EUTELSAT COMMUNICATIONS

A public limited company (société anonyme) with a board of directors
With a capital of 232,774,635 Euros
Registered office: 70 rue Balard,
75015 Paris
481,043 040 R.C.S. PARIS

REPORT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS
OF EUTELSAT COMMUNICATIONS
PREPARED IN ACCORDANCE WITH ARTICLE L. 225-37 OF THE COMMERCIAL CODE

2015 / 2016
Report of the Chairman of the Board of Directors of Eutelsat Communications prepared in accordance with Article L.225-37 of the Commercial Code

In accordance with the provisions of 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 financial year ended June 30, 2016, 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.

1.1 GOVERNANCE OF THE COMPANY

> 1.1 REFERENCE CODE

The Company complies with the guidelines in the Afep-MEDEF Corporate Governance Code of November 2015 (hereinafter the “Reference Code”).

Any inconsistencies between the practices of the Company and recommendations of the Reference Code, are indicated in the table below:

<table>
<thead>
<tr>
<th>Article of the Afep-MEDEF Code</th>
<th>Afep-MEDEF recommendations</th>
<th>Company practice</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.2.1</td>
<td>Deadline for review of the accounts by the Audit Committee (at least 2 days before the Board meeting is held)</td>
<td>Meeting of the Audit Committee the day before the Board to review the accounts</td>
<td>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.</td>
</tr>
<tr>
<td>23.2.4</td>
<td>When the non-competition agreement is being concluded, the Board must incorporate a provision that authorises it to waive the application of this agreement when the executive director leaves. The Board must announce whether or not the non-competition agreement will be upheld at the time that the director leaves, in particular when the director leaves the company to claim or after having claimed his pension rights.</td>
<td>The non-competition agreement signed with Rodolphe Belmer does not incorporate the right for the Board to waive the application of this agreement when he will leave</td>
<td>Based on recommendation of the Governance, Selection and Remuneration Committee and taking in consideration the highly competitive environment between satellites operators, the Board decided that it is very important for the benefit of the Company to impose to R. Belmer a non-competition agreement. The said non-competition agreement being limited to a 18 month period and to an amount equals to 50% of his fix remuneration, it is significantly below the maximum defined by the Reference Code.</td>
</tr>
</tbody>
</table>
> 1.2 LACK OF CONTROL OR CONCERTED ACTION

To the Company’s knowledge, as of June 30, 2016, 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

The Board of Directors is responsible, in particular pursuant to the provisions of Article L. 225.35 of the Commercial Code, for determining the orientations of the Company and ensuring their implementation. 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 financial year. The annual budget for the 2016-2017 financial year was approved by the Board of Directors on June 16, 2016. 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 the 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. The Board thus had to decide on the refinancing of a portion of the Group’s debt during the last quarter of the financial 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. The Board had then reviewed during the last quarter of the fiscal year the refinancing of part of the debt Group.

- **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 activity**: 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 enable the Board to be informed of the evolution of the activity, in particular technical or commercial, and monitoring of the budget.

> 1.4 COMPOSITION OF THE BOARD OF DIRECTORS
The composition of the Board of Directors as of 30 June 2016 is shown in the table below:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Date of first appointment/co-optation</th>
<th>Term of office expires at the close of the General Meeting called to examine the financial statements for the financial year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miriem BENSALAH CHAQROUN</td>
<td>08 November 2012</td>
<td>30 June 2016</td>
</tr>
<tr>
<td>Lord BIRT</td>
<td>November 10, 2006</td>
<td>June 30, 2019</td>
</tr>
<tr>
<td>Jean d’ARTHUYS</td>
<td>November 5, 2015</td>
<td>June 30, 2019</td>
</tr>
<tr>
<td>Michel de ROSEN (Chairman)</td>
<td>10 November 2009</td>
<td>June 30, 2016</td>
</tr>
<tr>
<td>Bpifrance Participations, represented by Stéphanie FRACHET</td>
<td>February 17, 2011</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>Ana GARCIA FAU</td>
<td>November 5, 2015</td>
<td>June 30, 2019</td>
</tr>
<tr>
<td>Bertrand MABILLE</td>
<td>10 May 2007</td>
<td>30 June 2017</td>
</tr>
<tr>
<td>Ross McINNES</td>
<td>06 February 2013</td>
<td>30 June 2018</td>
</tr>
<tr>
<td>Elisabetta OLIVERI</td>
<td>08 November 2012</td>
<td>30 June 2016</td>
</tr>
<tr>
<td>Carole PIWNICA</td>
<td>09 November 2010</td>
<td>June 30, 2016</td>
</tr>
</tbody>
</table>

> 1.5 INDEPENDENT DIRECTORS

During one of its meetings, the Board of Directors assessed the independence of each of its members. Among its ten members, six directors were qualified as independent according to the independence criteria of the Reference Code.

On the basis of the work of the Appointments and Governance Committee, the Board assessed whether there was a significant business relationship between the Company and each independent Director. The Board noted that there were business links between Eutelsat S.A. and one director but considered these business links non-significant. The director concerned is Ross McInnes, Chairman of the Board of Safran which supplies engines for satellites and which is a shareholder with Airbus Group of the joint venture bringing together the civil launcher activities of the two companies; the Board noted the absence of any dependent links and therefore considered that there was no significant business link.
Directors | Independent
---|---
Miriem BENSALAH CHAQROUN | Yes
Lord BIRT | Yes
Jean-Paul BRILLAUD (until November 5, 2015) | No
Jean d’ARTHUYS | No
Michel de ROSEN (Chairman) | No
Bpifrance Participations, represented by Stéphanie FRACHET | No
Ana GARCIA FAU | Yes
Bertrand MABILLE | No
Ross McINNES | Yes
Elisabetta OLIVERI | Yes
Carole PIWNICA | Yes

> 1.6 GENDER REPRESENTATION

Five women are members of the Board of Directors, thus representing 50% of directors, in line with the target set by law of 40% from 2017 and recommended by the Reference Code.

The share of women among independent directors amounts to 83%.

> 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.

Also, in addition to the establishment of a procedure of information of the Eutelsat S.A. Works Council in case of operations conducted by the Company which may affect the operations or scope of Eutelsat S.A., the two representatives of the Eutelsat S.A. Works Council before the Board of Directors of Eutelsat S.A., attend meetings of the Board of Directors of Eutelsat Communications and have the same information as the directors.

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

The Board of Directors met thirteen times during the financial year (nine times in the previous financial year). The increasing number of Board meetings is mainly due to issues related to the succession of Michel de Rosen and those linked to the operational activity of the Group.
The average annual attendance rate of directors at meetings held during the financial year was 86.50% (compared to 89.90% in the previous financial year). The attendance rate for each director is shown in the table below:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Attendance rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miriem BENSALAH CHAQROUN</td>
<td>46.15%</td>
</tr>
<tr>
<td>John BIRT</td>
<td>92.31%</td>
</tr>
<tr>
<td>Jean-Paul BRILHAUD (until November 5, 2015)</td>
<td>50.00%</td>
</tr>
<tr>
<td>Michel de ROSEN (Chairman)</td>
<td>100.00%</td>
</tr>
<tr>
<td>Bpifrance Participations represented by Arthuys Jean until November 5, 2015 then by Stéphanie Frachet</td>
<td>100.00%</td>
</tr>
<tr>
<td>Bertrand MABILLE</td>
<td>92.31%</td>
</tr>
<tr>
<td>Ross McINNIES</td>
<td>100.0%</td>
</tr>
<tr>
<td>Elisabetta OLIVERI</td>
<td>76.92%</td>
</tr>
<tr>
<td>Carole PIWNICA</td>
<td>84.62%</td>
</tr>
<tr>
<td>Jean d’ARTHUYS</td>
<td>88.89%</td>
</tr>
</tbody>
</table>

> 1.10 CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS

The Internal Rules of the Board oblige each director to declare situations of conflict of interest; if they cannot be avoided, they must be managed in complete transparency. 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 June 30, 2016, 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 Commercial Code, the Statutory Auditors are informed for regulated agreements.

> 1.11 ASSESSMENT OF THE BOARD OF DIRECTORS

During financial year 2015-2016, the Board conducted a self-assessment based on an internal questionnaire whose findings will be presented at a future meeting of the Board by the Chairman of the Governance and Selection Committee.

Following a previous assessment carried out using an outside firm, an new independent director was appointed at the General Meeting of November 5, 2015 and the Board of Directors decided to split the Governance, Selection and Compensation Committee into two committees.

> 1.12 BOARD OF DIRECTORS AND COMMITTEES

At June 30, 2016, the Board is assisted in its work by three committees: the Audit Committee, the Nomination, Governance Committee and the Compensation Committee.
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 June 30, 2016, the Audit Committee consisted of Bertrand Mabille and three independent directors: Elisabetta Oliveri, Lord Birt and Ross McInnes, who chairs the meeting, the latter meeting the criteria of financial competence laid down by the Commercial Code, for having held the position of financial director of several industrial groups, including the Safran Group.

The Group’s Chief Financial Officer has attended all meetings of the Audit Committee.

The Committee met five times during the financial year (as in the previous financial year). The average annual attendance rate of its members was 95.0%.

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ross McINNES (Chairman)</td>
<td>100.0%</td>
</tr>
<tr>
<td>John BIRT</td>
<td>100.0%</td>
</tr>
<tr>
<td>Elisabetta OLIVERI</td>
<td>80.0%</td>
</tr>
<tr>
<td>Bertrand MABILLE</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

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 has a regular dialogue with the Risk Management Department within the framework of its mission. Exposure to risks and off-balance sheet commitments were the subject of a presentation by the Chief Financial Officer. The identification and control of off-balance sheet commitments result from the implementation of internal procedures at Group level.

During the financial year, the Audit Committee decided on the renewal of Ernst & Young as co-Statutory Auditor of the Company and on the bond issue of June 2016 of Eutelsat S.A.. In addition, the Audit Committee was informed of the 5-year plan and annual budget.

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

The Nomination and Governance Committee

The work of this Committee is to study and made recommendations to the Board of Directors for all that concerns (i) the selection or, in case of vacancy, the co-optation of new directors, and (ii) the recruitment or dismissal of any member of the Executive Committee, (iii) assessment of the independence of directors vis-à-vis the independence criteria of the Reference Code, (iv) assessment of the gender balance within the Board of Directors and assessment of the operation of the Board.
In its configuration before the split into two committees, the Governance, Selection and Compensation Committee met six times and was particularly responsible for searching for the successor of Michel de Rosen and presenting the prospective candidate to the Board. The rate of attendance of Committee meetings was 100%. Since the split, the Nomination and Governance Committee has met twice, with a 100% attendance rate.

At June 30, 2016, the Committee was composed of Stéphanie Frachet, Michel de Rosen and three independent members: Lord Birt, Miriem Bensalah Chaqroun and Carole Piwnica who chairs the Committee, i.e. a majority of independent members in accordance with the Reference Code.

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carole PIWNICA (Chairwoman)</td>
<td>100.0%</td>
</tr>
<tr>
<td>John BIRT</td>
<td>100.0%</td>
</tr>
<tr>
<td>Stéphanie FRACHET (since November 5, 2015)</td>
<td>100.0%</td>
</tr>
<tr>
<td>Michel de ROSEN (since March 1, 2016)</td>
<td>100.0%</td>
</tr>
<tr>
<td>Miriem BENSALAH CHAQROUN</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

At the request of the Board, the Committee made a recommendation on the choice of the permanent representative on the Board of Fonds Stratégique de Participations, whose appointment as director will be submitted to the shareholders’ vote at the next General Meeting.

Compensation Committee

This new Committee resulting from the split of the Governance, Selection and Compensation Committee, is in charge of issues relating to (i) the long-term compensation policy, (ii) the remuneration of the CEO and Deputy CEO, (iii) the implementation of stock option plans or plans for the allocation of performance shares within the Group, (iv) the allocation of attendance fees between the members of the Board.

Since its creation during the financial year, the Committee has met once. The attendance rate for each Committee member is shown in the table below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carole PIWNICA (Chairwoman)</td>
<td>100.0%</td>
</tr>
<tr>
<td>Ana GARCIA FAU</td>
<td>100.0%</td>
</tr>
<tr>
<td>Jean d’ARTHUYYS</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

During its only meeting, the Committee examined the long-term remuneration policy and analysed the new long-term incentive plan.

> 1.13 OBSERVER

Pursuant to the provisions of (i) the Letter of Agreement signed on September 2, 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 Michel de Rosen informed the members of the Board of his wish to resign as CEO for personal reasons, the Board wanted (in accordance with legal and regulatory provisions (Articles L. 225-51-1, R. 225-26 and R. 225-27 of the Commercial Code), to separate the functions of Chairman of the Board and CEO to ensure a transition due to a change of management. The separation of functions had already been applied by the Company in the past, to facilitate the transition following the departure of Giuliano Beretta. The Board therefore appointed, from March 1st, 2016, for the duration of his term as director, Michel de Rosen as Chairman of the Board, with Rodolphe Belmer becoming CEO.

At its meeting of February 16, 2016, the Board adopted a new internal rule which details the responsibilities of the Chairman of the Board.

2. 2. EUTELSAT GROUP SENIOR MANAGEMENT

During the past year, three phases are to be distinguished as to the management of the Company.

From July 1st 2015 to December 1st 2015, Michel de Rosen, CEO, assisted by Michel Azibert, Deputy CEO, formed General Management.

From December 1st 2015 to March 1st 2016, to ensure an organised succession, Rodolphe Belmer was appointed as Deputy CEO with Michel Azibert.

On March 1st 2016, Michel de Rosen, while remaining director, only kept the duties as Chairman of the Board, with Rodolphe Belmer becoming CEO and Michel Azibert being confirmed as Deputy CEO.

At Eutelsat S.A., 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 Director in charge of EAC 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 Compensation 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”.

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> 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 financial year ended June 30, 2016.

Pursuant to the delegations granted by the General Shareholders’ Meetings, in February 2010, July 2011, November 2012 and February 2016, 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 for the shares was set at three years. The vesting of shares is subject to the fulfillment of performance conditions over the three-year period and a condition of presence. The beneficiaries must continue to hold these shares for a period of two years, commencing from the effective date of acquisition.

At June 30, 2016, the following number of shares were definitively assigned to executive officers:

<table>
<thead>
<tr>
<th>Name</th>
<th>February 2010</th>
<th>July 2011 plan</th>
<th>November 2012</th>
<th>February 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michel de ROSEN</td>
<td>55,617</td>
<td>5,341</td>
<td>3,283</td>
<td>In progress</td>
</tr>
<tr>
<td>Michel AZIBERT</td>
<td>NA</td>
<td>3,287</td>
<td>2,027</td>
<td>In progress</td>
</tr>
<tr>
<td>Rodolphe BELMER</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>In progress</td>
</tr>
</tbody>
</table>

In accordance with the recommendations of the Reference Code, Michel de Rosen, Rodolphe Belmer 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 June 30, 2016, 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. 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 July 22, 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.

The exercise of self-assessment of internal control of subsidiaries, performed every two years for the entire Group, is part of the internal control system. 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.

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. A centre for the control of signal quality was recently opened in Sao Paolo (Brazil) to assist customers in this country. 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 in charge of the IT security of the Company.

In 2011, the satellite control team obtained information security certification (ISO 27001) for a period of three years, which was renewed in June 2014. Two monitoring audits were performed in June 2015 and June 2016. No non-compliance with ISO 27001:2013 was identified. The certification covers:
- the control and operation of satellites, launching and placing satellites into orbit (LEOP);
- the human resources, definition, development, supply, deployment, operation and maintenance of the software, systems and IT networks of ground satellite control systems; and
- the security of stations for the operation of geostationary satellites.
In June 2013 the teleport teams in Rambouillet also obtained information security certification (ISO 27001) for a period of three years renewed in June 2016. No non-compliance with the standard has been identified. The certification covers the activities and systems related to:
- the communications control centre;
- Management of the Rambouillet teleport;
- Implementation and supervision of the operation of managed services; and
- The security of all sites for monitoring the payload, points of presence and teleports.

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 the certification during 2016 for Eutelsat Americas and in the first half of 2017 for Skylogic S.p.A.

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..

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 (Turin, Italy) the certification ISO 9001 obtained in May 2014 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).

> 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.

During financial year 2015-2016, a complete review of business processes was carried out. A global PCA test was organised in March 2016, simulating the unavailability of Eutelsat's head office and the unavailability of the SAP hosting site. These tests were conducted with the participation of Eutelsat's business lines and validated the operation of business processes using the backup infrastructure.

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 Group 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 is underway to test the effectiveness of the security measures in place on the entire perimeter and develop a corrective plan for identified vulnerabilities. Occasional audits were also commissioned during the year to check the safety of new critical projects before deployment.

The 2015-2016 financial year was also devoted to the following actions:

- Creation of an internal technical audit activity to validate the measures in place and correct vulnerabilities escalated without waiting for an external audit; and
- Reviewed and in depth update of the security policy.

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 on the various activities of the Group from the different operational departments of Eutelsat S.A. (Sales Department, Finance Department, Technical Department, Legal Affairs Department etc.) after reconciliation with appropriate accounting and legal documents.
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 directly and indirectly holds through Eutelsat Communications Finance S.A.S. (wholly-owned subsidiary of Eutelsat Communications) over 96% of the capital of Eutelsat S.A., main operating company and holding of the Group's interests.

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 the management of the activities of the subsidiaries of Eutelsat SA, 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.

> 4.7 PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

At the end of each month, the financial data from each subsidiary is 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; and
- 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 financial year 2014-2015.

> 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 (lower than 300,000 Euros), the Chief Executive Officer has authorised certain people in the Group to delegate signing authority. These delegations are established by the Legal Affairs Department which monitors them. The CEO and Deputy CEO are authorised to sign all commitments without limitation of the amount or nature, subject to the provisions laid down by the law and the Internal Rules 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 except those which are below the maximum amount defined in section 1.3 above, 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 Group has implemented processes to develop contracts for the allocation of capacity, in particular to verify that contracts are duly signed and that customers are invoiced in accordance with the contract conditions. 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 delegatees in their area of competence.

> 4.12 CUSTOMER RISK MANAGEMENT

All new customers are 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
- validation by Management of the Department which made the purchase request (as well as by General Management beyond a predetermined amount).

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 mainly exposed to the US Dollar / Euro exchange risk and, to a far lesser extent, the USD / BRL exchange 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 fluctuations keeping most of its debt at fixed rates (Eutelsat S.A. bonds) and possibly by a hedging policy on its credit lines in fine at variable rates.

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 mainly from first-ranking financial institutions or banks and diversifying its financial investments with exposure to several counterparties or by using instruments to spread the risk over many 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.

The work carried out during the 2015-2016 financial year consisted of a comprehensive review of the Group's exposure to all its risks including, in particular, the risk of failures in orbit and consequently the adaptation of the in-orbit life insurance policy to take into account not only the net book value of satellites but also the revenue generated by the most contributing satellites.

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