senior Management

At Eutelsat SA, the Group's principal operating company, Senior Management is assisted by (i) an Executive Committee consisting of the Chief Executive Officer, the Deputy Chief Executive Officer and Sales Director, the Chief Financial Officer, the Company Secretary and General Counsel, the Human Resources Director, the Technical Director, the Deployment and Innovation Director, the Strategic Projects Director, the Director responsible for Eutelsat Americas and ii) a Management Committee consisting of the members of the Executive Committee and the managers of the following departments: Multimedia and Value-Added Services, Operations, Engineering, Strategy, Risk Management, Institutional and International Affairs, Technology Innovation, Institutional Communications and Resource Management.

> 2.1 PRINCIPLES AND RULES FOR DETERMINING COMPENSATION AND BENEFITS GRANTED TO CORPORATE OFFICERS

The fixed and variable compensation components and benefits in kind received by the Company's Chief Executive Officer and Deputy Chief Executive Officer, are determined by the Board of Directors on the basis of recommendations made by the Governance, Selection and Remuneration Committee.

The variable component of the Chief Executive Officer's compensation and the Deputy Chief Executive Officer's compensation is determined on the basis of objectives linked to the Company's performance by reference to predetermined financial indicators (namely turnover, EBITDA and consolidated net results) and qualitative objectives. This variable component is awarded at the beginning of the year with reference to the previous fiscal year. Details regarding compensation are set forth in the Reference Document, in the section on "Compensation and benefits for the Company's Corporate Officers and Directors".

> 2.2 GRANTING STOCK OPTIONS OR PERFORMANCE BASED SHARES TO CORPORATE OFFICERS

No stock-option or share purchase plans were put in place by the Board during the fiscal year ended 30 June 2015.

Pursuant to the delegations granted by the General Shareholders' Meetings, in February 2010, July 2011

and November 2012, the Company's Board of Directors authorized several Long Term Incentive Programmes (LTIP) to be established for staff and management, including the Group's corporate officers, involving the allocation of a maximum number of shares that varies from one programme to another. The vesting period was set at three years. The final vesting of the shares depends on the performance conditions being met during the three year period and on the beneficiaries' presence in the Group. The beneficiaries must continue to hold these shares for a period of two years, commencing from the effective date of acquisition.

Michel de Rosen received 55,617 performance shares under the February 2010 plan and 5,341 performance shares under the July 2011 plan. Michel Azibert received 3,287 performance shares under the July 2011 plan.

In accordance with the recommendations of the Reference Code, Michel de Rosen and Michel Azibert agreed to keep 50% of their definitively allocated performance-based shares until the end of their term of office.

Pursuant to the delegations granted by the General Shareholders' Meeting, in February 2014 and February 2015 the Company's Board of Directors also authorised two new Long Term Incentive Programmes to be established in the form of deferred bonuses. The underlying instruments used to determine the size of the bonus to be paid, subject to attendance and performance conditions being met, are made up of Company shares fictitiously allocated.

3 OTHER INFORMATION

> 3.1 CONDITIONS FOR ADMISSION TO AND PARTICIPATION IN THE GENERAL SHAREHOLDERS' MEETINGS

As of 30 June 2015, there are no preferred shares or shares with double voting rights in the Group; during the November 2014 Meeting, the shareholders decided not to amend the by-laws to introduce the double voting right provided for in Article 225-123 of the French Commercial Code. The General Meeting resolutions are approved according to the majority and quorum conditions specified in the applicable legislation.

The conditions for taking part in General Shareholders' Meetings are set out in Article 21 of the Company's by-laws.

In accordance with the recommendations set forth in the Reference Code, Board members participate in General Shareholders' Meetings.

> 3.2 FACTORS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

To the Company's knowledge, there are no provisions aimed at delaying, deferring or preventing a change of control.

There are no clauses or agreements providing for preferential conditions for the sale or acquisition of shares.

To the Company's knowledge there is no shareholders' agreement.

4 INTERNAL CONTROL PROCEDURES

Internal control is a Company process defined and implemented under the responsibility of the Internal Control and Audit Department to ensure, at both the Company and the Group level:

- that there is compliance with legislation and regulations;
- that instructions and guidelines laid down by General Management are applied;
- that the company's internal procedures function properly, particularly those that help to safeguard its assets;

- that the financial information is reliable;
while contributing to controlling its activities, the effectiveness of its operations and the efficient use of its resources.

The Company ensures that its internal control system complies with the AMF's Reference Terms. This report on the internal control and risk management procedures implemented by the Company is based on the implementation guidelines in the Reference Terms, supplemented by the application guidelines established by the Autorité des Marchés Financiers (AMF – French financial market regulator) as published in its recommendation dated 22 July 2010.

The risks identified in the internal audit plan approved by the Audit Committee are monitored on a permanent basis by the Audit and Internal Control Department, and the extent to which the objectives have been reached is subject to an assessment that is sent to the Audit Committee at the end of the fiscal year.

The subsidiaries' self-evaluation exercise is now part of the ongoing internal control process. A number of specific targeted internal audit actions and internal control review processes within the various subsidiaries are initiated based on the answers provided by each subsidiary in its questionnaire. The main actions undertaken during the fiscal year include optimizing the internal control process in relation to the main Group-wide systems, increasing the reliability of the sales cycle and the contracting process, and standardising an enhanced procurement process within the Group. A new ERP and a new reporting tool were installed on 1 July 2014 and this was subject to auditing which covered the main financial and operational processes.

In the description below, it is important to make a distinction between internal control procedures designed to ensure the security of the Group's operating activities, namely procedures relating to the management of satellite risks and other Group risks on the one hand, and internal control procedures relating to the handling of accounting and financial information (in compliance with the applicable regulations) concerning the business activity of the Company and its subsidiaries on the other hand.

The Company's role is to provide financial and strategic management for the Eutelsat Group. The operating procedures described below are the procedures implemented at Eutelsat SA and its subsidiaries.

> 4.1 PROCEDURES RELATING TO THE SATELLITE FLEET AND ITS OPERATION

These procedures are designed to ensure the continuity of the communications service offered to our customers and end users.

Administration and control of the satellite system is the responsibility of the Operations Department, which is in charge of controlling the satellites and the quality of the signals the satellites receive and broadcast.

These activities are carried out from the Company's control centres, which have backup facilities to overcome any operational unavailability or interruption affecting the centres. These centres are located in France and in Mexico depending on the satellite and the entity (Eutelsat SA or Eutelsat Americas) responsible for controlling and marketing the satellite. The operational availability of the backup facilities is checked regularly.

These control centres are responsible for ensuring, in line with the recommendations and technical procedures applicable to the various satellites, that the satellites are protected and that the signal's operational continuity is maintained to meet the requirements of the Group's customers.

Written operational procedures for the control centres, and the control centre responsible for the satellite fleet in particular, cover the various manoeuvres and configuration changes required in a nominal situation as well as in a crisis situation, or when a technical incident occurs. These procedures are reviewed and checked using satellite simulators by the staff responsible for controlling them and form part

of the controllers' ongoing training.

Any incident affecting a satellite or one of the transmitted signals (e.g. a technical failure or signal interruption) is dealt with internally by the Operations Department according to escalation procedures. These procedures enable internal skilled staff to intervene immediately or call on the expertise of the satellite manufacturers if necessary. Any incidents that affect a satellite or the control system are logged and monitored under the authority of the manager responsible for satellite operations, so as to identify the causes of the incident and propose and implement the necessary corrective measures.

In addition, any material incident likely to affect the quality or continuity of the telecommunications service is:

- communicated to the Group's Senior Management;
- reviewed internally by Eutelsat SA's Technical Department;
- where appropriate, reviewed by a panel of independent experts, depending on the nature of the relevant incidents;
- communicated to customers, and
- where appropriate, reported in a press release.

> 4.2 SATELLITE CONTROL SYSTEM IT SECURITY AND CERTIFICATION

Measures designed to increase IT security for the information systems used for satellite control continued to be introduced during the year. This work is supervised and coordinated by the person with specific responsibility for IT security in the Operations Department.

In 2011 the satellite control team obtained information security certification (ISO 27001) for a period of three years, which was renewed in June 2014. In June 2013 the teleport teams in Rambouillet also obtained information security certification (ISO 27001) for a period of three years. A monitoring audit was carried out in June 2015 for both entities and no items of non-compliance with the standards were identified. During these audits certification was extended to include 2013 standards.

ISO 9001 certification for the satellite control activities was obtained in 2005 and renewed three times: in June 2008, April 2011 and May 2014. Certification covers control and operation of the satellites, satellite launch and orbit operations and the satellite ground control system (definition, development, procurement, deployment, operation and maintenance).

ISO 9001 certification was obtained in 2011 for the activities at the Rambouillet teleport and renewed in May 2014. It was also obtained in May 2014 for the teleport activities of the subsidiary Skylogic S.p.A. (Turin, Italy).

For the Rambouillet teleport, certification covers activities relating to:

- the communications control centre;
- commercial services (television signal and data management using the teleport's ground equipment); and
- radio frequency systems and Rambouillet teleport's technical infrastructures.

In June 2014 this certification was extended to the teleport located in Sardinia.

For the Skylogic S.p.A teleport, certification covers design, installation, supply and technical assistance activities on behalf of the Eutelsat Group for video and data connectivity services.

In addition the Eutelsat Americas subsidiary has ISO 9001 certification for all its operating activities (controlling the satellites and the quality of the signals the satellites receive and broadcast).

At Skylogic S.p.A and Eutelsat Americas preparations are being made to obtain ISO 27001 certification for their operating activities. The aim is to obtain certification during 2016.

> 4.3 PROCEDURES FOR PREVENTING AND MANAGING THE GROUP'S OTHER OPERATING RISKS

The Company's Business Continuity Plan

The continuity plan includes the following items:

- mapping of critical processes and their recovery objectives. This mapping is derived from an analysis of the impacts on business performance in various crisis scenarios;
- crisis management procedures (logistics, external and internal communications, decision-making process);
- business procedures describing the necessary duties to be performed at the backup site;
- backup information system (applications, systems and network infrastructure, telephony);
- procedures describing emergency actions to be carried out in a crisis scenario; and
- necessary logistics for activating the plan (backup positions for users, rooms with technical facilities to accommodate the backup infrastructure).

Eutelsat SA regularly performs tests to check that the Business Continuity Plan (BCP) runs smoothly. Under the responsibility of the Information Systems Department, this project is designed to define the conditions for continuing commercial, financial and administrative, legal, corporate communications, information systems and human resources management activities.

During the 2014-2015 fiscal year, the business continuity plan was updated to take into account functional and technical changes resulting from installing the new ERP. A full scale test organised in November 2014 was used to check that the emergency procedures run smoothly in the event of the site hosting the ERP being unavailable. A second full scale test will be organised in the second half of 2015 in the presence of business users to check that procedures relating to the Eutelsat head office being unavailable run smoothly.

Activities directly linked to managing the satellite fleet (particularly satellite and communications control centre activities) are not currently included as they are already covered by specific security procedures, as described in the previous paragraph devoted to this topic.

Information systems security

In carrying out its business, the Group is exposed to a certain number of operational risks and, more specifically, to risks that are likely to affect its business process. The IT Department is addressing the operating risks relating to the security of the Corporate information systems and this is reflected in the following activities:

- Mapping the risks related to information systems security and assessing their impacts on the Company's operation;
- Introducing a policy and a set of standards to meet the Group's security requirements;
- Drawing up and monitoring an action plan;
- Assessing the protective measures that are in place in organisational and technical areas; and
- Reacting in the event of suspicious events or security incidents.

An annual audit along with spot-checks during the 2014-2015 fiscal year enabled us to monitor the effectiveness of the security measures in place and correct any vulnerabilities identified. The 2014-2015 fiscal year was also devoted to increasing intrusion detection and computer security measures and expanding mobility enhancing tools making it possible to encrypt and sign e-mail messages.

Safety measures

With regards to safety, the following measures were finalised during the fiscal year:

- reinforcing the protection around the head office building; and

- increasing protective measures controlling access to the head office building and the Rambouillet teleport.

> 4.4 PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

In addition to the internal control procedures inherent in its main business activity, the Group has developed significant control procedures for processing accounting and financial information, for both its operating subsidiaries and those that manage its equity interests.

Monthly reports are also prepared under the supervision of the Deputy Chief Executive Officer and the Financial Director. These reports take into account information regarding the Group's various activities as provided by Eutelsat SA's different operational departments (Sales Department, Financial Department, Technical Department, Legal Department etc.) after due reconciliation with the relevant bookkeeping and legal documentation.

Closing, consolidation and reporting procedures have not been specifically amended during this fiscal year. Eutelsat SA's financial departments and those of its subsidiaries have duly complied with these procedures.

> 4.5 EUTELSAT COMMUNICATIONS FINANCE

The Company holds, directly or indirectly, via Eutelsat Communications Finance SAS (a wholly-owned subsidiary of Eutelsat Communications) more than 96% of the share capital of Eutelsat SA, the Group's principal operating and share holding company.

Controlling the commitments and actions of Eutelsat Communications Finance is essentially based on the legal and statutory provisions applicable to it. Its legal form is that of a simplified Joint Stock Company (*Société par Actions Simplifiée*) incorporated under French law. The sole Chairman of this subsidiary is the Group's Legal Counsel and Company Secretary.

There is no statutory limitation on the powers of the sole Chairman, with the exception of those matters reserved by law for the sole shareholder, namely the Senior Management of Eutelsat Communications. Any decision or proposal related to amending the by-laws, a capital increase, a merger and/or transformation is a matter that must be dealt with by the Senior Management of Eutelsat Communications.

> 4.6 OPERATING SUBSIDIARIES

To optimise management of the business carried out by Eutelsat SA's subsidiaries, the Company's Management has created a "Subsidiaries Committee". This Committee's task is to ensure that there is synergy between the activities of the subsidiaries and the Group's parent company. It makes recommendations on the appropriateness of creating or winding-up subsidiaries, intra-Group agreements and risk management within the subsidiaries. It oversees the introduction of performance indicators by the subsidiaries, the proper management of human resources at Group level, the proper coordination between Group entities, the tax policy options, creating procurement synergies and standardising IT systems.

The Subsidiaries Committee is chaired by the Chief Financial Officer. The Subsidiaries Committee meetings are held once every quarter.

> 4.7 PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

At the end of each month, the financial data from each subsidiary are reviewed by the consolidation manager to verify, in particular, that the accounting policy and methods currently in force within the Group are being correctly applied. The methods for communicating the Group's accounting and financial principles include the consolidation manager preparing and communicating precise instructions to the subsidiaries before each account closing date, including a detailed timetable as well as a to-do list. In addition, the increased formalization of the process for drawing up consolidated accounts on the basis of information provided by the subsidiaries ensures that the entire corporate perimeter is covered.

In addition, each time the accounts are closed (every six months and annually), the Audit Committee meets to examine and approve the financial statements in the presence of the Company's Statutory Auditors.

Furthermore, as part of their audit at each closing date, the Statutory Auditors ensure that the accounting principles and procedures embedded in the consolidation tool data entry manual and applied by the Company are appropriate, and that the accounts approved by the Board of Directors give a reliable and accurate picture of the financial position and business activity of the Company and the Group.

In furtherance of Management responsibility and financial data control for all companies in the Group, the Company uses a consolidation and reporting system guaranteeing:

- a single source for information used in the legal consolidation and reporting process, managed in a shared database;
- that legal data is entered by the various senior managers in the companies comprising the Group and stored in the system.

The information used for consolidation is confirmed by the legal managers in the subsidiaries using representation letters.

The consolidation and reporting system was overhauled as a result of the ERP being changed at Eutelsat SA. This new version has been used since the beginning of the 2014-2015 fiscal year.

> 4.8 DELEGATION OF SIGNING AUTHORITY

In principle, all contracts and documents embodying a commitment by the Company are submitted for signature by the Chief Executive Officer or the Deputy Chief Executive Officer. However, in a number of specific cases, such as managing contracts with suppliers involving small amounts, the Chief Executive Officer has authorised certain people in the Group to delegate signing authority. The delegations of signing authority are prepared by the office of the General Counsel, which ensures that they are properly monitored. The Chief Executive Officer and the Deputy Chief Executive Officer are authorized to sign all expenditure commitments, with no limit as to the amount or the nature of the expense, subject to legal requirements and the provisions of the Internal Regulations of the Company's Board of Directors.

> 4.9 MANAGING AND MONITORING THE GROUP'S SUPPLIER CONTRACTS

As with the Group's other contracts, preparing, negotiating and monitoring the Company's supplier contracts and financing contracts is carried out by Eutelsat SA under the service agreement between the Company and Eutelsat SA. Accordingly, before they are signed, supplier contracts are examined using a procedure that requires endorsement from the relevant Managers, followed by formal approval from the Chief Executive Officer, the Deputy Chief Executive Officer or the Managers to whom the Chief Executive Officer has delegated signing authority.

In addition, financing contracts are approved by the Board of Directors in accordance with the Board's Internal Regulations.

> 4.10 MANAGING AND MONITORING THE GROUP'S CUSTOMER CONTRACTS

The Group's customer contracts are concluded by Eutelsat SA or its subsidiaries on the basis of standard form contracts prepared by Eutelsat SA's General Counsel and Sales Department.

Any change to the standard form is examined in advance by the office of the General Counsel before the contracts are signed by those with authority to do so.

The execution of sales agreements is subject to a number of approval stages, which vary depending on the annual value of each commitment.

The process for drafting capacity allotment agreements, which is complex, is designed to ensure that the agreements are duly executed and that the clients are properly invoiced according to the conditions of the agreement. During each fiscal year, the sales cycle, which the Group's Senior Management deems to be one of the key procedures, is thoroughly audited. The purpose of these recurrent annual audits is to assess whether the existing internal procedures are appropriate. Depending on the findings of these audits, the relevant changes are made to internal procedures to increase the reliability of the process that contributes to revenue recognition.

Allotment agreements are the subject of monthly and quarterly reports prepared jointly by the Sales and Finance Departments.

> 4.11 DELEGATION OF POWERS

Following an audit of the existing delegations of powers and signing authorities in the Company, Eutelsat's Management has drawn up new delegations of powers as part of a global and coherent system for organising power and decision-making centres in the Company, which takes into account the skills, authority and resources of each of the delegates in their area of competence.

> 4.12 CUSTOMER RISK MANAGEMENT

All new customers are systematically assessed for customer risk by the "Credit Management" team in the Finance Department, which determines the amount of financial guarantee required. Any delayed payment is thoroughly analysed with the appropriate customer relations managers in the Sales Department and the office of the General Counsel and, if necessary, followed by appropriate measures.

The Group has also taken out a credit-insurance policy to provide better protection against the risks of customer default.

> 4.13 PROCUREMENT PROCEDURES

Procedures have been put in place to guarantee that any commitment to order goods or services is preceded by a duly authorized purchase requisition.

The following authorization procedure must precede all purchases:

- approval by Senior Management of a procurement budget per project/activity as part of the Annual Budget approved by the Board of Directors; and
- approval by the head of the department issuing the purchase requisition.

Invoices received are compared with the appropriate items delivered and/or the appropriate services provided subsequent to the relevant contract or order being submitted.

Invoice payment is subject to the agreement of the various services involved in the procurement process, in compliance with the internal control principles relating to the rules regarding the separation of roles.

All payments are predicated on the principle that two signatures are required. If certain pre-determined amounts are exceeded, the signature of the Chief Executive Officer or the Deputy Chief Executive Officer is also required.

It should be noted that procurement contracts for satellites and launchers are approved beforehand by the Board of Directors as part of its review of the Group's business and investment decisions. Contracts for these programmes are governed by a specific procedure (technical, legal and financial) before being signed by the Chief Executive Officer or Deputy Chief Executive Officer of Eutelsat SA.

> 4.14 ADDRESSING THE GROUP'S MAIN FINANCIAL RISKS

The Group has introduced a centralized cash management system in its operating subsidiary Eutelsat SA. Under service agreements between Eutelsat SA and the various entities within the Group (including the Company), the accounts department at Eutelsat SA manages foreign exchange, interest rate, counterparty and liquidity risks on behalf of all the Group's entities.

To manage interest rate and counterparty risk, the Group uses a number of derivatives. The aim is to limit, where it seems appropriate, fluctuating revenues, income and cash flows caused by changes in interest rates and foreign exchange values. The Group does not engage in financial transactions in a speculative perspective.

Foreign exchange risk:

Through its sales transactions regarding satellite capacity the Group mainly receives foreign currency, predominantly U.S. dollars. The Group is therefore essentially exposed to U.S. dollar /Euro exchange rate risk.

Through the geographical diversification of its business, the Group is exposed to translation risk. This means that its statement of financial position and its income statement are sensitive to exchange rate fluctuations when consolidating the accounts of its foreign subsidiaries outside the Euro zone (translation risk). With regards to investment in currencies not belonging to the Euro zone, the Group's hedging policy consists of creating liabilities denominated in the currency of the cash flows generated by these assets. Among the hedging instruments used, the Group also uses cross-currency swaps.

Interest rate risk: the Group manages its exposure to interest rate changes by keeping part of its debt at fixed rates (Eutelsat SA bonded debt), and by applying a policy of fully hedging its variable rate revolving credit facilities. To hedge its debt, the Group uses interest rate hedges for the Company.

Counterparty risk: counterparty risk includes issuer risk, execution risk in connection with derivatives or monetary instruments, and credit risk related to liquidity and forward investments.

The Group minimizes its exposure to issuer risk and its exposure to execution and credit risk by acquiring financial products exclusively from A-rated financial institutions or banks and diversifying its financial investments with exposure to several counterparties. Exposure to these risks is closely monitored and maintained within predetermined limits.

Liquidity risk: the Group manages liquidity risk by using a tool that enables it to monitor and manage its recurring liquidity needs. This tool takes into account the maturity of financial investments, financial assets and estimated future cash flows from operating activities.

The Group's objective is to maintain a balance between the continuity of its funding needs and their flexibility by using overdraft facilities, bank term loans and bond loans, revolving credit lines from banks, export financing and satellite leases.

> 4.15 ADDRESSING THE RISK OF CORRUPTION

After approval from the Board of Directors, Senior Management has put in place a programme which aims to improve the fight against corruption within the Group (mainly using an ethical charter and publishing a procedures and training manual). As part of this programme, a committee has also been formed and a professional reporting mechanism has been put in place. The committee has been asked to vote on the choice of intermediary agents.

5 RISK MANAGEMENT POLICY

Due to the very complex nature of the activities involved in operating and developing its satellite fleet, the Group's Senior Management has always been particularly attentive to risk management within the Group and to the measures taken to cover these risks.

The Risk Management Department's principal duties are as follows:

- to undertake to identify the major risks likely to affect the Group's operations and activities and define an associated risk management policy and procedure in conjunction with the other departments involved;
- to assist the Group's Senior Management and Audit Committee in applying a risk management policy consisting of all the envisaged measures to prevent and reduce risks, improve their control and organise contingency plans;
- to ensure that employees adhere to the risk management policy and that the appropriate communications with respect thereto are distributed;
- to ensure that the Group's interests are protected by making sure that risks likely to affect the Group are defined in a suitable manner and that the Company's operations, activities and internal control procedures are carried out in such a way as to minimize the risks to the Group as much as possible; and
- to ensure that the risk management policies are implemented in an appropriate manner and that they are taken into account when conducting the Company's business.

Work carried out during the 2014-2015 fiscal year continued to focus on the risk of in-orbit failures most notably with a systematic assessment of the consequences of these events, which was carried out with the support of all Company departments. The proper implementation of the recommendations issued to mitigate the effects that these incidents could have on the Company's normal business is monitored on a permanent basis.

During the fiscal year, new commercial projects and plans to invest in new satellites, the updated strategic plan, and the budget for the 2015-2016 fiscal year were also subject to in-depth risk analysis.