Eutelsat Communications Group

Société anonyme with a capital of 218 603 713 euros
Registered office: 70 rue Balard, 75015 Paris
481 043 040 R.C.S. Paris

INTERIM CONSOLIDATED ACCOUNTS AT 31 DECEMBER 2007

CONSOLIDATED BALANCE SHEET
(in thousands of euros)

ASSETS	Notes	30 June 2007	31 December 2007
Non-current assets			
Goodwill	3	758 179	770 221
Intangible assets	3	829 791	807 565
Satellites and other property and equipment, net	4	1 705 635	1 592 909
Prepayments for assets under construction	4	461 477	607 413
Investments in associates		124 599	129 102
Non-current financial assets		3 061	2 928
Deferred tax assets		1 380	1 380
TOTAL NON-CURRENT ASSETS		**3 884 122**	**3 911 518**
Current assets			
Inventories		2 092	1 967
Accounts receivable		220 976	229 219
Other current assets		28 373	30 117
Current tax receivable		8 585	7 566
Financial instruments	11	135 883	98 550
Cash and cash equivalents		45 479	95 201
TOTAL CURRENT ASSETS		**441 388**	**462 620**
TOTAL ASSETS		**4 325 510**	**4 374 138**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30 June 2007	31 December 2007
Shareholders' equity	5		
Share capital		217 401	218 604
Additional paid-in capital		776 136	644 438
Reserves and retained earnings		242 522	341 097
Cumulative translation adjustment		-	-
Minority interests		75 454	54 658
TOTAL SHAREHOLDERS' EQUITY		**1 311 513**	**1 258 797**
Non-current liabilities			
Non-current bank debt	6	2 308 978	2 410 863
Other non-current liabilities		60 466	54 080
Other non-current debt		45 507	44 850
Non-current provisions		38 385	39 262
Deferred tax liabilities		304 932	289 129
TOTAL NON-CURRENT LIABILITIES		**2 758 268**	**2 838 184**
Current liabilities			
Current bank debt	6.2	23 185	20 100
Other current liabilities		23 273	20 146
Accounts payable		44 048	40 610
Fixed assets payable		61 062	66 953
Taxes payable		-	13
Other current payables		94 521	123 154
Current provisions		9 640	6 181
TOTAL CURRENT LIABILITIES		**255 729**	**277 157**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4 325 510**	**4 374 138**

The Notes are an integral part of the interim consolidated accounts

CONSOLIDATED INCOME STATEMENT
(In thousands of euros, except per share data)

	Notes	Six-month period ended 31 December 2006	Twelve-month period ended 30 June 2007	Six-month period ended 31 December 2007
Revenues	7	415 302	829 086	429 380
Revenues from operations		**415 302**	**829 086**	**429 380**
Operating costs		(32 431)	(62 526)	(32 042)
Selling, general and administrative expenses		(53 248)	(113 938)	(48 137)
Depreciation and amortisation		(150 148)	(300 849)	(150 628)
Other operating income		25 759	37 501	710
Other operating costs	5	(25 698)	(26 745)	(5 445)
Operating income		**179 536**	**362 529**	**193 838**
Financial income		7 189	16 710	8 058
Financial expenses		(63 726)	(124 870)	(64 322)
Financial result	9	**(56 537)**	**(108 160)**	**(56 264)**
Income from equity investments		2 516	7 866	6 037
Net income before tax		**125 515**	**262 235**	**143 611**
Income tax expense	8	(45 599)	(92 215)	(48 907)
Net income		**79 916**	**170 020**	**94 704**
Group share of net income (loss)		74 996	159 377	88 450
Minority interests' share of net income		4 920	10 643	6 254
Earnings per share attributable to Eutelsat Communications' shareholders	10			
Basic earnings per share in €		0.343	0.732	0.407
Diluted earnings per share in €		0.335	0.718	0.404

The Notes are an integral part of the interim consolidated accounts

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)

	Notes	Six-month period ended 31 December 2006	Twelve-month period ended 30 June 2007	Six-month period ended 31 December 2007
Cash flow from operating activities				
Net income		79 916	170 020	94 704
Income from equity investments		(2 516)	(7 866)	(6 038)
Capital (gain) / loss on disposal of assets		55	224	(8)
Other non-operating items		88 816	187 364	109 622
Depreciation, amortisation and provisions		170 219	316 549	149 025
Deferred taxes		(10 738)	(4 411)	(4 645)
Change in accounts receivable		(35 515)	(12 896)	(9 081)
Changes in other assets		(3 921)	(6 525)	(3 119)
Changes in accounts payable		382	2 738	(1 520)
Changes in other debt		24 330	11 349	8 556
Taxes paid		(70 701)	(128 872)	(52 522)
NET CASH INFLOW FROM OPERATING ACTIVITIES		**240 327**	**527 674**	**284 974**
Cash flows from investing activities				
Acquisitions of satellites, other property and equipment and intangible assets		(138 103)	(350 065)	(148 612)
Proceeds from sale of assets		30	57	157
Acquisition of minority interests		(7 876)	(19 914)	(3 375)
Changes in other long-term financial assets		(151)	(109)	(158)
Dividends received from associates		-	-	1 535
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(146 100)**	**(370 031)**	**(150 453)**
Cash flows from financing activities				
Changes in capital		1 543	2 673	150
Distributions		(124 299)	(124 338)	(138 920)
Increase in debt		121 137	1 886	99 877
Repayment of debt		(26 527)	(167 280)	-
Repayment in respect of performance incentives and long-term leases		(7 536)	(15 622)	(11 321)
Interest and other fees paid		(41 893)	(92 971)	(44 623)
Interest received		4 912	10 358	2 478
Other changes		-	1 384	11 915
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(72 663)**	**(383 910)**	**(80 444)**
Impact of exchange rate on cash and cash equivalents		(20)	(5)	29
Increase (decrease) in cash and cash equivalents		**21 544**	**(226 272)**	**54 106**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**263 030**	**263 030**	**36 758**
CASH AND CASH EQUIVALENTS, END OF PERIOD		**284 574**	**36 758**	**90 864**
Cash reconciliation				
Cash and cash equivalents		286 374	45 474	95 185
Overdraft included under debt (1)	6.2	(1 800)	(8 716)	(4 321)
Cash and cash equivalents per cash flow statement		**284 574**	**36 758**	**90 864**

(1) **:** Overdrafts are included in determining "Cash and cash equivalents" in the cash-flow statement, as they are repayable on demand and form an integral part of the Group's cash-flow management.

The Notes are an integral part of the interim consolidated accounts

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of euros, except per share data)

(in thousands of euros)	Notes	Common stock			Reserves and retained earnings	Minority interests	Total
		Number	Amount	Additional paid-in capital			
30 June 2006		**215 692 592**	**215 692**	**907 485**	**16 179**	**70 924**	**1 210 280**
Translation adjustment					(18)	(1)	(19)
Change in fair value of cash-flow hedging instruments					5 282	(31)	5 251
Tax impact					(1 819)	11	(1 808)
Income and expenses recognised directly under equity					**3 445**	**(21)**	**3 424**
Net income of the period					74 996	4 920	79 916
Total income and expenses recognised for the period					**78 441**	**4 899**	**83 340**
Transactions affecting the capital	5.1	271 179	272	(132 690)	16 454		(115 964)
Treasury stock					(30)		(30)
Changes in scope of consolidation						830	830
Distributions	5.2					(7 713)	(7 713)
Benefits for employees upon exercising options, and free shares granted					444		444
ABSA commitments	5.1				521	(1 126)	(605)
Liquidity offer	5.1				2 183	(184)	1 999
31 December 2006		**215 963 771**	**215 964**	**774 795**	**114 192**	**67 630**	**1 172 581**
30 June 2007		**217 401 082**	**217 401**	**776 135**	**242 523**	**75 454**	**1 311 513**
Translation adjustment					(54)	(4)	(58)
Change in fair value of cash-flow hedging instruments					(31 928)	(478)	(32 406)
Tax impact					10 993	165	11 157
Income and expenses recognised directly under equity					**(20 989)**	**(317)**	**(21 307)**
Net income of the period					88 450	6 254	94 704
Total income and expenses recognised for the period					**67 461**	**5 937**	**73 397**
Transactions affecting the capital (1)	5.1	1 202 631	1 203	(4 984)	20 080		16 299
Treasury stock					(293)		(293)
Changes in scope of consolidation						10 662	10 662
Distributions	5.2			(126 713)		(12 207)	(138 920)
Benefits for employees upon exercising options, and free shares granted					1 984	(1)	1 983
ABSA commitments	5.1				7 299	(23 560)	(16 261)
Liquidity offer	5.1				2 043	(1 626)	417
31 December 2007		**218 603 713**	**218 604**	**644 438**	**341 097**	**54 658**	**1 258 797**

(1) The amount shown as additional paid-in capital includes negative retained earnings of € 20 080 thousand.

The Notes are an integral part of the interim consolidated accounts

NOTES TO THE INTERIM CONSOLIDATED ACCOUNTS

NOTE 1: APPROVAL OF THE ACCOUNTS

The interim consolidated accounts of Eutelsat Communications (hereafter called "the Group") at 31 December 2007 were prepared under the responsibility of the Board of Directors, which approved them at the meeting held on 13 February 2008.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated accounts at 31 December 2007 are prepared in accordance with IFRS, as adopted by the European Union, effective as at that date. They have been prepared on a cost basis, except for certain items for which the standards require measurement at fair value, and in accordance with IAS 34 "Interim Financial Reporting". They do not therefore contain all the information and notes required by IFRS for the preparation of the annual consolidated financial statements.

The accounting methods and rules used in preparing these interim accounts are identical to those used for the consolidated full-year financial statements for the year ended 30 June 2007, after applying or, as appropriate, with the exception of the new standards and interpretations described below.

The following standards and interpretations have been applied as from 1 July 2007:

- IFRS 7 "Financial Instruments – Disclosures"
- IAS 1 Amendment "Presentation of Financial Statements – Capital Disclosures"
- IFRIC 10 "Interim Financial Reporting and Impairment"
- IFRIC 11 "Group and Treasury Share Transactions", for which application is compulsory as of 1 March 2007;

They are without impact on previous financial periods and on the interim consolidated accounts at 31 December 2007.
Because Eutelsat Communications presents summarised interim accounts, the additional disclosures required under IFRS 7 and the IAS 1 amendment related to financial reporting will be presented for the first time in the full-year consolidated financial statements for the year ending 30 June 2008.

The Group has not applied any standards or interpretations in advance and, in particular, has not applied any of the following standards which have already been published:

- Amendment to IAS 1 "Presentation of Financial Statements", for which application is compulsory as from 1 January 2009;
- IFRS 8 "Operating Segments", for which application is compulsory in respect of financial reporting periods beginning 1 January 2009 or later;
- Amendment to IAS 23 "Borrowing Costs", for which application is compulsory as from 1 January 2009; this text has not yet been approved by the European Union.
- IFRIC 13 "Customer Loyalty Programmes", for which application is compulsory as from 1 July 2008 and which has not yet been approved by the European Union;

- IFRIC 14 "IAS19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", for which application is compulsory as from 1 January 2008.

The Group is currently analysing the practical impact of these new texts and the effects of applying them in the financial statements.

Finally, the Group is not concerned by Interpretation IFRIC 12 "Service Concession Arrangements", for which application is compulsory as from 1 January 2008 subject to approval by the European Union.

Accounting procedures applied by the Group in the absence of specific accounting standards

Where no standard or interpretation was applicable to the situations described below, and pending application of the texts published by the IASB in January 2008 or clarifications by the IFRIC on these matters, the Group's Management used its judgment to define and apply the accounting procedures that were the most appropriate. These accounting procedures or options based on the judgment of the Group related to additional acquisitions of shares in entities it already controlled, and firm or conditional commitments to purchase minority interests.

Length of financial year

The financial year of Eutelsat Communications is twelve months ending 30 June.

The functional currency and the currency used in the presentation of the accounts is the euro.

Consolidation method

Companies controlled directly or indirectly by Eutelsat Communications, even if it does not directly own any of the equity of these companies, are consolidated using the full-consolidation method. Control, which is the power to direct the financial and operational policies, is presumed to exist where the Group holds directly or indirectly more than 50% of voting rights. The determination of control takes into account the existence of potential voting rights, provided that these are immediately exercisable or convertible.

Associated entities over which the Group exerts significant influence (generally between 20% and 50% of voting rights), are accounted for using the equity method. Significant influence is defined as the power to participate in the financial and operational policies of the investee without having joint or sole control over them.

Companies are consolidated as of the date when control or significant influence is transferred to the Group. The Group's share in the earnings of these companies subsequent to acquisition is recorded in its income statement. Similarly, the changes in their reserves following the acquisition which are not related to operations which had an impact on the income statement are recorded in the consolidated reserves up to the limit of the Group's share. Companies cease to be consolidated as of the date when the Group transfers control or significant influence.

Use of estimates

The preparation of consolidated accounts requires Management to make estimates and assumptions that may affect the amounts of assets, liabilities, income and expenses appearing in these accounts and their accompanying Notes.

Eutelsat Communications constantly updates its estimates using past experience as well as other relevant factors related to the economic environment. Based upon any changes in these assumptions or other factors, amounts that will be shown in future financial statements may differ from present estimates.

These estimates and assumptions relate in particular to:

- recognition of revenues (assessment of the recoverability of accounts receivable),
- provisions for bad debt
- provisions for risks and for employee benefits
- the income tax expense and recognition of deferred tax assets (see Note 8 – *Income tax expense*).
- determination of goodwill and other intangible assets and any impairment thereof (see Note 3 – *Goodwill and other intangibles*).
- fair value measurement of financial instruments (see Note 11 – *Financial instruments*).
- appraisal of satellites' useful lives: (see Note 4 – *Satellites and other property and equipment*).

Accounting treatment for business combinations

In accordance with IFRS 3, business combinations are recognised using the purchase accounting method. Under this method, the assets, liabilities and identifiable contingent liabilities of the acquired entity which meet the recognition criteria defined under IFRS are recognised at their fair values at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are measured at fair value less costs to sell.

Only the acquiree's identifiable liabilities satisfying the recognition criteria are recognised following a business combination. Restructuring costs are only recognised as liabilities of the acquired entity if it has a present obligation to restructure at the date of acquisition.

Provisional fair values assigned at the date of acquisition to identifiable assets and liabilities may require adjustment as additional evidence becomes available to assist with the estimation (expert assessments still in progress at the acquisition date or additional analyses). When such adjustments are made prior to the end of a twelve-month period commencing on the date of acquisition, goodwill or negative goodwill is adjusted to the amount that would have been determined if the adjusted fair values had been available at the date of acquisition. When the carrying amounts are adjusted following the end of the twelve-month period, income or expense is recognised rather than an adjustment to goodwill or negative goodwill, except where these adjustments correspond to corrections of errors.

Minority interests are recognised on the basis of the fair value of the net assets acquired.

Acquisition of minority interests

No accounting treatment for the acquisition of additional minority interests is currently specified under IFRS, and the indications of the IASB regarding the treatment of this type of transaction are among the published amendments to IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements”. Therefore, in the absence of specific guidelines, the difference between the purchase price and the carrying amount of the acquired minority interests as indicated in the consolidated financial statements of the Group prior to the acquisition is recognised as goodwill. This method will be reviewed when the relevant texts are applied.

Impairment of non-current assets

Goodwill and other intangible assets with an indefinite useful life, such as the Eutelsat brand, are tested for impairment annually in December, irrespective of whether there is any evidence indicating that an asset may be impaired, or when an event occurs indicating a potential decline in its value.

For tangible fixed assets and intangible assets with finite useful lives, such as the “Customer Contracts & Relationships” asset, an impairment test is performed when there is an external or internal indication that their recoverable values may be lower than their carrying amount (for example, the loss of a major customer or .a technical incident affecting a satellite).

An impairment test consists of assessing the recoverable amount of an asset, which is the higher of its fair value net of selling costs and its value in use. If it is not practicable to estimate the recoverable value of a particular asset, the Group determines the recoverable amount of the cash generating unit (CGU) with which it is associated. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

It is not always necessary to estimate both the fair value of an asset net of selling costs and its value in use. If either of these amounts is greater than the carrying amount of the asset, the value of the asset has not been impaired and it is not necessary to estimate the other amount.

The Group estimates value in use on the basis of the estimated future pre-tax cash flows to be generated by an asset or CGU during its useful life and are based upon the medium-term plan approved by Management. Beyond a maximum five-year period, cash flows may be estimated on the basis of stable rates of growth or decline.

Future cash flows are discounted using the long-term pre-tax interest rates that, in the opinion of the Group, best reflect the time value of money and the specific risks associated with the related assets or CGUs.

The fair value net of selling costs is equal to the amount which could be received from the sale of the asset (or of one CGU) in the course of an arm’s length transaction between interested, knowledgeable and willing parties, less the costs relating to the deal.

Impairment losses and reversals of impairment losses are recognised respectively within the income statement captions “Other operating costs” and “Other operating income”. An impairment of goodwill cannot be reversed.

Shareholders' equity

External costs directly related to increases in capital, reductions of capital and share buy-backs are allocated to additional paid-in capital, net of taxes when an income tax saving is generated.

Grant of stock options

Benefits granted to employees in the form of stock options are measured at the date of grant of the options and constitute additional compensation awarded to employees. The costs are recognised under personnel expenses over the vesting period of the rights corresponding to the benefits granted, and are offset by increases in equity (equity settled plans) or by recognition of a financial liability (cash settled plans).

Net earnings per share

Earnings per share are calculated by dividing the net income for the period attributable to ordinary shareholders of the entity by the weighted average number of common shares outstanding during the period.

Diluted earnings per share are calculated using the share repurchase method assuming (i) the exercise of all outstanding options and (ii) the conversion of any financial instruments giving access to the capital, after taking into account the theoretical impact of these transactions on net income.

Taxes

The interim income tax expense is calculated by applying the average effective rate estimated for the financial year to earnings before taxes for the period.

NOTE 3: GOODWILL AND OTHER INTANGIBLES

"Goodwill and Other Intangibles" breaks down as follows:

Changes in gross assets

(in thousands of euros)	**Goodwill**	**Customer contracts and relationships**	**Eutelsat brand**	**Other intangibles**	**Total**
30 June 2007	**758 179**	**889 000**	**40 800**	**1 004**	**1 688 983**
Effect of changes in the scope of consolidation	-	-	-	-	-
Separate acquisitions	12 042	-	-	-	12 042
Disposals	-	-	-	-	-
Transfers		-	-	-	
31 December 2007	**770 221**	**889 000**	**40 800**	**1 004**	**1 701 025**

Since 30 June 2007, the Group has acquired from Eutelsat S.A. employees, under a liquidity offer between August and October 2007 (see Note 5 – *Shareholders' equity*) part of their shares in Eutelsat S.A. representing overall 0.0224% of its capital.

The Group has also acquired from institutional investors part of their shares in Eutelsat S.A. representing 0.3539% of its capital (see Note 5 – *Shareholders' equity*).

These acquisitions of minority interests resulted in the recognition of goodwill totalling € 12 042 thousand. The acquisition cost is € 19 524 thousand.

Changes in accumulated depreciation and impairment

(in thousands of euros)	Good will	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
Accumulated depreciation at 30 June 2007	**-**	**(100 013)**	**-**	**(1 000)**	**(101 013)**
Amortisation expense	-	(22 225)	-	(1)	(22 226)
Reversals	-	-	-	-	-
Impairment	-	-	-	-	-
Accumulated depreciation at 31 December 2007	**-**	**(122 238)**	**-**	**(1 001)**	**(123 239)**

Net assets

(in thousands of euros)	Goodwill	Customer contracts and relationships	Eutelsat brand	Other intangibles	Total
Net value at 30 June 2007	**758 179**	**788 987**	**40 800**	**4**	**1 587 970**
Net value at 31 December 2007	**770 221**	**766 762**	**40 800**	**3**	**1 577 786**

At 31 December 2007, the goodwill was subjected to the annual impairment test, which did not call into question the amount shown on the balance sheet. The recoverable value was close to the fair value (see Note 2 – *Impairment of non-current assets*).

NOTE 4: SATELLITES AND OTHER PROPERTY AND EQUIPMENT

Changes in gross assets

(in thousands of euros)	Satellites	Other property and equipment	Satellites under construction	Total
30 June 2007	**2 189 640**	**122 910**	**461 477**	**2 774 027**
Effect of changes in the scope of consolidation				
Acquisitions	1 058	14 679	145 936	161 673
Disposals	-	(173)	-	(173)
Scrapping of assets	(1 765)	(508)	-	(2 273)
Transfers	-	-	-	-
31 December 2007	**2 188 933**	**136 908**	**607 413**	**2 933 254**

Changes in accumulated depreciation and impairment

(in thousands of euros)	Satellites	Other property and equipment	Satellites under construction	Total

Accumulated depreciation at 30 June 2007	**(559 658)**	**(47 257)**	**-**	**(606 915)**
Amortisation expense	(117 531)	(10 787)	-	(128 318)
Reversals	-	28	-	28
Scrapping of assets	1 765	508	-	2 273
Accumulated depreciation at 31 December 2007	**(675 424)**	**(57 508)**	**-**	**(732 932)**

Net assets

(in thousands of euros)	**Satellites**	**Other property and equipment**	**Satellites under construction**	**Total**
Net value at 30 June 2007	**1 629 982**	**75 653**	**461 477**	**2 167 112**
Net value at 31 December 2007	**1 513 509**	**79 400**	**607 413**	**2 200 322**

At 31 December 2007, six satellites, called HOT BIRD™9, HOT BIRD™10, W2A, W7, W2M and KaSAT, were under construction.

NOTE 5: SHAREHOLDERS' EQUITY

a) Shareholders' equity

At 31 December 2007, the share capital of Eutelsat Communications S.A. comprised 218 603 713 shares with a nominal value of € 1 per share. In terms of treasury stock, Eutelsat Communications S.A. holds 24 683 shares with a value of € 466 868.42 under a liquidity agreement. These shares have been deducted from shareholders' equity.

Changes in the share capital and additional paid-in capital of the Company since 30 June 2007 are presented hereafter:

Definitive date of each operation	**Operations**	**Number of shares issued/ cancelled**	**Nominal capital increase/reduction (in thousands of euros)**	**Additional paid-in capital (in thousands of euros)**	**Nominal share capital after operation (in thousands of euros)**	**Cumulative number of shares**	**Nominal value of shares (in euros**
30/06/2007		-	-	776 135	217 401	217 401 082	1
15/10/2007	Liquidity offer (BD of 15/10/07)	991 332	991	15 157	218 392	218 392 414	1
31/10/2007	Issue of capital (exercise of BSA2) (BD of 18/12/07)	77 968	78	72	218 470	218 470 382	1
09/11/2007	Allocation of the result of 30/06/07 (GM of 09/11/07)			(20 080)	218 470	218 470 382	1
09/11/2007	Distribution of dividends (GM of 09/11/07)			(126 713)	218 470	218 470 382	1
29/11/2007	Issue of capital (grant of free shares - Decision of the Chairman of 29/11/07)	133 331	133	(133)	218 604	218 603 713	1
31/12/2007		1 202 631	1 203	644 438	218 604	218 603 713	1

On 9 November 2007, the Ordinary and Extraordinary General Meeting of Shareholders decided to distribute a gross amount of € 0.58 per share, i.e. a total of € 126 712 628.42, taken from “Additional paid-in capital”. In 2006, the amount distributed as a dividend was € 116 476 294.68, i.e. € 0.54 per share.

b) Share-based compensation

Free allotment of shares

Following the decision taken by the Company’s Board of Directors on 25 November 2005, there was an allotment of free shares to the Group's employees in November 2005 with each beneficiary being granted 341 shares. The free shares were granted to all employees who, as of 29 November 2005, were employed on an indefinite contract and were effectively being paid on such a basis by their employer at the time the decision was taken to grant the shares, and who had been working within the Eutelsat Communications Group for at least three months. The vesting period for definitive acquisition of the shares was fixed at 2 years, reckoned from 29 November 2005. Beneficiaries were then required to keep their shares for a further period of 2 years after the effective date of acquisition The Board gave all powers to the Chairman and CEO of the Company to finalise the implementation of the decision taken by the Board.

The amount offset for this operation within shareholders’ equity as of 31 December 2007 was € 305 thousand.

The Board of Directors meeting on 18 December 2007 noted a decision by the Chairman and CEO of the Company on 29 November 2007, acting under the delegation of authority granted by the Board of Directors on 29 November 2005, acknowledging the issue and definitive vesting of 133 331 shares to the benefit of 391 beneficiaries for a nominal amount of 1 euro per share as of the anniversary date of the plan (29 November 2007), acknowledging the subsequent capital increase of 133 331 euros taken from “Additional paid-in capital”.

During the financial year ended 30 June 2007, there was an allocation of free shares to the Group’s employees by decision of the Board of Directors on 10 May 2007. This offer concerned 181 825 new shares. The qualifying period for definitive acquisition of the shares was fixed at 2 years after this date, with a requirement that he employee should still be working for the Group. Beneficiaries meeting these conditions are then required to keep their shares for a further period of 2 years after the effective date of acquisition.

The value of the benefit was estimated at € 2.5 million, spread over the two-year acquisition period. The expense recognised for the period ended 31 December 2007, with a double entry to shareholders’ equity, was € 608 thousand.

The Board of Directors meeting on 25 July 2007 decided to distribute free shares under two plans for the allocation of free shares, one for employees and one for the Group’s key managers and Company officers, involving a total of 474 831 shares. The two plans specify that beneficiaries must still be working for the Group 2 years after the free shares are granted and that beneficiaries who meet the conditions for allotment of the free shares under the plans must retain those shares for a further period of 2 years after the effective date of acquisition. In addition, the plan for employees specifies that an EBITDA target has to be attained for each of the two fiscal years 2007/2008 and 2008/2009. The plan for key managers and Company officers states that a financial performance target has to be attained for 50% of the shares over the same two fiscal years and that a financial market condition has to be achieved by the end of the two-year period for the remaining 50% of the shares.

The value of the benefit granted under these two plans was estimated at € 5.0 million, spread over the two-year acquisition period. The expense recognised for the period ended 31 December 2007, with a double entry to shareholders' equity, was € 1 083 thousand.

Issue of ABSAs to Managers

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

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

The following table describes movements in respect of the BSAs:

<u>Situation at 30 June 2007 after the distribution of 10 November 2006</u>

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

<u>Situation at 31 December 2007</u>

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

The Eutelsat Communications' ABSAs issued were matched to commitments entered into between the Company and each of the key managers and Company representatives of Eutelsat S.A. to buy and sell Eutelsat S.A. shares derived from the exercise of the stock options granted by Eutelsat S.A. before the acquisition under the various "Managers" plans – see Description of Eutelsat S.A. stock-option plans below.

In accordance with IFRS 2 "*Share-Based Payment*", the Company's obligation with respect to liquidity has been recognised as a forward repayment of a shareholders' equity instrument. The obligation measured as of the date of the operation at € 19 553 thousand was recognised as debt, offset by an equivalent reduction in shareholders' equity. The debt measured at present value as of 31 December 2007 on the basis of the timetable for purchasing the securities was € 36 745 thousand. The effect of unwinding the discount on the debt was recognised in financial expenses in the amount of € 694 thousand for the period closed at 31 December 2007.

Description of Eutelsat S.A. stock-option plans

The information contained in this Note only concerns the Eutelsat S.A. sub-group and the governing bodies of that sub-group.

a) Summary of movements in respect of stock-option plans

	Shares reserved for future grants	Stock options outstanding	Weighted average exercise price (in €) after distribution
Balance at 1 July 2007	-	15 624 293	1.36
Authorised	-	-	-
Granted	-	-	-
Exercised	-	(9 380 729)	1.36
Cancelled	-	-	-
Balance at 31 December 2007	**-**	**6 243 565**	**1.36**

b) Changes in stock-option plans

	Granted	Exercised	Cancelled	Balance	Exercise price (in €)
Plans 30/06/07					
Partners	4 389 963	(4 052 493)	(227 526)	109 944	1
Managers I	2 665 914	(2 612 083)	-	53 831	1.48
Managers II					
- 13/12/02	4 198 094	(4 135 342)	-	62 752	1.33
- 24/02/03	75 175	(75 175)	-	-	1.33
Managers III					
- 17/12/03	10 782 178	(876 174)	-	9 906 004	1.26
- 08/04/04	1 476 126	(137 444)	(64 767)	1 273 915	1.26
- 28/06/04	437 374	-	-	437 374	1.48
Managers IV	4 028 215	(247 741)	(1)	3 780 473	1.64
Total	**28 053 039**	**(12 136 452)**	**(292 294)**	**15 624 293**	

	Granted	Exercised	Cancelled	Balance	Exercise price (in €)
Plans 31/12/07					
Partners	4 389 963	(4 074 875)	(227 526)	87 562	1
Managers I	2 665 914	(2 612 083)	-	53 831	1.48
Managers II					
- 13/12/02	4 198 094	(4 179 133)	-	18 961	1.33
- 24/02/03	75 175	(75 175)	-	-	1.33
Managers III					
- 17/12/03	10 782 178	(6 934 535)	-	3 847 643	1.26
- 08/04/04	1 476 126	(1 021 084)	(64 767)	390 275	1.26
- 28/06/04	437 374	-	-	437 374	1.48
Managers IV	4 028 215	(2 620 296)	(1)	1 407 919	1.64
Total	**28 053 039**	**(21 517 181)**	**(292 294)**	**6 243 565**	

The weighted average remaining contractual life of options outstanding is 4.18 years: 1.51 years for "Partners" plan options; 1.81 years for "Managers" plan options; 2.95 years for "Managers II" plan options; 4.04 years for "Managers III" plan options and 4.90 years for "Managers IV" plan options.

The Group uses the Black & Scholes method for measuring the fair value of options, based on the following data:

- calculated volatility of 26.30%
- a risk-free rate of 2.98%
- a cancellation rate estimated at 37.5% over 3 years
- a weighted average unit cost of € 1.68 per option

Valuations are performed when options are issued and are not subsequently modified.

During the period ended 31 December 2007, a total of 9 380 729 stock options were exercised. This capital increase generated a loss on dilution for Eutelsat Communications of € 5 445 thousand recognised under "Other operating costs".

Liquidity offer for employees of the Group who are shareholders in Eutelsat S.A.

In similar fashion to the obligation with respect to liquidity described above, the Board of Directors decided at its meeting on 28 June 2006 to introduce a liquidity offer for employees of the Group who are shareholders in Eutelsat S.A. in the form of an offer to purchase their Eutelsat S.A. shares as and when the shares derived from the exercise of Eutelsat S.A. options became available.

The liquidity offer, which will expire in 2010, provides for a purchase price determined with reference to the Eutelsat Communications' share price and takes account of all net bank debt of the companies in the Group that are not included in the Eutelsat S.A. sub-group.

In similar fashion to the operation described above, the Company's obligation with respect to liquidity has been recognised as a forward repayment of an equity instrument. The obligation was measured as of 30 June 2006 and recognised as debt, offset by an equivalent reduction in shareholders' equity for an amount of € 22 005 thousand. The amount recognised as financial expenses at 31 December 2007 with respect to the unwinding of discount (on the basis of buying all the shares in 2010) and a reassessment of the repurchase value of the debt was € 1 268 thousand.

It should be noted that a liquidity offer in the form of a cash offer to purchase shares or exchange them for new shares of Eutelsat Communications began on 23 August 2007 and ended on 14 September 2007. This resulted in the purchase of 72 735 Eutelsat S.A. shares for € 378 thousand and the contribution of 152 693 Eutelsat S.A. shares as a consideration for issuing 48 721 shares of Eutelsat Communications (see Note 3 - *Goodwill and other intangibles*).

Liquidity offer for the historical shareholders in Eutelsat S.A.

In parallel to the liquidity offer in the form of a cash offer to purchase shares or exchange them for new shares of Eutelsat Communications that was made to the employees of the Group on 23 August 2007, an identical offer was made to the historical shareholders of Eutelsat S.A. This operation resulted in the acquisition of 500 000 Eutelsat S.A. shares for € 2 575 thousand and the contribution of 3 063 490 Eutelsat S.A. shares as a consideration for issuing 942 611 shares of Eutelsat Communications (see Note 3 – *Goodwill and other intangibles*).

NOTE 6: BANK DEBT

6.1 – Non-current portion

At 30 June and 31 December 2007, all debt was denominated in euros.

At 31 December 2007, the Group had access to the following credit facilities:

- A syndicated credit facility for € 1 915 million entered into by Eutelsat Communications on 8 June 2006 for a period of seven years and consisting of two parts:

  - Tranche A: a long-term interest-only bullet loan for € 1 615 million, bearing interest at EURIBOR plus a margin of between 0.75% and 1.625%, depending on the Leverage Ratio (defined below).

  - Tranche B: a revolving credit facility for € 300 million; Amounts are drawn for a maximum period of 6 months and bear interest at EURIBOR plus a margin of between 0.75% and 1.625%, depending on the Leverage Ratio (defined below).

The agreement of 8 June 2006 includes neither a guarantee by Eutelsat Communications' subsidiaries nor the pledging of assets to the lenders.

This credit agreement includes restrictive clauses (subject to the usual exceptions contained in loan agreements) limiting the capacity of Group companies, in particular to:

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

The agreement allows each lender to request early repayment of all sums due if there is a change of control of the Company and of Eutelsat S.A. or in the event of concerted action. The Company must hold, directly or indirectly, 95% of the capital and voting rights of Eutelsat S.A. for the entire duration of the loan. The agreement entails an obligation to maintain launch-plus-one-year insurance policies for any satellite located at 13°East and, for any satellite located at another orbital position, a commitment not to have more than one satellite not covered by a launch insurance policy.

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

- Leverage Ratio: consolidated net debt/consolidated EBITDA less than or equal to 5.5 for the half-year and full-year periods defined in the agreement, with the first being 30 June 2006; this ratio is then gradually reduced to 5.25 at 31 December 2008, to 5 at 31 December 2009, to 4.75 at 31 December 2010 and then to 4.50 at 31 December 2011.

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

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

On 19 June 2006, Eutelsat Communications therefore acquired from its SatBirds Finance subsidiary the interest rate hedge put in place for the previous loan.

Eutelsat Communications has also put in place a new instrument for the period 2010 – 2013 (see Note 11 – *Financial Instruments*):

- a 7-year syndicated credit facility entered into in November 2004 by its subsidiary Eutelsat S.A. for an amount of € 1 300 million and comprising:

  - a € 650 million interest-only bullet loan

  - a revolving credit facility for € 650 million (€ 160 million used as of 31 December 2007).

The amounts drawn on this credit facility bear interest at EURIBOR (or LIBOR for amounts drawn in U.S. dollars) plus a margin of between 0.25% and 0.75%, depending on Eutelsat S.A.'s long-term debt rating assigned by Standard & Poor's.

Under the terms of this credit facility, Eutelsat S.A. is required to maintain a total net debt to annualised EBITDA (as these terms are defined contractually) ratio less than or equal to 3.75 to 1 and this ratio is tested at 30 June and 31 December each year.

- *Financial information at 30 June 2007 and 31 December 2007*

The non-current portion of the Group's bank debt at 30 June and 31 December 2007 breaks down as follows:

(in thousands of euros)	30 June 2007		31 December 2007	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Eutelsat Communications credit facility (Variable rate)	1 615 000	1 615 000	1 615 000	1 615 000
Eutelsat S.A. revolving credit facility (Variable rate)	60 000	60 000	160 000	160 000
Eutelsat S.A. interest-only bullet loan (Variable rate)	650 000	650 000	650 000	650 000
Fixed rate loan (Wins Ltd.)	379	379	383	383
Variable rate loan (Wins Ltd.)	-	-	500	500
Sub-total of debt (non-current portion)	**2 325 379**	**2 325 379**	**2 425 883**	**2 425 883**
Issue costs		(16 401)		(15 020)
Total		**2 308 978**		**2 410 863**

At 31 December 2007, the Group had access to the following main credit facilities:

(in thousands of euros)	**Amount granted**	**Amount used**	**Maturity**
Interest-only bullet loan	1 615 000	1 615 000	8 June 2013
Revolving credit facility	300 000	-	8 June 2013
Revolving credit facility	650 000	160 000	24 November 2011
Interest-only bullet loan	650 000	650 000	24 November 2011
Fixed rate loan	900	510	3 April 2011
Variable rate loan	500	500	31 December 2010
Total	**3 216 400**	**2 426 010**	

The weighted average interest rate on drawdowns on these revolving credit facilities is 3.5% for the period ended 31 December 2007.

At 31 December 2007, the non-current debt maturity analysis is as follows:

(in thousands of euros)	**31 December 2007**	**Maturity within one year**	**Maturity between 1 and 5 years**	**Maturity after more than 5 years**
Eutelsat Communications interest-only bullet loan	1 615 000	-	-	1 615 000
Eutelsat S.A. interest-only bullet loan	650 000	-	650 000	-
Eutelsat S.A. revolving credit facility	160 000	-	160 000	-
Fixed rate loan (Wins Ltd.)	510	127	383	-
Variable rate loan (Wins Ltd.)	500	-	500	-
Total	**2 426 010**	**127**	**810 883**	**1 615 000**

6.2 – Current portion

Current bank debt includes accrued interest not yet due at 31 December 2007 on the debt described in Note 6.1. Current bank debt consists of the following:

(in thousands of euros)	**30 June 2007**	**31 December 2007**
Bank overdrafts	8 716	4 321
Accrued interest not yet due	13 715	15 652
Portion of the loans due within one year	754	127
Total	**23 185**	**20 100**

An increase of 10 basis points (+0.1%) in the EURIBOR interest rate would have an impact of €2 426 thousand on an annualised basis on the consolidated income statement at 31 December 2007. At 30 June 2007, the impact on an annualised basis was € 2 326 thousand.

NOTE 7: SEGMENT INFORMATION

The Group operates in a single industry segment, providing satellite-based video, business and broadband networks, and mobile services mainly to major international telecommunication operators and broadcasters, corporate network integrators and companies for their own needs. With the exception of the Eutelsat satellites in orbit, most of the Group’s assets are located in France.

The Group’s revenues by geographical zone, based on invoice addresses, for the periods ended 31 December 2006 and 31 December 2007 are as follows:

(In thousands of euros and as a percentage)	Six-month period ended 31 December 2006		Six-month period ended 31 December **2007**	
Region	***Amount***	***%***	***Amount***	***%***
France	54 775	13.2	57 729	13.4
Italy	65 617	15.8	68 002	15.8
United Kingdom	58 882	14.2	54 021	12.6
Europe (other)	140 931	33.9	159 756	37.2
Americas	36 876	8.9	38 113	8.9
Middle East	30 705	7.4	28 148	6.6
Other (*)	27 516	6.6	23 611	5.5
Total	**415 302**	**100.0**	**429 380**	**100.0**

(*) Revenues include indemnities received for late delivery of satellites of € 11.4 million for the period ended 31 December 2006.

NOTE 8: INCOME TAX EXPENSE

"Income tax expense" comprises current and deferred tax expenses of consolidated entities.

The Group's income tax expense is as follows:

	Six-month period ended 31 December	
(in thousands of euros)	**2006**	**2007**
Current tax expense	(56 337)	(53 552)
Deferred tax income (expense)	10 738	4 645
Total income tax expense	**(45 599)**	**(48 907)**

The theoretical income tax expense, based on application to the pre-tax result (excluding the share of net income from equity investments) of the standard French corporate income tax rate, can be reconciled to the actual expense as follows:

(in thousands of euros)	**31 December 2006**	**31 December 2007**
Income before tax and income from equity investments	122 999	137 574
Standard French corporate income-tax rate	*34.43%*	*34.43%*
Theoretical income-tax expense	(42 349)	(47 367)
Permanent differences and other items	(3 250)	(1 540)
Corporate income tax expense in the income statement	**(45 599)**	**(48 907)**
Actual corporate income tax rate	*37%*	*36%*

At 31 December 2006, the tax expense was 37%. The discrepancy between the rates of tax is mainly explained by the fact that the tax dispute related to the sale of the Hispasat shares by Eutelsat S.A. to the German subsidiary has now ended, resulting in an additional income tax expense and interest of € 6.3 million.

At 31 December 2007, the tax expense of 36% is due mainly to the non-deductible dilution losses recognised for the period (see Note 5 – *Shareholders' equity*).

NOTE 9: FINANCIAL RESULT

The financial result is made up as follows:

(in thousands of euros)	Six-month period ended 31 December 2006	Twelve-month period ended 30 June 2007	Six-month period ended 31 December 2007
Interest expense (banks)	(53 719)	(104 034)	(48 021)
Other interest expense	(4 625)	(10 490)	(944)
Loan set-up fees	(1 512)	(2 993)	(1 558)
Commitment fees and other similar charges	(1 281)	(2 413)	(1 217)
Changes in financial instruments	(207)	(127)	(5 724)
Provisions for risks and charges	(322)	(219)	(1 687)
Foreign-exchange losses	(2 060)	(4 594)	(5 171)
Financial expenses	**(63 726)**	**(124 870)**	**(64 322)**
Changes in financial instruments	-	2 208	-
Interest income	5 181	9 651	2 478
Foreign-exchange gains	2 008	4 851	5 580
Financial income	**7 189**	**16 710**	**8 058**
Financial result	**(56 537)**	**(108 160)**	**(56 264)**

Changes in financial instruments are presented in Note 11 – *Financial Instruments*.

"Other interest expense" includes the reduction for capitalised interest. This interest amounted to € 1 279 thousand at 31 December 2006, € 3 071 thousand at 30 June 2007 and € 3 476 thousand at 31 December 2007.

The capitalisation rates used to determine the amount of interest expense eligible for capitalisation were 4.3%, 4.3% and 4.4% respectively for the periods ended 31 December 2006, 30 June 2007 and 31 December 2007.

"Other interest expense" comprises interest related to satellite in-orbit performance incentives for € 1.1 million at 31 December 2006, € 3.7 million at 30 June 2007 and € 2.2 million at 31 December 2007 respectively.

NOTE 10: EARNINGS PER SHARE

The following two tables show the reconciliation between net income and net earnings attributable to shareholders (basic and diluted) used to compute earnings per share (basic and diluted):

	31 December 2006	31 December2007
Net income	79 916	94 704
Income from subsidiaries attributable to minority interests, before taking into account the dilutive instruments in the subsidiaries	(5 862)	(6 117)
Net earnings used to compute basic earnings per share	**74 054**	**88 586**

	31 December 2006	31 December 2007
Net income	79 916	94 704
Income from subsidiaries attributable to minority interests, after taking into account the dilutive instruments in the subsidiaries	(7 346)	(6 680)
Net earnings used to compute diluted earnings per share	**72 570**	**88 024**

Reconciliation between the number of shares used to compute basic and diluted earnings per share is provided below, as of 31 December 2006 and 2007:

	31 December 2006	31 December 2007
Restated weighted average number of shares used to compute basic earnings per share	215 711 947	217 886 117
Incremental number of additional shares that would result from the exercise of outstanding stock options (1)	1 228 688	-
Restated weighted average number of shares used to compute diluted earnings per share (1)	**216 940 635**	**217 886 117**

At 31 December 2006, Eutelsat Communications and its subsidiary Eutelsat S.A. had issued dilutive instruments. (see Note 5 – *Share-based compensation)* At 31 December 2007, only the subsidiary Eutelsat S.A. had issued dilutive instruments. The number of incremental shares which could be issued upon the exercise of outstanding stock options is computed using the average market price during the related period.

As its subsidiary Eutelsat S.A. is not listed, Management estimated the average market price based on the latest evaluations performed and the latest transactions between shareholders.

NOTE 11: FINANCIAL INSTRUMENTS

The Group has exposure to market risks, particularly with regard to foreign exchange and interest rates. Such risks are actively managed by Management and for this purpose the Group employs a certain number of derivatives, the objective of which is to limit, where appropriate, the fluctuation of revenues and cash-flows due to variations in interest rates and foreign-exchange rates. The Group’s policy is to use derivatives to manage such exposure. The Group does not engage in financial transactions whose associated risk cannot be quantified at their outset, i.e. the Group never sells assets it does not possess or does not know it will subsequently possess.

11.1 – Foreign exchange risk

The Group's functional currency is the euro and the Group is therefore principally exposed to fluctuations in the value of the U.S. dollar. As a means of preserving the value of assets, commitments and forecast transactions, the Group consequently enters into contracts whose value fluctuates in line with changes in the euro/dollar exchange rate. In particular, the Group hedges certain future U.S. dollar revenues by means of financial instruments such as options, forward currency transactions and foreign currency deposits. These instruments are traded over-the-counter with first-rate banking counterparts.

Purchase commitments relate to construction contracts for satellites and to launch contracts. They generally cover a three-year period with a pre-established schedule of payments. Commitments to sell relate to contracts denominated in US dollars.

During the financial year ended 30 June 2007 and the first half (i.e. to 31 December 2007) of the financial year ending 30 June 2008, the Group only purchased foreign exchange options (euro calls / US dollar puts).

11.2 – Interest rate risk

The Group's exposure to interest-rate risk is managed by apportioning its borrowings between fixed and variable interest rates.

To hedge its debt, the Group has set up the following interest rate hedges:

- a tunnel (purchase of a cap and sale of a floor) over three years until 29 April 2008 for a notional amount of € 1 615 million to hedge the long-term Eutelsat Communications interest-only bullet loan. The notional amount of this tunnel was reduced on 12 April 2007 from € 1 700 million to € 1 615 million so that it would be the same as the exact amount borrowed. This partial sale generated a termination indemnity of € 1.3 million.

- a forward pay fixed/receive variable swap for a notional amount of € 807.5 million and the purchase of a forward cap for a notional amount of € 807.5 million, to serve as a hedge of Eutelsat Communications' long-term interest-only bullet loan, covering two years (Years 4 and 5). On 12 April 2007, the Group undertook a partial sale, using these financial instruments to reduce the notional amount from € 1 700 million to € 1 615 million (i.e. reducing each one from € 850 million to € 807.5 million), which generated a termination indemnity of € 0.9 million.

At end-September 2006, a new forward interest-rate hedge (Years 6 and 7) was put in place:

- A pay fixed/receive variable interest rate swap for a notional amount of € 1 615 million to hedge the long-term interest-only Eutelsat Communications bullet loan.

Following signature of the syndicated credit facility at the level of the Eutelsat S.A. sub-group for a notional amount of € 1 300 million in November 2004, the following derivatives related to this credit facility were immediately set in place, i.e.

- A pay fixed/receive variable interest rate swap covering the long-term € 650 million portion of the 7-year interest-only bullet loan until its maturity; and
- A 5-year tunnel (purchase of a cap and sale of a floor) for a notional amount of € 450 million in relation to the revolving credit facility of € 650 million.

On 12 March 2007, the tunnel was terminated, with a termination indemnity of € 0.7 million, and new operations related to the revolving credit facility of € 650 million were put in place:

- A pay fixed/receive variable swap for a notional amount of € 250 million over 4 years until the maturity date of the revolving credit facility;
- Purchase of a cap in return for payment of a premium (€ 2 million) for a notional amount of € 200 million over 4 years until the maturity date of the revolving credit facility;
- On 20 November 2007, a new pay three-month EURIBOR / receive one-month EURIBOR swap was put in place for a period of six months,

11.3 – Financial counterpart risk

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

11.4 – Key figures as of 31 December 2007

The following tables analyse the contractual or notional amounts and fair value of the Group's derivatives as of 31 December 2006, 30 June 2007 and 31 December 2007 by type of contract.

(in thousands of euros)	**Contractual or nominal amounts**	**Fair value 31 December 2006**	**Change in fair value during the period**	***Impact on income***	***Impact on equity***
Foreign exchange options (Eutelsat S.A.)	52 000	3 038	(1 754)	(1 754)	-
Total foreign exchange derivatives		***3 038***	***(1 754)***	***(1 754)***	***-***
Swap (Eutelsat S.A.)	650 000	16 382	(619)	-	*(619)*
Forward swap (Eutelsat Communications)	850 000	11 348	(877)	-	*(877)*
Forward swap (Eutelsat Communications)	1 615 000	6 970	6 970	*8*	*6 962*
Purchased cap (Eutelsat Communications)	850 000	5 158	(1 807)	*(1 784)*	*(23)*
Tunnel (Eutelsat Communications)	1 700 000	23 645	3 984	*4 176*	*(192)*
Tunnel (Eutelsat S.A.)	450 000	1 118	(853)	*(853)*	-
Total interest rate derivatives		***64 621***	***6 798***	***1 547***	***5 251***
Total derivatives		**67 659**	**5 044**	***(207)***	***5 251***

(in thousands of euros)	**Contractual or notional amounts**	**Fair value 30 June 2007**	**Change in fair value during the period**	***Impact on income***	***Impact on equity***
Foreign exchange options (Eutelsat S.A.)	140 741	2 844	(5 160)	*(5 160)*	-
Total foreign exchange derivatives		***2 844***	***(5 160)***	***(5 160)***	***-***
Swap (Eutelsat S.A.)	650 000	31 654	14 654	-	*14 654*
Forward swap (Eutelsat Communications)*	807 500	21 427	9 876	*673*	*9 203*
Forward swap (Eutelsat Communications)	1 615 000	36 263	36 263	-	*36 263*
Purchased cap (Eutelsat Communications)*	807 500	11 632	4 920	*(4 574)*	*9 494*
Tunnel (Eutelsat Communications)	1 615 000	21 425	3 039	*3 774*	*(735)*
Swap (Eutelsat S.A.)	250 000	5 467	5 467	*5 467*	-
Cap (Eutelsat S.A.)*	200 000	5 172	3 172	*3 172*	-
Tunnel (Eutelsat S.A.)*	450 000	Disposal	(1 271)	*(1 271)*	-
Total interest rate derivatives		***133 040***	***76 120***	***7 241***	***68 879***
Total derivatives		**135 884**	**70 960**	***2 081***	***68 879***
Associated companies					*228*
Total					***69 107***

* Including indemnities received and premium paid (see Note 23.2 - *Interest rate risk).*

(in thousands of euros)	**Contractual or notional amounts**	**Fair value 31 December 2007**	**Change in fair value during the period**	***Impact on income***	***Impact on equity***
Foreign exchange options (Eutelsat S.A.)	101 101	6 849	3 209	*3 209*	-
Total foreign exchange derivatives		***6 849***	***3 209***	***3 209***	***-***
Swap (Eutelsat S.A.)*	650 000	22 310	(9 344)	*24*	*(9 369)*
Swap (Eutelsat S.A.)*	650 000	(494)	(494)	*(2)*	*(492)*
Forward swap (Eutelsat Communications)	807 500	16 438	(4 989)	-	*(4 989)*
Forward swap (Eutelsat Communications)	1 615 000	26 878	(9 384)	-	*(9 384)*
Purchased cap (Eutelsat Communications)	807 500	7 577	(4 055)	*547*	*(4 602)*
Tunnel (Eutelsat Communications)	1 615 000	12 851	(8 574)	*(5 004)*	*(3 570)*
Swap (Eutelsat S.A.)	250 000	2 544	(2 924)	*(2 924)*	-
Cap (Eutelsat S.A.)	200 000	3 597	(1 574)	*(1 574)*	-
Total interest rate derivatives		***91 701***	***(41 338)***	***(8 933)***	***(32 406)***
Total derivatives		**98 550**	**(38 129)**	***(5 724)***	***(32 406)***
Associated companies					-
Total					***(32 406)***

At 31 December 2006, 30 June 2007 and 31 December 2007, the changes in fair value recognised within financial result in respect of financial instruments amounted to an expense of € 207 thousand, income of € 2 081 thousand and an expense of € 5 724 thousand respectively.

Breakdown of financial instruments qualifying as hedges as of 31 December 2006, 30 June 2007 and 31 December 2007:

(in thousands of euros)	**Contractual or notional amounts**	**Fair value 31 December 2006**	**Change in fair value during the period**	***Impact on income (ineffective portion)***	***Impact on equity (effective portion)***
Forward swap (Eutelsat Communications)	850 000	11 348	(877)	-	*(877)*
Forward swap (Eutelsat Communications)	1 615 000	6 970	6 970	*8*	*6 962*
Swap (Eutelsat S.A.)	650 000	16 382	(619)	-	*(619)*
Purchased cap (Eutelsat Communications)	850 000	5 158	(1 807)	*(1 784)*	*(23)*
Tunnel (Eutelsat Communications)	1 700 000	23 645	3 984	*4 176*	*(192)*
Total		**63 503**	**7 651**	***2 400***	***5 251***

(in thousands of euros)	**Contractual or notional amounts**	**Fair value 30 June 2007**	**Change in fair value during the period**	***Impact on income (ineffective portion)***	***Impact on equity (effective portion)***
Forward swap (Eutelsat Communications)	807 500	21 427	9 876	*673*	*9 203*
Forward swap (Eutelsat Communications)	1 615 000	36 263	36 263	-	*36 263*
Swap (Eutelsat S.A.)	650 000	31 654	14 654	-	*14 654*
Purchased cap (Eutelsat Communications)	807 500	11 632	4 920	*(4 574)*	*9 494*
Tunnel (Eutelsat Communications)	1 615 000	21 425	3 039	*3 774*	*(735)*
Total		**122 401**	**68 752**	***(127)***	***68 879***
Associated companies					*228*
Total					***69 107***

(in thousands of euros)	**Contractual or notional amounts**	**Fair value 31 December 2007**	**Change in fair value during the period**	***Impact on income (ineffective portion)***	***Impact on equity (effective portion)***
Forward swap (Eutelsat Communications)	807 500	16 438	(4 989)	-	*(4 989)*
Forward swap (Eutelsat Communications)	1 615 000	26 878	(9 384)	-	*(9 384)*
Swap (Eutelsat S.A.)	650 000	22 310	(9 344)	*25*	*(9 369)*
Swap (Eutelsat S.A.)	650 000	(494)	(494)	*(2)*	*(492)*
Purchased cap (Eutelsat Communications)	807 500	7 577	(4 055)	*547*	*(4 602)*
Tunnel (Eutelsat Communications)	1 615 000	12 851	(8 574)	*(5 004)*	*(3 570)*
Total		**85 560**	**(36 840)**	***(4 434)***	***(32 406)***
Associated companies					-
Total					***(32 406)***

NOTE 12: OTHER OFF-BALANCE SHEET LIABILITIES

As of 31 December 2007, Management considers that, to the best of its knowledge, no commitments exist that may have an impact on the Group's present or future financial position with the exception of the following items:

12.1 – Purchase commitments

The Group has commitments with suppliers for the acquisition of assets and provision of services related to monitoring and control of its satellites.

Future minimum payments, as of 31 December 2007, are scheduled to be paid as follows:

(in millions of euros)	**31 December 2007**
2008	35
2009	18
2010	14
2011	8
2012 and thereafter	11
Total	**86**

Included in the above total is € 2.8 million related to purchase commitments entered into with a related party.

At 31 December 2007, future payments under satellite construction contracts amount to € 348 million, and future payments under launch agreements amount to € 90 million.

12.2 – In-orbit insurance

The Group's in-orbit insurance programme expired on 26 November 2007 and was replaced by a new 12-month programme defined by the Group with a view to minimising, at an acceptable cost, the impact on its balance sheet and its income of losing one or more satellites. Under this programme, 16 of the satellites belonging to the Group (excluding the W1, ATLANTIC BIRD™1 and EUROBIRD™10 satellites) are covered by insurance. The only reservation is a limitation of insurance cover for the W3, W4 and W6 satellites due to incidents caused by technical problems already identified.

The insurance policy taken out against damage under this programme covers any cumulative partial or total constructive losses of the 16 satellites insured, up to a ceiling of € 180 million per satellite (compared with € 165 million per satellite previously), subject to a total maximum claim or claims each year of € 390 million. The Group's satellites covered under this policy are insured for their net book value.

This insurance programme provides the same risk retention as before (limited in all circumstances to a cumulative annual amount of € 80 million).

12.3 – Commitments received

As protection against the risk of unpaid invoices, the Group requires its customers to pay deposits as a guarantee, which are entered on the balance sheet as debt, or to provide a first-rate bank guarantee in the Group's favour. As of 31 December 2007, bank guarantees received amount to € 18.1 million and USD 8.5 million.

NOTE 13: RELATED-PARTY TRANSACTIONS

At 30 June 2007, the Group and a related party signed an agreement whereby, if certain conditions were fulfilled by 15 September 2007, the Group could receive an amount of € 25 million in return for renouncing certain rights within an equity interest.

After 30 June 2007, this agreement was extended until 31 October 2007, the date when the conditions specified in the agreement were fulfilled. Actual payment of the € 25 million is subject to other conditions that have still not been achieved as of 31 December 2007, and recognition of the relevant income is dependent on this.

NOTE 14: EVENTS AFTER THE BALANCE-SHEET DATE

In January 2008, the Group exercised its purchase option for a total amount of € 18 963 thousand in order to acquire 6 058 361 Eutelsat S.A. shares resulting from the exercise by the Company officers of part of the stock options granted under the "Managers III" plan (see Note 5 – *Shareholders' equity*).