Eutelsat Communications Group

Société anonyme with a capital of 215,963,771 euros
Registered office: 70 rue Balard, 75015 Paris
481 043 040 R.C.S. Paris

INTERIM CONSOLIDATED ACCOUNTS AT 31 DECEMBER 2006

CONSOLIDATED BALANCE SHEETS

(In thousands of euros)

ASSETS	Note	30 June 2006	31 December 2006
Non-current assets			
Goodwill	3	750 714	752 942
Intangible assets		875 237	852 341
Satellites and other property and equipment, net	4	1 749 597	1 806 491
Prepayments for assets under construction	4	310 116	250 396
Investments in associates		117 461	119 977
Financial assets		2 955	3 070
Deferred tax assets		18 738	15 560
TOTAL NON-CURRENT ASSETS		**3 824 818**	**3 800 777**
Current assets			
Inventories		2 257	2 127
Accounts receivable		213 716	246 004
Other current assets		19 889	27 976
Current tax receivable		1 957	1 769
Financial instruments	11	62 613	67 659
Cash and cash equivalents		264 055	286 988
TOTAL CURRENT ASSETS		**564 487**	**632 523**
TOTAL ASSETS		**4 389 305**	**4 433 300**

LIABILITIES AND SHAREHOLDERS’ EQUITY	Note	30 June 2006	31 December 2006
Shareholders’ equity	5		
Common stock		215 692	215 964
Additional paid-in capital		907 485	774 795
Reserves and retained earnings		16 179	114 192
Cumulative translation adjustment		-	-
Minority interests		70 924	67 630
TOTAL SHAREHOLDERS’ EQUITY		**1 210 280**	**1 172 581**
Non-current liabilities			
Non-current bank debt	6	2 445 850	2 567 674
Other non-current liabilities		76 048	66 101
Other non-current payables and deferred revenues		58 483	46 202
Non-current provisions		50 333	43 692
Deferred tax liabilities		302 985	290 871
TOTAL NON-CURRENT LIABILITIES		**2 933 699**	**3 014 540**
Current liabilities			
Current bank debt	6.2	29 757	16 507
Other current liabilities		19 498	17 157
Accounts payable		42 376	42 834
Fixed assets payable		41 650	40 693
Taxes payable		20 305	13 099
Other payables and deferred revenues		80 140	107 071
Current provisions		11 600	8 818
TOTAL CURRENT LIABILITIES		**245 326**	**246 179**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4 389 305**	**4 433 300**

The Notes are an integral part of the interim consolidated accounts

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

	Note	Six-month period ended 31 December 2005	Twelve-month period ended 30 June 2006	Six-month period ended 31 December 2006
Revenues	7	394 948	791 070	415 302
Revenues from operations		**394 948**	**791 070**	**415 302**
Operating costs		(33 697)	(72 664)	(32 431)
Selling, general and administrative expenses		(50 268)	(101 886)	(53 248)
Depreciation and amortisation		(146 584)	(285 805)	(150 148)
Other operating revenues	12.2	-	-	25 759
Other operating costs	4, 5.2	(31 484)	(27 006)	(25 698)
Operating income		**132 915**	**303 709**	**179 536**
Financial income		14 952	49 665	7 189
Financial charges		(132 936)	(229 235)	(63 726)
Financial result	9	**(117 984)**	**(179 570)**	**(56 537)**
Income from equity investments		1 249	5 819	2 516
Net income before tax		**16 180**	**129 958**	**125 515**
Income tax expense	8	(37 344)	(89 724)	(45 599)
Net income (loss)		**(21 164)**	**40 234**	**79 916**
Group share of net income (loss)		(25 631)	30 420	74 996
Minority interests’ share of net income		4 467	9 814	4 920
Earnings per share attributable to Eutelsat Communications’ shareholders	10			
Basic earnings per share in €		(0.158)	0.137	0.343
Diluted earnings per share in €		(0.163)	0.122	0.335

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CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands of euros)

	Note	Six-month period ended 31 December 2005	Twelve-month period ended 30 June 2006	Six-month period ended 31 December 2006
Cash flow from operating activities				
Net income (loss)		(21 164)	40 234	79 916
Income from equity investments		(1 249)	(5 819)	(2 516)
Capital (gain) / loss on disposal of assets		25	(18)	55
Other non-operating items		106 662	207 462	88 816
Depreciation, amortisation and provisions		178 780	307 825	170 219
Deferred taxes		(9 137)	(10 747)	(10 738)
Accounts receivable		(11 880)	(16 246)	(35 515)
Other current assets		(6 494)	3 760	(3 921)
Accounts payable		7 377	3 355	382
Other payables and deferred revenues		43 757	66 001	24 330
Taxes paid		(58 427)	(94 659)	(70 701)
NET CASH INFLOW FROM OPERATING ACTIVITIES		**228 250**	**501 148**	**240 327**
Cash flows from investing activities				
Acquisitions of satellites, other property and equipment and intangible assets		(73 102)	(230 858)	(138 103)
Proceeds from sale of assets		(7)	250	30
Acquisition of minority interests		(61 460)	(66 988)	(7 876)
Changes in other long-term assets		48	(1 397)	(151)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(134 521)**	**(298 993)**	**(146 100)**
Cash flows from financing activities				
Changes in capital		839 364	838 516	1 543
Distributions		(7 629)	(12 195)	(124 299)
Additional long-term and short-term debt		246 227	1 900 522	121 137
Repayment of debt		(800 278)	(2 449 997)	(26 527)
Repayment in respect of performance incentives and long-term leases		(59 793)	(66 826)	(7 536)
Interest and other fees paid		(104 647)	(189 127)	(41 893)
Interest received		1 511	2 546	4 912
Other cash flows		3 507	4 849	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**118 262**	**28 288**	**(72 663)**
Impact of exchange rate on cash and cash equivalents		15	(19)	(20)
Increase (decrease) in cash and cash equivalents		**212 006**	**230 424**	**21 544**
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD		**32 606**	**32 606**	**263 030**
CASH & CASH EQUIVALENTS, END OF PERIOD		**244 612**	**263 030**	**284 574**
Cash reconciliation				
Cash and cash equivalents		246 004	264 055	286 374
Overdraft included under debt (1)	6	(1 392)	(1 025)	(1 800)
Cash and cash equivalents per cash-flow statement		**244 612**	**263 030**	**284 574**

(1) Overdrafts included when determining cash and cash equivalents in the cash-flow statement are an eligible component 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)	Note	Common stock Number	Common stock Amount	Additional paid-in capital	Reserves and retained earnings	Minority interests	Total
30 June 2005		**278 732 598**	**278 733**		**(25 489)**	**125 158**	**378 402**
Translation adjustment					23	1	24
Changes in fair value of cash-flow hedging instruments					25 985	794	26 779
Tax impact					(5 760)	(176)	(5 936)
Income and expenses recognised directly under equity					**20 248**	**619**	**20 867**
Net income of the period					(25 631)	4 467	(21 164)
Total income and expenses recognised for the period					**(5 383)**	**5 086**	**(297)**
Issue of capital	5.1	(63 105 966)	(63 106)	907 552	79		844 525
Treasury stock							-
Change in scope of consolidation						(37 351)	(37 351)
Distributions	5.2					(7 629)	(7 629)
Benefits for employees upon exercising options, and free shares granted					531	28	559
ABSA commitments	5.1				(20 853)	(790)	(21 643)
Liquidity offer							-
31 December 2005		**215 626 632**	**215 627**	**907 552**	**(51 115)**	**84 502**	**1 156 566**
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)
Change 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**

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 2006 were prepared under the responsibility of the Board of Directors, which approved them at the meeting held on 14 February 2007.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with regulation 1602-2002 of the European Union regarding the application of international accounting standards, the Group elected, as from its creation, to issue its consolidated financial statements under the combined framework commonly referred to as IFRS.

The interim consolidated accounts at 31 December 2006 have therefore been prepared in accordance with IFRS as adopted by the European Union and 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 IFRS framework includes International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The accounting policies and measurement methods applied for these interim consolidated accounts are identical to those used for the annual consolidated financial statements at 30 June 2006.

The following standards and interpretations, whose application is compulsory for financial periods commencing as of 1 July 2006, were taken into account and reviewed by the Group. They are without impact on previous financial periods or on the interim consolidated accounts at 31 December 2006.

- IFRIC 4 "Determining Whether an Arrangement Contains a Lease";
- IFRIC 6 "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment";
- the amendment to IAS 39 on "Cash-Flow Hedges for an Intra-Group Transaction";
- the amendment to IAS 21 "Effects of Changes in Foreign Exchange Rates" relating to net investments in subsidiaries;
- the amendment to IAS 39 "Financial Instruments": Recognition and Measurement" and IFRS 4 "Insurance Contracts – Financial Guarantee Contracts";
- the amendment to IAS 19 "Employee Benefits", which allows immediate recognition within equity of actuarial gains and losses recognised during the period. At this stage,

the Group has continued to recognise actuarial gains and losses according to the corridor method;

- IFRIC 7 “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies”;
- IFRIC 8 “Scope of IFRS 2”;
- IFRIC 9 “Reassessment of Embedded Derivatives”.

Additionally, the Group is not concerned by IFRS 6 “Exploration for and Evaluation of Mineral Resources”, the amendments to IFRS 1 “First-Time Adoption” and IFRS 6 “Exploration for and Evaluation of Mineral Resources” relating to the presentation of comparative information, nor by the IFRIC 5 interpretation “Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”.
The Group has not applied any standards or interpretations in advance and, in particular, none of the following standards which have already been published but whose application is only compulsory for financial periods commencing after 31 December 2006:

- IFRS 7 “Financial Instruments: – Disclosures”, whose date for first-time application is 1 January 2007;
- Amendments to IAS 1 “Presentation of Financial Statements”, disclosures concerning capital, for which application is compulsory as of 1 January 2007;
- IFRS 8 “Operating Segments”, for which application is compulsory for financial periods opened after 31 December 2008; this text has not yet been approved by the European Union;
- IFRIC 10 “Interim Financial Reporting and Impairment”, applicable for financial periods opened after October 2006, i.e. in the case of Eutelsat Communications 1 July 2007. The provisions of this text would have had no impact at 31 December 2006; this text has not been approved by the European Union;
- IFRIC 11 “Group and Treasury Share Transactions”, for which application is compulsory as of 1 March 2007; this text has not been approved by the European Union.

Finally, the Group is not concerned by Interpretation IFRIC 12 “Service Concession Arrangements”, for which application is compulsory as at 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 clarifications by the IASB or 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. The goodwill relating to these entities is included in the carrying values of the investments.

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.

Intra-Group balances and transactions are eliminated on consolidation.

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
- impairment of accounts receivable
- provisions for risks and for employee benefits
- the income-tax expense and recognition of deferred tax assets
- calculation of goodwill and any impairment thereof
- fair-value measurement of financial instruments
- appraisal of satellites' useful lives:

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 specified by IFRS 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 IASB is currently examining possible methods for the treatment of this type of transaction, expected to be among the proposed amendments to IFRS 3 "Business combinations." Therefore, in the absence of specific guidelines, the Group is applying the following method: in the event of an acquisition of additional interests in a subsidiary, the difference between the purchase price and the carrying amount of acquired minority interests as indicated in the consolidated financial statements of the Group prior to the acquisition is recognised as goodwill.

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. These costs are recognised under personnel expenses, offset by increases in equity, over the vesting period of the rights corresponding to the benefits granted.

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 on net income of these transactions.

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 2006	**750 714**	**889 000**	**40 800**	**1 000**	**1 681 514**
Effect of change in the scope of consolidation	2 228	-	-	-	2 228
Separate acquisitions	-	-	-	1	1
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
31 December 2006	**752 942**	**889 000**	**40 800**	**1 001**	**1 683 743**

Since 30 June 2006, the Group has acquired from Eutelsat S.A. employees, under a liquidity offer between 13 and 24 November 2006 (see Note 5.1) part of their shares in Eutelsat S.A. representing overall 0.0802% of its capital.

These additional acquisitions of minority interests resulted in the recognition of additional goodwill totalling € 2 228 thousand. The additional acquisition cost is € 3 626 thousand.

Changes in amortisation and impairment

(In thousands of euros)	**Goodwill**	**Customer contracts and relationships**	**Eutelsat brand**	**Other intangibles**	**Total**
Cumulative amortisation at 30 June 2006	**-**	**(55 563)**	**-**	**-**	**(55 563)**
Net value at 30 June 2006	**750 714**	**833 437**	**40 800**	**1 000**	**1 625 951**
Amortisation expense	-	(22 225)	-	(672)	(22 897)
Reversals	-	-	-	-	-
Impairment	-	-	-	-	-
Cumulative amortisation at 31 December 2006		**(77 788)**	**-**	**(672)**	**(78 460)**
Net value at 31 December 2006	**752 942**	**811 212**	**40 800**	**329**	**1 605 283**

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 2006	**1 983 896**	**93 399**	**310 116**	**2 387 411**
Effect of change in the scope of consolidation	-	5	-	5
Acquisitions	2 250	10 528	139 374	152 152
Disposals	(2 600)	(243)	-	(2 843)
Transfers	199 094	-	(199 094)	-
31 December 2006	**2 182 640**	**103 689**	**250 396**	**2 536 725**

Changes in depreciation and impairment

(In thousands of euros)	Satellites	Other property and equipment	Satellites under construction	Total
30 June 2006	**301 384**	**26 314**	**-**	**327 698**
Net value at 30 June 2006	**1 682 512**	**67 085**	**310 116**	**2 059 713**
Depreciation expense	117 108	10 188	-	127 296
Reversals	-	(156)	-	(156)
Impairment	25 000	-	-	25 000
31 December 2006	**443 492**	**36 346**	**-**	**479 838**
Net value at 31 December 2006	**1 739 148**	**67 343**	**250 396**	**2 056 887**

Satellite-related acquisitions and transfers during the period reflect the entry into operational service of the HOT BIRD™8 satellite, which was successfully launched on 4 August 2006.

In the night of 3 to 4 October 2006, Eutelsat identified a malfunction on its HOT BIRD™3 satellite, newly named EUROBIRD™10. This malfunction resulted in substantial deterioration to a solar panel, with a loss of power and a reduction in the useful life of the satellite. As the satellite had already been released from its role at 13°E following entry into operational service of the HOT BIRD™8 satellite, this incident had no effect on satellite operations.

At 31 December 2006, the net book value of the satellite was € 51.5 million. Subsequent to this incident, the Group carried out an assessment of the damage sustained, and remeasured the present value of the future cash flows to be generated by this satellite. On this basis, the Group recognised at 31 December 2006 an impairment of the value of the EUROBIRD™10 satellite (formerly HOT BIRD™3) amounting to € 25.0 million. This impairment is included under "Other operating costs". As of 31 December 2006, when the interim half-year accounts were closed, Eutelsat was unaware of any factor that might call this new measurement of the satellite's value into question.

At 31 December 2006, five satellites, called HOT BIRD™9, HOT BIRD™10, W2A, W7 and W2M, were under construction.

NOTE 5: SHAREHOLDERS' EQUITY

5.1 - Eutelsat Communications

a) Shareholders' equity

At 31 December 2006, the share capital of Eutelsat Communications S.A. comprised 215 963 771 shares with a nominal value of € 1 per share. In terms of treasury stock, Eutelsat Communications S.A. holds 6 733 shares with a value of € 97 368 under a liquidity agreement.

Changes in the share capital and additional paid-in capital of the company since 30 June 2006 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**
30/06/2006		-	-	907 486	215 693	215 692 592	1
10/11/2006	Allocation of retained earnings (GM of 10/11/06)			(16 454)	215 693	215 692 592	1
10/11/2006	Distribution by taking the amount from “Additional paid-in capital” (GM of 10/11/06)			(116 476)	215 693	215 692 592	1
10/11/2006	Expenses charged to “Additional paid-in capital”(1)			(12)	215 693	215 692 592	1
09/12/2006	Capital increase (exercise of BSA2 – BD of 09/12/06)	4 250	4	4	215 697	215 696 842	1
19/12/2006	Issue of capital (exercise of BSA1)	266 929	267	247	215 964	215 963 771	1
31/12/2006	CLOSING POSITION	271 179	271	774 795	215 964	215 963 771	1

Adjustment to expenses related to the capital increase at the time of the IPO

On 10 November 2006, the Ordinary and Extraordinary General Meeting of Shareholders, noting that the loss recognised in the annual accounts for the financial year ended 30 June 2006 was € 3 235 691.75, decided to allocate the amount concerned to retained earnings, which consequently changed from a total of minus € 13 217 999.15 to minus € 16 453 690 90, and to allocate the whole of negative retained earnings to "Additional Paid-In Capital", which was thereby reduced from € 907 485 896.38 to € 891 032 205.48.

The shareholders also decided to distribute a gross amount of € 0.54 per share, i.e. a total amount of € 116 476 294.68 taken from « Additional Paid-In Capital », which thus reduces as of that date from € 891 032 205.48 to € 774 558 205.80.

On 29 November 2005, the Board of Directors decided on a free allotment of shares to the Group's employees amounting to 341 shares per beneficiary. The number of beneficiaries was fixed at 439, which corresponds to the number of employees who were not shareholders in the company as of 29 November 2005. The qualifying period for definitive acquisition of the shares was fixed at 2 years thereafter, with a requirement that the employee should still be working for the Group. Beneficiaries are required to keep their shares for a period of 2 years after the effective date of acquisition. The total expense of € 1.8 million is consequently spread over 2 years. The amount offset within shareholders' equity for the period ended 31 December 2006 is € 444 thousand.

b) Share-allotment plan and stock-option plans

Issue of ABSAs to managers

On 2 August 2005, the Group issued 835 200 ABSA1s and 882 380 ABSA2s to the key managers of Eutelsat S.A., as follows:

- ABSA 1: unit price of € 1.378
- ABSA 2: unit price of € 1.54
- 2.7 BSA per ABSA
- Each BSA conferring the right to subscribe for 1 company share.

These instruments were fully paid-up in cash with the difference between the unit subscription price for the ABSAs and the nominal value being recognised as additional paid-in capital.

The BSAs were detached from the shares when the ABSAs were issued.

Due to the consolidation of shares decided by the General Meeting of 31 August 2005, the conditions of the BSAs were changed:

- two BSAs are needed to subscribe for 1 share in the company.
- the unit subscription price is 2 euros.

Following the decision of the Ordinary and Extraordinary General Meeting of Shareholders on 10 November 2006 to proceed to a distribution by taking the required amount from "Additional Paid-In Capital", and in accordance with the legal provisions protecting stock-warrant beneficiaries, the Board of Directors decided on 10 November 2006 to make a further adjustment both to the conversion rate and to the exercise price per share:

- two BSAs are needed to subscribe for 1.03951 shares in the company.
- the unit subscription price is € 1.9240.

The following table describes movements in respect of the BSAs:

Situation at 30 June 2006

Type	BSAs issued	BSAs exercised	Shares issued	Subscription price per share in €	Expiry date
BSA 1	2 255 040	1 200 000	600 000	2	31/03/2008
BSA 2	2 382 426	-	-	2	02/08/2015
Total	**4 637 466**	**1 200 000**	**600 000**		

Situation at 31 December 2006 after the distribution of 10 November 2006

Type	BSAs issued	BSAs exercised	Shares issued	Subscription price per share in €	Expiry date
BSA 1	2 255 040	1 713 567	866 929	1.9240	31/03/2008
BSA 2	2 382 426	8 500	4 250	1.9240	02/08/2015
Total	**4 637 466**	**1 722 067**	**871 179**		

The operation is related to the signature of a formal commitment to buy and a formal commitment to sell with each of the managers and directors and officers (*mandataires sociaux)* in question, relating to the Eutelsat S.A. shares that result from or are liable to result from the exercise of stock options granted by Eutelsat S.A. under the different "Managers" stock-option plans. Almost 18.3 million Eutelsat S.A. shares are concerned. The formal commitments to buy and sell have the following characteristics:

Commitment to sell:

- Given by each of the managers and directors and officers (*mandataires sociaux)* to Eutelsat Communications
- Exercise price per share at 31 December 2006: € 2.70.
- Exercise period: for 3 months after the end of the period of fiscal unavailability for each tranche of shares concerned

Commitment to buy:

- Given by Eutelsat Communications
- Exercise price determined on the basis of a Eutelsat S.A. valuation of 8.5 times the Group's consolidated EBITDA, after deducting the net debt of the Eutelsat S.A. Sub-Group (or adding the net cash position)
- Exercise period: for each tranche of shares concerned, for 1 month after the end of the period for exercising the corresponding commitment to sell

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 was measured at the date of the operation and recognised as debt, offset by an equivalent reduction in shareholders' equity. The debt was measured at present value as of 31 December 2006 on the basis of the timetable for purchasing the securities. The effect of unwinding the discount on the debt is recognised in financial expenses.

As a result of the unwinding of discount and the exercise of BSAs during the period, the amount deducted from shareholders' equity was increased by € 605 thousand at 31 December 2006 and the figure for the debt was increased by € 1 499 thousand and € 894 thousand was recognised as a financial expense.

Liquidity offer for employees of the Group who are shareholders in Eutelsat S.A.
At its meeting on 28 June 2006, the Board of Directors decided to introduce a liquidity mechanism 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 for cash. This offer to buy shares does not include shares concerned by the commitments to buy and to sell described above.

The liquidity mechanism will be implemented twice each year for periods of 15 to 20 days as set by the Board of Directors and will expire in 2010. The price will be determined with reference to the Eutelsat Communications' share price and will take account of all net bank debt of the companies in the Group that are not included in the Eutelsat S.A. sub-group.

In this respect, the Board of Directors meeting of 10 November 2006 decided to make an offer to buy Eutelsat S.A. shares, beginning on 13 November 2006 and ending on 24 November 2006 (see Note 3).

In similar fashion to the operation described above, the company's obligation with respect to liquidity has been recognised as a forward repayment of a shareholders' equity instrument.

At 31 December 2006, taking account of share buybacks, options exercised and the effect of unwinding of discount over the period, the obligation was remeasured. The amount deducted from shareholders' equity was reduced by € 1 999 thousand, debt was increased by € 1 453 thousand and € 3 453 thousand was recognised as a financial expense. The obligation was measured at present value at 31 December 2006 on the basis of purchasing all the remaining shares in 2010.

5.2 – Eutelsat S.A

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 2006	-	19 353 620	1.35
Authorised	-	-	-
Granted	-	-	-
Exercised	-	(1 287 689)	1.28
Cancelled	-	(7 972)	1.00
Balance at 31 December 2006	**-**	**18 057 959**	**1.35**

b) Changes in stock-option plans

	Granted	Exercised	Cancelled	Balance	Exercise price (in €)
Plans					
30/06/06					
Partners	4 389 963	(3 925 218)	(216 204)	248 541	1.00
Managers I	2 665 914	(2 612 083)	-	53 831	1.48
Managers II					
- 13/12/02	4 198 098	(1 075 221)	-	3 122 877	1.33
- 24/02/03	75 171	(4 927)	-	70 244	1.33
Managers III					
- 17/12/03	10 782 174	(438 087)	-	10 344 087	1.26
- 08/04/04	1 476 130	(115 171)	(64 767)	1 296 192	1.26
- 28/06/04	437 374	-	-	437 374	1.48
Managers IV	4 028 215	(247 741)	-	3 780 474	1.64
Total	**28 053 039**	**(8 418 448)**	**(280 971)**	**19 353 620**	

	Granted	Exercised	Cancelled	Balance	Exercise price (in €)
Plans					
31/12/06					
Partners	4 389 963	(4 012 752)	(224 176)	153 035	1.00
Managers I	2 665 914	(2 612 083)	-	53 831	1.48
Managers II					
- 13/12/02	4 198 098	(1 804 249)	-	2 393 849	1.33
- 24/02/03	75 171	(15 694)	-	59 477	1.33
Managers III					
- 17/12/03	10 782 174	(876 174)	-	9 906 000	1.26
- 08/04/04	1 476 130	(137 444)	(64 767)	1 273 919	1.26
- 28/06/04	437 374	-	-	437 374	1.48
Managers IV	4 028 215	(247 741)	-	3 780 474	1.64
Total	**28 053 039**	**(9 706 137)**	**(288 943)**	**18 057 959**	

The weighted average remaining contractual life of options outstanding is 5.02 years: 2.51 years for "Partners" plan options; 2.81 years for "Managers" plan options; 3.96 years for "Managers II" plan options; 5.01 years for "Managers III" plan options and 5.90 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 2006, a total of 1 287 689 stock options were exercised. This capital increase generated a reduction in Eutelsat Communications' percentage holding in Eutelsat S.A. of 0.12% and a loss on dilution of € 698 thousand recognised under "Other operating costs".

NOTE 6: BANK DEBT

6.1 – Non-current portion

At 30 June and 31 December 2006, all debt was denominated in euros.

a) Changes since 30 June 2006

During this six-month period; Eutelsat S.A. made the final payment on the fixed-rate loan. This has therefore now been reimbursed in full.

At 31 December 2006, 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 7 years and consisting of two parts:
  - Tranche A: a long-term interest-only loan repayable at maturity 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 an 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 IRFS.

- 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.

- 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 set 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 loan repayable at maturity
    - a revolving credit facility for € 650 million (€ 320 million used as of 31 December 2006).

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 2006 and 31 December 2006*

The non-current portion of the Group's bank debt at 30 June and 31 December 2006 breaks down as follows:

(In thousands of euros)	30 June 2006		31 December 2006	
	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)	200 000	200 000	320 000	320 000
Eutelsat S.A. interest-only loan (Variable rate)	650 000	650 000	650 000	650 000
Fixed rate loan (Wins Ltd.)	-	-	446	446
Sub-total of debt (non-current portion)	**2 465 000**	**2 465 000**	**2 585 446**	**2 585 446**
Issue costs		(19 150)		(17 772)
Total		**2 445 850**		**2 567 674**

At 31 December 2006, the Group had access to the following main credit facilities:

(In thousands of euros)	**Amount granted**	**Amount used**	**Maturity**
Interest-only loan	1 615 000	1 615 000	8 June 2013
Revolving credit facility	300 000	-	8 June 2013
Revolving credit facility	650 000	320 000	24 November 2011
Interest-only loan	650 000	650 000	24 November 2011
Fixed rate loan	900	637	3 April 2011
Variable rate loan	500	500	31 December 2007
Total	**3 216 400**	**2 586 137**	

The weighted average interest rate on drawdowns on these revolving credit facilities is 4.1% for the period ended 31 December 2006.

At 31 December 2006, the non-current debt maturity analysis is as follows:

(In thousands of euros)	31 December 2006	Maturity within one year	Maturity between 1 and 5 years	Maturity after more than 5 years
Eutelsat Communications interest-only loan	1 615 000	-	-	1 615 000
Eutelsat S.A. interest-only loan	650 000	-	650 000	-
Eutelsat S.A. revolving credit facility	320 000	-	320 000	-
Wins Ltd. fixed rate loan	446	-	446	-
Total	**2 585 446**	**-**	**970 446**	**1 615 000**

6.2 – Current portion

Current bank debt includes accrued interest not yet due at 31 December 2006 on the debt described in Note 6.1. Current bank debt consists of the following:

(In thousands of euros)	30 June 2006	31 December 2006
Bank overdrafts	1 024	1 800
Accrued interest not yet due	2 206	14 016
Portion of loans due within one year	26 527	691
Total	**29 757**	**16 507**

An increase of 10 basis points (+0.1%) in the EURIBOR interest rate would have an impact of € 2 585 thousand on an annualised basis on the consolidated income statement at 31 December 2006. At 30 June 2006, the impact on an annualised basis was € 2 465 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 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 2005 and 31 December 2006 are as follows:

(In thousands of euros and as a percentage)	Six-month period ended 31 December 2005		Six-month period ended 31 December 2006	
Region	***Amount***	***%***	***Amount***	***%***
France	59 007	14.9	54 775	13.2
Italy	55 682	14.1	65 617	15.8
United Kingdom	67 467	17.1	58 882	14.2
Europe (other)	129 750	32.9	140 931	33.9
Americas	33 579	8.5	36 876	8.9
Middle East	19 145	4.8	30 705	7.4
Other (*)	30 318	7.7	27 516	6.6
Total	**394 948**	**100.0**	**415 302**	**100.0**

(*) Revenues include indemnities received for late delivery of satellites of € 17.4 million and € 11.4 million respectively for the periods ended 31 December 2005 and 2006.

NOTE 8: INCOME TAX EXPENSE

8.1 – Taxes recognised in the income statement

"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)	**2005**	**2006**
Current tax expense	(46 481)	(56 337)
Deferred tax income (expense)	9 137	10 738
Total income tax expense	**(37 344)**	**(45 599)**

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 2005**	**31 December 2006**
Income before tax and income from equity investments	14 931	122 999
Standard French corporate income-tax rate	*34.43%*	*34.43%*
Theoretical income-tax expense	(5 141)	(42 349)
Impact of transitional arrangements	5 246	-
Permanent differences and other items	(37 449)	(3 250)
Corporate income tax expense in the income statement	**(37 344)**	**(45 599)**
Actual corporate income tax rate	*250%*	*37%*

At 31 December 2005, the actual corporate income tax rate of 250% in the consolidated accounts of the Eutelsat Communications Group is mainly the result of the fact that the interest expense borne by the companies carrying the debt related to the acquisition of Eutelsat S.A. shares is not deducted from taxable profit. This interest expense generates tax losses corresponding to an unrecognised tax asset of € 34 507 thousand.

8.2 – Tax risks

Since 30 June 2006, exchanges and discussions have continued with the French tax authorities regarding the tax reassessment notified in December 2005 concerning the conditions of the transfer by Eutelsat S.A. of its Hispasat shares to Eutelsat GmbH. After considering the arguments put forward by Eutelsat S.A., the authorities reduced their proposed rectification to a tax basis of € 24.0 million. Eutelsat S.A. accepted this new proposal, which will result in additional payment of tax and interest of € 6.3 million. This amount has been recognised as an expense at 31 December 2006.

NOTE 9: FINANCIAL RESULT

The financial result is made up as follows:

(In thousands of euros)	Six-month period ended 31 December 2005	Twelve-month period ended 30 June 2006	Six-month period ended 31 December 2006
Interest expense (banks)	(80 088)	(133 626)	(53 719)
Other interest expense	(4 620)	(4 873)	(279)
Loan set-up fees	(29 638)	(68 605)	(1 512)
Early repayment fees	(14 165)	(14 165)	-
Commitment fees and other similar charges	(2 531)	(3 588)	(5 627)
Changes in financial instruments	-	-	(207)
Provisions for risks and charges	(942)	(2 004)	(322)
Foreign-exchange losses	(952)	(2 374)	(2 060)
Financial charges	**(132 936)**	**(229 235)**	**(63 726)**
Changes in financial instruments	9 990	40 775	-
Interest income	1 767	6 005	5 181
Other financial income	2 050	-	-
Foreign-exchange gains	1 145	2 885	2 008
Financial income	**14 952**	**49 665**	**7 189**
Financial result	**(117 984)**	**(179 570)**	**(56 537)**

The amount corresponding to loan set-up fees and early repayment fees for the year ended 30 June 2006 is explained by the early repayment and refinancing operations that were undertaken during the year.

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

"Other interest expense" includes capitalised interest. This amounts to € 2 047 thousand at 31 December 2005, € 4 528 thousand at 30 June 2006 and € 1 279 thousand at 31 December 2006.

The capitalisation rates used to determine the amount of interest expense eligible for capitalisation were 4.4%, 4.2% and 4.3% respectively for the periods ended 31 December 2005, 30 June 2006 and 31 December 2006.

"Other interest expense" comprises interest for in-orbit incentives and leases amounting, respectively, to € 2.9 million and € 1.6 million at 31 December 2005, € 5.9 million and € 1.6 million at 30 June 2006 and € 1.1 million at 31 December 2006 (no leases for the current financial year).

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 2005	31 December 2006
Net income (loss)	(21 164)	79 916
Income from subsidiaries attributable to minority interests, before taking into account the dilutive instruments in the subsidiaries	(10 104)	(5 862)
Net earnings used to compute basic earnings per share	**(31 268)**	**74 054**

	31 December 2005	31 December 2006
Net income (loss)	(21 164)	79 916
Income from subsidiaries attributable to minority interests, after taking into account the dilutive instruments in the subsidiaries	(11 455)	(7 346)
Net earnings used to compute diluted earnings per share	**(32 619)**	**72 570**

Reconciliation between the number of shares used to compute basic and diluted earnings per share is provided below, as of 31 December 2005 and 2006:

	31 December 2005	31 December 2006
Restated weighted average number of shares outstanding used to compute basic earnings per share	198 345 905	215 711 947
Incremental number of additional shares that would result from the exercise of outstanding stock options (1)	1 434 645	1 228 688
Restated weighted average number of shares used to compute diluted earnings per share (1)	**199 780 550**	**216 940 635**

- At 31 December 2005 and 2006, Eutelsat Communications and its subsidiary Eutelsat S.A. had issued dilutive instruments (see Note 5 – *Share-based payment).* 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 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 values. 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. The Group consequently, as a means of preserving the value of assets, commitments and forecast transactions, 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 2006 and the first half of the financial year ending 30 June 2007, 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 3-year tunnel (purchase of a cap and sale of a floor) for a nominal amount of € 1 700 million intended to serve as a hedge for the credit facilities of Eutelsat Communications

- A forward pay fixed/receive variable swap for an amount of € 850 million and a purchase of a forward cap for a nominal amount of € 850 million, intended to serve as a partial hedge of Eutelsat Communications' credit facilities, both covering an additional two years (Years 4 and 5) with deferred start-dates.

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

- A pay fixed/receive variable swap for an amount of :€ 1 615 million intended to serve as a partial hedge for the credit facilities of Eutelsat Communications

Following signature of the syndicated credit facility at the level of the Eutelsat S.A. Sub-Group for the amount of € 1 300 million in November 2004, the following interest-rate hedges were immediately put in place:

- A pay fixed/receive variable interest rate swap covering the long-term € 650 million portion of the interest-only loan repayable at maturity;
- A 5-year tunnel (purchase of a cap and sale of a floor) for a nominal amount of € 450 million intended to serve as a partial hedge for the revolving credit facility of € 650 million.

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 counterparties to respect their commitments under the agreements concluded. The risks to which the company is exposed are confined neither to the financial sector nor to a particular country.

11.4 –Key figures as of 31 December 2006

The following tables analyse the contractual or nominal amounts and fair value of the Group's derivatives at 31 December 2005, and at 30 June and 31 December 2006 by type of contract:

(In thousands of euros)	**Contractual or nominal amounts**	**Fair value 31 December 2005**	**Change in fair value during the period**	***Impact on income***	***Impact on equity***
Foreign exchange options (Eutelsat S.A.)	38 400	249	(1 250)	(1 250)	-
Total foreign exchange derivatives		***249***	***(1 250)***	***(1 250)***	***-***
Swap (Eutelsat S.A.)	650 000	(8 782)	17 239	-	*17 239*
Forward swap (Eutelsat Communications)	850 000	(325)	3 962	-	*3 962*
Purchased cap (Eutelsat Communications)	850 000	3 689	660	*660*	-
Tunnel (Eutelsat Communications)	1 700 000	7 860	13 569	*7 991*	*5 578*
Tunnel (Eutelsat S.A.)	450 000	550	2 589	*2 589*	-
Total interest rate derivatives		**2 992**	**38 019**	***11 240***	***26 779***
Total derivatives		**3 241**	**36 769**	***9 990***	***26 779***

(In thousands of euros)	**Contractual or nominal amounts**	**Fair value 30 June 2006**	**Change in fair value during the period**	***Impact on income***	***Impact on equity***
Foreign exchange options (Eutelsat S.A.)	104 000	4 792	595	595	-
Total foreign exchange derivatives		***4 792***	***595***	***595***	***-***
Swap (Eutelsat S.A.)	650 000	17 001	43 023	-	*43 023*
Forward swap (Eutelsat Communications)	850 000	12 224	16 511	*13 587*	*2 924*
Purchased cap (Eutelsat Communications)	850 000	6 964	3 935	*3 505*	*430*
Tunnel (Eutelsat Communications)	1 700 000	19 661	25 370	*19 076*	*6 294*
Tunnel (Eutelsat S.A.)	450 000	1 971	4 012	*4 012*	-
Total interest rate derivatives		***57 821***	***92 851***	***40 180***	***52 671***
Total derivatives		**62 613**	**93 446**	***40 775***	***52 671***

(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***

At 31 December 2005, 30 June 2006 and 31 December 2006, the changes in fair value recognised within financial income or expense in respect of financial instruments amounted to income of € 9 990 thousand and € 40 775 thousand and an expense of € 207 thousand, respectively.

Breakdown of financial instruments qualifying as hedges as of 31 December 2005, 30 June 2006 and 31 December 2006:

(In thousands of euros)	**Contractual or notional amounts**	**Fair value 31 December 2005**	**Change in fair value during the period**	***Impact on income (ineffective portion)***	***Impact on equity (effective portion)***
Forward swap (Eutelsat Communications)	850 000	(325)	3 962	-	*3 962*
Swap (Eutelsat S.A.)	650 000	(8 782)	17 239	-	*17 239*
Tunnel (Eutelsat Communications)	1 700 000	7 860	13 569	*7 991*	*5 578*
Total hedging derivatives		**(1 247)**	**34 770**	***7 991***	***26 779***

(In thousands of euros)	**Contractual or notional amounts**	**Fair value 30 June 2006**	**Change in fair value during the period**	***Impact on income (ineffective portion)***	***Impact on equity (effective portion)***
Forward swap (Eutelsat Communications)	850 000	12 224	16 511	*13 587*	*2 924*
Swap (Eutelsat S.A.)	650 000	17 001	43 023	-	*43 023*
Purchased cap (Eutelsat Communications)	850 000	6 964	3 935	*3 505*	*430*
Tunnel (Eutelsat Communications)	1 700 000	19 661	25 370	*19 076*	*6 294*
Total		**55 850**	**88 839**	***36 168***	***52 671***

(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***

NOTE 12: OTHER OFF-BALANCE SHEET LIABILITIES

As of 31 December 2006, 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 2006, are scheduled to be paid as follows:

(In millions of euros)	**31 December 2006**
2007	32
2008	16
2009	11
2010	9
2011 and thereafter	6
Total	**74**

Included in the above total is € 3.4 million related to purchase commitments entered into with a related party.

At 31 December 2006, future payments under satellite construction contracts amounted to € 406 million, and future payments under launch agreements amount to € 154 million.

12.2 – In-orbit insurance

The Group's in-orbit insurance programme expired on 26 November 2006 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 HOT BIRD™1, W1, ATLANTIC BIRD™1 and EUROBIRD™10 ex HOT BIRD™3 satellites) are covered by insurance, subject to certain limitations applying in the sole cases of total constructive loss or total loss resulting from technical problems already identified. The HOT BIRD™ 7A and HOT BIRD™ 8 satellites are included and are covered by the policy when their launch + 1 year insurance cover comes to an end.
The insurance policy taken out against damage under this programme covers cumulative partial or total constructive losses of the 16 satellites insured, up to a ceiling of € 165 million per satellite, 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).

During the last financial period, the Group submitted a claim for compensation as a result of the technical incident that affected the W1 satellite on 10 August 2005. It is a complex claim involving three insurance policies and is currently being processed. The claim has been settled in respect of 2 of the 3 policies and compensation of € 25.8 million received, which has been recognised under "Other operating revenues". Action continues with respect to settling the claim under the third insurance policy.

12.3 – Launch insurance

HOT BIRD ™7A and HOT BIRD ™8 are covered by L+1 year insurance (launch + one year) put in place at the end of December 2005. Cover continues until 11 March 2007 for HOT BIRD™ 7A and until 5 August 2007 for HOT BIRD™ 8.

12.4 – Commitments received

As protection against the risk of unpaid invoices, the Group requires its customers to pay security deposits, which are recognised in the balance sheet as debt, or to provide a first-rate bank guarantee in the Group's favour. As of 31 December 2006, bank guarantees received amount to € 15.6 million and USD 16.6 million.

NOTE 13: EVENTS AFTER THE BALANCE-SHEET DATE

On 18 January 2007, the Group exercised its purchase option with respect to all Eutelsat S.A. shares resulting from the exercise of "Managers II" plan options by key managers and directors and officers *(mandataires sociaux)* of Eutelsat S.A. who subscribed to ABSA 1s or ABSA 2s (see Note 5.1). An amount of € 7.4 million was paid on 2 February 2007.

NOTE 14: COMPANIES INCLUDED IN THE CONSOLIDATION

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

company	Country	Consolidation method	% voting rights as of 31 December 2006	% interest as of 31 December 2006
SatBirds Finance S.A. (2)	Luxembourg	Full consolidation	100.00%	100.00%
Eutelsat Communications Finance	France	Full consolidation	100.00%	100.00%
SatBirds 2 S.A.S.	France	Full consolidation	100.00%	100.00%
White Birds S.A.S.	France	Full consolidation	100.00%	100.00%
Eutelsat S.A.	France	Full consolidation	95.11%	95.11%
Eutelsat S.A. Sub-Group				
- Eutelsat do Brasil S.A. (1)	Brazil	Full consolidation	100.00%	95.11%
- Eutelsat Italia	Italy	Full consolidation	100.00%	95.11%
- Skylogic Italia s.p.a.	Italy	Full consolidation	100.00%	95.11%
- Eutelsat Services und Beteiligungen GmbH (1)	Germany	Full consolidation	100.00%	95.11%
- Visavision GmbH (1)	Germany	Full consolidation	100.00%	95.11%
- Eutelsat Inc. (1)	United States	Full consolidation	100.00%	95.11%
- Eutelsat UK Limited	United Kingdom	Full consolidation	100.00%	95.11%
- Eutelsat Polska s.p.z.o.o.	Poland	Full consolidation	100.00%	95.11%
- Skylogic Polska s.p.z.o.o.	Poland	Full consolidation	100.00%	95.11%
- Skylogic Mediterraneo	Italy	Full consolidation	100.00%	95.11%
- Wins Ltd (1)	Malta	Full consolidation	50.00%	47.55%
- Hispasat (1)	Spain	Equity method	27.69%	26.33%

(1) : companies whose financial year-end is 31 December.
(2) : company whose financial year-end is 31 March.
NB: all other companies have a financial year-end of 30 June.

The consolidation of these subsidiaries under the full-consolidation method was performed using financials as of 31 December 2006.

On 18 July 2006, SatBirds Capital Participations S.A. was absorbed under a merger-absorption arrangement by SatBirds Finance.
On 31 August 2006, SatBirds Capital S.A.R.L. was dissolved.
On 9 October 2006, with retroactive effect as of 1 July 2006, Eutelsat Finances S.A.S. was dissolved without liquidation into Eutelsat Communications S.A.